

Financing the Development of the Direction of Textile Industry Enterprises

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Abstract

The textile industry is strategically important for the development of the economy of Uzbekistan. Own large raw material base, the labor intensity of light industry, the presence of a relatively massive market in neighboring countries make the development of textile and clothing production in Uzbekistan one of the potential growth drivers. Unleashing this potential and creating a strong textile and clothing sector in the country is one of the priority areas for the development of the national economy.

Keywords: *economic development, textile industry, textile and clothing manufacturers, clothing and knitwear industry, production, export.*

Relevance of the topic: The textile industry, as one of the most promising sectors of the republic's economy, includes several industries that produce finished products, and at the same time, it employs a significant part of the employed population, which, in turn, provides employment. But at the same time, the inadequate structure of the textile industry, low production efficiency and product quality, disproportions in the economic and social development of the industry require an integrated approach to change and innovation. These enterprises have the opportunity to work not only on labor costs, but also in almost all regions of the country to locate their production, open branches and small businesses, as well as supply finished products with high added value to the country's foreign markets. The reorientation of the Uzbek economy also deserves attention as one of the most promising sectors, increasing its export potential. The volume of textile products produced in Uzbekistan and the geography of exports are expanding every year.

The purpose of the study is to review the development of the textile industry in Uzbekistan is to identify the main problems hindering the modernization of textile industry enterprises and to find sources of financing for the renewal of fixed assets.

The implementation of this goal required the solution of the following specific **research tasks:**

- the reproduction of fixed assets of industry was analyzed and an assessment was made of the role of renewal of means of labor in this process;
- an analysis of all sources of financing for the renewal of fixed assets in modern conditions was carried out;
- the features of the depreciation policy at the present time are considered;

- the analysis of economic and mathematical models that can be used to improve the depreciation policy of the enterprise;
- developed a set of economic and mathematical models for the optimal formation of financial resources for the renewal of fixed assets and their impact on the results of the financial and economic activities of the enterprise;
- methodological approaches to the adoption of managerial design decisions in modern conditions have been developed and their practical applicability has been proven.

Investment is the main source of economic growth. They require "long" resources, which are often not available from commercial banks, so the Government, together with the Bank of Uzbekistan, should be flexible in using the funds they have, including gold and foreign exchange reserves, to provide reliable banks with long-term liabilities. The latter, in turn, will use these funds for investment lending to enterprises and organizations for the purpose of technical renovation, primarily machinery and equipment.

Scientific novelty of the research:

The main scientific results of the study are:

- analysis of the results of the revaluation of fixed assets and their impact on the financial and economic activities of textile enterprises;
- models for determining the real market value of fixed assets, taking into account tax payments;
- a method for determining the economically expedient service life of labor tools;
- justification for the choice of depreciation method at a particular enterprise;
- an economic-mathematical model and a computer program that allows for a rational depreciation policy in conjunction with the financial analysis of the enterprise;
- method of calculating the critical volume of sales, taking into account exchange rate differences;
- economic and mathematical model for calculating the optimal ratio of own and borrowed funds.

The object of the research is the domestic textile and sewing-knitwear industries.

The subject of the study are the branches of light industry.

The potential of the textile industry in Uzbekistan is growing every year. If in 2017 the share of the textile industry in the total industrial production of the country was 7.5%, then in 2020 this figure was 12.4%, and by 2021 it is planned to reach 14.7%. In 2017-2020, the total revenue of the textile industry reached from \$1.5 billion to \$4.2 billion, or increased by 2.8 times. At the same time, there have been significant changes in the structure of network products. If in 2017 51.8% of gross income came from the production of cotton yarn, 16.5% from fabrics, knitwear and socks, 31.7% from the production of ready-made clothing, then in 2020 these figures will amount to 38.2%, 19.8% and 42.3% respectively. In 2017-2020, the number of jobs created in the network increased from 150,000 to 315,000.

According to the Decree of the President "On the Program of Measures for the Further Development of the Textile and Garment-Knitwear Industry for 2017-2019", adopted on December 21, 2016, enterprises specializing in the production of non-food consumer goods of the textile and clothing-knitwear industry (fabrics, ready-made garments, clothing, hats, hosiery, textile

haberdashery, accessories and accessories for the sewing and knitting industry), tax and customs benefits were provided, preferences in the form of exemption from income tax, property, from a single tax payment for micro-firms and small enterprises, customs payments for imported equipment, components, raw materials and materials not produced in the republic, and others.

A year later, by the Decree of the President "On measures for the accelerated development of the textile and clothing and knitwear industry" dated December 14, 2017, the textile industry enterprises were additionally exempted until 2021 from paying customs duties (except for VAT and customs clearance fees) for imported cotton, artificial and synthetic fiber, wool, raw materials and other materials necessary for production and not produced in the republic.

Exemption from payment of customs privileges when importing industrial goods and equipment is due to the expediency of reducing the costs of domestic producers, which is quite logical. If the goods necessary for production are not produced in the country and the manufacturer will import them anyway, then it makes no sense to increase its costs and thereby reduce the competitiveness of products in the domestic and foreign markets. At present, sufficient capacities for processing cotton fiber have been created, and at the same time, a mechanism is being introduced to curb the export of cotton yarn.

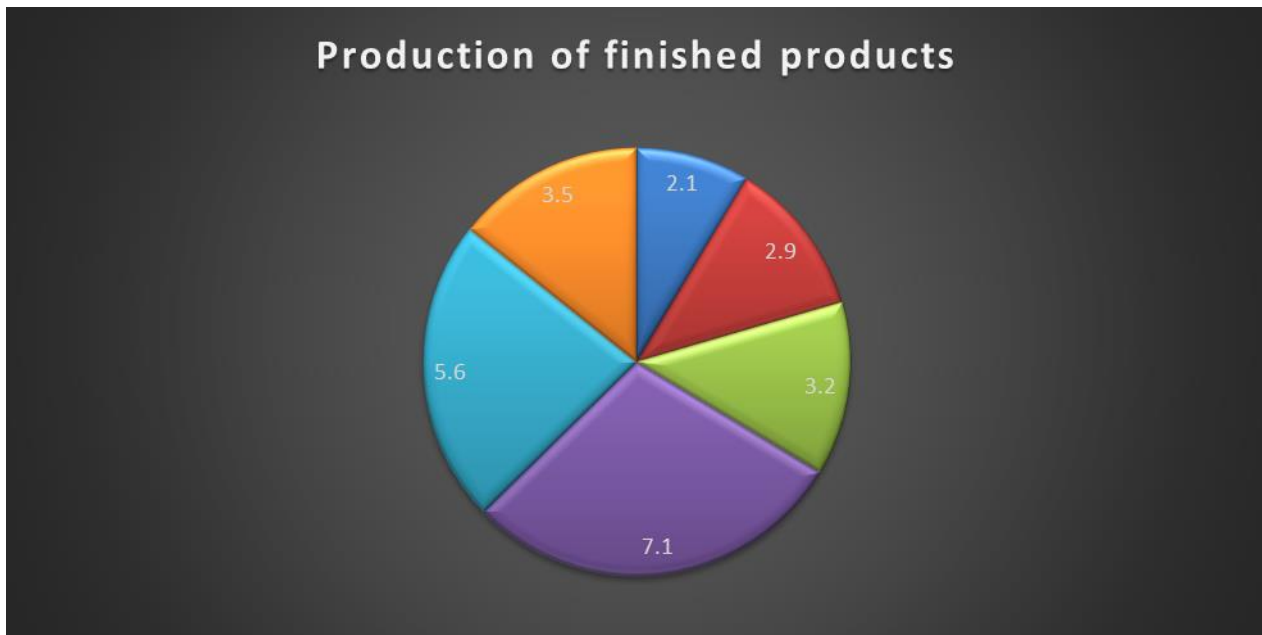
The Decree of the President "On measures to further develop the light industry and stimulate the production of finished products" dated September 16, 2019 prescribes the introduction of a fee for each kilogram of exported yarn in the amount of \$0.01 from 2021. 75 percent of these funds will be directed to the "Uztekstilprom" Association to finance the introduction of international standards at enterprises, certification of products, covering the costs of enterprises for participation in international exhibitions and fairs, creating and promoting national brands, implementing research and innovation projects, training, retraining and staff development and other measures.

In February 2019, serious support measures were introduced in the form of concessional lending and covering interest payments on loans for enterprises exporting textile, clothing and knitwear products. In September of the same year, an exemption from paying property tax until 2023 was granted to enterprises with a share of exports of finished garments and knitwear in the total revenue of at least 60 percent.

Uzbekistan is the world's sixth largest cotton producer with an average annual yield of three million tons, which suggests that it has a comparative advantage for the formation of a large textile and clothing manufacturing sector.

However, the raw material base should be developed and the efficiency of its use should be increased. There was a need to move from an extensive to an intensive increase in the production of raw materials. With regard to cotton, this primarily concerns an increase in its yield, which in the conditions of Uzbekistan must be achieved without increasing the area under cultivation, ensuring the optimization of the use of water resources. The solution to this problem was based on reforms in agriculture and a fundamental change in the relationship between farmers-suppliers of cotton and manufacturers of textiles and clothing.

Figure 1.



Yarn - 2.1; Knitted fabric - 3.2; Garments - 5.6; Fabric - 2.9; Hosiery - 7.1; Knitwear - 3.5.

Today, there is an accelerated dynamics of increasing the production of textiles and clothing: in four years it has increased in nominal terms by 2.8 times. In natural volumes, the production of cotton fiber increased by 17 percent, yarn - by 2.1 times, fabrics - by 2.9, knitted fabric - by 3.2, hosiery - by 7.1, garments - by 5.6, knitted - 3.5 times. The share of the textile industry in the country's total industrial production increased from 7.5 percent in 2016 to 12.4 percent in 2020, which indicates its outstripping development relative to other sectors of the economy.

Serious structural changes have also taken place in the production of textiles and clothing: a move away from the sale of primary products of low levels of added value and a shift towards increasing production and selling finished products of high levels of added value. If in 2016 the proceeds from the sale of yarn accounted for 52 percent of the total industry revenue, then in 2020 it is already 38 percent, despite the fact that the production of yarn continued to increase in these years, and the volume of proceeds from its sale doubled. At the same time, the share of products of the 4th processing unit in the total revenue of the industry increased from 32 percent in 2016 to 42 percent in 2020. The share of products of the 3rd level of processing similarly increased from 16.5 to 19.4 percent. All this suggests that the industry is rapidly moving away from the production of raw materials and semi-finished products to a greater extent and is reorienting itself towards the production intended for the end consumer.

According to the "Uztekstilprom" Association, the volume of investments annually mastered by the industry increased from \$190 million in 2016 to \$473.9 million in 2019. The emerging favorable climate is already attracting the interest of world brands to launch their production in Uzbekistan.

Also important is the implementation of international standards in production, which improves the quality of products and allows them to be supplied to more capacious foreign markets, where high quality requirements are imposed. Thus, according to the "Uztekstilprom" Association, as of November 2020, more than 1,000 domestic enterprises have implemented international quality management systems ISO-9001 and energy efficiency ISO-50001. More than 400 companies have been manufactured according to the OEKO-Tex Standard, at least 20 companies operate in

accordance with the international business social responsibility initiative BSCI and Sedex. At the same time, the top leadership of the country pays close attention to the introduction of international standards in production. This suggests that activities in this direction will be continued.

Among the main indicators of the qualitative development of the industry is the increase in demand for its products in foreign markets. At present, the textile industry of Uzbekistan is export-oriented. Textile and clothing products produced by domestic enterprises are in demand among buyers both in the domestic market and in the external market, and over the years it has become increasingly popular with foreign consumers. This is evidenced by the fact that in four years exports have been increased by 2.1 times: from \$899 million in 2016 to \$1,867 million in 2020.

Figure 2.



Kazakhstan - 2.3; Poland - 2.3; Turkey - 11.4; Kyrgyzstan - 15.2; China - 21.6; Russia - 36.5.

Textile and clothing products of Uzbekistan are supplied to many countries of the world, and the geography of exports is expanding every year. For example, if in 2016 products were supplied to 60 countries, then in 2020 - already to 71. However, it should be noted here that only six countries currently account for 89 per cent of all textile and clothing exports. So, according to the results of 2020, Russia accounts for 36.5 percent, China - 21.6, Kyrgyzstan - 15.2, Turkey - 11.4, Poland and Kazakhstan 2.3 each. At the same time, 95 percent of exports of finished garments and knitwear are accounted for by the CIS countries. This indicates a low level of diversification in the geography of exports.

It is quite natural that the adoption of such extensive measures to support the light industry should be accompanied by an increased return for the country and the population through the creation of jobs, an increase in the general level of income, and tax revenues to the State budget, which has been happening in recent years. The dynamic development of the textile and clothing and knitwear industries in 2017-2020 had a significant positive effect on the national economy.

Another important effect is the increase in revenues to the state budget. Annual revenues to the budget from textile and clothing and knitwear enterprises increased four times - from 309 to 1227 billion soums. However, it should be noted that due to the pandemic and the response measures to support enterprises, revenues in 2020 were lower than in 2019, when the State Budget received taxes from textile and clothing enterprises by a total of 1552.5 billion soums, which is more than in 2016, five times in nominal terms.

Conclusion.

According to the Decree of the President "On measures to further develop the light industry and stimulate the production of finished products" dated September 16, 2019, forecast indicators for the development of light industry sectors until 2025 were approved. In particular, target parameters were set to increase the volume of production of textile and clothing and knitwear products to \$15 billion, with a 3.5-fold increase compared to the volume of 2019. It is planned to increase the export of textile and clothing products by 2025 by 3.3 times to \$7 billion.

In production, the main development trend in the coming years will directly proceed from the tasks and accumulated experience. First of all, this is a further increase in production volumes and sales of finished products with high added value. The main trends will be further diversification of the range of manufactured goods, mastering the production of new types with a gradual transition to the production of technologically more complex products. This will require improving approaches to training personnel for the textile industry, attracting the world's leading brands in the field of textiles and clothing to launch production in the republic. In addition, it is necessary to develop related industries that are suppliers of industrial goods for light industry, for example, chemical and gas chemical. Also, the further introduction of international standards of the textile sector in production will improve the quality of products.

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