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Implementation Prospects of Investment Process For The Investors

Murtazaev Ardasher Zafar ugli

1. Independent Researcher of the Department of Finance, SamIES

* Correspondence: murtazaevardasher@gmail.com

Abstract: The article covers the formation and development of the accumulative pension fund, its influence on the development of capital investment in production activities. Specific factors that can narrow the fund's participation in investment projects are given. Specific proposals are given to activate the investment of the fund's capital in the company's activities. This study explores the development and challenges of institutional investment processes in Uzbekistan, focusing on the accumulative pension fund (APF) as a key player in the country's investment landscape. Utilizing both quantitative and qualitative research methodologies, data from official Uzbek databases were analyzed statistically. The results highlight significant limitations in the current investment climate, including underdeveloped financial infrastructure, narrow investment portfolios, and regulatory constraints on fund activities. Despite these challenges, the APF has the potential to catalyze market growth through strategic investments in securities and corporate bonds. The study concludes that creating a favorable investment environment, coupled with improved management practices and broader financial instruments, could transform institutional investors into vital contributors to Uzbekistan's economic growth and industrial development

Keywords: Fund, Non-pension Savings Fund, Securities, Bond, Investment, Investment Project, Institutional Investor, Asset, Authorized Capital, Capital.

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1. Introduction

Under contemporary economic conditions, institutional investors have become formidable entities whose impact beyond the financial sector, affecting industry, politics, and other vital domains of human advancement. Due to their capacity to amass and oversee substantial financial assets, they have emerged as one of the predominant sources of investment in the global economy. Their judgements profoundly influence financial markets, fostering both stability and volatility, while their actions frequently dictate national and international economic policies. Institutional investors are crucial in fostering innovation, backing extensive infrastructure initiatives, and shaping business strategies via active governance involvement. They constitute a heterogeneous assembly of entities, encompassing pension funds, investment firms, insurance companies, and speculative funds, each possessing distinct objectives and methods. Pension funds prioritise long-term, consistent returns to ensure retirees' financial security, whereas investment firms aggregate resources to provide clients varied portfolios and expert asset

management. Insurance companies emphasise liquidity and solvency by investing in low-risk, income-generating assets, while speculative funds, such as hedge funds, adopt high-risk, high-return strategies that frequently have considerable market influence. These entities collectively influence economic landscapes by directing investments into critical areas, fostering technological developments, and impacting employment trends. Institutional investors are progressively incorporating Environmental, Social, and Governance (ESG) criteria into their investment decisions, demonstrating an enhanced commitment to sustainability and ethical standards. Institutional investors are essential for promoting economic stability and prosperity as their influence continues to increase. Nonetheless, their considerable influence requires strong regulatory frameworks to mitigate possible dangers and guarantee their operations are consistent with overarching societal and economic goals [16].

Literature Review

In Uzbekistan, the formation and further development of institutional investors has not been intensive enough to date due to a number of reasons. One of the first institutional investors in the securities market in the domestic economy were investment and privatization funds, formed in the process of mass privatization with the purpose of accumulating funds from the population and acquiring shares of enterprises [17]. However, IPFs, which never became real financial intermediaries between private investors and the real sector of the economy, have effectively ceased the activities for which they were established since the beginning of the second stage of transition to the market (1996). In connection with the need to improve IPFs and their further transformation into full-fledged investment institutions, the Law of the Republic of Uzbekistan "On Investment Funds" was adopted, according to which the activities of the funds were regulated as follows:

- In the form of an open-end company - a mutual fund that issues redeemable shares and invests accumulated capital in securities
- In the form of a closed investment company (fund), which is not obliged to buy back the shares it has issued from the fund shareholders.

A number of problems arise on the way to the process of transformation of IPFs into new investment institutions. In addition to the absence of a developed stock market and relevant legislation in Uzbekistan, funds need to solve the problem of the management company, whose functions include managing concentrated investment resources. In order to increase the level of fund manageability, management functions should be transferred to a company that would ensure the achievement of such goals as protecting invested investment resources from possible risks, their stable increase, reducing investment management costs, etc. Transformation of IPFs into open-ended funds involves ensuring information transparency and meeting strict requirements for disclosure of information about their financial and investment activities [18].

Today, the most full-fledged internal institutional investors could be accumulative pension funds (APF). During the period of development of the NPF system, the corresponding institutional and legal infrastructure was formed. Further accumulation of long-term financial resources occurs without a parallel increase in the range of financial instruments that expand the funds' opportunities for choosing capital investment, as a result of which the funds' potential as internal institutional investors can be used unilaterally - more than 80% of assets are invested in government securities. The fund has the ability to invest pension assets in the non-state sector.

The successful investment of pension contributions and their placement in promising sectors of the economy of Uzbekistan is hampered by the lack of a favorable investment climate for domestic investors [19].

2. Materials and Methods

Both quantitative and qualitative research methods have been used in this study in order to get desired results. Data for this research has been acquired from official databases of Uzbekistan. Statistical methods have been used to analyze the obtained data.

3. Results and Discussion

The successful investment of pension contributions, their placement in promising sectors of the economy of Uzbekistan is hampered by the lack of a favorable investment climate for domestic investors. The breadth of the spectrum of investment projects in which the pension fund could participate depends on the level of development of the domestic capital market. The underdevelopment of the securities market, insurance companies necessary for activating the capital market limits the activities of the NPF system. In turn, the assets of the pension fund can become a catalyst for the development of the market itself. The narrowness of the investment portfolio of the pension portfolio is also associated with the limited market of corporate bonds and shares, the issuers of which can be large national companies. The placement of shares and bonds of companies on the stock market would allow the pension fund to invest its assets in real production enterprises [20].

The stalling of a number of projects, the main idea of which is to implement the interaction of mechanisms for activating the functioning of the secondary market for corporate securities, does not contribute to improving the investment climate for domestic investors. The project envisages the listing of shares of large joint-stock companies on the stock exchange. Securities of large enterprises are included in the listing of the stock exchange for the subsequent organization of their sale. The implementation of the project requires the largest investors, which can be, in addition to foreign banks and companies, domestic investors - pension funds that have accumulated funds in the form of assets. However, it seems that preference is given to foreign investors. Thus, foreign investors may become the winners of the tender for the placement of shares. In general, the implementation of this project is progressing slowly, the reason for this is the frequent revision by the government of the list of joint-stock companies whose state-owned shares should be withdrawn first, as well as the unwillingness of current private owners of share blocks to comply with the requirements for the disclosure of information on open transactions for the purchase and sale of shares on the stock exchange. The sooner the "blue chips" go through the listing procedure on the stock exchange of Uzbekistan, the sooner the NPFs will get the opportunity to invest in a large number of projects and thereby activate the domestic corporate securities market. In the United States with a highly developed securities market, the largest institutional investors are pension funds, which, according to various estimates, have at their disposal almost 40% of the total share capital of corporations and, thanks to a competent investment policy, largely finance their own development and at the same time make a large contribution to the national economy. In Uzbekistan, the functioning of the NPF system is complicated by the existence of strict restrictions on investment activities, provided for the protection of pension funds from various types of risks. Thus, a limit has been set: they can invest no more than 5% of pension assets in shares of one enterprise, in addition, the amount for which shares are purchased should not exceed 5% of the authorized capital of the JSC. As a result, the current investment climate for NPFs has predetermined the following boundaries for the placement of fund assets:

- ✓ 17.0% can be invested in government short-term securities
- ✓ 53.8% can be invested in government medium-term and long-term securities
- ✓ 17.0% can be invested in shares and bonds of issuers listed on the stock exchange
- ✓ 3% can be invested in MFI bonds
- ✓ 2.0% can be placed in bonds of foreign issuers
- ✓ 0.2% of the fund's assets can be invested in bonds of local executive bodies

- ✓ 7.0% can be placed in bank deposits.

An important condition for diversifying investments by type of securities, credit and monetary instruments, industry and other characteristics is the presence of a developed financial infrastructure, a set of financial instruments, mainly long-term ones, operating in the economy and ensuring a mutually beneficial investment process, which is the essence of the funded pension system.

4. Conclusion

In addition to domestic investment institutions, various foreign funds can operate in Uzbekistan. Among them, the most active are investment venture funds, which are active investors, as a rule, financing the development of small businesses in the Republic of Uzbekistan in order to obtain shares of the investee company. Funds can invest in projects worth from 0.3 to 5 million US dollars. Basically, these are the most promising, import-substituting areas of the industrial sector, the development of which the republic needs most: pharmaceuticals, telecommunications, innovative technologies, brewing, food production, bottling, packaging lines, etc.

To sum up, it can be noted that investment institutions in the Republic of Uzbekistan in the near future, with the creation of appropriate conditions for their effective functioning and the presence of a rational management model, can become one of the most important sources of investment in the economy, supporting industrial development and stimulating economic growth.

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