



SCIENTIFIC AND THEORETICAL BASIS OF INVESTMENTS IN FIXED CAPITAL

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ABSTRACT	KEY WORDS
The article attempts to reveal the economic essence of the concept of investment in fixed capital, its various aspects from capital investments, based on the theoretical views and approaches of various economists. In addition, the importance of investment in fixed capital in the development of the country's economy, legal basis, conclusions and recommendations are considered.	Investments, capital investments, fixed capital, financial investments, non-financial investments, physical capital, human capital, intangible assets.

Introduction

Increasing international integration between countries in the world and rational use of limited resources require increasingly dynamic economic growth. One of the main factors in achieving economic development is the effective management of investments in fixed capital. Consideration of the conceptual aspects of this issue is of strategic importance for both the entire economy and business.

In the context of the growing global demand for products and services, the constant change of technologies, the competitive environment, and market demands, the issue of effective investments in fixed capital is becoming more urgent than ever. Understanding the essence and importance of investments in fixed capital not only allows you to optimize production processes and increase the competitiveness of the enterprise but also contributes to the development of the entire economy.

The importance of investments in fixed capital in increasing the economic potential of developing countries is extremely important. Because it is in the economies of such countries that the demand for the renewal of fixed assets is high, and this issue cannot be solved with internal resources alone. In addition, the economies of developing countries face many problems, such as financing large budget deficits, strengthening weak financial markets, achieving price stability in the economy, reducing inflation, and ensuring long-term economic growth. In recent years, the problem of attracting investments has been at the center of constant attention of the government; various aspects of this multifaceted issue have been reflected in large-scale research conducted by domestic and foreign scientists and specialists, mainly at the industrial level. Real investments play a special role in economic development, since without them it is impossible to renew and expand the main production assets of economic entities. In modern conditions, the volume of investments ensures technological growth and

improves the quality and quantity of production. This is important not only for attracting investments but also for their proper use, as a result of which economic efficiency increases. The level of investment activity and the scope of investment activities have a significant impact on the long-term activity of business entities, their development, and their competitiveness.

As President Sh. Mirziyoyev emphasized: “Investments are the locomotive of our country’s transformation and a strong driver of our economic development”¹.

In addition, in order to ensure the well-being of the population through sustainable economic growth, the “Uzbekistan-2030” strategy sets the following goals: “to consistently continue changes and institutional reforms in the economy, to ensure a favorable and business-friendly environment in the country, as well as to implement a balanced monetary and credit policy, to ensure an average annual growth of capital investments in fixed assets by 7 percent”².

The relevance of this topic is that investments in fixed capital are important for increasing the export potential of the country, creating more favorable conditions for investors for the implementation of high-tech projects, renewing, modernizing and reorganizing the main funds of the production, service sector, especially the infrastructure sector. That is why it is necessary to research the scientific-theoretical foundations of fixed capital investments, including a comparative analysis of the views and approaches of various economists in this regard.

Literature Analysis

Financial resources and mechanisms, including the scientific-theoretical and methodological foundations of investments, have been widely researched and developed in the works of A. Smith, D. Ricardo and U. Petty, representatives of classical economics from world economists, as well as P. Samuelson, Yu. Fisher and others.

The theoretical and methodological foundations of the study can be attributed to local scientists who conducted scientific research on the theoretical and practical aspects of the investment process and investment financing, including D.G. Gazibekov, N.G. Karimov, B.K. Tokhliev³, and others.

The terms “investments in fixed assets” and “capital investments” are often used synonymously. However, according to modern economists: “the term capital investments is considered a somewhat outdated concept, and its use should be limited to the period of planned economies. Investments in fixed assets should be considered as part of investments in non-financial assets, and investments in non-financial assets include investments in the acquisition of land and natural resources, research and development costs, investments in increasing the reserves of tangible working capital, and investments in intangible assets”⁴.

¹Speech by the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the Third Tashkent International Investment Forum. 02.05.2024. <https://president.uz/uz/lists/view/7194>

² Decree of the President of the Republic of Uzbekistan No. PF-158 of September 11, 2023 on the Strategy "Uzbekistan-2030". (<https://lex.uz/ru/docs/6600404>)

³ G'ozibekov.D.G'. Investment financing issues. T. "Finance". 2003.-P. 45., Karimov N.G. Problems of introducing market mechanisms of financing investments in the conditions of economic integration: 08.00.07 – “Finance, money circulation and credit. Dissertation for the degree of Doctor of Economic Sciences./Banking and Finance Academy of the Republic of Uzbekistan. – T., 2007. – 235 p.); Tokhliev B.K. Improving investment financing mechanisms. Abstract of the dissertation for the degree of Doctor of Economic Sciences (Doctor of Science). T., 2021.

⁴ В.С. Левин, Т.Н. Левина, Н.С. Советова. Трансформация сущности, содержания и характера представления количественных данных об инвестициях в основной капитал. Экономический анализ: теория и практика. Оренбург. 24 (153) – 2009

Research METHODOLOGY

In the coverage of this topic, such methods as abstract-logical thinking, generalization, comparison were used.

Analysis and Discussion of Results

The concept of “investments in fixed capital” began to be used in the local economy relatively recently - since the early 1990s. Until then, the concept of “capital investments” was widely used. According to the accepted classification of economic assets, all economic assets are divided into financial and non-financial assets. Non-financial assets are divided into produced and non-produced assets by origin. Produced non-financial assets arise as a result of the production process; there are three main types of produced non-financial assets: fixed capital, working capital reserves and valuables.

Fixed capital is the part of capital that includes the main means of production (machinery, equipment, production buildings and equipment), which gradually and over a long period of time transfers its economic value to the goods produced. The level of capitalization of labor can be assessed by the volume of fixed capital. Fixed capital is divided into two parts: capital embodied in the instruments of labor (tools and equipment, machines and mechanisms); capital embodied in the creation of material conditions of production (buildings, structures, devices, etc.). The ratio of these parts is different in different sectors of production.

In the conditions of a centrally planned economic system, the necessary funds were allocated centrally for the operation of each enterprise, all property was state property, and in this case the concept of “capital” was not popular.

Capital investments are a special case of investments aimed at the purchase and creation of fixed assets. Investments in fixed assets are a broader concept and include all types of investments aimed at increasing the value of the fixed assets of the enterprise. According to the classification of UNIDO (United Nations Specialized Industrial Development Organization), investments are divided into: physical capital (equipment, machinery, buildings, infrastructure); human capital (education, retraining); technology (R&D).

The main difference between capital investments and investments is their long-term nature. We can see how fixed capital investment differs from capital investment in the information in Table 1 below.

Table 1 The difference between the concepts of capital investment and fixed capital investment

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Signs	Capital investments	Investments in fixed capital
Scope of application	Costs of creating and purchasing fixed assets	All expenses aimed at increasing the value of fixed assets
The breadth of the concept	Special case for investments	A broader concept that includes all types of investments in fixed capital
The goal	Creating and purchasing fixed assets for long-term activities	An increase in the value of fixed assets, an increase in production and profit
Other types	Does not include other types of investments (financial, intangible assets, etc.).	Includes all types of investments aimed at increasing the value of fixed assets, including capital investments, financial and others.

Depending on the direction of investment, it can be in financial or non-financial form. Financial

⁵ Prepared by the author.

investments include money, securities, loans, shares in the authorized capital of legal entities. Investments in non-financial assets are capital investments spent on fixed assets, which are spent on the purchase of fixed assets, their repair, the purchase of intangible assets (patents, licenses, know-how, rights to use land and other objects, copyrights), the creation of raw material reserves, etc. In practice, such investments are called real investments, and their importance is great at the current stage of modernization of the economy.

The composition of non-financial investments according to international accounting classifications is presented in Figure 1. According to this figure, investments in fixed capital are understood as a type of non-financial investments and include new construction, expansion, renovation and modernization of facilities, purchase of machinery, equipment and vehicles, and the formation of major livestock and perennial crops.

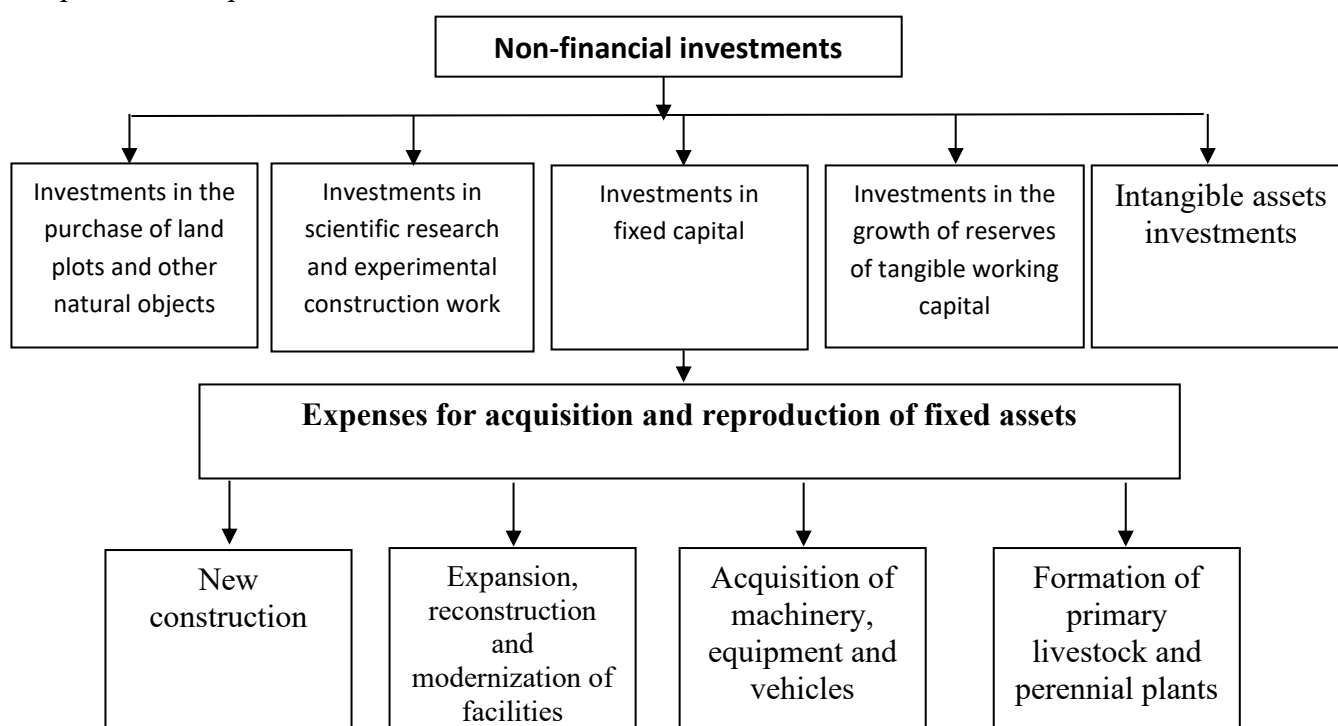


Figure 1. Investments in non-financial assets ⁶

Consequently, a result can be achieved by combining the ideas put forward in the theoretical views of researchers. For this, it is necessary to distinguish these concepts from two fundamental positions - at the level of macroeconomics and microeconomics. For example, macroeconomists J.M.Keynes⁷, Dornbush, and Fisher⁸ understand the category of “investment” as an increase in the value of capital assets of any type, without paying attention to the division of capital into working or fixed capital.

At the same time, in our opinion, investments in fixed capital should be understood only as an increase

⁶ В.С. Левин, Т.Н. Левина, Н.С. Советова. Трансформация сущности, содержания и характера представления количественных данных об инвестициях в основной капитал. Экономический анализ: теория и практика. Оренбург. 24 (153) – 2009

⁷ Антология экономической классики [Текст]. - В 2 томах. Т. 2. – М.: «ЭКОНОМ», 1992. – 486 с.

⁸ Dornbusch Rüdiger: Makroökonomik / von Rüdiger Dornbusch und Stanley Fischer – München; Wien: Oldenburg Verlag – 6., völlig überarb. und erw. Aufl. – 1995. – 813 с. Электронный ресурс. Режим доступа. <https://www.zvab.com/buch-suchen/titel/makro%F6konomik/autor/r%FCdigerfischer/>, открытый.

in the value of types of fixed capital included in fixed capital. This definition is an attempt to consider the category of “investment” in the context of the rules of neoclassical synthesis theory, which combines the theoretical principles of neoclassical microeconomics and Keynesian macroeconomics. In microeconomic theory, investments in fixed assets are considered “as a process of preserving existing fixed assets, creating new ones, expanding and improving them, which will allow the business entity to increase its profit potential in the future”⁹. Representatives of consumer behavior and time preference theory, which are dominant in Western countries, have a slightly different opinion. From their point of view, investments in fixed assets are “the abandonment of current consumption in the hope of increasing consumption in the future”¹⁰. In financial theory, investments in fixed capital are interpreted as “the exchange of a certain current value for a value that may be uncertain in the future”¹¹. In addition, we will consider such an institutional issue as the legislative framework for the concept of “investment in fixed assets”, which emphasizes the significance of this concept in a scientifically based understanding and for the further economic growth of the country. Article 5 of Chapter 2 of the Law of the Republic of Uzbekistan “On Investments and Investment Activities”¹² defines, respectively: “Investments in the creation and reproduction of fixed assets, including new construction, modernization, reconstruction, technical re-equipment, as well as the development of other forms of material production, are considered capital investments”.

Conclusion

If we make a conclusion about the economic essence of the concept of investment in fixed capital, it can be observed that different scientists have different opinions and scientific approaches, and a single definition has not been formed. This, in turn, requires conducting scientific theoretical research in this regard. The author's conclusions are as follows: investments in fixed capital are new construction, reconstruction and technical re-equipment of enterprises and organizations, purchase of machines, tools, production and household inventory, project-research work and other expenses in the fields of production and production, the period of their use will be more than one year.

Investments in fixed capital are capital investments aimed at introducing innovative technologies into production, updating manufactured products, making profit and increasing the market value of the enterprise. Investments in fixed capital provide an opportunity to introduce innovative technologies in production, to update manufactured products, to increase the market value of the enterprise and to make a profit.

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⁹ Ермаков, Е. А. Подходы к понятию сущности инвестиций [Текст] / Е. А. Ермаков // Теория и практика современной науки. – 2018. – № 5(35). – С. 260-263. – EDN ХУНВTV.

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