American Journal of Education and Evaluation Studies, Vol.1, No.9 (Dec, 2024),
E-ISSN: 2997-9439
SemantJournals
American Journal of Education and Evaluation Studies
https://semantjournals.org/index.php/ AJEES

| Research Article

Check for updates

Economic Content and Essence of Investments

Nozimov Eldor Anvarovich
Assistant of the Samarkand Institute of Economy and Service

Annotation: Economic investments refer to money, you're essentially lending money to an entity, you're buying an ownership stake in a publicly-traded company, the most common example is bonds, a new bank office represents the creation of economic assets, give a bank a certain amount of money for a predetermined amount of time, annuities come in numerous varieties, owners of preferred stock are behind bondholders in line for company assets.

Keywords: Investment, goods, company, production, machinery, business, stock, bond, cash, consumer, profit, loss, mutual funds, deposit, derivatives, hybrid investments, options, annuities.

Investments in economics can either be financial or economic. Financial investments pertain to the purchase of financial products like bonds, whereas economic investments relate to buying business capital like new machinery. Economic investment is definitely a good thing. The main benefit of it is found in how it strengthens the company and its production process. Investments can either be economic or financial. Economic investments relate to the purchasing of goods and services necessary for production. Economic investments are acquisitions made by companies to add input to their production. These acquisitions can be new machinery or a bigger factory.

Investment in macroeconomics refers to gross private domestic investment. This pertains mainly to business spending, as opposed to consumer spending. Economic investments are the investments made by businesses to drive their production. In theory, these investments tend to be solely based on the input side of production. When economists use the word 'investment, they're not referring to financial investments such as stock or bond purchases. They are referring to business activities within the economy that lead to the production of other goods and services. Investment is the value of all goods and services produced for use in the production of other goods. As with any investment, economic investments have no guarantees. The purchase of brand-new machinery doesn't fully guarantee increased efficiency as the machine could break down. Similar to the acquisition of new labor - it's never a 100 percent certainty that the newly hired employee will perform at the required level. The only way to ensure the effectiveness of economic investment is through a detailed study of markets, products, and the company's own needs. Economic investments do not have a speculative element to them. They aren't normally made with the notion that the asset in question will be sold off later for a profit. Economic investments refer to the money spent on building the productive capacity of the economy or creating a capital asset. The building of a new bank office represents the creation of economic assets and hence represents an economic investment. While the types of investments available are numerous, it's possible to group them into one of three categories: equity, fixed-income and cash. The term “equity” covers any kind of investment that gives the investor an ownership stake in an enterprise. The most common example is common stocks. Other examples are preferred shares, funds that hold stocks (such as exchange-traded funds and mutual funds), private equity. The term fixed-income covers any kind of investment that entails the investors essentially loaning money to an enterprise. The most common example is bonds, which come in various forms, including corporate and government, whether local, state or federal. Some fixed-income securities have equity-like characteristics, such as convertible bonds. Cash and cash equivalents comprise a third type of investments. Besides bills such as you might keep in a wallet, this type includes checking accounts, savings accounts, certificates of deposit and money market accounts. Money market funds are sometimes considered cash equivalents because it’s easy to withdraw from such accounts, but they are technically fixed-income securities – albeit extremely secure securities.

While it is possible to put investments into one of three categories, as described above, there are many types within these categories:

1.Stocks- also known as shares or equities, might be the most well-known and simple type of investment. When you buy stock, you’re buying an ownership stake in a publicly-traded company. Many of the biggest companies in the country are publicly traded, meaning you can buy stock in them. Some examples include Exxon, Apple and Microsoft.

2. Bonds-when you buy a bond, you’re essentially lending money to an entity. Generally, this is a business or a government entity. Companies issue corporate bonds, whereas local governments issue municipal bonds. The U.S. Treasury issues Treasury bonds, notes and bills, all of which are debt instruments that investors buy.The rate of return for bonds is typically much lower than it is for stocks, but bonds also tend to be a lower risk. There’s still some risk involved, of course. The company you buy a bond from could fold or the government could default. Treasury bonds, notes and bills, however, are considered very safe investments.

3. Mutual Funds- is a pool of many investors’ money that’s invested broadly in a number of companies. Mutual funds can be actively managed or passively managed. An actively managed fund has a fund manager who picks securities in which to put investors’ money. Fund managers often try to beat a designated market index by choosing investments that will outperform such an index. A passively managed fund, also known as an index fund, simply tracks a major stock market index like the Dow Jones Industrial Average or the S&P 500. Mutual funds can invest in a broad array of securities: equities, bonds, commodities, currencies and derivatives.Mutual funds carry many of the same risks as stocks and bonds, depending on what they are invested in. The risk is often lesser, though, because the investments are inherently diversified.

4. Exchange-Traded Funds (ETFs) are similar to mutual funds in that they are a collection of investments that tracks a market index. Unlike mutual funds, which are purchased through a fund company, shares of ETFs are bought and sold on the stock markets. Their price fluctuates throughout the trading day, whereas mutual funds’ value is simply the net asset value of your investments, which is calculated at the end of each trading session.

5. Certificates of Deposit (CDs) is considered to be a very low-risk investment. You give a bank a certain amount of money for a predetermined amount of time and earn interest on that money. When that time period is over, you get your principal back, plus the predetermined amount of interest. The longer the loan period, the higher your interest rate is likely to be. While the risk is low, so is the potential return.

6. Retirement Plan is an investment account, with certain tax benefits, where investors invest their money for retirement. There are a number of types of retirement plans such as workplace retirement plans, sponsored by your employer. If you don’t have access to an employer-sponsored retirement plan, you could get an individual retirement plan (IRA) or a Roth IRA.

7. Options is a somewhat more advanced or complex way to buy a stock. When you buy an option, you're purchasing the ability to buy or sell an asset at a certain price at a given time. There are two types of options: call options for buying assets, and put options for selling options.

8. Annuities-when you buy an annuity, you purchase an insurance policy and, in return, you get periodic payments. These payments generally come down the road in retirement, but are often purchased years in advance. This is why many people use annuities as part of their retirement savings plan. Annuities come in numerous varieties. They may last until death or only for a predetermined period of time. They may require periodic premium payments or just one up-front payment. They may link partially to the stock market or they may simply be an insurance policy with no direct link to the markets. Payments may be immediate or deferred to a specified date. They may be fixed or variable.

9. Derivative is a financial instrument that drives its value from another asset. Similar to an annuity, it's a contract between two parties. In this case, though, the contract is an agreement to sell an asset at a specific price in the future. If the investor agrees to purchase the derivative, then they're betting that the value won't decrease. Derivatives are considered to be a more advanced investment and are typically purchased by institutional investors.The three most common types of derivatives are:

- **Options Contracts:** The options contract gives the investor the opportunity to buy or sell an asset at a specific price at a specific time in the future. Call options provide you the opportunity to buy the asset at that price and put options allow you to sell that asset.
- **Futures Contracts:** Futures are contracts that commit to a sale to being made at a specified time and on a specified date.
- **Swaps:** This is an agreement between two parties to exchange cash flows in the future.

10. Commodities are physical products that you can invest in. They are common in futures markets where producers and commercial buyers – in other words, professionals – seek to hedge their financial stake in the commodities.Retail investors should make sure they thoroughly understand futures before investing in them. Partly, that's because commodities investing runs the risk that the price of a commodity will move sharply and abruptly in either direction due to sudden events. For instance, political actions can greatly change the value of something like oil, while the weather can impact the value of agricultural products.

Here's a breakdown of the four main types of commodities:

- **Metals**: precious metals (gold and silver) and industrial metals (copper)
- **Agricultural**: Wheat, corn and soybeans
- **Livestock**: Pork bellies and feeder cattle
- **Energy**: Crude oil, petroleum products and natural gas

11. Hybrid Investments-incorporate elements of equities and fixed-income securities. One such example is preferred shares, which is an equity security with a bond-like feature. Preferred stock generally comes with a fixed dividend rate. Dividends to preferred shareholders are paid before dividends to common shareholders. Another difference is that if the company that issued the shares is liquidated, preferred stockholders will have access to the company's assets before common stockholders. Owners of preferred stock are behind bondholders in line for company assets, but they're ahead of owners of common stock.

Preferences:

1. "Price-Earnings Ratio - P/E Ratio'' Investopedia.
2. Jump up to: "Is Growth Investing the Right Money-Making Method for You?". Investopedia.
3. Chandler, Simon. "A growth stock is a company expected to rise faster than the overall market, offering bigger gains for investors who don't mind risk". Business Insider.
4. Chan, Louis K.C.; Lakonishok, Josef ."Value and Growth Investing: Review and Update". Financial Analysts Journal.
5. Anvarovich, N. E. (2024). THE ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN THE FINANCING AND FINANCING OF INVESTMENT ACTIVITIES. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(3), 201-204.
6. Anvarovich, N. E., & Nuriddinovna, B. P. (2024). Credit Policy of Commercial Banks in Uzbekistan: Its Formation and Implementation. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(4), 205-209.
7. Anvarovich, N. E., & Shuxrat o'g'li, F. B. (2024). The Role and Influence of International Financial Institutions in the Development of the Financial Market. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(4), 221-228.
8. Anvarovich, N. E., & Parizoda, M. (2024). THE ESSENCE AND FUNCTIONS OF THE CENTRAL BANK REPUBLIC OF UZBEKISTAN. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(5), 230-233.
9. Avnimelech, Gil; Teubal, "Creating venture capital industries that co-evolve with high tech: Insights from an extended industry life cycle perspective of the Israeli experience". Research Policy.
10. "Momentum Investing". The Balance.
11. Jump up to:"Investment Strategies to Learn Before Trading". Investopedia. Retr
12. Graham, Benjamin (2003). The intelligent investor : a book of practical counsel. HarperBusiness Essentials.
13. "The Innovators – Meet the 65 Companies and Their Owners Who Have Conjured Up the Latest Wave of Products, Services, and Technologies".
14. Anvarovich, N. E. (2023). Agricultural Insurance and it's Development Today. *Central Asian Journal of Innovations on Tourism Management and Finance*, *4*(4), 17-22.
15. Eldor, N., & Asal, N. (2024). THE ROLE OF INVESTMENTS IN INNOVATIVE DEVELOPMENT. *EUROPEAN JOURNAL OF INNOVATION IN NONFORMAL EDUCATION*, *4*(3), 479-482.
16. Anvarovich, N. E. (2024). THE DEVELOPMENT OF ELECTRONIC COMMERCE IN THE USA. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(5), 227-229.
17. Anvarovich, N. E. (2024). Property Taxes in the System of Taxes and Fees. *Gospodarka i Innowacje.*, *46*, 302-307.
18. Anvarovich, N. E. (2024). Investments in the Development of the National Economy of the Republic of Uzbekistan. *Web of Semantics: Journal of Interdisciplinary Science*, *2*(4), 198-204.
19. Anvarovich, N. E. (2024). POSSIBILITIES OF USING DIGITAL TECHNOLOGIES IN THE BANKING SYSTEM OF UZBEKISTAN. *Gospodarka i Innowacje.*, *53*, 189-193.
20. Lucchetti, Aaron. "E-Tailers Allow Buyers to Add Fund Investments to Carts".