Modern American Journal of Business, Economics, and Entrepreneurship
ISSN (E): 3067-7203
Volume 01, Issue 09, December, 2025
Website: usajournals.org

RISKS IN THE ACTIVITIES OF ENTERPRISES WITH FOREIGN INVESTMENT

A. A. Abduraxmonov
PhD Student at Samarkand
Institute of Economics and Service
azizabdurahmonov65@gmail.com

Abstract
This article analyzes the main risks encountered in the activities of enterprises with foreign investment, their economic content and management mechanisms on a scientific basis. The causes of political, economic, currency, market and institutional risks inherent in foreign investors and modern methods of reducing their impact are shown. The results of the study show that a correct assessment of risks and a diversification approach are important in ensuring the stability of foreign investment.

Keywords: Foreign investment, risks, investment environment, political risk, economic risk, multinational enterprises, MIT research, risk management, currency risk, market uncertainties.

Introduction

In a market economy, foreign investment is recognized as one of the main drivers of the country's economic development. Enterprises with foreign investment bring advanced technologies to the economy, increase competition, and create new jobs. However, the operation of foreign capital is closely associated with a high level of uncertainty and risks, which significantly affect the profitability, stability, and investment decisions of the enterprise.

The following remarks of the President of the Republic of Uzbekistan Shavkat Mirziyoyev, made at the meeting of the Council of Foreign Investors on June 11, 2025, deeply reflect the strategic importance of this direction: “We are building a New Uzbekistan - an open, free, stable and reliable country for

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investors. Each proposal and comment will be considered in detail, and a separate roadmap will be adopted by our government. ”

According to international investment theory (Dunning's OLI paradigm, Hymer's theories), investment activities in world markets are always accompanied by certain risks. Especially in developing countries, factors such as the volatility of the political institutional system, insufficient macroeconomic stability, exchange rate fluctuations, and the stability of the legal framework increase the level of risks.

From this point of view, a systematic analysis of the risks faced by enterprises with foreign investment and the development of scientifically based management mechanisms are an urgent issue in today's globalization process.

Literature Review

Foreign investment has been studied by many foreign scholars as an important factor in economic growth, international integration, and technological modernization. In this process, scientific approaches have been formed to the origin of risks, their impact on economic performance, and the development of management mechanisms.

One of the first fundamental works on the analysis of foreign investment risks was developed by S. Hymer[1], who substantiated the influence of market imperfections and the institutional environment on investment risks in the activities of transnational enterprises. Later, J. Dunning’s[2] OLI paradigm explained the interrelationship of factors affecting foreign investment decisions - ownership advantages, location conditions and internalization mechanisms, and made it possible to assess risks in terms of these factors.

MIT scientists — D. Acemoglu, S. Johnson, J. Robinson[3] — have deeply analyzed the political and institutional basis of investment risks and substantiated through scientific models that the stability of economic development is directly dependent on the quality of state institutions. According

[1] The International Operations of National Firms: A Study of Direct Foreign Investment. 1976.
[2] The Eclectic Paradigm and the International Allocation of Economic Activity. 1979.
[3] The Colonial Origins of Comparative Development: An Empirical Investigation. 2001. Institutions as the Fundamental Cause of Long-Run Growth. 2004.

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to them, investment risk is determined not only by macroeconomic fluctuations, but also by the consistency of legal decisions, the level of corruption, and political stability.

Harvard Business School scholar M. Porter[4] is widely used in assessing market risks associated with foreign investments. His "five forces" model shows that the main sources of risk for foreign investors are the volatility of competitive conditions, the dynamics of market demand, and the availability of alternative products.

Representatives of European academic schools — in particular, the LSE (London School of Economics) — P. Collier[5] and N. Stern[6] linked investment risks in developing countries to the quality of infrastructure, the level of social stability, and the effectiveness of public administration, and proposed comprehensive assessment criteria for them.

Issues related to foreign investment risks, institutional changes, and economic stability in the countries of the Commonwealth of Independent States have been studied by economists such as N. Makashev, L.N. Krasavina[7], and A.P. Kireev[8]. Their scientific work shows that the level of economic risks directly affects the investment attractiveness of a country.

Research Methodology

This study used systematic analysis, comparative analysis, and economic-statistical methods to identify risk factors in the activities of enterprises with foreign investment and assess their impact. Based on empirical data, dynamic series analysis and correlation-assessment methods were used to measure the stability of investment activities. In order to clarify theoretical approaches, the works of advanced foreign and domestic researchers were summarized through scientific abstraction and inductive analysis.

[4] Competitive Strategy: Techniques for Analyzing Industries and Competitors. 1980.
[5] The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done. 2007.
[6] The Economics of Climate Change: The Stern Review. 2007.
Актуальные финансовые и кредитные проблемы
[7] инвестиционной политики. 2003.
[8] Международная экономика. 2000.

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Analysis and results

Risk is primarily a factor that causes danger, risk, loss and damage or profit, reflecting the content of these economic concepts. It is an economic category with an objective nature based on uncertainty, serving as the initial source of risk, risk, risk, loss and damage or profit in the activities of enterprises and their occurrence. This is due to the fact that the decision made by the manufacturer is influenced by several unpredictable and unexpected uncertain factors.

Risk is an objective economic category that is the result of the enterprise's operation in an environment of uncertainty associated with risk and the cause and effect of processes related to and unrelated to the economic entity - the inability to implement or exceed the intended plan and the possible results of profit or loss.

Risk is directly related to management and is directly related to the effectiveness and validity of management decisions being made. No manager can completely eliminate risk in his or her activities. Therefore, any manager and entrepreneur, when starting a business, always takes a certain amount of risk, taking risks. In revealing the essence of risk, its specific elements of probability, inevitability, contradiction, complexity, alternation, variability, spontaneity, and their qualitative characteristics are of particular importance[9].

The main risks faced by enterprises with foreign investment

1. Exchange rate risk
2. Price/market risk
3. Cost risk
4. Regulatory risk
5. Technological risk
6. Operational risk

Companies with foreign investment face various risks that can significantly affect their activities. The main risks include the following groups of risks:

[9] Ashurov M.S. Risk muhitida sanoat korxonalarining barqaror rivojlanishini ta'minlash yo'nalishlari. "Iqtisodiyot va innovatsion texnologiyalar" ilmiy elektron jurnali, №3, 2020, 105-114 b.

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political risks, legal risks, economic risks, financial risks, social risks, trade risks, technological risks, etc.

To date, economists have developed a number of methods for assessing financial risks in enterprises, each of which has its own characteristics. We can conditionally divide these methods into two groups:

1) Statistical methods for assessing risks: standard deviation of profitability (σ);Value at Risk method; CVaR method.

2) Expert methods for assessing risks: rating methods; scoring methods; Delphi method.

All of these methods are widely used in practice by corporate structures today. Managers assessing financial risks can choose methods that are convenient for them and use them in assessing financial risks. In this regard, we believe that it is important to make financial decisions based on the characteristics of the method used. Because the levels of financial risk determined based on the methods used today may have different values. However, in most cases, these values are close to each other.

Risk assessment for companies with foreign capital is an important process aimed at minimizing possible losses and increasing management efficiency. Depending on the type of risk, different assessment methods are used, but they usually include several main stages:

1. Risk identification

At this stage, it is necessary to identify all the risks that the company may face.

2. Classification and systematization of risks

After identifying risks, they should be classified by type, probability of occurrence and potential damage. This allows you to prioritize and focus on the most important risks.

3. Risk Assessment

In this regard, qualitative and quantitative assessment methods can be used.

For qualitative assessment, SWOT and PEST analysis methods are used. SWOT analysis consists of an analysis of strengths, weaknesses, opportunities and

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threats. This analysis helps to assess internal and external risk factors and their impact on the company. Strengths can be used to overcome risks. Weaknesses are identified as weaknesses of the company. Opportunities are external factors that a company can use to minimize risks. Threats include external risks such as changes in legislation, economic crises, and political instability.
In the PEST analysis, political, economic, social, and technological factors that can affect a business are evaluated.

4. Assessing the level of probability and consequences

Assessing the probability means assessing the likelihood of a particular risk occurring. This can be expressed as a percentage or as a scale (low, medium, high probability).
The analysis of the consequences that a risk will have for the company is carried out during the damage assessment process. For example, financial losses, loss of reputation, or loss of competitiveness can be assessed.

5. Assessing risk tolerance

Businesses need to determine the level of risk that they are willing to accept in their activities. If the probability of a risk occurring and the consequences are serious, it is necessary to develop a plan to reduce it. If the risk is low and tolerable, additional measures may not be required.

6. Develop risk management strategies

After assessing the risks and their impact on the company's activities, measures to manage them should be developed. These measures can be implemented in several directions:
• Risk avoidance. Completely avoiding high-risk activities.
• Risk minimization. Applying measures to reduce the likelihood or consequences of the risk (for example, diversifying the business, insurance).
• Risk transfer, that is, transferring risks to third parties through insurance or concluding a contract.
• Risk acceptance. Consciously choosing not to take active steps to reduce the risk if its consequences are acceptable.

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7. Monitoring and controlling risks.

PEST analysis of the external environment affecting the activities of enterprises with foreign investment in the Republic of Uzbekistan

P – Political (Siyosiy)	**E – Economic (Iqtisodiy)**
• Political stability • Economic liberalization • State monopoly • International relations • Fight against corruption	• Political stability • Economic liberalization • State monopoly • International relations • Fight against corruption
S – Social (Ijtimoiy)	**T – Technological (Texnologik)**
• Population and labor resources • Education level • Cultural factors • Urbanization	• Innovation and Digitalization • Infrastructure and Transport • Energy Development • Technological Education

From the point of view of risk analysis, let's take the current textile complex "Bukhara Agrocluster" LLC as the object of study. This enterprise is located in the Free Economic Zone of the Shafirkon district of the Bukhara region. The foreign partner is the Turkish company "ASTAS JUKI" and other foreign organizations. Investment volume: 92 billion soums (~3.2 million € together with equipment). The production line is mainly export-oriented garments and textile products. The issue of currency risk is mainly relevant for this enterprise. The question naturally arises why. If I speak scientifically, first of all, the enterprise was established with Turkish investment and imports some raw materials, equipment or technologies, and the price of imported products is often calculated in foreign currency (USD, EUR, TRY). Also, part of the products manufactured by the enterprise can be exported, that is, income is also received in foreign currency.

As a result

If the exchange rate (UZS/$) changes:

• Import costs increase or decrease → costs (TC) change

• Export revenues increase or decrease → revenue (TR) changeBu

directly affects the profit of the enterprise (π).

Profit of the enterprise:

π=(Pexport·ER)Q−(C(Q)+Cimport)

If ER (exchange rate) changes, profit π\piπ also changes linearly or elastically:

Δπ=Q·Pexport·ΔER−ΔCimport

• Thus, if we do not take into account exchange rate risk, financial planning and profit forecasting will not be accurate.

In conclusion, we can say that:

1. The enterprise depends on imported raw materials and technology → expenses depend on currency.
2. Export revenue may be in currency → income also depends on currency.
3. The exchange rate in the Uzbek market is unstable → profit forecast is uncertain.

Therefore, it is very relevant to consider exchange rate risk in the Bukhara textile project.

Conclusion

Investment is always a journey that goes hand in hand with uncertainty, and managing it tests the skills of each investor. The study systematically analyzed market, financial, political, currency, operational and environmental risks, each of which has a different impact on economic processes. In the conditions of Uzbekistan, risks are associated not only with global factors, but also with national characteristics - changes in legislation, bureaucratic obstacles and underdeveloped infrastructure. At the same time, the government's measures to liberalize the economy and support the private sector create positive opportunities, that is, risks and opportunities combine, opening up new horizons. To reduce risks, diversification, targeted use of financial instruments and modern technologies are important, which makes the investment path sustainable and effective. This study serves as a reliable theoretical and practical guide in the formation of investment strategies.

Diversification, targeted use of financial instruments and modern technologies are important to reduce risks, which makes the investment path sustainable and

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effective. At the same time, the main task for every investor and researcher is to anticipate risks, make informed decisions and constantly update their strategy. Thus, this study not only provides investment recommendations, but can also serve as a reliable guide in forming economic decisions. This creates a solid foundation for the safe and effective direction of future investment strategies.

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