



ARTICLE INFO

Received: 09th November 2022

Accepted: 18th November 2022

Online: 20th November 2022

KEY WORDS

The problem of a comprehensive assessment of the effectiveness of capital expenditures (investments). Some methodological issues of capital costs. Two views on performance criteria. Macro and microeconomic methods for evaluating efficiency. Two interrelated methodological issues before the implementation of an innovative project. Evaluation of efficiency in the administrative management system. Levels of evaluating the effectiveness of projects in a market economic system. Making a decision on the expediency of the future implementation of the project. Financial efficiency of the project. Budget efficiency. Economic efficiency of the economy. General significance of the innovative project. Evaluation of innovative projects by sphere of influence.

EVALUATION OF EFFICIENCY OF INNOVATIONS.

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<https://doi.org/10.5281/zenodo.7340222>

ABSTRACT

The problem of comprehensive evaluation of the efficiency of capital investments (investments) has been in the constant focus of various levels of economists-scientists and practitioners-managers and has not lost its relevance even now. In the last decade, many scientific manuals devoted to this problem have been published, and various methodological instructions and guidelines have been developed in the field of economic justification of capital investments for investment objects intended for use at the national, sectoral and regional levels.



It is natural to question the degree of innovation of these guidelines, their compatibility with current real economic conditions, and the possibility of their use in the evaluation of innovative projects. However, before looking for an answer to this question, it is appropriate to dwell on some methodological issues of capital investments compared to the current state of the country's economy and development prospects. The issue of evaluating the efficiency of investments is first of all, before the investor, that is, before the business entity that has capital resources at its disposal and is looking to get a certain profit by investing them. In this case, the profit can be interpreted as the degree of achievement of goals formed based on the investor's needs.

According to the classical directions of the theory of market economy, the activity of primary economic entities (producers, buyers and final consumers of goods and services) is based on freedom of choice in the fields and directions of this activity, while the functions of the state are to regulate the processes of interaction between primary economic entities. In such conditions, it is concluded that it is necessary to distinguish at least 2 views of the efficiency criteria of their activity. First of all, it is a local criterion of the efficiency of primary economic entities, which strives to maximize long-term profit within the established external constraints. Secondly, it is a global criterion of the efficiency of the entire economic system, and should be the basis of the state policy aimed at ensuring the dynamic development of society. Recognizing the existence of these different and opposing groups of criteria requires the development of different methods of evaluating the efficiency of

capital investments, and they can be macro or microeconomic according to the accepted classification.

In the conditions of market relations, the innovative enterprise (IC) and other scientific enterprises, which operate on the basis of self-financing and compensation, and make investments, face the question of future usefulness - the final economic efficiency of these investments. In this regard, innovative enterprises should forecast how much total income can come from these investments, taking into account one or another level of uncertainty and abstraction. For this, a suitable set of methods and tools for economic justification of the decisions to be made should be used.

The problem of economic justification of investment decisions is particularly relevant in the context of modern economic mechanism being fundamentally reformed, its orientation towards market models of economic development. Problems of this type arise both at the level of primary economic entities (IT and organizations), and at the higher levels of national economy management, in particular, in the allocation of budget funds for financing scientific, social and other public programs.

An important distinguishing characteristic of business entities operating in the market economic system is the difference between the goals they aim to achieve during their activities. In this case, the management-authority state bodies, which have the task of regulating socio-economic and political processes, should conduct their activities based on global, community development, and national economic goals. In the current conditions, the goals and tasks of state management bodies do not differ from the previous



administrative-command system. However, there is a big difference in the way these goals are achieved. If in the conditions of the administrative-command system, the plan is the main tool for the implementation of the national policy and the form of direct management of the primary objects of the national economy, then in the conditions of the market economy, it forms the external conditions of the activities of the state primary economic entities, creates incentives for the growth of the national economy.

On the other hand, primary economic entities, limited only by the "rules of the game" set by the state and the same for all entities, build their activities with local goals such as maximizing personal profit in the long run. Differences in the goals of economic entities are reflected in the different criteria underlying investment decisions, as well as in the methods of evaluating the effectiveness of investments. As mentioned above, these approaches and methods can be called macro-economic if they are based on global criteria of investment efficiency, and micro-economic if they are based on local criteria.

Before the implementation of each innovative project (especially in the conditions of the market economy), 2 interrelated methodological problems must be solved, these are:

- 1) evaluation of the effectiveness of each project implementation option;
- 2) comparing options and choosing the most appropriate one.

In the conditions of the dominance of the state form of ownership and the use of centralized methods of economic management, the approach to evaluating the efficiency of centralized economic decisions, which was uniform for all

enterprises and organizations corresponding to it, was in effect. It was based on a principle that what is useful and effective for the state should be effective for all economic entities. This principle envisages a single criterion for all subjects - the economic efficiency achieved at all stages of the implementation of the innovation. The methodological debate is mainly related to the indicators by which the effectiveness is evaluated, sometimes it is "costs incurred" for the realization of this innovation, sometimes it is "integral" and sometimes it is "annual economic effect".

In the conditions of the administrative management system, although economic reasoning is a mandatory requirement of every economic decision, in practice it is often secondary and is carried out only in name. Both the organizations that absorb the allocated capital investments and the institutions engaged in their distribution were mere executors, because they were not the owners of the allocated funds. In addition, the allocation of funds for the implementation of capital investments was often carried out on a non-repayable basis. Such an approach to the justification of economic decisions has led to the deterioration of the economic situation. In many cases, the seized equipment has not been used or used at full capacity for years. New equipment purchased from foreign currency did not give the expected return of its technical level due to the fact that it was not compatible with the existing technological processes.

Taking into account the above, the analysis of methods and approaches for assessing the economic efficiency of investments allows us to come to the following conclusion:



- The methods of assessing the economic efficiency of capital investments, developed for the conditions of administrative economy, theoretically and practically do not meet the current state of the development of economic reforms;
- Today, foreign experiences of investment analysis are gaining importance and relevance. In this, dynamic methods of economic efficiency assessment based on the analysis of financial flows, which allow to assess the feasibility of the implementation of the entire innovation project, as well as statistical methods based on the research of the financial condition of the IK implementing investment programs by the reporting years of the investment period are widely used.

At the pre-investment stage of the development of an innovative project, the ITTKI of innovations is completed and the abstraction of technical parameters of the project is completed. In these conditions, economic (financial) indicators are of primary importance for assessing the project's effectiveness in solving the issue of the future realization of the project. At this stage of the development of an innovative project, its characteristics do not differ from other investment projects:

- The organization's need for investments in order to organize and realize the production of innovation (product, service). It can be estimated based on the planned scale of project implementation with a sufficient level of reliability;
- The presence of abstraction in the perspective of sales (probability of financial success). The level of sales depends on both internal (for example, the depth and focus of marketing research) and external (market conditions) factors.

At the pre-investment stage, innovative projects can be evaluated using investment performance indicators. Evaluation of project effectiveness is carried out in the following stages:

- When evaluating the project as a whole, the funds invested in the project are evaluated regardless of the sources of their origin (own or debt funds, internal or external funds);
- When assessing the efficiency of using own funds for project financing.

It is known that a project that is generally effective, but financed by expensive loans, will not be attractive to the initiator and the investor. It is based on this that there are 2 types of evaluation of project efficiency at the pre-investment stage.

Let's take a closer look at project performance evaluation indicators that can be used to make decisions about the feasibility of future project implementation. Project efficiency is characterized by a system of indicators reflecting the ratio of costs and results.

The financial efficiency of the project is determined by the ratio of financial costs and results that provide the required rate of return. Financial efficiency can be calculated both for the entire project and for individual project participants. In this case, the object of analysis is real cash flow.

Budget performance indicators reflect the impact of project implementation results on specific (state, regional, local) budget expenditures and revenues. Budget effectiveness is the main indicator of budget efficiency and it is used to justify measures of state and regional financial support provided for in the project. The budget effectiveness of the project implementation is determined by



the increase of the corresponding budget revenues as a result of the project implementation.

National economic indicators of efficiency reflect the efficiency of the project from the point of view of the interests of the entire national economy, as well as the regions participating in the implementation of the project. In the analysis of economic efficiency indicators at the level of the national economy, the following are added to the results of the project in terms of value:

- Final production results. This includes income from the sale of property and intellectual property;
- Social and environmental outcomes. These results are based on the joint impact of all participants of the project on the health of the population, the social and ecological environment of the regions;
- Direct financial results;
- Loans and debts of foreign countries, banks and companies, import duties, etc.

The relevance of the innovative project is its compliance with the scientific, innovative and socio-economic tasks of the state, region, economic entities. Tasks are determined based on the scientific-innovative, economic, social and environmental priorities set by the management entity (at the state, regional level) or economic entity. Priorities may reflect the global trends of development, the need to solve the issues of technological and environmental security of the state, economic growth, improvement of the quality of life, etc. They are determined based on the scientific and innovative development strategy of the state, region, economic entity. Its general directions include:

- Determining the priority areas of science and technology development;
- Ensuring superiority in technological development, creating innovations based on new principles of resource processing;
- Implementation of conversion in the direction of production of consumer goods with high competitiveness compared to imported analogues;
- Technical modernization of the objects of livelihood of the population, increasing the competitiveness of the regional economy on the basis of the maximum use of the existing scientific-innovative and production potential;
- Continuous improvement of competitiveness and promotion of production of export-oriented and import-substituting products.

The overall importance of the innovative project can be assessed from the point of view of the state, regional and branch levels of the economic entity. Accordingly, the project may be of national, regional and industry significance or may be significant only for an economic entity. These assessments may be in different proportions for a particular project.

The significance at the country level is related to the solution of state-level problems in all areas of the population's life in accordance with the state's scientific, innovative and social economic development goals. Regional importance reflects the goals of realizing the region's potential, the level of solving social and economic problems specific to this region. Network-level importance takes into account the project's impact on solving network-wide problems that are important to many economic entities operating in a given network. The importance of the



project for the economic entity is determined from the point of view of increasing its position in the market based on its solution to technological, economic, social and environmental problems. The overall importance of the project can conditionally have 3 assessment levels: primary - solving first-level problems; solving secondary-priority issues; third level - solving current problems.

Primarily important social, budgetary, inflationary and other problems for a project of national importance;

problems in the priority system set by the state in the field of science, technology, social economic development; Currently, the problems of replenishing the state budget and replacing strategic imports can be considered. The same approach can be used in project evaluation of regional and sectoral importance. The levels of importance for an economic entity are deeper and more individual and depend on its position in domestic and foreign markets.

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