

## ANALYSIS OF THE IMPLEMENTATION OF INVESTMENT ACTIVITIES AND ITS FINANCING AT THE OIL AND GAS ENTERPRISES OF UZBEKISTAN

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### Abstract

The article gives current proposals for the implementation of investment activities and analysis of its financing at the oil and gas enterprises of our country, conclusions are drawn based on the results of the study.

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### Introduction

Over the years of independence, and especially over the past 4-5 years, a lot of work has been done to solve the problems associated with financing investment activities in our country. However, it cannot be said that they have come to an end. Among them are the sources of financing of investment activities, their composition and structural structure, the degree of diversification of sources of financing, the mutual ratio of own and borrowed funds, the effectiveness of the use of funds spent on investment activities, in particular, the overall economic efficiency of investments in fixed assets and industries, its payback, etc.

In turn, the presence of such problems in the financing of investment activity leads to a decrease in investment activity. Under the current conditions, no country can allow this. Because it is clear that a set of problems associated with a decline in investment activity will have a negative impact on the recovery and growth rates of the economies of many countries.

At the same time, it is necessary to assess the current situation with the financing of investment activities in our republic. It is important to choose one of the main sectors of the economy of our country, for example, oil and gas enterprises, and on this basis to identify the existing shortcomings and defects, their causes and develop ways to eliminate them.

It is also essential to identify the main directions for improving the financing of investment activities of oil and gas enterprises in Uzbekistan and substantiate them from a scientific and practical point of view. In this regard, the different nature and extreme importance of the problems associated with improving financing in order to enhance investment activity at these enterprises, on the one hand, requires its solution and determines the relevance of the problem, and on the other hand, the same requires a special comprehensive study in this regard. direction needs to be implemented.

## Research methods

In this research work, methods such as the analysis of indicators of investment activity and its financing in oil and gas enterprises, the presentation of the results of the analysis in the form of tables and the development of conclusions based on them, economic statistics were used.

## Analysis and results

When studying issues related to the financing of investment activities in relation to enterprises of any industry (including oil and gas), it is desirable to come to a consensus on the nature, tasks, forms and principles of financing investment activities. Because first of all it makes sense to agree on these issues, and then talk about improving the financing of investment activities. Failure to do so may lead to certain uncertainties, inadequate conclusions and, ultimately, incorrect, inadequate or inefficient decisions.

First of all, it is necessary to define what is "investment" in "financing of investment activity" in the oil and gas enterprises of our republic, and this should become the basis of this process.

Therefore, first of all, it should be noted here that the essence of investment is still interpreted differently in different literature, including economic (and even financial).

Improving the financing of investment activities carried out within the framework of the oil and gas enterprises of our republic cannot be achieved without an analysis of the sources, procedures and problems of financing this activity. At the same time, it cannot be said that the current state of the investment activity of oil and gas enterprises and the trends characteristic of it are fully or partially completed without clarifying these issues. Taking this into account, we noted that the current state of the investment activity of oil and gas enterprises and some of its characteristic trends will be considered in more detail, since they are very relevant to the topic of our study. Therefore, now let's proceed to the analysis of the composition and structural structure of sources of financing investments in oil and gas enterprises of our republic (Table 1). According to the table, the composition of the sources of financing capital investments of the enterprises of the oil and gas complex of our country includes own funds, foreign investments, borrowed funds, etc. Its uniqueness can be noted, first of all, in the sources of financing investments in the fixed capital of oil and gas enterprises of our republic, in particular, in some years extra-budgetary funds are also used. In particular, 40.7 billion rubles were allocated for these purposes in 2014. and in 2018 4907.4 billion soums. UZS off-budget funds were used as a source.

**Table 1. Composition and structural structure of sources of financing of capital investments in oil and gas enterprises of the Republic of Uzbekistan <sup>1</sup>**

№	Indicators	Years									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1.	According to "Uzbekneftgaz" JSC fixed capital investment- total volume of - total, billion sum <sup>2</sup>	1738,8	1703,8	1923,4	2686,6	3903,4	3766,9	3508,1	5806,8	8093,7	8495,2
	Including:										
	- own resources	1567,8	1397,9	1923,4	1484,1	3790,8	3766,9	1546,5	899,3	6398,5	5704,8

<sup>1</sup> "Uzbekneftgaz" was compiled on the basis of the reporting data of the relevant years.

<sup>2</sup> Paragraph 3 of the Resolution of the President of the Republic of Uzbekistan No. PD-4388 dated July 9, 2019, based on the improvement of the management system of JSC "Uzbekneftgaz" and the formation of an effective organizational structure, the reduction of redundant links in the management of the system, and the elimination of JSC "Uzburg'neftgaz", JSC "Uzneftgazqazibchiqarish", " JSC Uzneftmahsulot, JSC "Uzneftgazmash" were reduced from the structure of the JSC, the JSC was transformed into JSC, and JSC "Uztransgaz" was removed from its structure.

	- foreign investments <sup>3</sup>	91,0	35,6	0,0	1161,4	0,0	0,0	0,0	0,0	685,2	1307,4
	- borrowed funds	34,2	270,3	0,0	0,4	0,0	0,0	1962,4	0,0	922,9	1247,1
	- others (extra-budgetary funds)	45,8	0,0	0,0	40,7	0,0	0,0	0,0	4907,4	87,1	235,9
	The total volume of investments in the fixed capital of "Uzbekneftgaz" JSC (JSC) - total, in %	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
2.	Including:										
	- own resources	90,2	82,0	100,0	55,2	97,1	100,0	44,1	15,5	79,0	67,1
	- foreign investments <sup>4</sup>	5,2	2,1	0,0	43,2	0,0	0,0	0,0	0,0	8,5	15,4
	- borrowed funds	2,0	15,9	0,0	0,0	0,0	0,0	55,9	0,0	11,4	14,7
	- others (extra-budgetary funds)	2,6	0,0	0,0	1,5	0,0	0,0	0,0	84,5	1,1	2,8

In our opinion, the use of extrabudgetary funds as a source of financing for investment activities at the oil and gas enterprises of our country is determined by the strategic importance of these enterprises in the economy of our country and, accordingly, the need for state participation in ensuring the pace of their development in a few years.

Although the use of foreign direct investment in financing investment activities by oil and gas enterprises of our country (without the participation and guarantee of the government of Uzbekistan) during the analyzed 2011-2020. does not have a constant (annual or interannual - year), they were used as a source 5 times during this period and their annual amount is 35.6 billion soums (2012) 1307.4 billion soums. to sum (2020). However, the fact that they were not used as a source of funding at all during 2013 and 2015-2018 suggests that there are large reserves in this place.

In our opinion, the use of borrowed funds in financing investment activities carried out within the framework of oil and gas enterprises in our country also has its own characteristics. In this regard, first of all, it should be noted that during the four analyzed years (2013, 2015-2016 and 2018) they were not used at all as a source of funding. In addition, the amount of borrowed funds used as a source varies from year to year. For example, for these purposes in 2014, 0.4 billion rubles. soums, and its amount in 2017 amounted to 1962.4 billion soums, that is, in direct comparison, it was 4906 times (!!!) more than the level of the specified year. Also, over the past two years (2019 and 2020), the level of these funds as a resource is significant.

In general, the data in Table 1 show that in some years (in 2012, 2019 and 2020) borrowed funds in the implementation of investment activities in the oil and gas enterprises of our republic amount to more than 10.0%, and in some years (in 2017) up to 56.0%, serves as the basis for the conclusion that these enterprises do not use this source as a source of investment activity financing. Therefore, we believe that this aspect of the problem must be taken into account when improving the financing of investment activities of oil and gas enterprises in Uzbekistan.

An analysis of the data in Table 1 also shows that the source of decisive importance in the implementation of investment activities in the oil and gas enterprises of our country for 2011-2020 (with the exception of some years: for example, 2018) is the own funds of these enterprises. However,

<sup>3</sup> The amount of foreign investments made by JSC "Uzbekneftgaz" itself without the participation and guarantee of the state was reflected here.

<sup>4</sup> The amount of foreign investments made by JSC "Uzbekneftgaz" itself without the participation and guarantee of the state was reflected here.

the total amount of these funds directed as a source of financing for investment activities in these enterprises tended to volatility between these years. Meanwhile, the change in these funds from year to year is in the nature of "increase-decrease" or "decrease-increase", and its level reached 7.0 times in some years (for example, if the amount of these funds was 3766.9 billion soums in 2016 year, their amount in the next year (2017) decreased to 1546.5 billion soums or decreased by 2.4 times, or vice versa, in 2018 the amount of these funds was 899.3 billion soums, while in 2019 the level of this indicator amounted to 6398.5 billion soums or decreased by 7.1 times compared to the previous year).

It should also be noted here that the relative data reflecting the structural structure of sources of financing for the investment activities of oil and gas enterprises in our country, reflected in the second part of Table. 1 clearly confirm the correctness of our conclusions. same. According to them, for 8 out of 10 analyzed years, including 2011-2020, more than half (in some years even 100.0%) of the financing of the investment activities of oil and gas enterprises in our country was carried out at the expense of these enterprises' own funds.

From the point of view of the composition and structural structure of the sources of financing the investment activities of oil and gas enterprises in our country, as well as from the above situations, in our opinion, we can draw several important conclusions with different directions. in terms of funding optimization. One of these conclusions, in our opinion, can be expressed as follows: despite the fact that in the eyes of many and from the outside it looks positive, in the analyzed years, financing of the investment activities of oil and gas enterprises in our country was mainly at its own expense (in some years it was completely, i.e. 100.0%) is fulfilled, in our opinion, a positive assessment does not have a sufficient level of justification. Because, admittedly (the market economy requires and does not require proof), the use of only own funds for any purpose, including financing investment activities, does not always bring positive or high results. Also, the practice itself shows in a number of positions the expediency of using borrowed funds instead of own funds in a number of cases, including in investment activities. Moreover, even if we look at this problem from the point of view of the generally recognized diversification of sources of financing for the investment activities of oil and gas enterprises, it is not always possible to positively assess the fact that such a situation has developed in our country. In our opinion, there is no doubt that even if we look at this problem from the point of view of the level of riskiness of the situation, it is not possible to resolve the issue of the appropriateness of using own funds at these enterprises. Based on these aspects, from the above analyzes and the conclusions drawn on their basis, it is clear that our republic needs to improve the financing (process) of the investment activities of oil and gas enterprises.

Despite this, in our opinion, it is appropriate to clarify a few more issues before drawing conclusions in the order outlined above. One of these issues is familiarization with the situation at one of the specific enterprises, for example, Uztransgaz, which is part of Uzbekneftegaz JSC, which includes oil and gas enterprises of our country. Here we are talking about the analysis of the situation at the oil and gas enterprises of our country, not in general, but in private. In this regard, the corresponding results of the analysis are presented in table. 2.

The information reflected in it shows that budgetary funds, foreign investments, borrowed funds and other funds were not used at all to finance investment activities in Uztransgaz during 2011-2020, and over the past 10 years Uztransgaz has been the only source of investment financing activities were only his own funds. The fact that the situation is such, in turn, once again confirms that our judgments, expressed above in the most general form, regarding the sources of financing investment activities in the oil and gas enterprises of our republic, are becoming more and more acute here.

So, we managed to find out the situation with the sources of financing related to the implementation of investment activities for Uztransgaz, one of the enterprises that are part of Uzbekneftegaz JSC.

Based on them, given above, in this direction, the financing of investment activities in the oil and gas

enterprises of our country over the past 10 years was carried out mainly at the expense of own funds (even up to 100.0%), it is not advisable to evaluate. this is only positive, the use of only own funds is always positive or that it cannot be highly effective, that it is necessary to use both own and borrowed funds to carry out investment activities, that it is not possible to positively assess the fact that such a situation has arisen here even from the point of view in terms of diversifying the sources of financing the investment activities of oil and gas enterprises, the feasibility of considering the problem from the point of view of the level of risk and, taking into account all of the above, that the conclusions about the need to improve the process of financing investment activities in oil and gas enterprises in our country are only correct. It turned out that this is not information from JSC Uzbekneftegaz, and information from other enterprises, including Uztransgaz, which was received separately.

**Table 2. Composition and structural structure of sources of financing capital investments in the Republic of Uzbekistan "Uztransgaz" <sup>5</sup>**

№	Indicators	Years									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1.	The total volume of investments in fixed capital - total, billion sums.	268,7	124,6	294,7	163,2	195,3	240,0	255,5	22,2	24,1	32,0
	Including:										
	- budgetary resources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	- own resources	268,7	124,6	294,7	163,2	195,3	240	255,5	22,2	24,1	32,0
	- foreign investments <sup>6</sup>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	- borrowed funds	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- others (extra-budgetary funds)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
2.	The total volume of investments in fixed capital - total, in %	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
	Including:										
	- budgetary resources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	- own resources	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
	- foreign investments <sup>7</sup>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
	- borrowed funds	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- others (extra-budgetary funds)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	

We can say that this, in turn, once again shows the need to improve the financing of investment activities of oil and gas enterprises in our country.

However, in our opinion, here it is appropriate to pay attention to a few more circumstances when making the appropriate final financial decisions. At this point, we will: a) determine the overall economic efficiency of investments in fixed capital for the enterprises of the oil and gas complex of our country as a whole and by industry and their change compared to the previous year; b) we intend to assess the dynamics of general and sectoral indicators of the recovery of investments in the fixed capital of oil and gas enterprises in our country.

In our opinion, if we do not pay attention to these aspects of the issue, the decision to improve the financing of the investment activities of oil and gas enterprises in our republic and the development of

<sup>5</sup> It was compiled on the basis of data from reports of "Uztransgaz" for the relevant years.

<sup>6</sup> The amount of foreign investments made by JSC "Uzbekneftegaz" itself without the participation and guarantee of the state was reflected here.

<sup>7</sup> The amount of foreign investments made by JSC "Uzbekneftegaz" itself without the participation and guarantee of the state was reflected here.



appropriate measures for its implementation can be considered premature in a certain sense.. With this in mind, below we will consider these aspects of the issue in the order in which they are highlighted.

### Conclusions and suggestions

So, the general conclusion from the above is that the economic efficiency of capital investments in oil and gas enterprises of our country in the next 10 years is characterized by instability, which is relatively low. Moreover, investments in general and in its individual sectors are not economically effective and cause losses in some years. Of course, there are many reasons for this situation. Therefore, we will not focus on these aspects of the problem here. After all, it is a separate object of research. However, in spite of this, it is clear to us that one of the reasons for such a situation regarding the economic efficiency of investments in oil and gas enterprises of our country is related to their financing.

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