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The main theoretical issues of the effectiveness of an investment project

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Abstract: The article examines and highlights the problems, associated with attracting investment, as well as considers the traditional methods of performance evaluation of investment projects. To improve investment projects , the industry and the economy needs government support . Today, various mechanisms of interaction are adopted at the regional level. This approach is capable of radically changing the content of the regional economy.

Keywords: investment project, marketing, mechanism, management, innovation , market products.

Introduction

In Uzbekistan, large-scale reforms are being carried out in all spheres of the economy, where priority is given to the implementation of investment projects with the involvement of foreign and national investors, in particular, the deep introduction of market mechanisms, the creation of wide opportunities for the development of private property and entrepreneurship, the organization of modern industries and infrastructure. The current reforms are yielding obvious results in the field of investment projects , in which innovative technologies, advanced experience, and professional development are provided for to expand entrepreneurial activity. And this is where the problem of the need for efficiency and evaluation of investment and innovation projects arises . This is due to the fact that firstly, one of the key solutions is to increase investment asset. Secondly, the undeveloped mechanism phased evaluation of investment projects, and thirdly, overseas practice of investment calculation and assessment of investment projects are currently not fully adapted well to the economy of Uzbekistan.

Literature review

There are scientific works of foreign, local economists, scientists on theoretical and methodological foundations of financial accountability, as well as the problems of using international standards in studying the order of financial accounting and investment, including: F. Greg Burton, HR Roger, Mak Noton, A.P. Barchatov, N.V. Generalova, V.F. Paly, A.Sh. Polishchuk, E.S. Sokolova, L.R. Simirnova, N.P. Kondrakov, A.D. Sheremet, L.V.Usatova, L.A. Sapolgina, E.N. Ilina, N.Morozova, M.A. Morozov, M.B.Birjakov,I. Avrova, I . Tuxliev, B. Safarov and others.

Main part

At the present time to increase the competitiveness of domestic enterprises government set objectives and reconstruction, modernization of production, introduction into production of new innovative technologies and the expansion of its volume due to the assimilation of new types of products. In conditions of limited financial, material and human resources , investment decisions are made after a rough analysis and careful evaluation and effectiveness of the investment project. In the course of studying scientific works devoted to the effectiveness of evaluating investment projects, the author came to the conclusion that "the effectiveness of an investment project is the degree of achievement of the goals, a set of economic, social and innovative parameters". Such an approach will allow versatile and properly assessed investment project.

The paper discusses the traditional method's performance evaluation of investment projects. The fact is that they do not fully take into account the strategic interests of enterprises in implementation and investment projects. It is also necessary to take into account various factors of the influence of innovation on an investment project and give a qualitative assessment of their effectiveness. In the concept of efficiency of the investment project is usually put its degree of compliance with the objectives and interests of the participants of investment. In this case, you need to estimate it , where the design can be implemented more profitable [1]. One of the important assessment criteria is the economic efficiency of the project, which is directly connected with the issues of a comprehensive assessment of the efficiency of investments, since the project in this case is taken as an object of investment.

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The main theoretical issues of the effectiveness of the project as a whole and the effectiveness of participation in the investment project are of particular importance. As a result of studying the efficiencies and the overall project is theoretically determined investment attractiveness of the project, the feasibility of its adoption for potential participants. This is an indicator of objectivity acceptable and investment project regardless of finance 's capacity of its participants. For potential investors, it is considered a necessary factor and is considered from the standpoint of social and commercial efficiency. In the evaluation of effective participation in the project process is evaluated by certain quantitative characteristics called performance indicators. Project participants can be an enterprise implementing the project and its shareholders; banks lending to the project; leasing company providing equipment for the project, etc. The project may affect the interests of higher-order structures, which can have a very significant impact on its implementation.

In the study, the author examined the best known foreign techniques of investment assessment methods : method of Goldman , Sachs & Co ; Ernst & Young method; methodology of the European Bank for Reconstruction and Development (EBRD); World Bank approaches; method of " cost-benefit "; United Nations Industrial Development Organization (UNIDO) methodology; Little - Mirrlis method. The method for evaluating the effectiveness of investment projects proposed by the World Bank is considered one of the modern and optimal methods for evaluating projects and, according to the method of taking into account the time factor, is divided into two groups: static and dynamic (Fig. 1).

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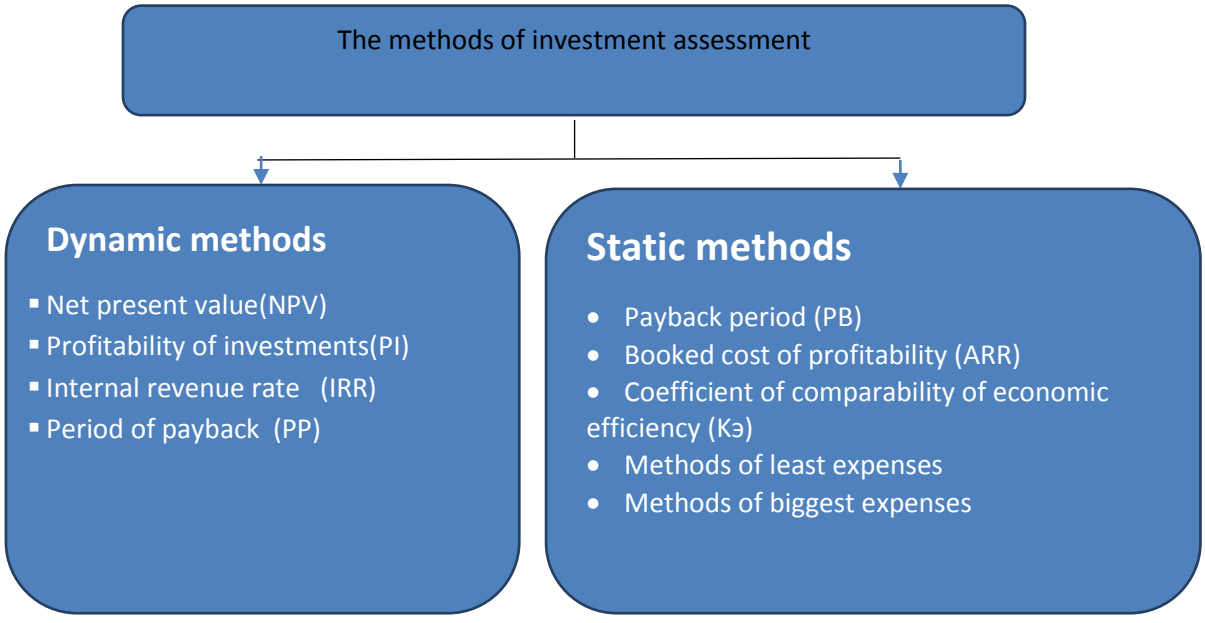

Figure: 2 . Basic methods for evaluating the effectiveness of investment projects

The analysis of the statistical method uses two indicators, one of which is the return on investment. (ROI) - is the return on investment, an indicator of the return on investment [3] :

$$ROI = \frac{I-C}{C} * 100\% \quad (1)$$

where, I - revenue from the result, C-costs.

The next metric, the return on investment (PP), is an important and convenient metric that provides a simplified way to know how long it will take to recover the initial cost and is calculated as follows :

$$PP = \frac{IC}{P+P_{стр}} \quad (2)$$

P-average cash receipts; IC-initial investment; P_p - the period of time from the start of the project to reaching the design capacity.

The views of existing scientific schools assess the effectiveness of investment projects on dynamical mu method have Referring th tsya in the context of the four index it , the first of them - the net value of the cash flows (NPV) - determines its own economic efficiency of the project and compare Vaeth between a few investment targets [4] .

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$$NPV = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} - IC, \qquad (3)$$

where, CF is the discounted cash flow; t - year of calculation; r is the discount rate ; n - discount period.

Profitability Index (PI) - the main method in the decision of the choice of investment project and , where the focus is on the speed with which the initial investment made in the project will be reimbursed by subsequent cash flow[4].

$$PI = \frac{NPV}{IC} \qquad (4)$$

The indicator of the discounted payback period (DPP) eliminates the disadvantage of the static method of the payback period and takes into account the cost of money over time [5] :

$$DPP = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} > IC, \qquad (5)$$

Internal rate of return (IRR) - shows credit rate at which not be loss of investment , all cash is, inflow and and outflow and the sum bud y m equal to n y n y. In this case, investment and CVCA I tsya future cash -arrival s funds from the project [6] .

$$NPV = -IC + \sum_{t=1}^{N} \frac{CFt}{(1+IRR)t} = 0 \qquad (6)$$

And finally , the last indicator of the efficiency of investment projects - modified internal rate of return (MIRR) - adjusted for the reinvestment rate of internal rate of return.

$$MIRR = \sqrt[N]{\frac{\sum_i^N CF_i^+ (1+WACC)^{N-i}}{\sum_i^N \frac{CF_i^-}{(1+r)^i}}} \qquad (7)$$

where: CF_i^+ - income of the i-th period; CF_i^- - costs (investments) of the i-th period; WACC is the weighted average cost of capital; r is the discount rate;

N - is the duration of the project.

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Research has shown that each of these parameters separately makes it possible to evaluate an investment project in a particular item. Even though, complementing the result, and therefore for a comprehensive evaluations and the effectiveness of recommended investment projects to use all of these parameters. Each method is used in different situations and different investment projects.

Conclusion

In the conclusion, the statistics on the traditional analysis method should be used when the surface evaluation of the project, since they do not require layers zhnyh calculations, and dynamic performance and are more reliable for assessing the effectiveness of investment projects , both for investors and for the business owners.

In addition, dynamical method of analysis is recommended to use with an modified index of revenue rate (MIRR) , as this indicator expresses the objective of the investment return on the project.

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