



FEATURES OF EVALUATING THE ECONOMIC EFFICIENCY OF INVESTMENT PROJECTS IN CONSTRUCTION

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ABSTRACT

This research paper provides an analysis of the features of investment projects in housing construction, consideration of an investment project on a specific example in the city of Zarafshan, development of practical recommendations for improving methods for assessing investments in housing construction.

KEYWORDS: *construction, features, evaluating, economic efficiency, investment projects.*

INTRODUCTION

Currently, among the priority tasks of the country's socio-economic development is the formation of an affordable housing market by increasing the effective demand of the population for housing through the development of housing loans and an increase in housing construction. Improving housing conditions has been and remains one of the priority needs of the population of Uzbekistan. However, there are forecasts that in the near future, housing prices will only rise, and expensive housing may not be affordable, as required by the president and the government. It is important to find answers to the questions as soon as possible: how to reduce the cost of construction and increase the efficiency of capital investments, how to make housing cheaper, which means more affordable. It must be said that the issue of the need to modernize the construction industry is being actively discussed today both in the professional environment and at various levels of government.

The Law of the Republic of Uzbekistan No. LRU-598 "on investments and investment activities" says about the regulation of relations in the field of investments and investment activities carried out by foreign and domestic investors.

Construction is one of the largest spheres of economic activity of the state.

Construction provides an expanded reproduction of production capacities and fixed assets for the entire national economy. The result, or the product of construction, is buildings and structures of various functional purposes.

Most often, investment decisions are based on an economic assessment of the project's effectiveness. The economic assessment is determined by the

applied methodology and assessment methodology. As a rule, a number of key performance indicators are used for assessment, which, according to international standards, are calculated based on the net cash flow generated by the project.

METHODS OF RESEARCH

Methods for evaluating the effectiveness of investments based on discounting:

- Method of net present value (method of net present value, method of net present value);
- Method of internal rate of return;
- Discounted investment payback period;
- Profitability index;
- Annuity method.

The method for evaluating the effectiveness of an investment project based on the net present value makes it possible to make a managerial decision on the feasibility of implementing a project based on a comparison of the amount of future discounted income with the costs necessary for the implementation of the project (capital investments).

The profitability index is the ratio of the reduced cash income to the investment costs given at the beginning of the project. If the profitability index is greater than 1, then the project is accepted. If the profitability index is less than 1, the project is rejected.

The internal rate of return is the calculated interest rate (discount rate) at which the amount of discounted income for the entire period of the investment project becomes equal to the amount of initial costs (investments). This rate can be interpreted as the maximum rate of interest at which a firm can take out a loan to finance a project using borrowed capital.



The calculation of the annuity is most often reduced to calculating the total cost of the acquisition at the current total cost of payment, which are then evenly distributed over the entire duration of the investment project.

When evaluating investment projects in general, it is recommended to determine two types of efficiency: social (socio-economic) and commercial.

Social efficiency indicators take into account the socio-economic consequences of the implementation of an investment project for society as a whole, including both the direct results and costs of the project, and external - in related areas of the economy, environmental, social and other non-economic effects. If appropriate regulatory and methodological materials are available, external effects are recommended to be assessed quantitatively, but their expert assessment is also allowed. If it is impossible to quantitatively calculate external effects, a qualitative characteristic of their influence on the development of the industry, region and country is given.

Commercial performance indicators determine the financial implications of a project for an investor.

However, the provisions of the "Methodological Recommendations" and the examples given in them are focused on investment projects of production facilities, the assessment of the efficiency of non-production construction is not considered in them.

Thus, today there are no official methodological documents defining indicators and the procedure for evaluating non-production investment projects. In the context of the stratification of Russian society and non-observance of the principles of social justice in it, the development of such a methodology seems to be a rather difficult problem. Nevertheless, a critical understanding of the above methodological documents allows one to develop modern approaches to assessing the effectiveness of investments in objects of mass non-production construction.

The formulated additional methodological requirements for the characteristics of investment potential allow us to propose a number of directions for improving the factor method of its assessment:

1. it is necessary to increase the degree of accessibility of the information used in the assessment, i.e. the selected indicators should be presented in the official state statistics;
2. Difficult to assess factors are best removed from the considered indicators;
3. it is necessary to minimize the used expert assessments, various weighting factors of significance, which will reduce the level of subjectivity;

4. To simplify calculations, the set of indicators should be limited to a small number, but at the same time it should provide a fairly complete coverage of the constituent elements of the investment potential of the regions.

In connection with the above, we have developed a methodology for assessing the investment potential of the region, which allows us to improve the mechanism of the factor assessment method.

The variety of quantitative and qualitative features of the regional socio-economic system is so great that a large number of indicators are interconnected.

To simplify the procedure for their assessment, it becomes necessary to form subsystems of interrelated factors. As a result, a number of private potentials are formed, reflecting various aspects of the socio - economic system of the territory.

The study of the impact of certain factors on the investment potential of the region is carried out through the study of private potentials, reflecting the effect of factors.

The developed approach includes the following stages:

- A generalized assessment of the investment potential of the region is made by analyzing individual private indicators and subsequent information into an integral one;
- Assessment of investment risk, by analyzing the relevant indicators and subsequent information into an integral one.
- The potential of certain types of economic activity in the region is determined using an integral method similar to the previous one;
- Risk assessment of certain types of economic activity.

Consider the general requirements for the estimated indicators that are used in this methodology.

Indicators should:

- To provide an opportunity to trace the dynamics of the development of intraregional processes in the investment complex;
- Determine the features of the sectoral structure of the region's industry and its infrastructure provision;
- Identify the type or several types of activities that determine the specialization of the region.



RESULTS

Furthermore to standard statistical indicators, the methodology uses calculated data combined on their basis.

Let us dwell in more detail at each stage. The first stage of the study provides for a generalized assessment of the investment potential of the region based on the calculation of particular indicators of natural-geographical, industrial, financial, innovation and social potential.

The profitability indicator encompasses the idea of optimizing the profit earned for each unit of funds invested. This indicator is very appropriate when there are restrictions on the amount of capital available for investment. The meaning of the indicator: the current value of future receipts per 1000 soums of investments. The easiest way to determine it is to calculate the ratio between net income and maximum capital investment as a measure of investment.

The calculation is done as follows:

$$PV = \frac{\sum_{t=0}^T Cft / (1+i)^t}{IO}$$

The project is effective when PI is greater than one.

The indicator is in correlation with NPV, if NPV is greater than zero, then PI is greater than one.

Application conditions:

1. If NPV of projects are equal, or there are minor differences

2. If there are a large number of projects

3. If projects are divisible

The results of this indicator make it possible to determine: whether the implementation of the investment project makes it possible to increase the overall level of efficiency of the enterprise's operating activities in the coming period, or reduce it, which is one of the criteria for making an investment decision.

CONCLUSION

Thus, any of the calculation methods recommended for use can only give a one-sided assessment of the effectiveness of alternative projects. The main disadvantage of the one-criterion approach is that it cannot be used to take into account the combined effect of performance criteria.

Cash flow is the most appropriate methodology for evaluating long-term investments, since this methodology takes into account the time factor.

Project investments consist of a large number of cash flows, which can be represented as a sequence of net cash flows. On the basis of cash flows, you can calculate the indicators for evaluating investment projects. Once calculated, these indicators

can be used in ranking projects, which are important stages in the investment decision-making process.

Ranking consists of comparing selected projects in order to determine the best ones for investment processes.

Cash flow refers to the physical (or electronic) transfer of funds from one account to another. Depreciation is not included in cash flow because it is not accompanied by cash flows. Cost estimates are often approximate, based on past experience or pricing from potential suppliers. The settlement currency must be in rubles in order to calculate the tax liability of the company. If the company is international, then there is a risk for each conversion operation in the form of a change in the exchange rate.

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