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ACTUAL PROBLEMS OF IMPLEMENTATION OF INVESTMENT INDUSTRIAL ENTREPRENEURIAL POTENTIAL

Abstract: *In the article have been carried out a comprehensive analysis of the concept of implementing the investment potential of small business in the structure of the industrial sector of the economy of the Republic of Uzbekistan. Increasing the competitiveness of business entities, according to the author, directly depends on the effective and rational use of the existing investment potential. In the article presented monitoring of the inflow and familiarization of foreign investment in the country. On the basis of this, it was proved that for the development of entrepreneurship, the investment component of enterprises and demand factors should be allocated to ensure the most efficient use of the expanding volume of resources and the level of total costs. The interests of subjects and territorial authorities in the development of production enterprises should have a different level of priority, and are presented in the form of a hierarchical system. As a result of the study, the author submitted proposals on a territorial approach to assessing the effectiveness of investment processes of small business.*

Key words: *investments, investment potential, investment program, industrial potential, modernization, territorial systems of small business management, the economy of the Uzbekistan.*

Language: *English*

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Introduction

Strengthening the role of the small business sector is currently becoming one of the foreground areas for the development of the economy of Uzbekistan. Small business is more adaptive, responds faster to changes in a dynamic external environment, and actively contributes to the development of the innovative potential of the economy, the commercialization of scientific research and the introduction of the innovative technologies [1-10]. Currently, there is an increase in the competitive competition of entrepreneurs in the field of industrial production. In these conditions, industrial entrepreneurship acquires actual strategic importance for the economy. All these qualitative changes are interconnected with the process of formation and effective use of the investment potential of the national economy.

Materials and methods

The methodological basis for writing the article was the developments, concepts and hypothesis, justified and presented in modern economic literature. As part of a systematic approach, in the article are used methods of comparative, logical, monographic, functional-structural, financial and statistical analysis.

Results and discussion

Over the years of the independence, a favorable investment climate has been formed in Uzbekistan, a wide system of privileges, preferences and guarantees has been established by law to protect the rights and interests of foreign investors. The country received sovereign credit ratings of reputable rating agencies

Fitch and Standard & Poor's at the level of "BB-" with a stable outlook, which assesses the state's readiness to timely and fully fulfill its financial obligations. In February 2019, this also allowed five- and ten-year Eurobonds to be successfully totaling $ 1 billion.

According to the Central Bank's outlook of the Republic of Uzbekistan, the net inflow of foreign direct investment in 2018 amounted to $ 624 million, which is 3 times less than in 2017. Reinvestment of income by foreign investors in 2018 amounted to $ 693 million, which is $ 217 million more than in 2017. Moreover, the volume of net portfolio investment by foreign investors increased from $ 3 million in 2017 to $ 13 million in 2018.

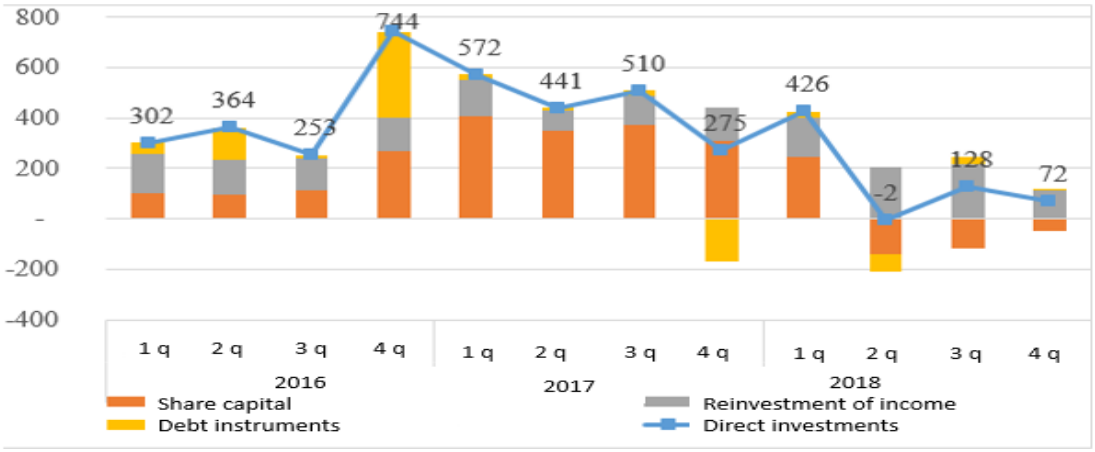

Figure 1: Change in direct investment components (million US dollars)

Further analysis shows that the net inflow of foreign direct investment in the second quarter of 2019 showed a sharp increase and reached $ 923 million (an increase of 4 times compared to the first quarter of 2019). The main reason for this growth may be an increase in foreign direct investment. So, for the first half of 2019, direct foreign investment amounted to $ 1.9 billion, while their repatriation was $ 717 million. As a result, the net increase in foreign direct investment in capital is $ 1.1 billion (Fig. 2). Reinvestment of income by foreign investors is equal to 290 million dollars. In the first half of this year, the portfolio investment reached $ 1 billion due to the issuance of international bonds by the Republic of Uzbekistan.

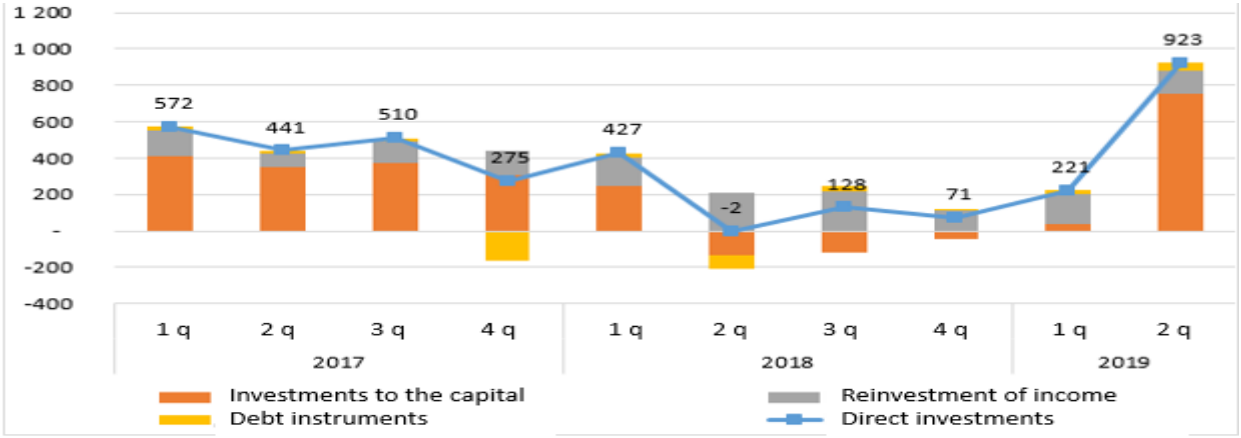

Figure 2: Change in direct investmyent components (million US dollars)

In addition, according to the Ministry of Investment and Foreign Trade, $ 783.3 million of FDI was disbursed in the first quarter. Compared to the same period of 2018 ($ 325.8 million), the growth was $ 457.5 million, or 2.4 times. Another indicator of investment activity is the number of enterprises with foreign investment. So, according to the State Statistics Committee, at the end of the first half of 2019 there were 9014 such enterprises. Over the six months of the year, they grew by 19.2%, despite the fact that for the whole of 2018 the growth was 37%. Significant FDI growth rates are more than doubled in the metallurgical industry (2.4 times over the period of 2018), the textile industry (2.7 times), food production (3.1 times) and the pharmaceutical industry (6.3 times). It should also be noted the growth

in the field of projects of territorial subordination - the volume of FDI in the territory has quadrupled compared to the indicators of 2018.

In general, Uzbekistan has the advantage of macroeconomic stability, which is combined with ongoing reforms, opens up opportunities in various sectors of the economy, be it financial services, construction or tourism. The investment potential for the next ten years, according to the Boston Consulting Group, reaches $ 65 billion, of which non-raw material industries account for up to $ 20 billion.

Along with recognized achievements in the field of investment, many problems and objectively difficult tasks that require targeted solutions remain.

So, to this day, entrepreneurs are faced with bureaucratic delays, especially in terms of obtaining building permits, registration of property and foreign trade operations [11-14].

The Republic is one of the countries that in recent years have achieved the best results in improving business performance through regulatory reforms aimed at improving the business environment. Over the past few years, in the light of the ongoing reforms, covering all levels and areas of development of Uzbekistan, there have been significant shifts and changes in the positions of international ratings. According to the results of the study, Paying Taxes 2019, the total tax rate in Uzbekistan is 32%, which is below the global average (40%). Consistent reduction of the tax burden, simplification of the tax system and improvement of tax administration are the most important conditions for the accelerated development of the economy and improve the investment attractiveness of the country. In the 2019 Index of Economic Freedom (IEP), Uzbekistan climbed from 152nd to 140th for the year with a score of 53.3, which improved by 1.8 points due to higher scores on indicators of freedom of investment, freedom of work and freedom of business. Since 1998, Uzbekistan has managed to improve its position in the IES by 21.8 points. The advantages of Uzbekistan are a decreasing tax burden and improving “fiscal health”. Uzbekistan rose by twelve positions. Despite a significant improvement in its position in world rankings, Uzbekistan ranked 69th in the World Bank’s Doing Business 2020 rating among 190 countries in the World Banking Freedom Index, gaining 69.9 points out of 100 based on the results 2019 year. Compared to last year’s rating, the country rose from 76th place to 7 positions [15,16].

One of the priorities today is the task to achieve a business climate by 2022, which will enable Uzbekistan to enter the top 20 countries in the World Bank rating of business conditions.

From the foregoing, it follows that the country focuses on increasing the means of enterprises and direct investment, modernizing production equipment and technological capacities, increasing labor efficiency and thereby achieving high incomes that contribute to the country's welfare.

For the development of production and entrepreneurship, the investment component of enterprises and demand factors should be allocated to ensure the most efficient use of the expanding volume of resources and the level of total costs. The influence of the distribution factor is revealed when not only greater involvement of resources in the economic turnover is necessary, but also their qualitative implementation. Integration of the aggregate production, innovation and investment potential contributes to the maximum satisfaction of needs, the creation of new jobs with the highest labor productivity in the given conditions.

The investment potential and its formation in modern conditions reflects the system of investment opportunities of production enterprises, primarily in industry and other types of potential, including an entrepreneurial resource (Fig. 3) [10-15].

An active element of investment potential is entrepreneurial resources, which forms investment products (goods) using various tools. A qualitative increase in the resources of the investment potential, their transformation into an investment product increases the investment attractiveness of the economy as a whole, its sectors, enterprises and territories of the country.

A systematic approach to the justification of industrial investment policy in conjunction with the tasks of socio-economic development of the country, resource and intellectual potential will be able to determine strategic innovative and investment priorities for the development of industries. In this regard, structural adjustment should be based on forecasts of the formation of territorial commodity markets, recommendations of the sectoral and republican links of state regulation of industrial production, and effective work of marketing services of enterprises. At the same time, it is important in the sectors of “vector growth rays” in the commodity markets to provide government support for progressive changes in the chains of demand for goods and services, and to transform these priorities according to the stages and technological cycles of production, linking technological processes and organizational forms of production with market conditions. Such a vector-oriented approach will help accelerate the structural adjustment of the manufacturing industry and form investment priorities. It is important to take into account industrial production cycles that affect the predicted multiplier effect [17-20].

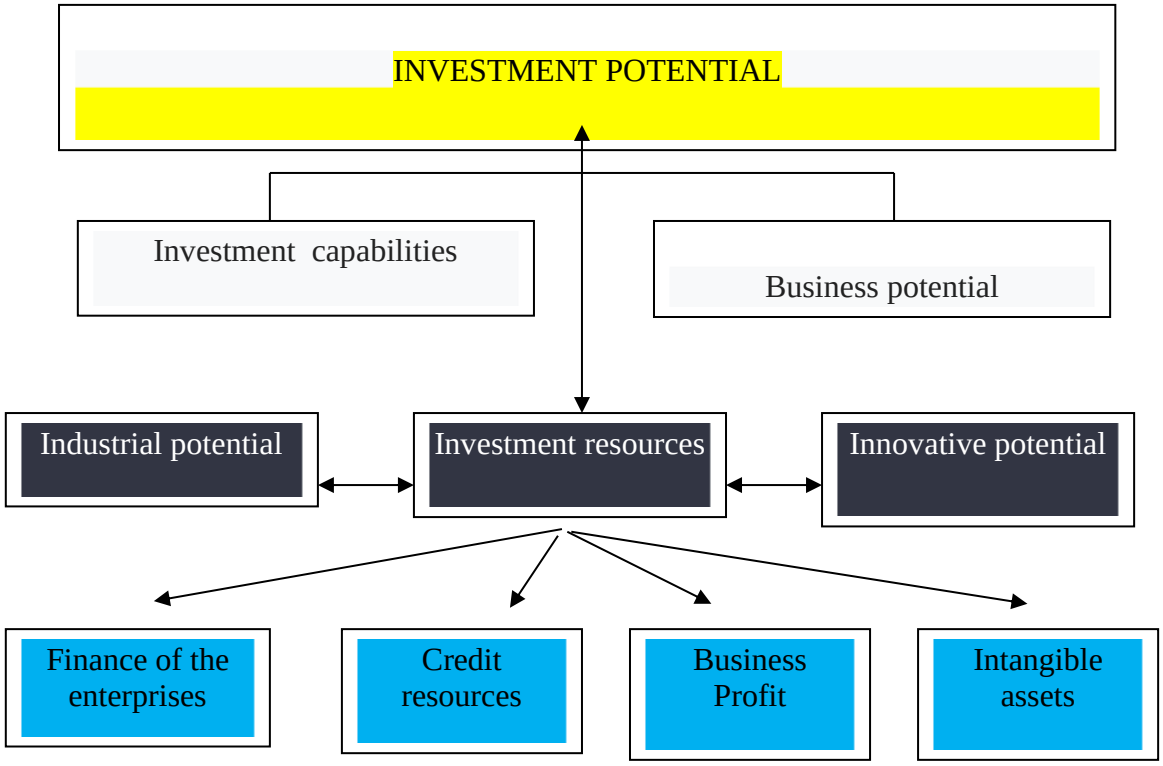

Fig. 3. The scheme of formation of investment potential

The priority remains the maintenance and technological improvement of the industrial potential, first of all, of the strategic branches of the electric power industry, machine building, and the building materials industry. For this, it is necessary to create favorable financial and credit conditions, mechanisms for accelerated depreciation in all sectors of the manufacturing industry for the purpose of mass technical re-equipment of the apparatus on a new technical and technological basis [12].

The most pressing issues in the development of the industrial entrepreneurship are seen in the problems of the initial accumulation of capital, improving the regulatory framework and tax system, and improving the structure of demand in the domestic market. In this regard, the priorities of state policy in the field of small business are indicated, as the analysis showed, are:

- positive social status of the entrepreneur;
- the minimum necessary regulation to guarantee entry and exit from the market;
- special support programs for individual groups of entrepreneurs;
- fairly stable working conditions;
- a restraining effect on inflation;
- effective antitrust laws;
- degree of risk in terms of specific administrative risks.

In the system of state support, the interests of the territories are priority. Therefore, the proposal on a territorial approach to assessing the effectiveness of investment processes of small business seems reasonable. The interests of the territorial government in the development of small business industry in the form of a hierarchical system of goals (Fig. 4).

It is proposed to evaluate the effectiveness of the territorial system of small business management, including investment and financial support programs, using the proposed two calculation methods. The first is to determine territorial effectiveness as the present value of the socio-economic results of managing a small business. The criterion in this scheme is the assessment of the market value of small business for the territory as the discounted value of the total cash flow initiated by the activities of local governments [5-7].

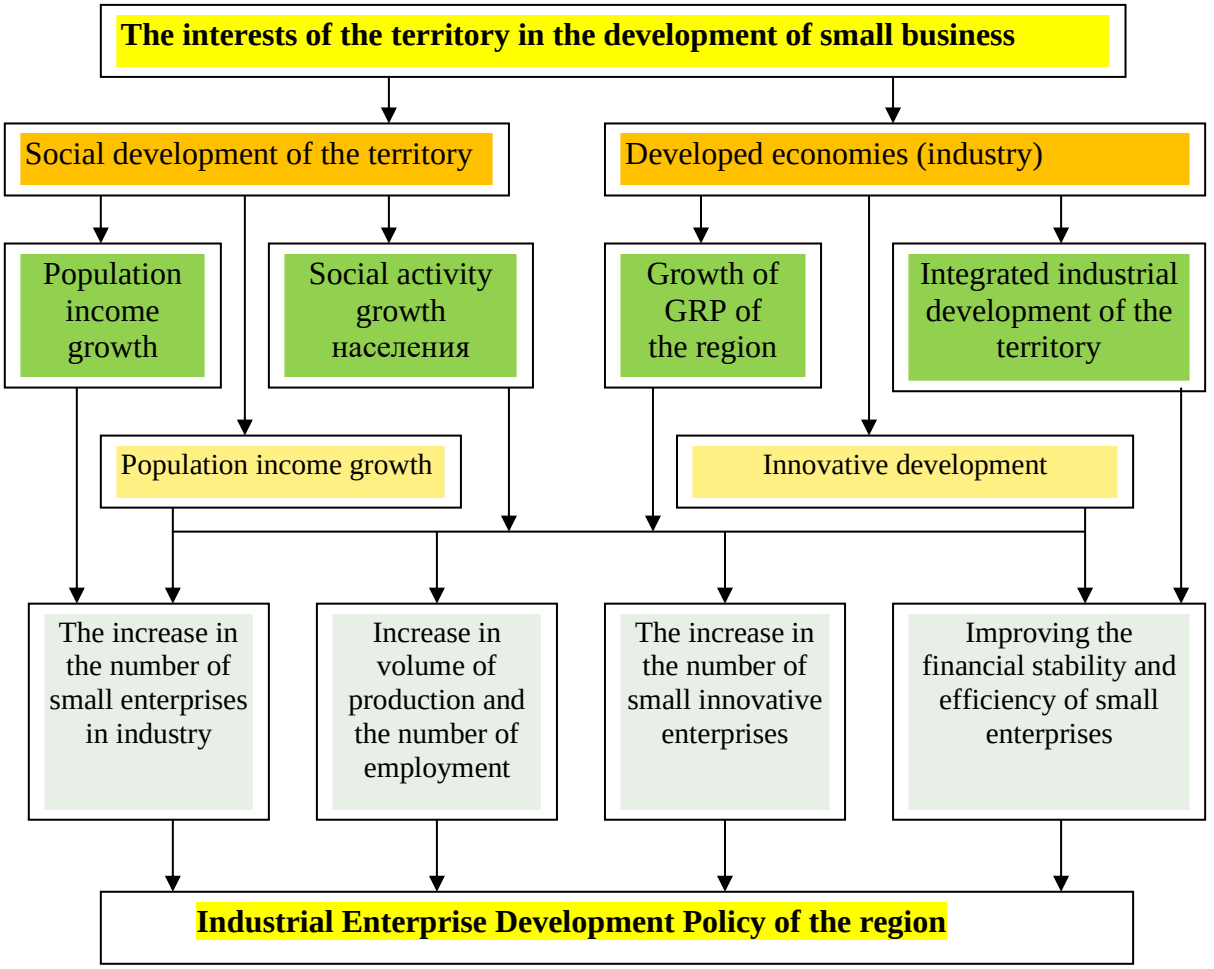

Fig. 4. The set of interests of the territory in the development of small business in the industrial sector

The advantages of the introduced criterion in comparison with other approaches are as follows:

- taking into account strategic results (development results, potential) of small business. All previously known indicators focused on accounting for actually achieved or expected current results;
- in the use of cost-based measurement of results, which allows to obtain a monocriterion, the use of which makes the management process more focused. Such a criterion should combine economic (inflow of budget revenues) and social (growth of the wage fund, growth in the number of jobs).

Thus, any change in the risk of small business is reflected in the discount rate of cash flows initiated by management decisions. The methodological unity of the methods for calculating territorial and corporate effects should be based on maximizing the synergetic effect of discounting the resulting cash flows. This allows us to resolve issues of coordination of interests of subjects, khokimiyats and entrepreneurs in investment projects of industrial enterprises located in the territories, including support programs for small businesses in priority areas. For inter-regional comparisons, specific (per capita) indicators of the territorial effectiveness of small business should be used [6-8].

The interests of subjects and territorial administrations in the development of industrial entrepreneurship, taking into account the situation in the territory, should have a different level of priority, and are presented in the form of a hierarchical system. From the standpoint of the strategic development of the economy of the territory, its production sphere, priority projects of state support should be investment projects that contribute to the greatest accumulative result per unit of resources spent on their support.

Conclusion

Based on the foregoing, it is necessary to draw the following conclusions:

1. The development of investment activity in the industrial sphere is possible on the basis of an integrated approach to identifying and structuring the investment opportunities of enterprises and territories in the field of the formation of the necessary sources of investment resources and the use of effective investment tools to intensify industrial entrepreneurship [1-8].

2. The growth and effective use of the investment potential of industrial entrepreneurship in Uzbekistan in the current conditions is associated with the need to overcome the shortage of investment

resources in the production sector. It depends on the rational behavior of the owners of investment capital and investment goods, capable, on the one hand, of developing acceptable investment mechanisms, and on the other, of offering quality investment products, which will facilitate their smooth exchange in the investment market.

3. Improving the efficiency of industrial entrepreneurship depends on a rational combination of government regulation and direct support for investment entrepreneurship at the state republican, territorial and local levels. The primary measures of market regulation include the transfer from direct subsidies to targeted subventions, multi-subject co-financing of the most significant production projects at the expense of budgetary and private investments, provision of state and municipal guarantees to commercial banks lending to long-term production projects, taking measures to reduce investors' risks, in particular due to their redistribution between state, investment and insurance organizations.

4. The formation of investment resources is possible through the systematic use of methods of diversification of the investment portfolio of enterprises and corporations, the organization of cost-effective transformation of savings and savings of legal entities and individuals into the investment resources of industrial enterprises, including the concentration of funds for the development of new equipment and technologies.

5. Ensuring priority mobilization of investment resources to increase competitiveness, modernization, technical and technological renewal of industrial production, based on the most advanced achievements of innovative development, implementation of projects for in-depth processing and production of finished products.

6. Formation of the most favored nation regime by creating the necessary investment climate for large-scale attraction of foreign and domestic investors, expanding cooperation with international financial institutions.

7. Consistent increase in the effectiveness and efficiency of attracted investments, mandatory examination of large investment projects taking into account potential risks, socio-economic consequences and national security.

8. The large-scale implementation of information technologies at all stages and cycles of the investment field, the organization of a management and marketing system that meets international standards, the training and retraining of personnel, the expansion of research and development, the creation of a permanent system for monitoring the use, effectiveness and efficiency of investment potential.

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