



INVESTMENT ATTRACTIVENESS ASSESSMENT METHODS



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Abstract: in this article, attracting foreign investors by increasing investment attractiveness in our country, as well as the use of several assessment methods in increasing investment attractiveness, is analyzed. The researches of several economists in this regard have been studied.

Keyword: Investment, payback period, investment attractiveness, profit, capital, discount rate, profitability.

Introduction

In our country The role of investments, including foreign investments, should be specially recognized among the factors of maintaining and ensuring sustainable growth. Because investment is the driver of the economy. Attracting foreign investments is primarily related to the environment and conditions created in the country, responsibility and accountability of invested enterprises, protection of investments and reliability of income, in other words, investment attractiveness.

The amount of foreign investments entering the economy of our country is increasing year by year. In particular, "A total of 240 trillion soums of investments have been attracted to Uzbekistan over the past year, of which 8 billion dollars are direct inflows. In 2023, it is planned to attract investments of 30 billion dollars, of which 25 billion dollars will be private investments" [3].

Literature analysis

Investment attractiveness can be evaluated using different methods. Some scientists [1] recommend dividing the investment value into statistical, dynamic, incremental value, discounting, annuity, internal interest rate, and cost recovery methods, while others [2] consider whether or not they take into account the time factor in their evaluation. they recommend dividing into two groups - the discounting-based valuation method and the accounting method.

Investment evaluation period of coverage, including accounting methods; simple-accounting profit margin and capital expenditure ratio can be included.

Payback period (simple investment payback) method the essence of which is to determine the number of years required to fully cover the initial investment costs.

If the net cash flow from the invested capital is the same amount every year, then to find the payback period (K_M), the initial investment (DI) is divided by the expected annual net cash inflow (CT), i.e.

$$K_M = \frac{DI}{CT}$$

If the annual net cash inflows are not the same, then to find the payback period (K_M), the expected annual net cash inflows (ST) are accumulated until the initial investment is recouped, and on this basis the payback period (D_k) is calculated, and the part that will be accumulated in the remaining period (year) is added to it, i.e

$$K_M = D_k + \frac{K_k}{CT}$$

where, K_k is the unreimbursed part of the investment per year until full reimbursement;

The advantage of the method is that it allows you to make a general conclusion about the liquidity and risk of the project, the disadvantage: it does not take into account the cash flows that will come after the end of the project's payback period. In addition, this method does not take into account the reinvestment of income and the time value of money.

Normal-accounting profit rate The essence of the method is that the average net accounting profit for the life cycle of the project is compared with the amount of investment in the project. This method allows you to choose the project that gives the highest accounting profit.

The advantage of the method is that it is easy to understand and very simple to calculate, the disadvantage is that it does not take into account the nature of certain types of non-monetary expenses and the related tax economy, income from their liquidation as a result of replacing old assets with new ones, the possibility of refinancing the received income, and the time value of money.

Capital expenditure balance method The essence of is that it describes the investment costs corresponding to each unit of a type of product. To determine it (K_x), the capitalized investment amount (IC) for the implementation of the project is divided by the volume of one type of product produced (Q), i.e.

$$K_x = \frac{IC}{Q}$$

The advantage of the method is its simplicity and ease of calculation.

The common features of all the above methods are that they can be used to provide general descriptions of investment projects during the initial analysis or when there is no need for a serious analysis of investment projects. A common shortcoming common to all of them is that they do not take into account the time factor in the process of investment evaluation.

Analysis and results

It is no exaggeration to say that usually in long-term financial transactions, the

time factor plays a more important role than the amount of money spent. From this point of view, it is necessary to use the method of discounting investments. Discounted payback period, including discounting methods for evaluating investment projects; such as net present (real) value, profitability index and internal rate of return can be included.

Discounted coverage periodThe essence of the method allows to determine the time when the discounted flow of income equals the discounted flow of expenses. Based on the essence of the method, if by the end of the investment period the capital costs amount to a certain amount (IC), it is the regular flow of investment income (Pk) during the life of the project (n) discounted at the specified profit rate (r) should be equal to the current:

$$\sum_{\kappa}^n \frac{P_{\kappa}}{(1+r)^{\kappa}} = IC$$

The advantage of the method is that it uses the concept of cash flows, that is, it takes into account the reinvestment of earned income and the time value of money. The important point of this method is that the certain ratio between the amount of investment and the amount of income should not be violated.

Project net present (actual) value methodThe essence of is defined as the difference between the sum of the real value of all income cash flow and all expenses cash flow. If the invested initial capital (IC) generates a certain amount of annual income (R1, R2,...Rn) during the period of the project's operation (k...n), in that case, the net transfer value is calculated at the rate of profit (r) (NPV) can be calculated according to:

$$NPV = \sum_{\kappa}^n \frac{P_{\kappa}}{(1+r)^{\kappa}} - IC,$$

The advantage of the method: it is aimed at increasing the income of shareholders, the disadvantage: the amount of net real value cannot be calculated absolutely correctly in some cases. As a result, it is not possible to conclude about the margin of profitability and the reserve of financial sustainability of the project.

When it comes to the net present value method, it should also be taken into account that in some cases the invested capital is not immediately, but slowly - gradually over several years (*m*) can be done during In such cases, the above formula can be slightly modified to calculate the net present value, i.e

$$NPV = \sum_{\kappa}^n \frac{P_{\kappa}}{(1+r)^{\kappa}} - \sum_j^m \frac{IC_j}{(1+i)^j},$$

where *i* is the expected average rate of inflation.

Investment return index methodThe essence of is that it describes the return of funds invested in the project. To determine the return on investment index (RI), the sum of the discounted values of the net cash flows from the investment is compared with the initial investment amount (IC).

$$RI = \sum_{\kappa}^n \frac{P_{\kappa}}{(1+r)^{\kappa}} : IC$$

The advantages of the method in general are that it is not difficult to understand

and that it is aimed at increasing shareholder returns. Its main disadvantage is that it requires the implementation of certain complex calculations, and the possibility of allocating the most profitable projects is limited.

Internal rate of return method of investment the essence of which is that if the rate (r) equal to the internal rate of return (j) is taken when calculating interest on the investment amount, then the period equal to the investment will be provided with distributed income. So, the higher the rate of return, the more efficient the investment.

$$\sum_{\kappa}^n \frac{P_{\kappa}}{(1+j)^{\kappa}} = \sum_{\kappa}^n \frac{IC}{(1+r)^{\kappa}}$$

As can be seen from the given formula, the difference between the interest rate (r) and the internal rate of return (j) that can be accepted by the investor (in other words, the rate of market profit) characterizes the efficiency of investment activity. From the official point of view, the investment is appropriate only if the internal rate of return is higher than the market profit rate (interest rate), otherwise, the investment is not appropriate.

Summary

It should be noted separately that the method of internal rate of return of investment is often used during the initial analysis of investment projects, and with its help, projects that provide acceptable profitability for the enterprise and are later studied are distinguished.

Any method of evaluating the efficiency of investment allows to evaluate one or another aspect, advantages and disadvantages of investments. Therefore, the complex application of the main methods of analysis of investment projects creates great conditions for choosing projects with high efficiency.

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