

# PROBLEMS OF IMPROVING THE FINANCIAL SYSTEM FOR SUPPORTING THE DEVELOPMENT OF SCIENCE AND TECHNOLOGY IN THE REPUBLIC OF UZBEKISTAN

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**Abstract.** *The article analyzes investment projects and the possibilities for its improvement in the conditions of the national economy of Uzbekistan, and considers forms of investment in scientific research and development.*

**Keywords:** *investment, background inflation, project investment, break-even point, finance, production resources of GDP, FDI.*

## INTRODUCTION

Investing in scientific and technical projects is a complex process for both designers and investors. In drawing up projects of this nature, the main conditions are to build a financing structure.

## MATERIALS AND METHODS

When selecting investment projects, it is necessary to take into account the influence of “background inflation”. This type of inflation is non-monetary in nature and is directly related to both the subsequent real profitability of investment projects and the degree of risk of these projects. This is precisely the problem when identifying the parameters of the functioning of the scientific and production sphere as preventing background inflation.

In practice, the most common approach to analyzing future income is to determine the so-called break-even point or critical production point.

The economic content of the break-even point is that it corresponds to the volume of production (or the scale of exploitation of limited production resources) at which the total income in quantitative terms equals the total costs.

These situations can be seen more clearly using the graph for determining the break-even point: The break-even point basically reflects the quantity of products that need to be produced and sold so that all costs are covered by revenues. When this value is exceeded, the company begins to make a profit. The lower this indicator, the more competitive the production:

$$p = C/C-P$$

C - fixed costs;

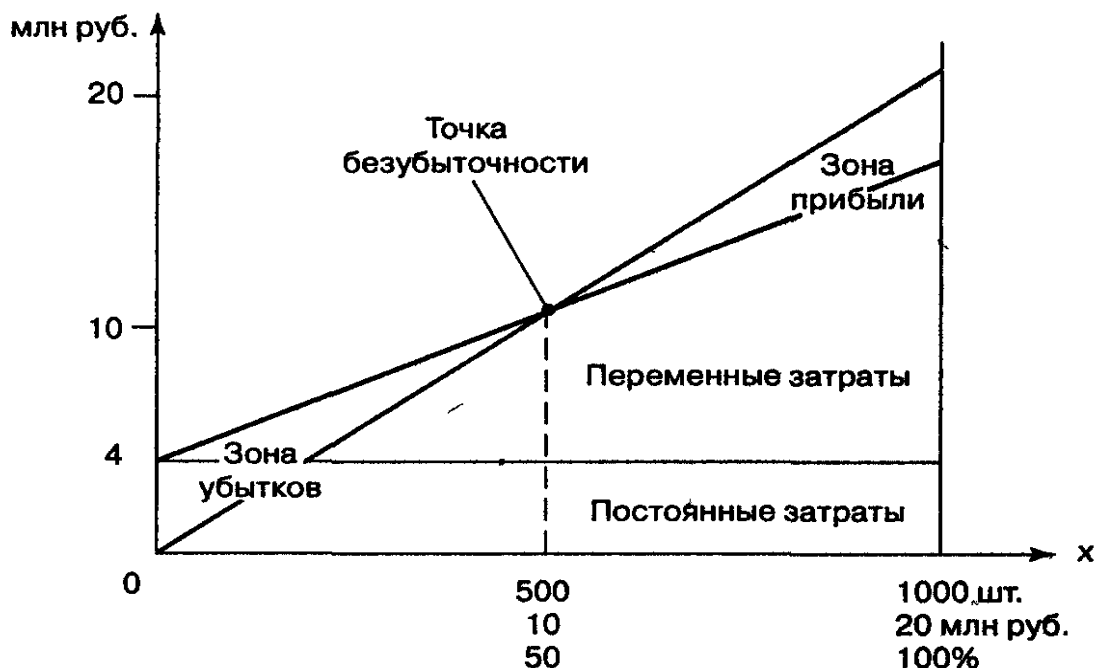
n = quantity of production;

C is the cost of a unit of production.

Multiplying this value by the cost of a unit of production, we obtain an indicator in monetary terms. Its graph is shown in Fig. 1.

As can be seen from this graph, all parameters of profitability or unprofitability of production are tied to production volume. This means that any changes in the scale of production will change both the schedule itself and its relative parameters. In fact, we need to talk about the

fact that for each selling price of units of produced products a separate schedule should be drawn up, in accordance with which the general conditions for financing investment projects will change.



*Figure 1. Break-even point chart*

**RESULTS.** Thus, there is a wide scope for variations in investment projects depending on sales prices. Since in modern conditions of economic development, the factor of background inflation is becoming increasingly decisive, it makes sense to carefully consider the possible parameters of its impact in such variations.

In addition, the directions of the impact of background inflation on the real processes of implementing investment projects are not limited only to price variations relative to the prices of the products that are supposed to be produced. Typically, variations are provided both along the line of fixed costs and along the line of variation in variable costs. Those. all the main components of the approach to determining the break-even criteria for projects are in one way or another associated with the effect of inflationary processes, among which background inflation must be especially taken into account.

The practice of financing investment projects allows us to make some generalizations regarding how correct the assumptions about future profitability turn out to be.

Analysis of the break-even chart can provide certain information that the use of a set of graphical methods is currently the most effective technique, since they allow one to trace the impact of various changes on the goals of the project. In accordance with this, it becomes possible to develop various action algorithms for certain changes in future conditions.

In our opinion, the quality of this approach can be improved to a certain extent if the background inflation factor is taken into account in the range of changes. This requirement is determined by the fact of its presence. Here, first of all, we need to pay attention to the widening gap in the levels of economic development of advanced countries and third world countries. Moreover, this phenomenon occurs against the background of increasing investment financing in developing countries, which is evident from the growth in the size of investments and their sources. If these data are analyzed according to economic indicators provided by the Central Bank of Uzbekistan, then in 2018 the total volume of investment amounted to 107.3 trillion. soum, and its

share in the country's GDP amounted to 26.3 percent. The increase in this indicator was ensured mainly due to the growth of centralized investments due to a 2.8-fold increase in investments made through foreign loans attracted under the guarantee of the Republic of Uzbekistan, moreover, due to an increase in investments made by enterprises and organizations, as well as the population's own funds account, by 6.5 and 4.1 percent, respectively, supported significant growth in domestic demand and the economy. In 2021, during the 1st quarter, the volume of investments in fixed capital amounted to 35.6 trillion soums. At the same time, according to the State Statistics Committee, in 2020 investments from non-centralized sources amounted to 31.3 trillion soums, increased by 13.6% compared to the corresponding period in 2019, and in 2021 the volume of investment in fixed capital will increase by 12-13%, and the volume of non-centralized investments is about 13-15%. The Central Bank predicted inflation for 2021 at 9.0-10.0%. At the same time, inflation processes and expectations until the end of the year will be formed under the influence of both monetary and non-monetary factors of multidirectional action.

The effect of background inflation is manifested in the sphere of measuring project costs. Currently, there are many criteria by which investments are assessed. From these positions, in most cases it is emphasized that projects always consume and produce real, physical goods and services.

With more detailed and specific methods for assessing investment projects, the omnidirectional impact of background inflation becomes even more apparent. There are many such methods, but they are usually grouped by cost-benefit ratio; at net present value; by internal income indicator; to minimize costs. The cost-benefit ratio is the ratio of gross benefit to gross cost. On this basis, discounting of the benefit/cost ratio is carried out.

**Discussions.**

Thus, the modern practice of evaluating investment projects most directly depends on the activity of the factor promoting background inflation. This seems to be a sufficient argument to conclude that background inflation is a factor of omnidirectional action. All main methods of analysis of investment projects are subject to its negative impact.

***Table 1.1***

***Dependence of the inflation rate on the discount rate***

№	Years	Degree of inflation	Учетная ставка
1	2018	14,3	16
2	2019	15,2	14
3	2020	11,1	15
4	2021	10	16
5	2022	12,3	15

Source: State Committee of the Republic of Uzbekistan on Statistics.

Of greater interest is the logical opposite conclusion - the impact on background inflation (naturally in the direction of preventing it) means an impact on the entire investment process, its omnidirectional stimulation.

The negative impact of background inflation is reflected in the real state of risks. Categories of risks are currently extremely widespread. They are especially important for long-term investment financing. The most common classification of project risks in theory and practice is their division according to the nature and time of occurrence in the project cycle. By nature, risks are divided into:

- general commercial risks;

- political or country risks;
- sovereign risks;
- risks associated with foreign investment in developing countries.

One of the main difficulties of project financing is the need to build a financing structure that includes a system of guarantees. Through guarantees, risks are distributed among all parties involved in the project - sponsors, lenders, governments and other so-called third parties.

Project financing in developing countries is a widespread practice where direct, albeit partial, guarantees are issued on behalf of the states hosting the project. This ensures the role of the state in financing scientific projects. From the point of view of financing projects in developing countries, it is usually practiced to take into account direct and indirect guarantees from government agencies.

#### **CONCLUSION**

In conclusion, we can say that specific measures to ensure the safety of the initial cost of capital is the problem of project financing, including measures aimed at preventing background inflation. It turns out that the functioning of the financial sector and the functioning of the scientific and production sphere have a common field - they are associated with background inflation.

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