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## ANALYSIS OF INVESTMENT POTENTIAL IN THE DEVELOPMENT OF INDUSTRIAL ENTERPRISES

**Abstract:** This article is based on the fact that the chemical industry occupies a special place in the industrial system of Uzbekistan, the economy does not use chemical products and there is no industry. The status and dynamics of investments in the development of the chemical industry in the Republic of Uzbekistan, as well as the share of investments in enterprises and its economic results are analyzed on the basis of large-scale analysis methods.

**Key words:** investment, potential, economic growth, value added, innovation, investment potential, chemical products, modernization.

**Language:** English

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### Introduction

At present, the chemical industry occupies a special place in the system of industry of Uzbekistan. There is no national economy and no industry that does not use chemical products. Uzkimyosanoat Joint Stock Company, established in 2001 on the basis of the Uzkhimprom Association of Chemical Enterprises, plays a key role in ensuring the development of the chemical industry of the Republic of Uzbekistan. It includes 43 enterprises and organizations in the chemical industry. There are 2734 chemical enterprises in Uzbekistan.

In recent years, large investment projects have been implemented in Uzbekistan, as a result of which new production facilities have been built and put into operation. Including:

- Kungrad Soda Plant UK with a production capacity of about 100,000 tons of calcined soda;

- Dehkanabad Potash Fertilizers UK with a production capacity of 200.0 t / y of potassium chloride;

- Navoiyazot OJSC with a production capacity of 180.0 t / y nitrogen-phosphorus fertilizers. AM-76 ammonia units were reconstructed at Maksam-Chirchik OJSC and Ferganaazot OJSC. Urea production at Maksam-Chirchik OJSC has been technically equipped and modernized.

These producers of our country are the leading sectors of the national economy, in particular, agriculture (mineral fertilizers, plant protection chemicals, defoliants, film for cotton), gold mining industry (cyanide sodium, thiourea, polyacrylamide), light industry (acetate yarns, nitron fibers), building materials industry (soda ash).

In 2017, Uzkimyosanoat produced goods worth 2.7 trillion soums (\$ 330 million). During this period, the production of mineral fertilizers amounted to 1.14 mln. t. (100% in nutrients), including: nitrogen

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fertilizers - 854.81 thousand tons; phosphorus fertilizers - 119.09 thousand tons; potassium fertilizers - 168.0 thousand tons formed. Exports of products were completed by 129%. According to the localization program, in January-December 2017, 166.46 billion soums (20 million US dollars). As part of the implementation of investment projects included in the investment program, Uzkimyosanoat has allocated 311 million U.S. dollar. The amount of investment is mastered. Of the total chemical industry production, 48.2% are products produced by small businesses.

In terms of territory, the largest volume of chemical products was produced by enterprises of Tashkent (30.0% of the industry's production) and Tashkent region (22.9%), Navoi (13.8%) and Fergana region (13.75%) produced.

The application of chemical products to the country is a great economic and economic development, which includes expanding the raw material base of the national economy, increasing the volume of industrial and agricultural production, reducing production time, improving product quality, saving material, labor and financial resources. socially

effective. Production of innovative chemical products is one of the key factors in the innovative development of the country's economy and chemical industry. Due to its competitiveness and high quality, the chemical product will have a sufficient specific volume of total exports. In 2018, chemical products accounted for 7.3% of the country's total exports to Uzbekistan [1].

The geography of exports of Uzkimyosanoat products includes not only the CIS and Central Asian republics, but also the United Kingdom, Belgium, Italy, Greece, Turkey, India and Pakistan.

The chemical industry, which is a major producer of ammonia, urea, ammonium nitrate, ammonium sulfate, phosphorus fertilizers, is a leader in the region in terms of types and volume of mineral nitrogen and phosphorus fertilizers produced.

The share of the state in the structure of share capital of most joint-stock companies of JSC "Uzkimyosanoat" is predominant, only foreign investors operate in JSC "Maxam-Chirchik", JSC "Ammofos-Maxam" and JV "Elektrokimyo-zavod", other legal and physical the share of individual shareholders is not significant (Table 1).

**Table 1. Structure of share capital of chemical industry enterprises within "Uzkimyosanoat" JSC [2]**

Business name	State share		Share of shareholders (legal entities and individuals), %	Share of foreign investors, %
	State share in the charter capital of Uzkimyosanoat JSC, %	State share provided by SUE "Center for State Assets Management", %		
JSC "Navoiyazot"	51.0	49.0	-	-
JSC "Ferganaazot"	51.0	48.05	0.95	-
JSC "Maksam-Chirchik"	51.0	-	-	49.0
"Ammofos-Maxam" AJ	51.0	-	-	49.0
Samarkandkimyo JSC	39.65	60.35	-	-
JV "Elektrokimyo-zavod" JSC	26.0	-	19.0	55.0
Jizzax Plastics JSC	25.0	61.04	13.96	-
Kokand SFZ JSC	25.0	70.54	4.46	-

The chemical industry enterprises headed by Uzkimyosanoat JSC currently produce more than 170 types of chemical and petrochemical products (synthetic ammonia, caustic soda, diacetylcellulose, chemical fibers, polyethylene pipes and soda ash). Most of them specialize in the production of mineral fertilizers (nitrogen, phosphorus, potassium fertilizers).

According to the Resolution of the President of the Republic of Uzbekistan Sh.M.Mirziyoev dated April 3, 2019 No. PP-4265 "On measures to further reform the chemical industry and increase its investment attractiveness", the program will cost a total of \$ 3.1 billion. 43 investment projects of equal

value have been implemented, which will increase the volume of industrial production by 2.4 times, exports by 2.7 times, increase the share of localized industrial products to 42.5% and create 43 new types of industrial products. The goal is to create more than 3.2 thousand new jobs. At the same time, in order to regulate the export-import activities of the industry, to ensure openness and transparency in foreign trade processes, and most importantly, to constantly increase sales and expand the geography of chemical products in foreign markets, create a competitive environment, increase structural attractiveness should be increased.

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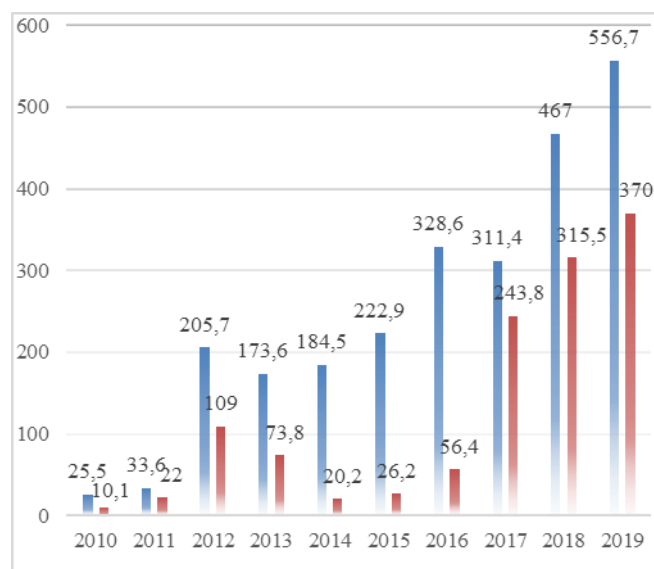
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An important condition for the development of the national chemical industry is, of course, the attraction of foreign investment and advanced technologies. The dynamics of investment in the chemical industry is changing. The largest investment was in 2019. In particular, as a result of the implementation of investment projects by JSC "Uzkimyosanoat" during this period, the enterprises of the sector received 370 million dollars from various sources. The United States has attracted 9.8 times

more investment in the last 10 years. During this period, the share of foreign investment and loans in total disbursed investment was 52%. In 2012, the volume of investment in the industry increased sharply by 612.2% compared to 2011. Over the past 4 years (2015-2019), the accelerated implementation of investment projects has allowed to increase the volume of investment in the sector by an average of 224.0% per year.



1-picture. Dynamics of investment in the chemical industry

Despite the fact that many financial indicators of JSC "Uzkimyosanoat" have been positive over the past five years, in general, some financial indicators in the industry show a negative result. In particular, until 2015, revenues from the sale of products by chemical enterprises increased by an average of 113.1% per year. However, in 2016, revenue from sales of products in the industry decreased by 961.7 billion soums compared to 2015. The net profit indicator for the industry has been showing a negative result in

recent years. This was mainly due to the net profit of chemical companies, in particular, the large losses incurred in 2015-2016 in JSC "Navoiyazot" and JSC "Maksam-Chirchik". However, the net profit of the executive branch in 2019 will reach a record high of 5.2 billion. soums, an average increase of 3.9 times compared to recent years. Also, in 2018, the cost of production of JSC "Navoiyazot" was reduced by 7.3%, JSC "Ferganaazot" by 11.1%, and JSC "Ammofos-Maxam" by 5.2% (Table 2).

Table 2. Changes in the financial performance of Uzkimyosanoat JSC [3]

№	Financial indicators	Years					Changes in 2019 compared to 2015	
		2015	2016	2017	2018	2019	(+, -)	%
<b>The main indicators of financial results, bln. sum</b>								
1.	Revenue from product sales - across the industry, e.g.	3559.6	2597.8	3517.4	4319.4	5580.7	2021.1	156.8
1.1	on chemical organizations	3559.6	2597.8	3517.4	4319.4	5580.7	2021.1	156.8

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1.2	on the executive apparatus	-	-	-	-	-	-	-
2.	Net profit - on the total network, e.g.	-38.9	-21.3	26.5	34.1	42.9	81.8	43 times
2.1	on chemical organizations	-40.2	-25.0	18.7	29.4	38.7	78.9	39 times
2.2	on the executive apparatus	1.3	3.7	4.3	4.7	5.2	3.9	4 times
<b>Balance sheet financial indicators, bln. sum</b>								
3.	Long-term assets	237.3	492.7	520.3	562.4	591.1	353.8	249.1
4.	Current assets, etc.	18.4	46.2	47.5	49.7	53.1	34.7	288.6
5.	Accounts receivable	10.0	38.4	40.6	42.6	44.6	34.6	4.5 times
6.	Private capital	219.4	502.6	628.8	770.2	903.5	684.1	4.1 times
7.	Liabilities, etc.	36.3	36.3	37.5	39.1	40.7	4.4	112.1
8.	Accounts payable	1.4	1.4	1.4	1.4	1.4	0	100

The measures taken by the country's leadership envisage increasing the production of finished chemical products and making them more competitive in the world market. In addition, a "road map" has been developed to strengthen the financial stability and production cycle of enterprises of JSC "Uzkimyosanoat".

Implementation of innovations and high results depend on the development of investment potential of enterprises of the sector and sources of investment financing, investment activity, attraction of capital. The industry has a huge potential of natural resources, a strong production and technical base and skilled labor resources, has significant priorities in the production of chemical products, and includes a large potential object of direct and portfolio investment zida shows [4].

The specifics of the chemical industry and the conditions of production determine the objective problems that arise in the management of chemical enterprises, which in turn necessitates the implementation and development of mechanisms for the formation and activation of investment activities of chemical enterprises [5]. The basis of ensuring production efficiency is the investment orientation of

the development strategy of chemical enterprises. The main problems and issues related to the implementation of investment activities of enterprises of the chemical industry, the formation and development of its investment potential require new approaches to the theory and practice of management decision-making. Formation and development of the investment potential of the enterprise is the main resource for increasing the competitiveness and production efficiency of the products of the chemical industry enterprise. The process of formation of investment potential and the fact that all elements of the system are organized and highly organized, as well as scientifically based and practical recommendations for assessing and managing its investment potential is one of the main conditions for the future development of chemical enterprises.

In this regard, the issues of the mechanism of formation and formation of investment potential of enterprises of the chemical industry, which require the development of new conceptual, methodological and practical approaches, are relevant.

In the context of economic restructuring, the issue of attracting investment and increasing the country's production is a key task for both the industry

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and the enterprise. Today, attracting investment in the chemical industry and developing the scientific potential of the enterprise requires organized and effective investment activities [6].

The use and attraction of capital is an important element of industry policy development, as the analysis of the investment situation provides a systematic view of the factors affecting the investor, provides an in-depth assessment of the situation in the industry or individual enterprise, allows to know the motivation of the partner [7].

Resolution of the President of the Republic of Uzbekistan No. PP-4265 of April 3, 2019 "On measures to increase the investment attractiveness of the chemical industry and further reforms" and "On further development of the chemical industry of the Republic of Uzbekistan until 2025" In 2019-2030, the state will implement 31 investment projects worth \$ 12.1 billion, including 1.7 billion US dollars. It plans to support the Chemical Industry Development Program through foreign direct investment and loans. It will focus on: production of phosphorus, nitrogen, potassium and other complex types of mineral fertilizers, including JSC "Navoiazot" in Navoi region, JSC "Samarkandkimyo" in Samarkand region, "Fergana region" Ferganaazot JSC, Ammofos-Maxam JSC in Tashkent region, Dehkanabad Potash Plant LLC in Kashkadarya region and launching new production facilities in other regions of the country and making maximum use of existing production facilities.

With the participation of leading foreign companies and joint ventures with Uzbekneftegaz, new productions for the production of various

polymer products with the use of modern innovative developments and advanced technologies, as well as the production of new types of chemicals and tools cooperation is underway. With the existing production facilities, it is expedient to realize the possibility of effective use of their activities on the basis of building production clusters on their basis [8].

These funds will also be used to finance important projects of REDW (research and experimental design work). Today, it can be noted that the demand for chemical products by almost all consumer industries is growing [9].

In order to stimulate domestic demand for chemical products, measures are planned to develop other sectors such as the automotive, aerospace and machinery industries. In order to increase the efficiency of the chemical industry, individual enterprises and industries, it is necessary to ensure its investment.

The main directions of development of enterprises of the chemical industry are the expansion of investments in foreign current assets, namely, the acquisition of intangible assets (intellectual property, patents, licenses, know-how), financing of research and experimental design work, technical re-equipment and re-equipment, lib, resulting in a significant increase in the competitiveness of organizations' products.

Considering the current state of JSC "Uzkimyo sanoat", it is possible to show the following positive aspects of its financial condition and financial results: growth of commodity output, export volume, share of foreign investment, etc. (Table 3).

**Table 3. The main performance indicators of JSC "Uzkimyo sanoat" for 2010-2018 [3]**

Naming	Measure-ment one	2010	2012	2014	2017	2018
<b>1. Volume of goods</b>	billion sum	981.7	1562.1	2013.8	2743.7	4179.7
<b>Growth rate over the previous year</b>	%	106.7	106.1	106.8	95.2	100.0
<b>2. Volume of product exports</b>	mln. doll.	241.0	343.2	288.3	227.6	185.4
<b>Execution of export forecast</b>	%	100.6	107.0	95.0	129.3	100.2
<b>3. Production under the Localization Program</b>	Number of projects	34	34	14	11	28
	Billion sum	166.3	333.1	231.5	166.5	136.0

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<b>4. The specific gravity of the localized product of the total volume of goods</b>	%	16.9	21.4	11.5	6.1	3.3
<b>5. Creating new jobs</b>	number of people	1939	384	594	626	1242
<b>including home-based jobs</b>	number of people	431	86	70	42	-
<b>6. Purchase of products within the cooperation exchange</b>	Billion sum	68.3	147.2	189.0	-	-
<b>7. Capital investments</b>	mln.doll.	25.5	205.7	184.5	311.4	467.0
<b>including foreign investment</b>	mln.doll.	10.1	109.0	20.2	243.8	299.3

However, the measures taken are not enough to improve the technical condition of production, increase production capacity and reduce the cost of production and increase its competitiveness in foreign markets [10]. At present, the contribution of the chemical industry to the GDP of the Republic of Uzbekistan does not exceed 1%. In the structure of industrial production, the share of the industry is less than 5%.

In 2021, Uzkimyosanoat will invest 3.6 billion soums. It is planned to implement 18 projects worth US \$. In particular, Navoiyazot Open Joint Stock Company, the largest industrial enterprise in the country, has invested 710 million soums in the complex reconstruction of nitric acid units and the production of polyvinyl chloride. U.S. dollar. construction of a chemical complex with a capacity of 309 mln. Modernization of OJSC "Ferganaazot" (a new unit of ammonia) in the amount of 230 million US dollars in the city of Angren (Tashkent region). It is planned to build a tire plant in the amount of US dollars, which alone will allow to produce an additional 150,000 tons of complex mineral fertilizers annually as a result of the complex reconstruction of nitric acid units by Navoiyazot. Also, in the chemical industry, modernization and reconstruction of raw material production to ensure sustainable production of mineral fertilizers at Maxam-Chirchik JSC, Ammophos-Maxam JSC will produce 650,000 tons of new sulfuric acid per year. Prospective projects are being implemented, such as the construction of a new production of sulfuric acid at Navoi Mining and Metallurgical Plant with a capacity of 650,000 tons per year, the expansion of production capacity of Dehkanabad Potash Plant LLC.

The activities of the chemical industry are directly related to investments in the efficient

operation, financial stability, solvency, business activity and ensuring financial results, which are:

- 1) sources of formation of increase of production capacity of the organization;
- 2) a mechanism for achieving the strategic goals of economic development;
- 3) mechanisms for optimizing the structure of assets;
- 4) the main factors in the formation of the long-term capital structure;
- 5) an important condition for ensuring the growth of market prices of the organization;
- 6) a tool for implementing innovation and investment policy;
- 7) mechanism for solving social problems;

One of the important forms of economic activity of enterprises of the chemical industry and the realization of its economic interests is investment activity. The investment activities of enterprises of the chemical industry have the following characteristics:

- 1) investment activity is the main form of ensuring the operational (current) activities of the organization;
- 2) forms and methods of innovative activity are less dependent on the industry characteristics of the organization than on its operational activities;
- 3) unequal volume of investment activity over time;
- 4) investment income is formed with a significant "delay" in the implementation of investment activities;
- 5) investment activity forms an independent form of cash flow of enterprises, the specific periods of which differ significantly in their area of activity;
- 6) investment activity is inherent in investment risk.

In modern conditions, there is an unstable dynamics of world oil prices, changes in world

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commodity prices, periodic cycles of decline or rise in chemical industry production against the background of various crises in the global and domestic financial systems. There are major problems in the development of the chemical complex, which is the gap between the development of the country's chemical production and the development of the chemical products market. The indicated delay could escalate to a critical point as a result of the backwardness in the formation of new competitive priorities and the gradual disappearance of existing priorities. The following have a negative impact on the development of the chemical industry:

1) weak competitiveness of domestic producers in terms of positions;

2) high resource capacity of the industry: the export direction of the chemical complex, the

continuation of the operation of technological schemes with high cost coefficients of raw materials and energy resources and other costs, the structure of the industry with low production, modern equipment and or indicates the need for technical armament of the industry with the introduction of technology;

3) restrictions on the supply of carbon raw materials;

4) the problem of competition in the domestic market due to the fact that the country's chemical enterprises are "stuck" at the initial stage of the technological border, selling and exporting chemical semi-finished products rather than final products, resulting in a large share of revenue.

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