



IMPORTANCE OF INVESTMENT ACTIVITIES IN COMMERCIAL ENTERPRISES

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Abstract:

Investment activities play a crucial role in the success and growth of commercial enterprises. Here are some key reasons why investment is important.

Key words: Capacity Expansion, Economies of Scale, Future Growth

Introduction

Capacity Expansion

Investments in new equipment, technology, and infrastructure allow businesses to increase their production capacity and meet growing demand. This is essential for businesses to stay competitive and capture market share.

Capacity expansion is a crucial investment activity for commercial enterprises for several reasons:

1. Meeting Growing Demand:

As businesses grow and customer demand increases, they need to invest in expanding their production capacity to meet the demand. This ensures that they can fulfill customer orders and avoid lost sales due to shortages.

2. Increased Sales and Revenue:

By expanding capacity, businesses can increase their production output and sales volume. This leads to higher revenue and improved profitability.

3. Economies of Scale:

Expanding capacity often allows businesses to achieve economies of scale. This means that the cost per unit of production decreases as production volume increases. This leads to lower production costs and higher profit margins.

4. Competitive Advantage:

Businesses that invest in capacity expansion can gain a competitive advantage by being able to meet customer demand more effectively than their rivals. This can lead to increased market share and higher profits.

5. Future Growth:

Investing in capacity expansion is essential for businesses that are planning for future growth. By increasing their production capacity, they can prepare for anticipated increases in demand and avoid potential bottlenecks that could hinder their growth.

6. Job Creation:

Capacity expansion often leads to job creation, as businesses need to hire additional workers to operate the new or expanded facilities. This benefits the local economy and contributes to social and economic development.

Capacity expansion is a key investment activity for commercial enterprises. By investing in expanding their production capacity, businesses can meet growing demand, increase sales and revenue, achieve economies of scale, gain a competitive advantage, prepare for future growth, and create jobs.

Product Development and Innovation:

Investments in research and development (R&D) enable businesses to develop new products and services that meet evolving customer needs. Innovation is vital for businesses to stay ahead of the competition and create new revenue streams.

Product development and innovation are crucial investment activities for commercial enterprises for several reasons: Meeting Changing Customer Needs:

Customers' needs and preferences are constantly evolving. Businesses need to invest in product development and innovation to create new products and services that meet these evolving needs and remain competitive. Creating New Revenue Streams:

New products and services can generate new revenue streams for businesses. By diversifying their product portfolio, businesses can reduce their reliance on a single product or service and increase their overall revenue. Gaining a Competitive Advantage: Businesses that invest in product development and innovation can gain a competitive advantage over their rivals. By offering unique and innovative products or services, businesses can differentiate themselves in the market and attract new customers. Staying Ahead of Technological Advancements: Technology is rapidly changing, and businesses need to invest in product development and innovation to keep up with the latest technological advancements. This allows them to incorporate new technologies into their products and services, improving their functionality and appeal to customers. Future Growth: Investing in product development and innovation is essential for businesses that are planning for future growth. By creating new products and services, businesses can expand their market reach and tap into new growth opportunities. Customer Loyalty and Satisfaction:

Offering innovative and high-quality products and services can increase customer loyalty and satisfaction. This leads to repeat purchases, positive word-of-mouth, and increased brand reputation.

Product development and innovation are vital investment activities for commercial enterprises. By investing in creating new products and services, businesses can meet changing customer needs, generate new revenue streams, gain a competitive advantage, stay ahead of

technological advancements, prepare for future growth, and enhance customer loyalty and satisfaction.

Efficiency and Productivity:

Investments in automation, process improvements, and employee training can enhance operational efficiency and increase productivity. This leads to cost savings and improved profitability.

Market Expansion:

Investments in new markets and distribution channels allow businesses to expand their reach and increase sales. Market expansion can drive revenue growth and diversify revenue streams.

Competitive Advantage:

Investments in technology, talent, and brand building can give businesses a competitive advantage over their rivals. By differentiating themselves in the market, businesses can attract and retain customers.

Risk Mitigation: Investments in diversification, risk management strategies, and employee benefits can help businesses mitigate risks and protect their financial stability. This is especially important during economic downturns or industry disruptions.

Long-Term Growth: Investments in sustainable practices, employee development, and corporate social responsibility can contribute to long-term growth and resilience. By investing in the future, businesses can ensure their continued success.

Job Creation: Investments in new projects and business expansions often lead to job creation. This benefits the local economy and contributes to social and economic development.

Main part

The conditions of globalization accelerated the processes of integration between countries. These trends are reflected in all aspects of social-political, socio-economic, cultural-humanitarian, sports, as well as state and community life. Such trends, of course, completely changed the appearance of financial markets, commercial banks, financial mechanisms, in particular, the flow of investments.

Therefore, today it has become an axiom that any country that pursues an active investment policy achieves stable growth of its economy.

But what other measures are being taken or should be taken to fully demonstrate the banking and financial potential of our country in order to attract foreign investments?

In recent years, the rapid reforms in the banking and financial system are being carried out, first of all, in the wide introduction of modern market mechanisms in the sector. In turn, for many years, the main part of the capital of banks belonged to the state. This has been an obstacle to healthy competition in the banking sector and has had a negative impact on the quality of service. Therefore, in recent years, important institutional changes aimed at expanding the activity of banks, especially their participation in investment processes, have been implemented. A long-term strategy for the development of the banking and financial system is being developed by the head of state with the support of international financial institutions of the government and the Central Bank.

After all, on this basis, private and foreign capital enters the banking system. In the end, the share of state banks will gradually decrease and will serve to improve the competitive environment in the industry, the activity of commercial banks, the quality and culture of lending, especially their investment activity.

In this way, special attention is being paid to the development of financial markets, including the stock market, the introduction of new financial instruments and the expansion of the scope of banking services through the issuance of bonds, and the development of the banking system based on advanced information technologies. Wide and favorable conditions are being created for investors. The first step in this direction is the liberalization of the foreign exchange market. These factors are

the impetus for increasing the efficiency of commercial banks' investment activities and improving their institutional foundations.

It is in line with the priorities defined in the action strategy. It has already been established to deepen the reform of the banking system and ensure its stability, to increase the level of capitalization and deposit base of banks, to strengthen their financial stability and reliability, to further expand lending to promising investment projects and small business and private business entities.

In this sense, an opinion is expressed that investment banking is not a simple instrument for financing the traditional business activities of companies, but a system of products and services offered to meet their complex financial needs. Based on this, investment banking services are divided into five strategically important business areas. These include capital markets, corporate finance, merchant banking, project finance, and risk management.

For example, what are the investment activities of commercial banks in the capital markets? They are operations in the primary market, in particular, services in the stock market (issuance and placement, research, sponsorship, post-listing support); including services in the debt market (issuance and placement, securitization, research, etc.), and in the secondary market - services in the stock market (sales, dealing, brokerage, market-making, asset management); covers operations such as debt market services (selling, dealing, brokerage, market-making, asset management).

Business activities in the field of corporate finance represent services for the redistribution of ownership (mergers and acquisitions, etc.), restructuring services of companies in crisis, and financial consulting services.

Merchant banking is also important in the investment activities of commercial banks. The reason is that, on this basis, an opportunity is created to invest in shares (venture capital) at the initial stage of the company's activity, to invest in shares (private capital) for the purpose of growth and restructuring of the owned property base.

In project finance, that is, structural finance, private investment initiatives, mixed, that is, public and private sector cooperation, play an important role.

Industrial and financial risk management services, risk measurement and compensation consulting services are also the main parameters in the investment activity of commercial banks, in other words, confirming that they are an investment bank.

In our country, the investment policy of commercial banks is strongly demanded to be adapted to the requirements of the times based on these factors. In this, they are given the opportunity to organize a system of investment goals and to freely choose the methods of achieving these goals. From an institutional point of view, this means that complex measures are being implemented for the organization and management of investment activities. It is from this point of view that the specific activities of our commercial banks should be aimed at ensuring the appropriate composition and size of investment assets, increasing the profitability of assets at an acceptable level of risk. In turn, expanding the bank's resource base and ensuring the preservation of bank resources should also be among the goals of the perspective. Only then will pragmatic conditions be created for the liquidity, safety and profitability of investments. At this point, the following suggestions can be made regarding the factors that encourage commercial banks in the direction of investment: increasing the competitive advantage, increasing the volume of lending due to the expansion of the resource base, reducing the level of risk based on the diversification of credit portfolio risks, reducing the risk of loan non-return.

So, there is still a lot of work to be done. For example, in the banks of our country, the scale of directing short-term sources to short-term assets is still correct. Therefore, it is necessary to expand the opportunities of commercial banks to invest in long-term assets. Currently, the scale of operations of our republic's banks in the stock market remains small. It is desirable to fundamentally revise this

scale. Effective management of liquidity by commercial banks, elimination of some obstacles to rational formation of investment portfolio is a requirement of the times.

In conclusion, the result of any reform should serve to create comfortable and decent living conditions for our people. As the head of state noted, "In order for our people to earn enough income, we need to create the most favorable business and investment environment and increase the number of new enterprises and jobs. If we don't do these urgent things ourselves, no one will give them to us from abroad." Such an approach is characteristic of a true people-loving leader, who only raises the standard of living of the people through great economic leaps, treating the well-being of the population as a priority issue. It is more important than ever for commercial banks to become the most active and continuous participants in these important processes.

Conclusion

Investment activities are essential for the growth, success, and sustainability of commercial enterprises. By investing in capacity expansion, product development, efficiency, market expansion, competitive advantage, risk mitigation, long-term growth, and job creation, businesses can enhance their performance, adapt to changing market conditions, and achieve their financial goals. Product development and innovation are vital investment activities for commercial enterprises. By investing in creating new products and services, businesses can meet changing customer needs, generate new revenue streams, gain a competitive advantage, stay ahead of technological advancements, prepare for future growth, and enhance customer loyalty and satisfaction.

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