

SCIENTIFIC ENQUIRY  
IN THE CONTEMPORARY  
WORLD:  
THEORETICAL BASICS AND  
INNOVATIVE APPROACH

Research articles

9<sup>th</sup> edition





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## ECONOMICS

### INCREASE IN INVESTMENT APPEAL JOINT-STOCK COMPANIES IN UZBEKISTAN

*B. Usmanov<sup>1</sup>*

*Abstract*

In article the theoretical points of view of scientists-economists about «investments», «investing activities» and «investment appeal» are considered. Proceeding from the points of view of scientists-economists, the investment strategy of the state is proved, and also enhancement of mechanisms of activities regarding corporate and joint-stock activities is offered. The main indicators of the industry of the Republic of Uzbekistan and structure of investments on industries are analysed.

*Keywords:* investment, investment policy, investment appeal, joint-stock company, foreign investor, corporate governance.

It is known that each country aims to create the most attractive investment climate: sets a favorable tax regime, develops the legislation, creates conditions for the fair competition and high-quality infrastructure for business development, enters the minimum administrative barriers.

Meanwhile, calculations of world analysts show that in emerging markets in the next decade growth of deficit of capital stock is expected. So, in the outlined dynamics of development of the financial markets demand and supply gap from 2008 for 2022 will constitute about 8 trillion US dollars [8, p. 9].

In the conditions of the continuing global financial crisis the economy of the Republic of Uzbekistan shows the remaining growth rates of the main economic indicators with high social support of the population. «The most important instrument of dynamic and balanced economic growth, implementation of deep structural transformations and diversifications of economy is carrying out active, address investment policy» [4].

These words of the First President of the Republic of Uzbekistan I.A. Karimov become a driving force of activities of joint-stock companies of real production sector in ensuring preserving stable indicators of growth of national economy in 2015 and the next years.

In particular, the complex measures for upgrade, technical and technological updating of productions and increase in competitiveness of industries realized in Uzbekistan provided growth of production volume of industrial output in

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2015 for 7,9% relatively 2014. The specific weight of the industry in general investments of the country made 40,9%, i.e. this indicator is 3,5% higher, than for the accounting period of last year. Due to high-quality changes the specific weight of the industry in GDP made 24,3% (table 1). Dynamic development of the industries oriented to production with a high value added is provided.

Table 1  
The main indicators of the industry of the Republic of Uzbekistan  
for 2008-2015.

Indicators	Years							
	2008	2009	2010	2011	2012	2013	2014	2015
The share of industry in GDP, %	23,5	23,6	23,9	24,0	24,0	24,1	24,0	24,3
The growth rate of industrial production, % Compared to the previous year	112,7	109,1	108,5	106,4	107,9	109,6	108,3	107,9
Specific weight of the industry in general investments of the country, %	34,5	28,4	30,4	33,8	34,2	34,2	37,4	40,9
Share of the in industry in employment in the economy, %	13,5	13,4	13,2	13,1	13,0	12,9	12,8	12,8

Source: *Industry of Uzbekistan. Statistical collection. – Tashkent: State Statistics Committee of the Republic of Uzbekistan, 2012-2016. – P.14.*

In 2015 at the expense of all sources of financing in the industry of Uzbekistan it is mastered investments of 17041,0 billion sum that is twice higher than a similar indicator of 2012. In industry structure the share of investments in fuel industry from 39,1% in 2012 increased to 52,9% in 2015. The same indicator in the energy sector increased according to 10,7% up to 11,3%. At the same time the share of the investments directed to mechanical engineering and metal working decreased: from 11,8% in 2012 to 5,4% in 2015; metallurgy: from 8,2% to 5,5%; light industry: from 8,6% to 4,4%; chemical and petrochemical industry: from 6,7% to 5,8%; food industry: from 4,9% to 4,0%; industry of construction materials: from 5,3% to 4,3% (Fig.1.).

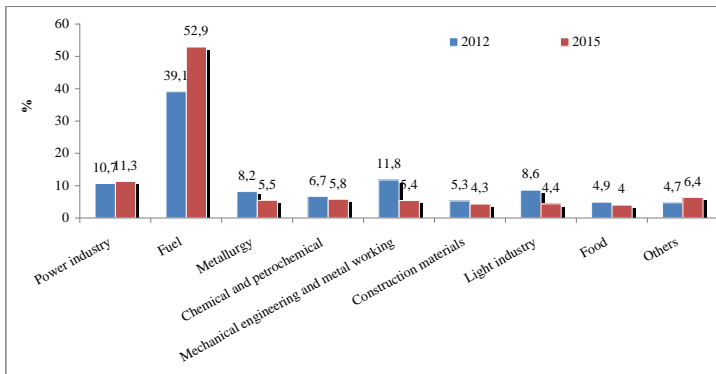


Fig.1. Structure of investments on industries

Source: *Industry of Uzbekistan. Statistical collection. – Tashkent: State Statistics Committee of the Republic of Uzbekistan, 2016. – P.44.*

For studying of investment appeal of joint-stock companies, it is necessary to analyse in detail such key economic categories as «investments», «investing activities» and «investment appeal». The necessity of such analysis is caused by availability of a set of value judgment of various scientists often contradicting each other. It as S.S. Zhilinsky truly notices, absolutely inadmissibly as similar inconsistency is capable to create any misunderstanding in economic and right realizable practice and to lead to preventing of activization of investment processes in national economy [1, p.69].

Investments are other on the concept than savings, and scientists-economists on this matter already made accurate differentiation. In particular, according to V.V. Kovalyov, under favorable conditions for development of economy and society, a low risk degree, the majority of the savings used on receipt of useful effect become investments [2, p.13]. It should be noted that now such conditions are created in developed countries, but as a result of the latest foreign policy events, and the related sanctions decisions concerning some countries, there is a restriction of world money turnover from subsequent its involvement in global investment process.

For the purpose of receipt of the most detailed idea of economic category «investments» and for increase in efficiency of their use it is representable the advanced classification of investments received in an analysis result of classifications of investments of I.A. Blanc, V.V. Kovalyov, G.S. Staroverova and L.L. Igonina and also allocations of an additional sign the «reached efficiency» characterizing a ratio of the spent investment resources and the gained effects [6, p.155-161].

It is possible to carry to the most important signs of investing activities:

- subordination of production (operational) activities for creation of conditions of its growth;
- smaller degree of dependence on industry features in comparison with productive activity;
- unevenness of amounts on the separate periods;
- «a delay log» when forming profit of the entity (and also other forms of effect);
- forming of an independent type of the cash flows of the entity which are variously sent to the separate periods;
- investment risk;
- the indicator of net investments (a difference of gross investments and the depreciation charges) characterizing rates of economic development of the entity [3, p.19-22].

In economic literature the concept «investment appeal» appeared relatively recently and is used mainly in case of the characteristic and assessment of investment objects, rating comparisons, the comparative analysis of processes [7, p.71-76].

As the analysis of domestic and western literature revealed that there is no consensus in an interpretation of determination of this economic category, in our opinion, it is necessary to pay special attention to its intrinsic characteristics for the purpose of receipt of due theoretical reasons.

In a broad sense investment appeal represents contradictory unity of two

characteristics: economic content (investment) and a psychological form (appeal) – value judgment of objective reality (as the subjective factors influencing decision making about investment it is necessary to consider value judgment by the investor of indicators of a condition of an accounting entity and individual tendency to risk) [5, p.15].

Traditionally a concept investment appeal means availability of such conditions of investment which influence preferences of the investor in the choice of this or that investment object.

Proceeding from above the described scientific points of view of scientists-economists, attraction of direct foreign investments shall be in the way a basis of an investment strategy of the state today:

- international cooperation of productions which is followed by transfer of modern technologies;

- creations of the entities with absolute foreign participation;

- implementations of shares of the privatized entities.

As more than 80% of industrial assets are concentrated in the joint-stock companies formed by privatization and privatization, adoption of the resolution of the President of the Republic of Uzbekistan of 21.12.2015 No.RP-2454 «About additional measures for involvement of foreign investors in joint-stock companies» which approved an order with which in compliance in joint-stock companies the share of the foreign investor in the authorized capital shall constitute at least 15 percent became logical continuation, the complex work on enhancement of corporate governance which is carried out in 2015 as necessary element of increase in investment appeal of the Uzbek joint-stock companies.

The main problem in involvement of foreign investors in the mentioned joint-stock companies is that all of them are in structure of branch associations, regardless of how the last are called: joint-stock companies (JSC «Uzbekenergo», JSC «Uzkimiyosanoat», JSC «Uzbekiston temir yullari», JSC «Uzbekengilsanoat», JSC «Uzbektelekom»); joint stock companies (JSC «Uzmaxsusmontajkurilish», JSC «Dori-darmon») and, in fact, are holding companies, also as well as NHC «Uzbekneftegaz», HC «Uzagrosanoatmash-holding», HC «Uzvinosanoat-holding», with all that it implies from this features in structure of capital stock and corporate governance. All entities which are a part of the vertically integrated holdings are affiliated and packets of their shares (from 51 to 100 percent) are controlled by mother company on the property rights.

These associations need to enhance activities mechanisms regarding corporate and joint-stock activities and to realize a complex of the actions directed on:

- improvement of corporate governance by the entities, increases in a role of their supervisory boards, accounting of interests of all groups of shareholders;

- forming as a part of holdings (their managing companies) of specialized divisions (departments, managements, departments) which are responsible for all block of corporate questions of all entities of holdings;

- giving of real managerial functions to the supervisory boards regarding a strategic management and control with allocation for this purpose necessary financial, organizational, administrative, personnel and other resources (withdrawal from nominal nature of recommendations);

- inclusion of the supervisory boards in process of coordination of interests, both all groups of shareholders, and other concerned parties (regional authorities, partner entities, other entities of holdings, etc.);
- attraction in structure of the supervisory boards of qualified specialists in the field of corporate governance (as a rule, from structure of personnel of managing companies of holdings), the organization of training process of members of recommendations and the corresponding personnel of the entities (corporate consultants, legal services, etc.);
- development and acceptance as qualitatively new and corresponding to the modern legislation internal corporate documents of the entities leading (charters, regulations on bodies of corporate management, various codes, etc.);
- implementation of practice of regular holding internal meetings of the supervisory boards with consideration of real questions of activities of the entities (control of management, the current financial and economic activities of the entities, a budgeting system and business planning);
- carrying out restructuring of all business of the entities with involvement of qualified specialists, including restructuring of a management system by the entities on the basis of the modern principles of management;
- reduction of activities of the entities in compliance with requirements of the modern regulatory framework regulating questions of corporate governance including regarding practice of disclosure of information on activities of the entities (quarterly reports of issuers, essential facts, etc.);
- implementation of practice of real participation of the supervisory boards in preparation of general shareholder meetings (preliminary consideration of all documents to meetings, etc.);
- implementation of practice of coordination with the supervisory boards of candidates for key positions in a management of the entities.

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