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SOME ISSUES OF IMPROVING INVESTMENT ACTIVITY FINANCING IN JOINT STOCK COMPANIES

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Abstract

This article is devoted to the study of key issues related to improving the financing of investment activity in joint stock companies. Investment activity is considered as a crucial factor in ensuring sustainable economic growth, modernization of production, and enhancement of corporate competitiveness. The article examines the theoretical foundations of investment activity, forms and sources of its financing, as well as the role of internal and external financial resources in the development of joint stock companies. The results of the research can be applied in the financial management practice of joint stock companies and may serve as a basis for further studies in the field of corporate finance and investment management.

Keywords: Investment activity, investment financing, joint stock companies, capital structure, corporate finance, investment efficiency

Introduction

Investment activity plays a decisive role in ensuring sustainable economic growth, modernization of production, and increasing the competitiveness of enterprises. In market economies, joint stock companies (JSCs) are among the

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most important organizational forms that attract and effectively use investment resources. However, financing investment activity in joint stock companies is associated with a number of financial, institutional, and managerial problems. These issues require scientific analysis and practical recommendations aimed at improving investment financing mechanisms. Investment activity is a key driver of economic growth and structural transformation. In economic theory, investment activity is defined as the process of allocating financial, material, and intellectual resources into assets and projects with the objective of generating future income, increasing capital value, and achieving strategic development goals.

For joint stock companies (JSCs), investment activity has a decisive role, since it directly influences production capacity, technological renewal, competitiveness, and long-term financial stability. Through investment activity, joint stock companies ensure expanded reproduction of capital, modernization of fixed assets, and implementation of innovative projects. Investment activity also reflects the interaction between savings and capital accumulation. In this context, joint stock companies act as intermediaries that transform attracted savings into productive investments. The effectiveness of this process depends largely on the availability and structure of financing sources, as well as on the quality of financial management. In modern market conditions, characterized by globalization, digitalization, and increasing competition, the role of investment activity has significantly increased. Joint stock companies are required to continuously adapt their investment strategies and financing mechanisms to external economic changes. Therefore, improving investment activity financing is considered a priority task of corporate finance management.

Investments in joint stock companies can be classified according to several criteria, which allows a comprehensive analysis of their economic nature and financing characteristics. According to the object of investment, investments are divided into real and financial investments. Real investments are directed toward

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the creation, acquisition, or modernization of tangible assets such as buildings, machinery, equipment, and technologies. These investments form the production base of joint stock companies and have a direct impact on operational efficiency. Financial investments involve the purchase of financial instruments, including shares, bonds, and other securities. For joint stock companies, financial investments serve as a means of temporary placement of free funds, diversification of risks, and participation in the capital of other enterprises. Based on the investment period, investments are classified into short-term and long-term. Joint stock companies mainly focus on long-term investments, as they are associated with strategic development objectives and require stable financing sources. According to the source of financing, investments are divided into internally financed and externally financed investments. The rational combination of these forms determines the sustainability and efficiency of investment activity.

Financing investment activity in joint stock companies is carried out through a system of internal and external sources. Internal sources include retained earnings, depreciation funds, reserve capital, and internal reserves formed as a result of cost optimization. Retained earnings are one of the most important sources of investment financing, as they do not create additional financial obligations and enhance financial independence. Depreciation funds play a crucial role in financing investments aimed at the renewal and modernization of fixed assets. External sources of financing include bank loans, issuance of shares, corporate bonds, leasing, project financing, and foreign investments. Issuing shares allows joint stock companies to attract long-term capital without increasing debt, although it may lead to dilution of ownership. Bank loans remain a widely used source of investment financing; however, high interest rates and strict lending conditions often limit their accessibility. Corporate bonds provide an alternative mechanism for attracting long-term financial resources, especially for financially stable joint stock companies.

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Investment activity financing in joint stock companies is based on a number of fundamental principles, including profitability, risk minimization, diversification of financing sources, liquidity, and financial sustainability. Observance of these principles ensures efficient use of financial resources and achievement of strategic objectives. The mechanism of investment financing includes identification of investment needs, selection of appropriate financing sources, evaluation of investment risks, and monitoring of investment project performance. Financial planning and forecasting play a central role in determining the optimal structure of investment financing. In modern economic conditions, joint stock companies increasingly apply innovative financing mechanisms such as leasing, project financing, public-private partnerships, and venture capital financing. These mechanisms expand access to investment resources and support the implementation of large-scale and innovative projects. At the present stage of economic development, investment activity financing in joint stock companies is characterized by structural changes and growing dependence on market-based financial mechanisms. Joint stock companies operate in conditions of increasing competition, limited internal resources, and rising requirements for financial transparency and efficiency. In many joint stock companies, internal sources such as retained earnings and depreciation funds remain the primary means of financing investment activity. However, these sources are often insufficient to implement large-scale and long-term investment projects. As a result, companies are forced to attract external financial resources. Bank loans continue to play a significant role in financing investment activity. Nevertheless, high interest rates, short repayment periods, and strict collateral requirements limit their use, especially for capital-intensive projects. This situation reduces the investment activity of joint stock companies and increases financial risks. The development of the securities market has expanded opportunities for attracting investment resources through the issuance of shares and corporate bonds. Despite this, the level of activity in the corporate securities

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market remains relatively low due to insufficient investor confidence and underdeveloped market infrastructure.

The structure of investment financing in joint stock companies reflects the balance between internal and external sources of capital. Internal financing sources include retained earnings and depreciation charges, which are considered financially stable and low-risk. External financing sources include bank loans, bond issuance, additional share issues, leasing, and foreign investments. The choice of financing source depends on the company's financial condition, investment strategy, and risk tolerance. In practice, many joint stock companies demonstrate a high dependence on borrowed funds, which leads to an increase in financial leverage and debt burden. Excessive reliance on debt financing may negatively affect financial stability and reduce investment attractiveness. An important task of financial management is to optimize the structure of investment financing by ensuring a rational ratio between equity and borrowed capital. This allows companies to minimize the cost of capital and maintain financial sustainability.

Despite the availability of various financing instruments, joint stock companies face a number of problems in financing investment activity. One of the main problems is the shortage of long-term financial resources, which limits the implementation of strategic investment projects. Another significant issue is the high level of investment risk associated with macroeconomic instability, inflation, and exchange rate fluctuations. These factors reduce investor interest and increase the cost of attracted capital.

Low transparency of financial reporting and weaknesses in corporate governance also negatively affect investment activity financing. Insufficient disclosure of information reduces investor confidence and limits access to capital markets. In addition, the underdevelopment of financial infrastructure and limited use of modern financing instruments hinder the growth of investment activity in joint stock companies.

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The effectiveness of investment activity financing in joint stock companies can be assessed using a system of financial and economic indicators. These include return on investment (ROI), net present value (NPV), internal rate of return (IRR), and payback period. Regular evaluation of these indicators allows joint stock companies to identify inefficient investment projects and adjust financing strategies. Effective investment financing ensures not only profitability but also long-term financial stability.

One of the priority directions for improving the financing of investment activity in joint stock companies is the strengthening and more efficient use of internal financial resources. Internal sources ensure financial independence, reduce dependence on external creditors, and contribute to long-term financial stability. The main internal source of investment financing is retained earnings. An effective profit management policy aimed at increasing profitability and optimizing cost structures allows joint stock companies to accumulate sufficient funds for reinvestment. Reinvestment of profits supports sustainable growth and reduces financial risks associated with borrowed capital.

Another important internal source is depreciation funds. A rational depreciation policy, including the application of accelerated depreciation methods, enables companies to accumulate resources more rapidly for the renewal and modernization of fixed assets. This contributes to technological development and productivity growth.

Despite the importance of internal sources, joint stock companies often require external financing to implement large-scale and capital-intensive investment projects. Therefore, improving external financing mechanisms is a key factor in expanding investment activity. One of the most effective mechanisms is the development of the corporate securities market. Issuance of shares and corporate bonds provides access to long-term financial resources and diversifies financing sources. To achieve this, it is necessary to strengthen investor protection, increase market transparency, and improve regulatory frameworks.

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Bank lending also remains a significant source of investment financing. Improving credit conditions, such as reducing interest rates, extending loan maturities, and introducing state-supported investment loan programs, can stimulate investment activity in joint stock companies. In addition, leasing, project financing, and public-private partnership mechanisms can be actively used as alternative forms of investment financing, especially for infrastructure and innovation projects.

Corporate governance quality plays a decisive role in attracting investment resources. Transparent and effective corporate governance systems increase investor confidence and improve access to capital markets. The implementation of international financial reporting standards (IFRS), timely disclosure of financial information, and strengthening the role of independent directors contribute to improving transparency and accountability in joint stock companies. These measures allow investors to objectively assess financial performance and investment potential. Furthermore, the development of long-term investment strategies and integrated risk management systems helps reduce uncertainty and ensures more efficient allocation of financial resources.

To improve the overall efficiency of investment activity financing, joint stock companies should focus on strategic planning and continuous monitoring of investment projects. The application of modern financial evaluation tools, such as NPV, IRR, and sensitivity analysis, enables better investment decision-making. Diversification of financing sources, optimization of capital structure, and active cooperation with financial institutions help reduce the cost of capital and financial risks. At the macroeconomic level, government support measures, development of financial infrastructure, and improvement of the investment climate play an important role in stimulating investment activity. Thus, the implementation of these strategic directions will contribute to improving investment activity financing in joint stock companies and ensuring their sustainable long-term development.

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Conclusion

This article examined key issues related to improving the financing of investment activity in joint stock companies. Investment activity was identified as one of the main factors ensuring sustainable economic growth, modernization of production, and enhancement of corporate competitiveness. In the course of the research, the theoretical foundations of investment activity and its financing mechanisms were studied. It was determined that effective investment financing depends on the rational combination of internal and external sources, as well as on the quality of financial management and corporate governance. Internal sources such as retained earnings and depreciation funds play a crucial role in ensuring financial stability, while external sources expand opportunities for implementing large-scale investment projects.

The analytical part of the study revealed that joint stock companies face a number of challenges in financing investment activity, including limited access to long-term financial resources, high cost of borrowed capital, investment risks, and insufficient development of capital markets. These factors negatively affect investment activity and reduce its efficiency. Based on the conducted analysis, a system of practical recommendations was developed. The main directions for improving investment activity financing include strengthening internal financing sources, developing external financing mechanisms, enhancing corporate governance, increasing transparency, and improving investment attractiveness. The implementation of these measures will contribute to increasing the efficiency of investment financing and ensuring sustainable long-term development of joint stock companies.

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