

COPY RIGHT



ELSEVIER
SSRN

2021 IJIEMR. Personal use of this material is permitted. Permission from IJIEMR must be obtained for all other uses, in any current or future media, including reprinting/republishing this material for advertising or promotional purposes, creating new collective works, for resale or redistribution to servers or lists, or reuse of any copyrighted component of this work in other works. No Reprint should be done to this paper, all copy right is authenticated to Paper Authors

IJIEMR Transactions, online available on 21th May 2021.

Link: <https://ijiemr.org/downloads/Volume-10/Issue-05>

DOI: 10.48047/IJIEMR/V10/I05/35

Title: **IMPROVING THE EFFICIENCY OF THE USE OF OWN FUNDS AND THE REASONABLE ATTRACTION OF BORROWED FUNDS - AS MODERN DIRECTIONS TO DEVELOP THE FINANCING OF INVESTMENT ACTIVITIES IN OIL AND GAS COMPANIES OF UZBEKISTAN**

Volume 10, Issue 05, Pages: 146-151

Paper Authors:

Samiev Sardor Iskandarovich



USE THIS BARCODE TO ACCESS YOUR ONLINE PAPER

To Secure Your Paper As Per **UGC Guidelines** We Are Providing A Electronic Bar Code

IMPROVING THE EFFICIENCY OF THE USE OF OWN FUNDS AND THE REASONABLE ATTRACTION OF BORROWED FUNDS - AS MODERN DIRECTIONS TO DEVELOP THE FINANCING OF INVESTMENT ACTIVITIES IN OIL AND GAS COMPANIES OF UZBEKISTAN

Samiev Sardor Iskandarovich

Karshi Engineering-Economics Institute Senior teacher

Abstract: In this article, proposals and recommendations are given to improve the efficiency of the use of own funds to improve the financing of investment activities in oil and gas companies of the country.

Keywords: Investment activity, financing of investment activity, investment in fixed assets, extra-budgetary funds own funds, borrowed funds.

Introduction

We have repeatedly stated in detail about the sources of financing investment activities in the national economy or economy of the country, including oil and gas entrepreneurs, which are one of its components, and have gained the crucial role of their own funds. Nowadays, the most common structure of equity financing of investment activities is known to be the profits of business entities, as well as special funds (production development fund, science and technology development fund, capital investment financing fund, social development fund, etc.), depreciation allowances, funds paid by insurance authorities in the form of compensation for losses, etc.

The results of our analysis and research, published in social networks, media and specialized scientific literature, and even in the most general way, show that in neighboring countries with economies in transition, including the Russian Federation, almost all sources of funding for fixed capital investment half (about 47.0-49.0%) are carried out at their own expense. In particular, in the structure of own funds 18.0-19.0% is the profit left at the disposal of enterprises, and 24.0-25.0% is depreciation allowances¹.

The average level of this indicator in recent years in the implementation of

investment activities in the economy of the country is about 33.0%, while this level is almost 100.0% in oil and gas companies of the country. This situation is even more relevant not only for Uzbekneftegaz, which includes many oil and gas companies of the country, but also for other separate oil and gas companies. Thus, the above figures and comments show that the share of own funds used to finance investments in fixed assets in oil and gas companies of the country is 3.0 times higher than the average level of this indicator in the economy of the country. In this context, it is natural that the issue of improving the efficiency of the use of own funds in the financing of investment activities in oil and gas companies of the country comes to the fore. This, in turn, cannot be ignored as a key area for improving the financing of investment activities in oil and gas companies.

However, in our opinion, the above conclusion reflects only one side of the problem. Indeed, in our opinion, there are other reasons why increasing the efficiency of the use of own funds is recognized as a key area for improving the financing of investment activities in oil and gas companies of our country. One of them is that the financing of investment activities in oil and gas companies of the country is carried out mainly at their own expense, but despite this, the overall economic

¹Қаранг: Нешиной С.А. Инвестиции: Учебник. – 7-е изд. перераб. и испр. – М.: Издательско-торговая корпорация “Дашков и К.”, 2019. – С. 57.

efficiency of investments in fixed assets is not at the level of modern market economy.

The general conclusion is that the economic efficiency of investments in fixed assets in oil and gas companies of the country has been relatively low in recent years, and in general, in some cases it has a downward trend. Investments in some of its sectors and enterprises are not economically viable and cause losses. At a time when the real situation in practice is such, it is natural, of course, to change the attitude to how to use their own funds to finance investment activities in oil and gas companies of the country. So far, the situation is as described above:

a) what should be done when financing the investments in fixed assets in the oil and gas enterprises of the country, when their economic efficiency is relatively low and in some cases declining, while relying mainly on their own funds ?;

b) in practice, what are the main reasons for such a situation in the oil and gas companies of the country ?;

c) what can be done in such a situation to change the situation for the better ?;

g) if the financing of investment activities in oil and gas enterprises at their own expense is not sufficiently cost-effective, it is advisable to change the composition of its sources of financing ?;

d) and other raises a number of vital questions on the agenda, which we think should have their own logical answer. At the same time, in our opinion, it is impossible to imagine the improvement of financing of investment activities in oil and gas enterprises of the republic in the light of the requirements of a modern market economy, without a real answer to some of the above questions.

In our opinion, there is another reason why increasing the efficiency of the use of own funds now and in the near future is recognized as a key area for improving the financing of investment activities in oil and gas companies

of our country. We are referring here to the dynamics of total and sectoral recovery of investments in fixed assets in oil and gas companies. In practice, the fact that such a situation is mentioned there once again confirms that the main direction is to increase the efficiency of the use of own funds in improving the financing of investment activities in oil and gas companies of our country.

Thus, all the above arguments show that improving the efficiency of the use of own funds now and in the near future is the main direction of improving the financing of investment activities in oil and gas companies of our country. Nevertheless, another aspect of the issue should be considered when improving the efficiency of the use of own funds is considered as a key area for improving the financing of investment activities in oil and gas companies. After all, in our practice, as well as in our psychology, until recently, it was always recognized as a positive situation if a certain activity (work, production or service) is carried out or financed at its own expense.

But if it is based on the real requirements or principles of a market economy, it is not always advisable to carry out activities only at their own expense. It is not always appropriate to evaluate it positively. Ordinary, the activity is worth such an assessment only if a high economic result (efficiency) is achieved as a result of financing from own funds. It is obvious that from the above considerations and conclusions we can conclude that in order to improve the financing of investment activities in oil and gas companies of the country, initially, it is necessary to radically change the attitude to the use of own funds.

In our opinion, it is possible to put forward a number of proposals that will serve to express the essence of this final conclusion in a unique way and to find a solution to the problem. Here are the most important of them:

1. In oil and gas enterprises of the republic, changing the attitude towards the use of own funds as the main source in terms of improving

the financing of investment activities, in the first place, does not imply a certain requirement in one way or another not to use them on the above scales (around 100.0%). This is because, in practice, such an option may indeed be used to finance investment activities. However, in our opinion, the use of such an option, on the other hand, should not have a negative impact on the efficiency and return on investment levels to have a positive direction over a certain period of time;

2. If the country's oil and gas companies use only their own funds to finance investment activities, and as a result, the efficiency and return on investment is low or negative, then it makes no sense to use such an option to achieve these goals. Because as a result, the efficient use of funds is not ensured;

3. It should be noted that the use of own funds in the financing of investment activities in oil and gas enterprises of the country can not be positively assessed in terms of the relevant requirements of the modern market economy, risk, diversification of sources of financing, etc. ;

4. Naturally, in such circumstances, changing the attitude to the use of own funds as the main source in terms of improving the financing of investment activities in oil and gas companies of the country will reduce (decrease, decline) the share of own funds in financing such activities and, conversely, increase borrowing and other borrowings. should be done in the direction of;

5. The results of our analysis show that the structure of investments in fixed assets in oil and gas enterprises of the country does not differ from the structure of investments in fixed assets in other enterprises, including housing, buildings and structures, machinery and equipment, etc. Nevertheless, the change in their composition in absolute amounts, which is financed from their own funds in recent years, is peculiar. Such uniqueness: a) lack of persistence; b) abrupt changes in opposite directions in different years; c) the structure of investments in fixed assets at their own expense is determined by the decisive role of the members of the group "Others" in some years.

6. In turn, they indicate that there are a number of problems here. Therefore, they should be taken into account when making appropriate decisions on improving the financing of investment activities in oil and gas enterprises of the country in order to increase the efficiency of their own funds. In particular, when oil and gas companies invest in fixed assets at their own expense, they should have a clear and specific "Special Program" for a certain period of time in terms of their composition and structure, and work in this direction should be carried out on the basis of this program. In our regard, the "*Special program of financing investments in fixed assets at the expense of own funds in oil and gas enterprises of the Republic of Uzbekistan*", firstly, should clearly define its goals and objectives, priorities. In this regard, the main goal of the "Program" should be recognized, including the achievement of high efficiency of investments in fixed assets financed from their own funds. At the same time, this "Program" should determine the scope (scale) of their implementation at their own expense in accordance with the current structure and composition of investments in fixed assets. Typically, investments in fixed assets involve a relatively long period of financing from their own funds. Therefore, the above "Special Program", in our opinion, should cover a period of at least 5 years (for example, the next 2021-2025 or 2026-2030). With this in mind, the Program's investments in fixed assets of oil and gas companies, which should be financed from their own funds, should be planned for their separate components. Here we are talking about investments in fixed assets in the oil and gas industry of the republic, which should be financed at their own expense: a) housing; b) buildings and structures; c) machines and equipment; and g) in terms of "others". At the same time, the gradual use of investments in fixed assets financed from their own funds in these areas should become one of the key factors in ensuring their efficiency. As a result, in our opinion, the stable nature of self-financed indicators in the oil and gas industry of the country, their gradual change in different years,

the fact that investments in fixed assets at their own expense are not decisive in some years. They should, in the end, lead to an increase in the efficiency of the use of their own funds in the financing of investment activities;

7. At a time when increasing the efficiency of the use of own funds is recognized as a key area for improving the financing of investment activities in oil and gas companies, important resources to achieve this goal are in financing, taking into account the technological structure of investment. The results of our research show that, according to its technological structure, investments in fixed capital here, although consisting of a) construction and installation work, b) machinery and equipment, and c) and although it is composed of others, there is, in our view, no sufficiently well-founded policy in respect of each of them. During the period of scientific research (2011-2020) there was no strong trend in funding for construction and installation work, the same situation was observed in the field of machinery and equipment, the share of those included in the group "others" in most years exceeded 30.0%. This is evidenced by the fact that the high and even in some years it is 50.0%. In this regard, in our opinion, in order to improve the financing of investment activities in oil and gas companies of the country to increase the efficiency of the use of own funds, a separate section should be included in the proposed "*Special program of financing of investments in fixed assets at the expense of own funds in oil and gas enterprises of the Republic of Uzbekistan.*" It covers the main areas of financing from its own funds, taking into account the technological structure and structure of investments in fixed assets and then the dilemma of their effective use in this section must come to the fore;

8. In our opinion, it is expedient to take into account the structure and structure of reproduction of investments and changes in them in order to increase the efficiency of the use of their own funds to improve the financing of investment activities in oil and gas enterprises of the country. The main reason for this is that investments in oil and gas enterprises

of the country financed from their own funds are a) reconstruction; b) technical rearmament; c) expansion of existing enterprises; d) construction of new enterprises; d) supporting or maintaining existing enterprises; e) focus on individual facilities of operating enterprises that differ from each other in terms of their economic efficiency and payback period. This requires that the most effective direction of investments financed from their own funds, in this context, be sought. However, the results of our analysis showed that the work done in the oil and gas companies of the country to find the most effective direction of investments financed at their own expense is insufficient.

This is due to the fact that the bulk of investments in fixed assets financed at their own expense in the oil and gas companies of the country are now directed to the construction of new enterprises and individual facilities of existing enterprises. However, the fact that during this period there was no strong trend in this area, as well as the fact that most of the investments in fixed assets of oil and gas companies in the country were spent on individual facilities of existing enterprises, is not a strong trend.

Therefore, in our opinion, taking into account the structure and structure of investments in oil and gas enterprises of the republic and their changes in recent years, which of them, namely, reconstruction, technical re-equipment, expansion of existing enterprises, construction of new enterprises, support for existing enterprises or to focus on specific objects of existing enterprises, which, in accordance with the modern requirements of a market economy, would be a priority for these enterprises in the current situation, and then the relevant investment activities would be financed from their own funds;

9. Finally, in our opinion, one of the main directions in improving the financing of investment activities in oil and gas companies of our country should be to expand (increase) the use (weight) of borrowed funds, which should be used for these purposes. In

developing the proposal, we took into account the following arguments in favor of it:

- firstly, the fact that in recent years the country's oil and gas companies are using their own funds to carry out and finance investment activities, and that they are sufficient, does not mean that the use of borrowed funds for these purposes is not appropriate;

- secondly, the implementation and financing of investment activities in the oil and gas enterprises of the republic only at their own expense, if all other things being equal, will increase its level of risk. This is because if the goal is planned to be achieved in this way, it may not be achieved if, for some objective reason, the oil and gas industry does not depend on its own funds;

- thirdly, it is not expedient to act in this way, even if the republic has sufficient funds to finance investment activities in oil and gas enterprises. This is explained by the fact that the market economy does not meet the simple requirements for diversification of sources of financing;

- Fourth, from the point of view of the essence and principles of economic management in a market economy, the use of borrowed funds in the implementation and financing of investment activities has a number of advantages. First of all, from the point of view of efficient spending of funds, a business entity that has attracted borrowed funds does not have the right to be indifferent to their fate. This is because these funds require their return after a certain period of time and payment for their use. Demand can be satisfied only if it is used effectively;

- Fifth, on the contrary, if oil and gas companies use only their own funds to finance investment activities, it can show its negative aspects. Due to the fact that the entity owns the funds, it is likely that the issues of their effective use will be relegated to the background as a result of the predominance of calmness, indifference, irresponsibility, responsibility and so on in relation to the use of borrowed funds;

- Sixth, in the last 10 years of development of the country, almost 1/3 of

investments in fixed assets in the economy of Uzbekistan are financed at the expense of own funds of economic entities, in contrast, the fact that in some years these activities are financed by oil and gas companies at their own expense, almost 100.0%, and the fact that the use of their own funds to finance investment activities in these companies is not only expedient and necessary (and it is not necessary);

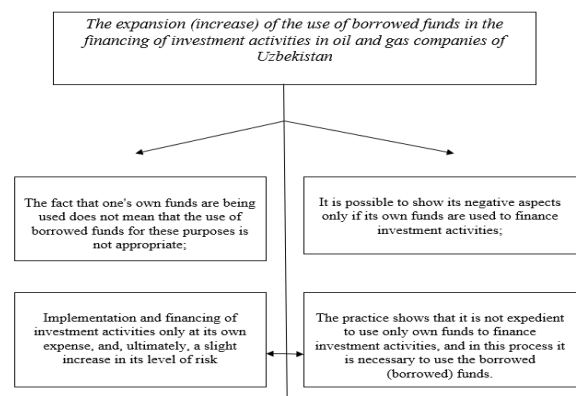
- seventh, at the same time, the fact that in recent years almost 10.0% of investments in fixed assets in the economy of Uzbekistan are financed by bank loans and other loans, and this experience can also be used to finance investment activities in oil and gas companies;

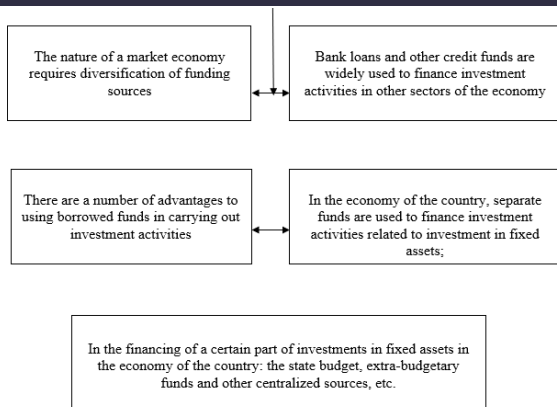
- Eighth, in 2011-2020, separate funds were used to finance investment activities related to investment in fixed assets in the economy of the country. In our opinion, in this situation, the national economy has a number of advantages over other sectors.

- Ninth, the results of our research show that the state budget, extra-budgetary funds and other centralized sources are also involved in financing a certain part of investments in fixed assets in the country's economy. Due to the development of market relations, the level of this indicator in our country has been declining in recent years, but in some years it is still more than 10.0%.

Figure 1.

The main reasons for increasing the share of borrowed funds in the financing of investment activities in oil and gas companies of Uzbekistan





This problem is due to the strategic importance of oil and gas companies of the republic for the economy of the country, due to which in some years, about 40.0% of state budget revenues are formed and the position of these enterprises in the share of foreign exchange earnings is considered to be relatively large, here it becomes clear that it is expedient to use the above funds not as a loan, but as a loan, in order to improve the sources of financing of investment activities. Also, the use of the above funds in the form of budget loans to improve the financing of investment activities in oil and gas enterprises of the country is not contrary to the nature of a market economy. To make the arguments given in the above nine paragraphs more understandable, we can make the following logical diagram (Figure 1).

In short, the generalized arguments in this diagram show that, in addition to increasing the efficiency of the use of own funds, the rational use of borrowed funds will improve the financing of investment activities in oil and gas companies of our country and the above-mentioned scientific proposals and practical recommendations in this direction can serve to achieve this goal. Equally, it should be noted that these are not the only ways to improve the financing of investment activities in oil and gas companies of our country.

Literature:

1. Нешиной С.А. Инвестиции: Учебник. – 7-е изд. перераб. и испр. – М.: Издательско-