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Directions to Increase the Efficiency of Investment Activity in Enterprises

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ABSTRACT: In the development of the economies of different regions of the world, the imbalance between supply and demand for investment, the flow of investment from developed to developing economies is growing. This paper studies the case of “Taxiatash” JSC’s investment strategy in Uzbekistan and gives some recommendations to improve investment efficiencies of enterprises.

KEYWORDS: investment, investment strategies, investment projects, Taxiatoosh JSC, Uzbekistan

I. INTRODUCTION

According to the UNCTAD Investment Trends Monitor, “the share of foreign direct investment globally is expected to decline in 2020, from \$ 1.5 trillion (42%) in 2019 to \$ 859 billion”. Such a low level was last observed in the 1990s. It is the lowest figure since the global financial crisis of 2008-2009. In 2021, despite forecasts for a global economic recovery, UNCTAD estimates that foreign investment flows are expected to remain low due to uncertainty over the evolution of the COVID-19 pandemic. In turn, the existence of many problems related to improving the efficiency of investments remains one of the key factors determining the need to improve the financial management of investment activities.

In international practice, one of the most pressing issues in the investment decisions of companies is the assessment of investment efficiency, the correct choice of the evaluation mechanism, the management of investment projects. The optimal formation of the capital structure of companies, the minimization of the cost of capital and ensuring financial stability on the basis of established standards are directly related to the effective development of investment policy. It is also important to assess the effectiveness of investment activities in this area, to conduct research on the organization of the strategic management process, the improvement of the investment risk management system. This situation determines the target areas that are planned to be addressed within the chosen dissertation research topic.

Increasing the volume of investments in the real sector in Uzbekistan, thereby accelerating socio-economic development, raising living standards and incomes, ensuring comprehensive and effective use of natural, mineral resources, industry, agriculture, tourism and labor potential of each region, districts and cities, First of all, economic reforms aimed at reducing the gaps in the level of socio-economic development of the regions through the rapid development of industrial and export potential are being consistently implemented. The Action Strategy for the Further Development of the Republic of Uzbekistan states that “the implementation of an active investment policy aimed at modernization, technical and technological renewal of production, implementation of production, transport and communication and social infrastructure projects will improve the investment climate. Active attraction of foreign direct investment ”has been identified as one of the priorities.

II. RELATED WORK

One of the important conditions for the effective organization of investment policy of enterprises is to increase the efficiency of investment activities, assess the cost-effectiveness of projects, make decisions to minimize investment risks. In addition, in today's pandemic, effective organization of investment activities and maintaining a minimum level of financial stability is one of the key issues facing joint-stock companies. The results of the study show that one of the key aspects in the process of improving investment activity is to focus on evaluating the effectiveness of investment activities, taking into account external and internal factors.

A number of definitions and approaches have been given by our foreign and local scientists to ensure the efficiency of investment activities of enterprises. Including B.Y.Heo and W.H. According to Heolar, the evaluation

of the effectiveness of investment activities should be determined using profitability indicators. One of the main criteria for assessing the effectiveness of investment activities is financial efficiency, in addition, the level of social efficiency of investment activities is partially reflected in the rate of return. According to I. Marcelin, the efficiency of investment activity depends on the main directions of the enterprise's investment activity aimed at achieving medium and long-term goals, especially in the process of investment cycle duration, multifactorial and changing market conditions. According to Makarenko, an important component of investment activity is to ensure a favorable investment climate. Socio-economic dynamics, the efficiency of the global division of labor and, on this basis, the growth of the national economy depend on the organization of the investment climate. It is based on the fact that the efficiency of investment activities of the enterprise depends directly on the investment climate of the national economy. According to P.N. Zavlin, ensuring the effectiveness of investment activities depends on the degree of determining the impact of external and internal factors on the implementation of the tasks set for investment activities. According to the scientist, investment plays an important role in increasing financial stability by ensuring efficiency.

According to O. Astanukulov, the company noted the complexity of the first stage of investment activity. In his view, the greater the probability at this stage depends on a more selective in-depth analytical approach. Based on the results of such analyzes, the enterprise's investment activities are planned and implemented. In our opinion, the efficiency of investment activities is achieved by selecting long-term and short-term investment projects based on the company's investment strategy, using models of net present value (NPV), internal rate of return (IRR), value added (EVA), without exceeding the established norm.

III. ANALYSIS AND RESULTS

The state of investments in key sectors and industries of the economy of the Republic of Karakalpakstan is analyzed, the investment strategy of JSC "Taxiatosh dan products" is developed, as well as the impact of macroeconomic factors affecting the flow of investments is analyzed using a regression model.

Modernization of the economy, deepening of reforms, creation of new production capacities and fixed assets, modernization of existing equipment and technologies in industries and sectors of the economy, their support depends on the correct and effective implementation of investment processes. In this regard, special attention is paid to the implementation of an active investment policy aimed at modernization of production, technical and technological renewal, production, agriculture, transport and communications and social infrastructure projects. To this end, emphasis is placed on the use of centralized, decentralized funds, foreign investments and loans, as well as their effective use. Currently, many companies are using modern models to increase the efficiency of investment activities, using similar models, developed an investment strategy for JSC "Taxiatosh Don Mahsulotlari". At the same time, the stages of implementation of the investment strategy of the joint-stock company were analyzed, and the criteria for evaluating this strategy were formed. If we analyze the activities of the joint-stock company, there was no significant change in the amount of investment of the joint-stock company during the 5-year period (Figure 1).

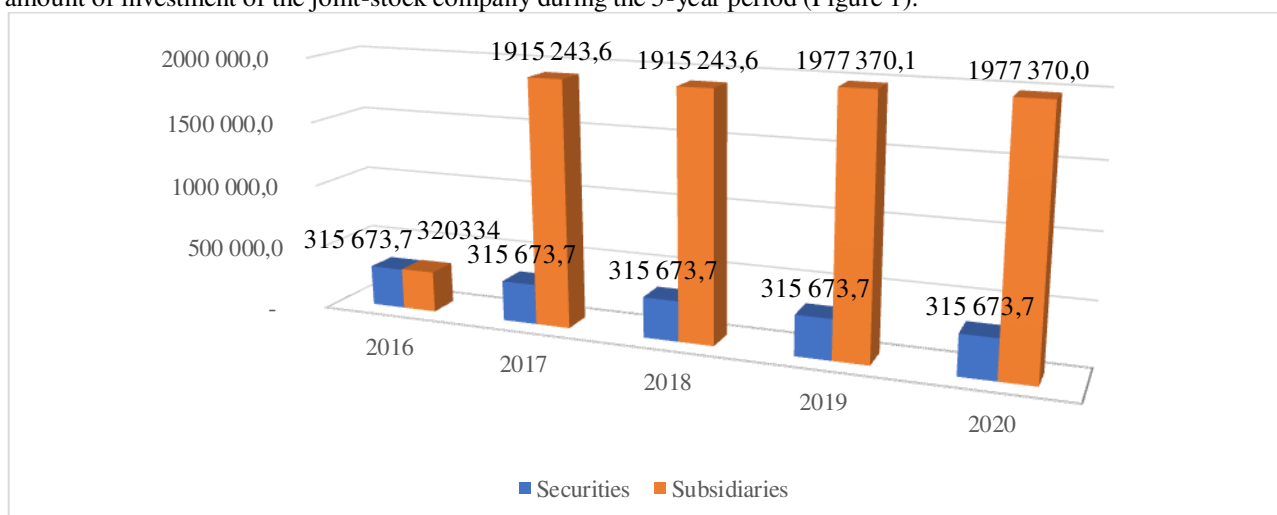


Figure 1: Dynamics of investments of JSC "Taxiatosh Don Mahsulotlari" over the years (in thousands of soums)

Source: Reports of JSC

As can be seen from the data in Figure 1, the amount of investment made by the joint-stock company has not changed significantly over the years. The reason for this is that the joint-stock company has not developed an investment strategy or criteria for evaluating the effectiveness of investment projects. For this reason, we have developed an investment strategy for JSC "Taxiatosh Don Mahsulotlari" and criteria for assessing its effectiveness by analyzing the current state of the joint-stock company. Figure 2 shows that neither the amount of the joint-stock company's income from investment activities nor the rate of return is high, which once again demonstrates the need for the joint-stock company's investment strategy.

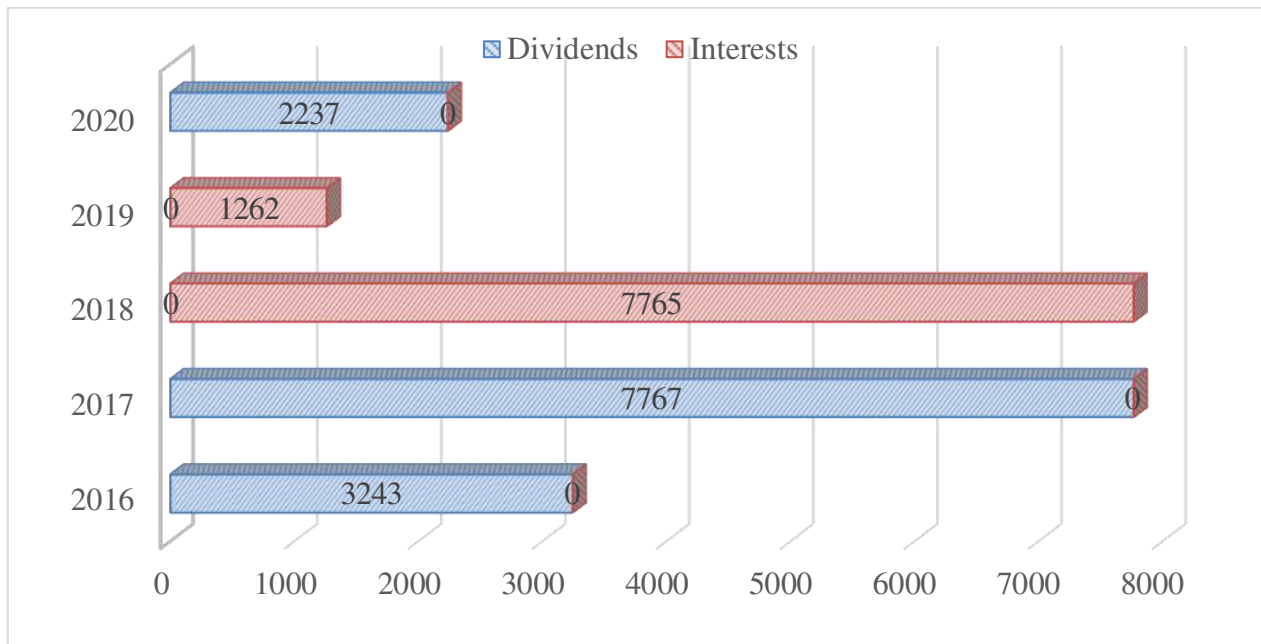


Figure 2: Dynamics of dividends and interest income from investments of Takhiatash Don Mahsulotlari JSC (in thousand soums)

Source: Reports of JSC

Studies show that in the absence of consistency based on the investment strategy in the field of investment, unreasonable investment does not guarantee the success of the enterprise in the market. At the same time, the investment strategy is based on the overall economic development strategy of the enterprise and should be consistent with the development goals and stages. Based on this, we have developed an investment strategy of Takhiatash Don Mahsulotlari JSC and criteria for evaluating its effectiveness. Using the stages of development of the investment strategy shown in Figure 5, we have developed the investment strategy of JSC "Taxiatosh Don Mahsulotlari". According to him, we consider it expedient to develop the investment strategy of the joint-stock company in the following order.

IV. CONCLUSION

As a result of our research on improving the efficiency of investment activities of enterprises, the following conclusions were formed:

1. In order to increase the flow of investment in enterprises, it is necessary to use several discount rates when using models for evaluating investment projects. Because in the last 5 years, the interest rate in Uzbekistan has changed 3 times.
2. In order to ensure the efficiency of investment activities of enterprises, it is advisable to first develop an investment strategy of the enterprise and implement the tasks set out in it in stages.
3. Based on our research from international experience, we have concluded that the investment attractiveness of short-term securities is higher than that of long-term securities. The issuance of this type of securities serves to ensure the efficiency of investment activities of enterprises. However, it is advisable to provide such an opportunity only to enterprises with high credit ratings.



4. Information on the investment project that the company plans to finance and its internal rate of return (IRR - internal rate of return), the current weighted average cost of capital (WACC - weighted average cost of capital) and capital structure should be provided to potential investors.

5. In order to reduce the impact of inflation risk, adding the standard deviation of the last 10 years inflation rate as a risk premium to the amount of the discount rate used to determine the net present value (NPV) and discounted payback period (DPP) of projects for which efficiency or profitability is determined increases investment efficiency.

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