

VIEWPOINTS ABOUT POTENTIAL STIMULATION AND POSSIBILITIES OF INVESTMENTS ON TEXTILE INDUSTRY UZBEKISTAN

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ABSTRACT

Uzbek light industry, in particular, the textile sector is one of the strategically important and dynamic sectors of the national economy. Textile industry of Uzbekistan possesses high ranks in the sectors directed to exportation, therefore it contains wide specter of export ranging from thread up to ready-made product (made of stockinet, sewing, silk and carpet cloth). Contemporarily textile industry gains the fifth rank in the gross domestic product contribution and a third of all the workers in the field of industry is occupied in textile.

Uzbek light industry still has significant untapped investment potential, all the conditions for the further rapid growth. Necessary to increase the production of goods for the domestic market to meet the growing needs of the population. This requires investment in projects for the production of finished cotton fabrics, blended fabrics, silk fabrics, garments and knitwear for the establishment of mobile industries with mandatory formation in their composition structures, responsible for design, marketing, quick changeovers production with fashion and demand.

In the foreseeable future for the light industry remains a key role in the development of industrial production in the country. Experts believe that more needs to be done to develop the significant potential that lies in the light industry of the country.

JEL CLASSIFICATION & KEYWORDS

■ O14 ■ O25 ■ O57 ■ Direct investment ■ Modernization ■ Export
■ Textile industry ■ Silk branch

INTRODUCTION

In the Republic special attention is deflected for reprocessing of cotton fiber enabling the organization to create new vacant employing seats, growth of the profits, at the same time making it possible for the government to have considerable incomes, tax entrance to government budget system.

In prospect cotton fiber-reprocessing is expected to increase up to 50% from the amount of production. On purpose of increasing competitiveness, edging up the export degree of ready-made product, special measures are being taken on modernization, technical and technological equipments provision of textile industry products [1] (Madjidov & Pardayeva, 2010).

The main sources of financing for investment projects

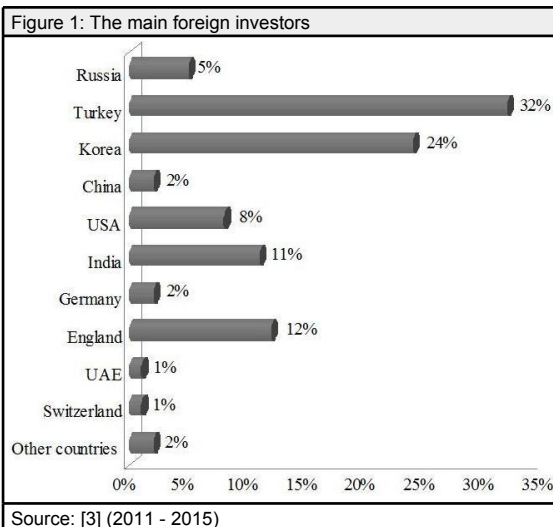
Investment projects on technical and technological equipment provision are being realized throughout the period from 2009-2011; new mechanism of making investment agreements with foreign investors have been conducted. Investment program of the State Joint stock company "Uzbekyengilsanoat" is intending to realize about 106 projects at 1,678 billion USD within 2011-2015 [2] (Madjidov, 2011).

The main sources financing the investment projects are deemed to be direct foreign investments and credits, private funds of entrepreneurship and credits of commercial banks.

Private funds of the companies contain 331 mln USD, credit funds 985,5 mln USD and direct foreign investments - 361,4

mln USD, out of which 117,7 mln USD contribute to credit funds of commercial bank and 867,8 mln USD to resources of the Fund of Reconstruction and development of Uzbekistan. The most part of the funds will be directed towards creating capacities of producing cotton thread (769 mln USD) ready-made cloth (559 mln USD) and stockinet linen (151,4 mln USD) [3] (2011 - 2015).

Information and figures relating to the main investors are manifested below to figure 1:



Effective and deliberately-targeted digital readout after investment projects

In 2012 21 projects with 204,1 mln USD are intending to be realized. Moreover 16 projects at 214,5 mln USD in 2013, 13 projects with 372,9 mln USD, 21 projects costing 411,5 mln USD in 2014 and 31 projects costing 474,9 mln USD in 2015. In this respect up to 2015 capacity of cotton thread production will reach 680 thousand tons (+342,6 thousand tons), ready-made cloth 460 mln quarter meters (+266,4 mln quarter meters), stockinet cloth - 162 mln tons (+83,4 thousand tons), ready-made stockinet products - 350 mln (+202,8 mln), ready-made sewn products - 85,3 mln (+70,7 mln), and legwear garment - 140 mln pairs (+92,8 mln pairs).

In 2010-2015 ready made goods produced in enterprises will be opened. In 2010 3,3 mln. sq. m., in 2011 2,0 mln. sq. m., in 2012 1,5 mln. sq. m., in 2014 1,0 mln. sq. m., totally in 2015 7,8 mln. sq. m. silk fabric is being produced and they annually contain 7,8 mln. sq. m. Besides in 2010 at the various expenses products made of raw silk basically manifested 120 thousand pcs. of dresses, 100 thousand pcs. of ties, 50 thousand pcs of women's outdoor clothes.

As a consequence degree of production in the field gets from 839,1 mln USD in 2010 up to 2698,3 mln USD in 2015 (growth - 3,2 times more). Moreover taking into consideration capacity in the framework of the projects, it will be growing from 288,9 mln USD up to 2155,7 mln USD in 2015.

The number of working vacant seats in the field is rising from 52,868 thousand in 2010 up to 94,716 thousand in 2015.

At the same time potential of textile sector is utilized to the extent below the demanded one within the particular capacity. Taking it into consideration the country is deemed to be leading exporter of cotton fibre (12,2% sale in the world market) and cotton thread (10-15% sale in the world market), the amount of textile products export contains about 0,7 billion USD. This indication includes about 70-75% export potential of entrepreneurs "Uzbekyengilsanoat", where technical reprovision with equipments and modernization have been conducted recently. The results of investigation shows that raw materials availability for entrepreneurs, increase possibilities to attract investments and assistance in sale of ready-made products in textile industry can be one of the main factors stimulating competitiveness and development of textile industry.

Provision of raw material at accessible prices has great importance with essence of production. In this case it can be confirmed by the figures showing high profit in the textile industry raw materials. In the structure of outcomes, outcomes on textile industry raw materials contain 63,6%, in silk industry. It's – 75,7%, in sewing and stockinet – 70,5%. It's a common knowledge that currency inflow in the entrepreneurs producing threads, cloth, semi-finished products of cotton is allowed to exchange with the foreign currency.

The measures taken assist in growth of production capacity and regular increase in export of goods.

Goods and services export capacity in the field will grow from 592,5 mln USD in 2011 up to 1,578 billion USD in 2015. According to new projects export will edge up to 948 billion USD in 2015 from 163,9 mln USD in 2011. Textile products export geography is illustrated in the figure 2 [4] (Jorayev, 2011).

Basic discounts and benefits on funding

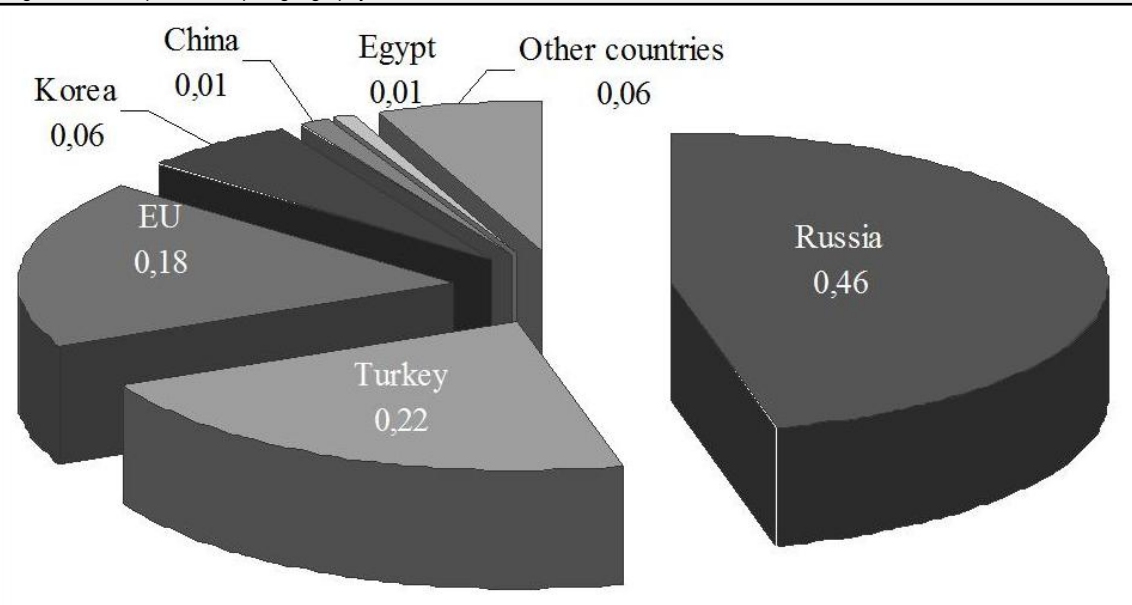
At the present time textile entrepreneurs exporting 80% and more of their goods produced are exempted from taxes

of the property, to obtain this limits they must realize the products for foreign currency.

Foreign financing issue plays an essential role for entrepreneurs working in this field. That's worth mentioning that a number of preferences are offered by the tax administrations to attract the investments. Furthermore, technological equipments import is exempted from custom taxes and banks will present credits with preferential rates. Simultaneously conditions available to attract investment of finance differs from a shorter period of submission of bank credits in comparison with realization of investment projects with higher percentage rates (from 10 %) and limited possibilities of the fund market (liquidity of the corporative and stock market). Moreover one needs to mention about the active rules of bank regulation limits on the share loan in the same sector of the credit profile of the commercial bank. The solution to this problem is available in the case of addressing the light-industry by its division into two kinds of sectors: textile industry and sewing manufacture [5] (Gazibekov, 2002).

Tax system also (taxes and customs fees) influences on the degree of competitiveness of the entrepreneurship in the sector. Furthermore tax systems in some way deals with obtaining credits from the bank. For instance fiber-spinning entrepreneurs gets credits to modernization of equipments, it can extract the sum of money pertaining to amortization of the newly installed equipment. Commercial banks offer banks credits to reimburse within 3 years, in case of the fact that the price of the equipment will be covered within a shorter period of time, (equipment amortization contains 15%), i.e. the expenses on them will be covered within 6 years. As a result of items for which the entrepreneurship has to reimburse the expenses will not decrease its taxable incomes on taxes of profit. Peculiar materials taxable incomes conditions required in the textile industry leads to increase of the textile products price. It's a common knowledge that cloth other than cotton, fitment, lining and ancillary materials is basically being imported by the textile entrepreneurs. For example, import of cloth made of synthetic thread which isn't produced in our

Figure 2: Textile products export geography



Source: [4] (Jorayev, 2011)

Republic has custom expenditure with 30% and with the tax with the rate percentage 20%. It increases the price of the cloth for 56% and consequently influencing on price competitiveness of the reputational entrepreneurs [6] (Blank, 2006).

Conclusion

With the aim to stimulate investment process, provision of production modernization and technical provision with equipments of textile industry, export extension of reputational products and to increase their competitiveness, the following measures are recommended to be taken:

- decreasing planking of the export share from 80 up to 50% from the amount of realization as a result of which entrepreneurs of textile industry can be exempted from taxes of the property. It enables to stimulate offers of the raw materials to increase in the internal market for the subsequent production for export;
- widening the list of the products according to which preferences are offered in import realization. Individually assisting materials, cloth and fitment that aren't produced at all or produced rarely and utilized during the process of production;
- to exempt the raw materials delivering activity from custom taxes not only for nonfood products, but also for the importers of the products of their types. It will enable the internal market of the country to develop, besides decreasing the expenditures on textile products;
- stimulation of modernizing and purchase of new equipments enhancing textile production. It's necessary to develop banks submitting long-term credits fro sale of the new mechanisms, their finance, moreover financing the project and the long-term leasing;
- possibility of producing competitive goods in world standard requirements is raised;
- by the result of exporting ready made goods, possibility of rising the flow of free exchanging currency to the state budget;
- rising financial condition of enterprises;
- the social problems are solved by opening new working places.

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