

Analysis of Investment Attractiveness of Water Supply Enterprises

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***Abstract**---* This article examines the role of water supply companies in the economy, the direction of the analysis of their investment attractiveness and the importance of increasing it, the approaches of foreign scientists in the study of investment attractiveness of the industry. In the analysis of the investment attractiveness of water supply enterprises, the use of financial ratios, their description taking into account the characteristics of enterprises in the sector, the aspects that need to be considered in order to achieve a positive view of financial ratios. There are also definitions of the concept of "investment attractiveness" given by economists, the purpose, tasks, stages, directions of the analysis of investment attractiveness of enterprises.

***Keywords**---* Water Supply, Investment Attractiveness, Financial Ratios, Solvency, Financial Independence, Fixed Capital, Equity, Working Capital, Borrowed Capital, Net Income, Net Profit, Accounts Receivable, Payable Accounts, Profitability.

I. INTRODUCTION

Water supply companies have a special role in the economy. After all, there is no link in the economy that is not linked to the supply of this sector. In the organization of today's activities in this area, it is necessary to create a strong competitive environment by increasing economic efficiency, to carry out clear and well-thought-out reforms. Changes in the industry will definitely require a huge flow of investment.

The high level of depreciation of fixed assets in water supply enterprises determines the insufficient investment attractiveness of this sector. Lack of sufficient investment in the renewal of fixed assets, economic un-justification of tariffs of enterprises in the sector leads to a decrease in the quality of water supply services, which increases their cost [3].

II. LITERATURE REVIEW

Investment attractiveness is the assessment of investments of a country, industry or individual enterprise in terms of profitability, development prospects and the level of investment risk [8].

The investment attractiveness of a company is a set of indicators and external factors that reflect its condition, on the basis of which a potential investor will be able to invest in your company without the risk of losing money or not earning a corresponding income [6].

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Table 1: Definitions of the Concept of Investment Attractiveness of Enterprises [9]

Tolmachev V.A.	Investment attractiveness is a dynamic category that represents a particular direction of investment development of the enterprise.
Royzman I.I.	Investment attractiveness is a set of various objective characteristics, features, opportunities that justify the potential demand for investment in fixed assets.
BlankI.A.	Investment attractiveness is a generalized description of the advantages and disadvantages of investing in specific areas and facilities from a particular investor's perspective.
Kreynina M.N.	Investment attractiveness of the enterprise is an economic category that reflects the return on capital, technical and economic level of production, efficient use of enterprise property to improve product quality and competitiveness, its solvency, financial stability, its ability to self-development.
TryastsinaN.Y.	The investment attractiveness of an enterprise is a set of indicators of its activity that determines the preferred value of the investment action for the investor.
AllaverdyanV.V.	The investment attractiveness of the enterprise is, first of all, the ability to arouse commercial or other interest in the real investor, taking into account the ability of the enterprise to "accept investment" and use it skillfully, thus increasing the quality of output, production volume, market share. and b. is to achieve a quantitative leap in the industry, which ultimately affects the net profit, which is the main economic indicator of a commercial enterprise.
VeselovL.B.	The investment attractiveness of an enterprise is the relationship between the risks associated with the investment of the enterprise and the future financial effect.

III. THE MAIN FINDINGS AND RESULTS

As noted in the Resolution of the President of the Republic of Uzbekistan "On additional measures for the development of drinking water supply and sewerage systems in the Republic of Uzbekistan" [1], increasing the investment attractiveness of the sector should be directly linked with foreign investment.

In recent years, the state has allocated funds for the provision of centralized tap drinking water, and the issue of meeting the water needs of the urban and rural population on a large scale is being addressed. Because people do not come to the epidemiologically harmless area, it is difficult for joint ventures and other foreign investors to operate.

The water supply sector is the most backward sector of housing and communal services [4]. This is due to the subsidization of the network, lack of resources for its reconstruction, high costs, underdeveloped competitive environment, and inefficiency of the network enterprises [10]. At the same time, this sector requires a lot of capital and is characterized by low return on investment [4].

However, the water supply sector can also become the most attractive and highly profitable sector of the economy for investors. This can be explained by the growing interest of private investors in this field today. Significant attention is also being paid to creating a business environment based on public-private partnerships to ensure capital inflows into the sector.

Any private investment in a utility infrastructure facility will certainly have a positive effect on the investor. They benefit through the use of communal infrastructure facilities. Investment attractiveness and guarantee of return on investment capital are important for investors interested in participating in the project [5].

It has been more than 40 years since the procedures for assessing investment attractiveness were established in the world practice. In this regard, the Harvard Business School's study of the investment attractiveness of countries around the world deserves special mention. This study identifies expert assessment indicators that take into account

the specifics of each country and is divided into the following groups: legal conditions for foreign and domestic investors return on capital, national currency situation, political situation, inflation rate, and access to national capital. However, the range of these indicators is not sufficient to fully reflect the complex of conditions [2].

Objects of the analysis of investment attractiveness:

1. A project that requires investment.
2. Directly operating enterprise.
3. Network.
4. Territory, country.

The purpose of the analysis of investment attractiveness:

- Determine the current and future state of the enterprise;
- Formation of ways to improve the efficiency of the enterprise;
- Development of investments and improvement of investment attractiveness.

Objectives of investment attractiveness analysis:

- Study of social and financial parameters of the object, its need for investment;
- Determining the impact of the feasibility of investments in the cash flow and further improvement of the facility;
- Development of measures to improve the operation of the facility and attract investments;
- Identification of indicators that reflect the impact of the feasibility of investment in the object under study;
- Monitoring the feasibility and timeliness of investments.

Approaches to assessing investment attractiveness:

1. The market approach is based on the analysis of external data about the company. It allows you to assess changes in the market value of its shares. The approach does not apply to companies that do not participate in the stock market.
2. The accounting approach is based on the analysis of internal data and uses traditional mechanisms of business analysis.
3. The mixed approach combines the assessment of the internal and external characteristics of the company.

As additional criteria for investment attractiveness of the enterprise, it is recommended to study the following indicators [2]:

- The ratio of supply and demand for the company's products;
- Attractiveness of the product;
- The share of the enterprise in the regional market;
- Changes in the number of employees;
- The share of payments for environmental violations in the structure of net income;
- Investment activity;
- Assessment of enterprise market activity;

- Management.

A comprehensive assessment of the investment attractiveness of the enterprise should include the following information [9]:

- Information on the reputation of the invested enterprise, the composition of the founders, its location, description of business activity, socio-political conditions, level of community culture, product volume, competitiveness, market value of shares, property status, adequacy of own and borrowed funds;
- Information on the financial condition of the enterprise, ie the level of financial condition of the enterprise, its financial independence, availability of fixed and working capital, solvency, profitability, liquidity of property;
- Assessment of the prospects of the invested enterprise, management decisions that affect the investment attractiveness of the enterprise.

Analysis of the financial condition of water supply companies shows that most of them need to take measures aimed at financial recovery, investment attraction, recovery of the sector from crisis [10].

The use of financial ratios in the study of investment attractiveness of enterprises studied in scientific works of economists Adamaytis L.A., Agapitova EL [2], Sultanov I.A. [11], Tolkachenko O.Y. [12]. In assessing the investment attractiveness of water supply companies, we propose to calculate the following financial ratios:

Table 2: Financial Coefficients for Assessing the Investment Attractiveness of Water Supply Companies

№	Financial coefficient	Calculation	Norm level
1.	Financial independence coefficient	Total equity / balance sheet assets	>0.5
2.	Attracted capital turnover coefficient	Net income / Debt capital	>4
3.	Solvency coefficient	Working capital / Debt capital	>1.25
4.	Absolute liquidity coefficient	Cash / Debt Capital	>0.2
5.	The coefficient between accounts receivable and payable	Accounts Receivable / Payable Accounts	>1
6.	Property profitability	Net profit / balance sheet liabilities total	>0.05

In turn, the positive characterization of financial ratios depends on the composition and correct location of the property and its sources. The results of several years of analysis of the balance sheet of the Chirchiq city water supply enterprise are reflected in the following table:

Table 3: Vertical and Horizontal Analysis of Asset Items in the Balance Sheet

Balanceasset	Beginning of 2016		End of 2016		End of 2018		End of 2018	
	Amount, 1.000soums	Share, %	Amount, 1.000soums	Share, %	Amount, 1.000soums	Share, %	Amount, 1.000soums	Share, %
A	1	2	3	4				
Enterprisecarryingamount, total	7938126	100	17794324	100	21785223	100	28605910	100
1. Fixedcapital	3698134	46.58	2705286	15.20	2980557	13.68	3758098	13.14
2. Workingcapital	4239992	53.42	15089038	84.80	18804666	86.32	24847812	86.86
Including:								

2.1 Reserves and Expenses	1027495	12.94	1104661	6.20	942049	4.32	771454	2.69
2.2 Removable Accounts	3208495	40.42	13964888	78.48	16727458	76.78	24072731	84.15
2.3 Cash and securities	4002	0.05	19489	0.11	1135159	5.21	3627	0.01
Total resources	7938126	100	17794324	100	21785223	100	28605910	100
1. Own capital	1574282	19.83	6113847	34.36	12378914	56.82	19312947	67.51
2. Foreign borrowed capital	6363844	80.17	11680477	65.64	9406309	43.18	9292963	32.49
Including:								
2.1. Long-term liabilities	125000	1.57	0	0	0	0	0	0
2.2. Short-term liabilities	6238844	78.59	11680477	65.64	9406309	43.18	9292963	32.49
Including:								
Current accounts payable	6238844	78.59	11680477	65.64	9406309	43.18	9292963	32.49

The table shows that the level of financial independence of the water supply company has an upward trend. Borrowed capital is equal to current accounts payable over the years. This situation shows that the company is not attracted to short-term and long-term loans. There is an increase in the current level of solvency in the enterprise. This, in turn, was due to an increase in working capital and a decrease in debt capital. However, the low level of absolute liquidity indicates a low amount of cash in the enterprise.

Based on the results of the analysis, we recommend providing the following structure of the property of the water supply enterprise and its resources:

Table 4: The Structure of Property and Its Sources

№	Property (Balance asset)	Structure, %	№	Property source (Balance of liabilities)	Structure, %
1.	Permanent capital	40	1.	Own capital	50
2.	Commodity values	30	2.	Long-term borrowed capital	30
3.	Removable accounts	10	3.	Short-term borrowed capital, including:	20
4.	Cash	20	4.	Paid bills	20
	Total	100		Total	100

The proposed structure will improve the financial condition of the water supply company and increase its investment attractiveness.

Table 5: Indicators for Assessing the Investment Attractiveness of the Enterprise by Forbes Magazine [13]

№	Indicators	Note
1.	Net income	According to Forbes magazine experts, it is attractive if the company's revenue has been in the range of \$ 5-600 million in the last 12 months.
2.	The price per share of the company	If the stock price exceeds \$ 5, the company can be considered attractive to the investor.
3.	Capital return	It is positive that this figure is 5% in terms of investment attractiveness.
4.	Net profitability of the enterprise	An increase of more than 5% indicates the company's investment attractiveness.

One of the important conditions for increasing investment attractiveness and economic efficiency is the availability of a developed investment infrastructure, taking into account the characteristics of the industry [3]. The participation of private, public and foreign investors in investment projects in the field of water supply should be considered in the context of water supply infrastructure development [5].

Reduces the main risks of participation of private investors in investment projects in the field of housing and communal services, reduces the cost of borrowing, and increases the investment attractiveness of projects. Undoubtedly, in the future, public-private partnership will become a key tool for achieving sustainable economic growth in the country. Today it is in the process of formation [5].

The main criterion in choosing models of public-private partnership for the development of the utilities sector is social efficiency. It is determined on the basis of the following parameters [7]:

- Number of objects;
- Resource saving;
- Improving the quality of services (modernization and new facilities);
- Reducing the number of accidents;
- Reduction of population payments (reduction of costs and losses);
- Improving the environment in the region.

Implementation of investment projects [5]:

- Meeting the needs of water supply companies;
- Improving the quality of services provided;
- Reduction of costs for services provided;
- Leads to an improvement in the environmental situation.

State or local authorities are responsible for the development of water supply infrastructure. The development of these infrastructure facilities is costly. Funding goes beyond the capabilities of local and city budgets. However, these problems need to be addressed. Infrastructure development directly provides economic growth. The state will involve private businesses to address these issues and establish partnerships with them. For business entities, cooperation with the state reduces the long-term risk of doing business, expects to receive certain tax benefits, seeks to gain a certain reputation by implementing an investment project through cooperation with government agencies [5].

IV. CONCLUSION

When choosing an enterprise as an object of investment by investors, it is important to analyze and assess the investment attractiveness of the region and the industry. The owner of the enterprise, the investor must be able to identify, analyze and evaluate the regional and sectoral factors of the investment attractiveness of the enterprise in the process of making investment decisions. However, today there is no single theoretical and methodological approach in the analysis of regional and sectoral factors of enterprise investment attractiveness.

The size of the required investments indicates the impossibility of obtaining them from the state budget. Therefore, it is necessary to create the necessary conditions for the formation of the attractiveness of the industry and the attraction of extra-budgetary funds. Private investors not only invest capital in the industry, but also bring know-how to the service. This leads to the solution of not only the capital but also the management problem.

Despite the crisis situation of the network, as water supply service is a vital type of service, the consumer cannot give it up, which shows that the service market is guaranteed for the water supply enterprise. It also ensures that the enterprise receives stable and regular payments by paying for the services provided.

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