



ANALYSIS OF THE STATE OF DEVELOPMENT OF INNOVATIVE ACTIVITY IN THE TEXTILE INDUSTRY

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ABSTRACT

In today's world, in the context of globalization and integration of the national economy into the world community, it is difficult to overestimate the role of innovation. Today, innovations surround us everywhere, both in the economic and social spheres. In the age of accelerated development of information and communication technologies, large industrial enterprises and small businesses need to respond quickly to changing national and global needs.

That is why the Republic of Uzbekistan pays special attention to innovation activity as one of the main indicators of the competitiveness of the national economy. The first legislative acts regulating innovation activity in Uzbekistan were the Decree of President Islam Karimov "On state support of science and development of innovation activity" of July 8, 1992 and the resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures for state support of science and innovation activity development" of July 21, 1992. Over the years of reforms, the legal framework has been strengthened, a clear system of privileges and preferences has been created, wide access of production entities to basic, including highly liquid material resources has been opened, the interference of controlling structures in the financial and economic activities of enterprises has been reduced, economic freedoms and the rights of entrepreneurs have been significantly expanded.

At the same time, in order to ensure the accelerated innovative development of all sectors of the economy and social sphere on the basis of advanced foreign experience, modern achievements of world science, innovative ideas, developments and technologies, the Ministry of innovative development of the Republic of Uzbekistan was established by the decree of the President of the Republic of Uzbekistan №DP-5264 dated November 29, 2017.

All this could not but affect the development of innovative activity in the country. Manufacturers are interested in the development of such segments of the Uzbek market as processing of agricultural products, food, textile and light industry, transport, construction, etc. Innovative activity at the industrial enterprise is characterized by the need to update fixed assets, the development of R&d, the introduction of new production methods that help to significantly reduce the cost of production, without reducing the quality, and thus increase the competitiveness of the product. The growth of competition, the reduction of barriers to entry into domestic and international markets dictate their rules for industrial producers.

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Introduction

Today it is important to create not only high-quality products, but also to use modern production technologies to reduce costs and produce products in a shorter time. However, the innovative activity of the enterprise is not limited to the rational use of factors of production, the organization of the production process - it is also important to the correct placement of personnel directly involved in the production process.

Innovative activity at the industrial enterprise is carried out in the form of an innovative process. The innovation process is aimed at the development and implementation of the results of scientific and technical research in the form of a new product or a new technological process. It refers to the process from the search for innovation to its implementation and the production of the final product, technology or service. The innovation process consists of elements that ultimately form its structure:

- initiation of innovation;
- marketing innovation;
- release (production) innovations;
- implementation of innovation;
- promotion of innovation;
- evaluation of economic efficiency of innovation;
- diffusion (dissemination) of innovation.

The introduction of innovations has become an important factor of economic growth and competitiveness in the market. This, in turn, requires the effective use of advanced scientific and technological developments in the field of innovation in all areas, as well as strengthening the competitive advantage of the current economic potential. Based on this, today many countries are investing heavily in the development of scientific research and innovation.

Countries such as the United States, Japan, South Korea and Germany are making more effective use of funds to promote innovation. At the same time, countries with economies in transition are not using these funds effectively.

In General, the determining factor of sustainable development of innovative economy in modern conditions is formation and development of the innovation environment of the country, associated with the use of the results of scientific research and development for the creation of fundamentally new types of production, creation and application of new technologies in its production with the subsequent introduction and implementation in the market.

In 2016, a total of 933 enterprises and organizations introduced innovations in the country, most of them, namely 893 (96% of the total number of organizations), introduced technological, other 40 - marketing and organizational innovations in their activities.

Внедрение инноваций организациями в 2016 году, %

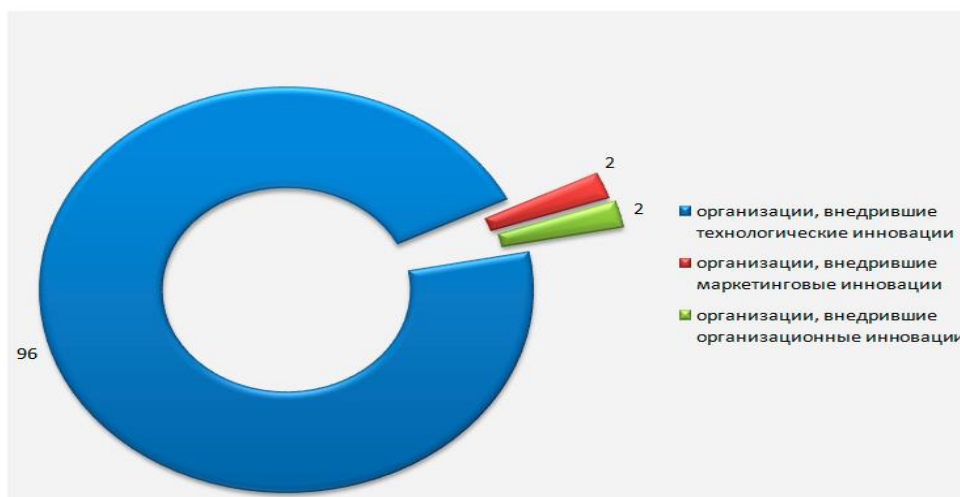


Figure 1. Introduction of innovative organization in 2016, %

During 2016, about 2000 innovations were introduced by more than 900 organizations and enterprises of the Republic of Uzbekistan. At the same time, most of the innovations introduced, i.e. 1816 of them were aimed at modernization of enterprises with the involvement of new effective technologies. This means that the introduction of innovations in our country is mainly due to the import of machinery and equipment from abroad.

Структура внедренных инноваций в 2016 году, %

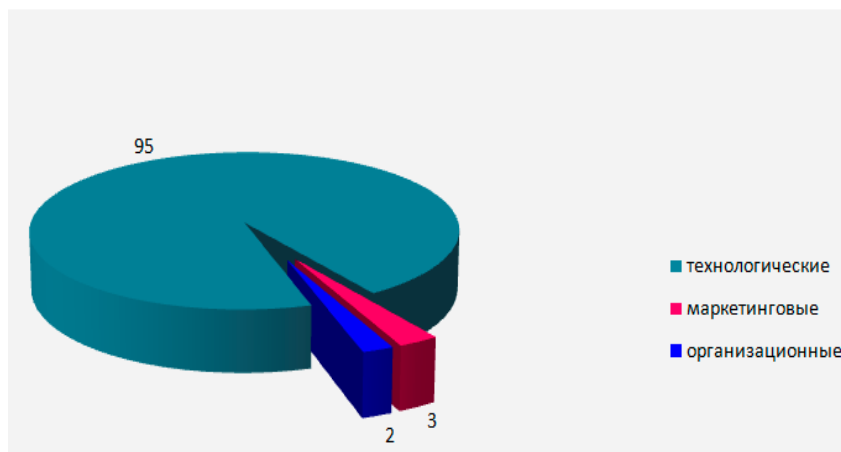


Figure 2. Structure of implemented innovations in 2016, %

Industrial enterprises of Uzbekistan are currently in the stage of modernization and development of innovation. They cannot be fully implemented without attracting foreign investment

It should be noted that Uzbekistan is very attractive for foreign investors and there are a number of objective reasons.

Thus, in the period from 1995 to the present time, the industry attracted more than 2.5 billion dollars of foreign investment. In recent years alone, more than 200 projects have been implemented with the participation of foreign investors from the UK, Germany, Switzerland, Italy, the Republic of Korea, Japan, Singapore, India and other countries. High-tech modern textile enterprises, including a full cycle of production from processing of cotton fiber to production of finished products, have been put into operation. And if in 1994 there were only three enterprises in the industry with the participation of foreign capital and the share of production of about two percent, today there are more than 200, and the share exceeds 80 percent.

Investment legislation of Uzbekistan is one of the leading among the CIS countries. Based on the provisions of international investment law, in particular the provisions on guarantees of the rights of foreign investors, it provides a wide range of preferences and benefits for foreign investments, including the guarantee of the stability of the legislation, the guarantee of the preservation of property, the guarantee of the use of funds, etc. [3]. There are no restrictions on the form of investment. Foreign investors can create enterprises of any organizational and legal form in Uzbekistan, which does not contradict the legislation of the country.

Today, foreign investments in Uzbekistan have free access to any form of investment, whether it is the organization of a joint venture, or the organization of an enterprise only on the basis of foreign capital, the purchase of a part or a full stake in privatized enterprises. Newly established manufacturing enterprises with foreign investment are entitled to apply for five years the rates of taxes and other mandatory fees in force on the date of their registration. [4]

Cooperation with world-famous foreign companies, the introduction of the industry's most advanced and highly efficient technologies has yielded results.

During the years of independence, significant results have been achieved and necessary measures have been taken to expand the presence of textile products of Uzbekistan in the world textile market, and the light industry has become one of the leaders in the export of products with high added value.

The first export deliveries of the enterprise of branch began to carry out in 1994. Then the volume of exports of textile and clothing and knitted products was only about 7 million dollars. It can be noted that if in 1994-1996 only harsh fabrics and cotton yarn were exported, in 2003 the range was expanded with new types of products, such as Terry towels, knitted fabrics, and by 2010 carpets and carpets, sewing and knitted products were added to the export nomenclature.

A purposeful and consistent policy of increasing the export potential of light industry has yielded tangible results: the industry has increased the number of technically equipped enterprises, leading in terms of productivity, profitability, quality of products and the breadth of its range. By 2006, the export figures exceeded \$ 300 million, and by 2017 reached \$ 850 million.

Today, the industry is represented by a wide range of exports - from yarn to finished garments and knitwear, and the industry continues to actively increase its presence in foreign markets. This is confirmed by the growth of export figures for 2016, which exceeded \$ 1 billion, and deliveries abroad were carried out by more than 260 enterprises. The structure of exports included a new types of textile products such as bamboo, modal and blended yarns, jacquard and ridgeline painting, finished sewing and knitting products of new kinds, models, patterns and weaves. Last year, the share of high value-added products in total exports exceeded 40 per cent and continues to grow

steadily. Dynamically growing export figures and in 2017. By the end of the year, the total export of textile and apparel products is expected to be more than \$ 1.4 billion.

Work to expand direct contacts with consumers in different countries also contributes to the increase in exports. For example, if earlier our textile workers sat and waited for customers to come to them, then over the past few years the enterprises have become more active. So, today there are about 40 trading houses of textile enterprises of Uzbekistan. This allows Uzbek producers to conduct an effective policy in the search for foreign partners and increase the volume of exports. Due to the opening of an additional number of trading textile houses in a number of countries, it is planned to ensure accelerated growth of external supplies of not only raw materials and semi-finished products, but also finished products with high added value.

Currently, products with the trademark "MadeinUzbekistan" are exported to more than 50 countries, including the EU, CIS and Latin America, the Republic of Korea, China, Singapore, Iran, Israel, the United States and others.

Over the past year, new markets have been developed - Pakistan, Georgia, Croatia, Nigeria and a number of others. In order to diversify and expand the range of exports, Uzbekengilsanoat enterprises take an active part in international exhibitions and fairs in Germany, the Republic of Korea, China, Russia, Belarus, Latvia and other countries.

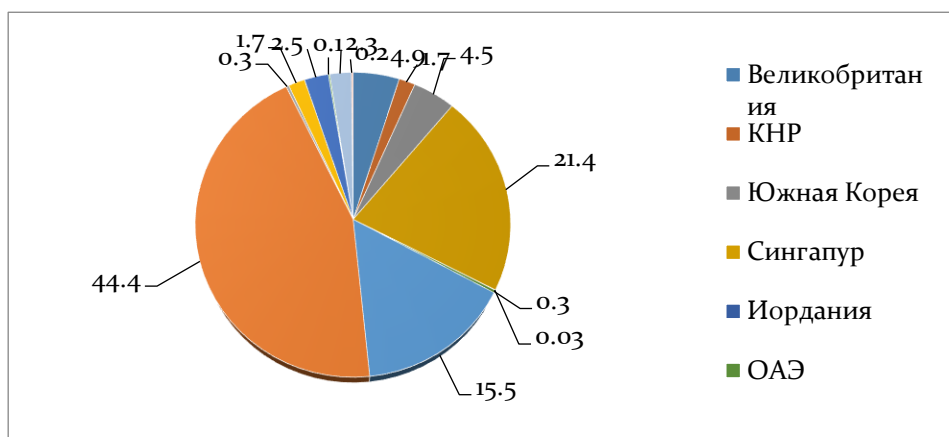


Figure 3. Share of countries in total foreign investment in the textile industry for the period 2017-2019

The main investors, accounting for 44.4% of the total volume of investments for the period 2017 - 2019, are the Netherlands with a total volume of \$ 305 million., Singapore (21.4%) with a gross investment of \$ 147.1 million and Switzerland (15.5%) with an investment of \$ 106.5 million. USA. The technological environment in the textile industry has a strong impact on the formation and implementation of the strategy of financial stability of enterprises, the impact on the strategic development of the enterprise which is manifested in the form of innovation, new financial instruments and technologies, in this regard, for the period 2017 - 2019. it is planned to modernize 10 textile enterprises for a total of 58.3 million dollars. Of these, \$ 8.4 million is a total of \$ 4.4 million. they make up their own funds, \$ 34.5 million. US - loans from commercial banks and us \$ 15.4 million. U.S. - foreign investment.

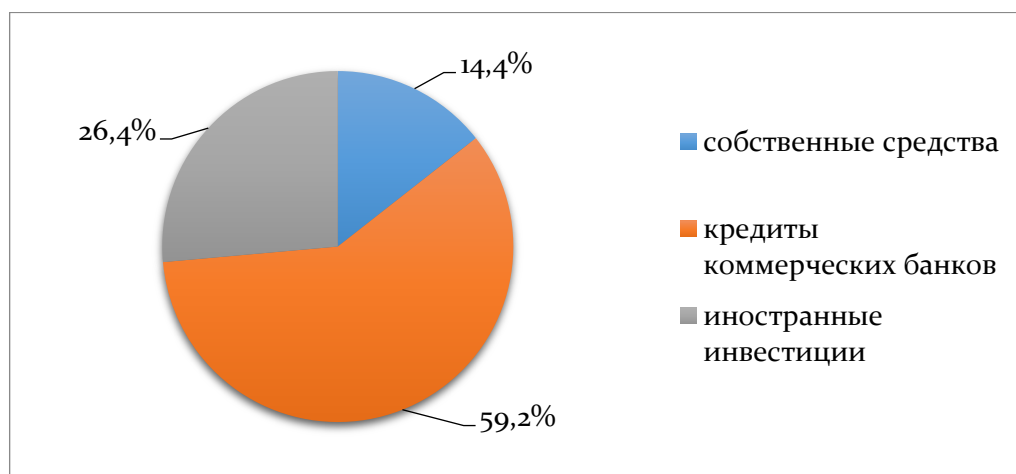


Figure 4. Sources of financing of projects on modernization of textile enterprises for the period 2017 – 2019

For 20 years, the amount of attracted investments amounted to about \$2.5 billion, It sold more than 180 investment projects. For all the time of independence actively built new and developed existing textile enterprises. The largest of them is considered to be JSC "Uzbekengilsanoat".

Indicators of development of technical equipment of industrial premises have increased. More than 1.6 million spinning spindles, 100 thousand cameras were put into operation, which amounted to 89.3% of the existing fleet of technological equipment.

At the end of 2016, the total amount of attracted investments amounted to \$187.3 million, which is almost 3% more than in 2015. New enterprises of the textile industry were created.

According to macroeconomic indicators of socio-economic development, textile production for the first half of 2016 amounted to 8.92 trillion. sums'. This is 116.6% more than in the previous year.

The textile industry currently accounts for a fifth of GDP. It encompasses one third of the workers of industry of the Republic. The revenue part of the state budget in different years is 25-28%.

The export item is the main one for the textile industry of the country. In 1994, the first export deliveries began to operate, the volume of which at that time was no more than \$7 million.

Until 1996, Uzbekistan exported only raw cotton and coarse cloth. Due to the lack of sufficient production capacity, the factories could not carry out three-or four-stage processing of cotton fiber, losing up to 80% of the added value from the export of processed textile products. Huge planned work on the reorientation of exports from raw materials to finished products allowed the textile industry of Uzbekistan to begin a phased development of the industry.

The policy of development of export potential of the branch gives the results today. To date, the number of technically equipped enterprises has increased, which are not inferior to foreign competitors in terms of profitability and quality of products.

By 2016, the list of exported textile products has increased significantly. Now the line of export goods marked "Made in Uzbekistan" has expanded. Now Uzbekistan supplies bamboo, modal and blended yarns, jacquard and crossbar fabrics, ready-made garments,carpets.

The main textile export countries are Russia (36.8%), Turkey (18.8%), China (16.2%), EU countries (15.3%), South Korea (5%).

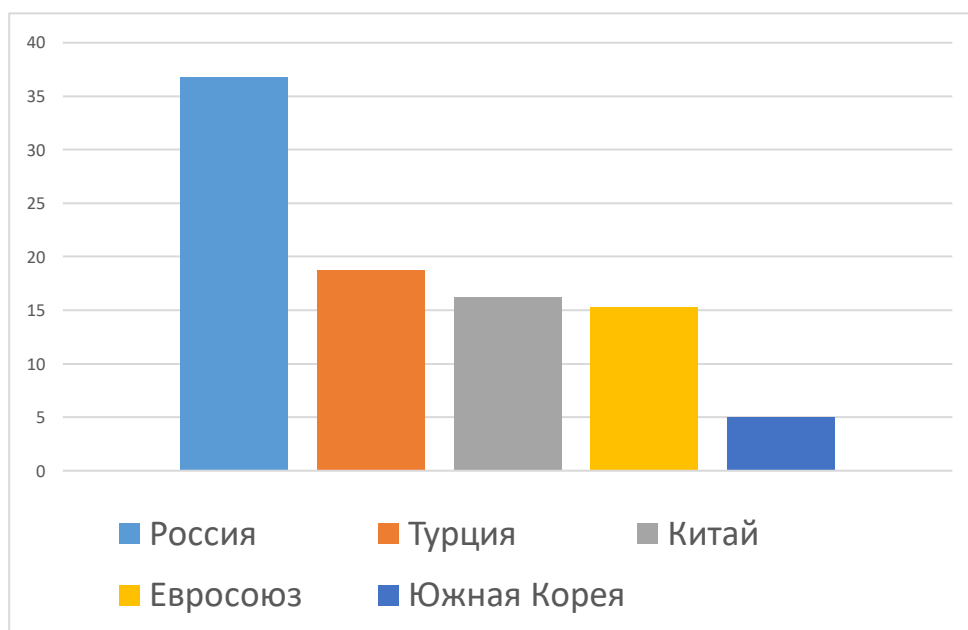


Figure 5. Main countries exporters of textile products, %

The range of exports of textile products is:

- cotton yarn – 67,2%;
- cotton fabrics – 7,3%;
- cotton knitted fabrics – 6,2%;
- ready-made sewing jerseys – 17,4%;
- other textile products – 6,4%.



Figure 6. The Range of exports of textile products

By the end of 2016, the dynamics of the expected export indicators increased to \$1.1 billion, Despite the fact that in the conditions of the crisis, the prices of raw materials and main types of textile products fell significantly.

Many analysts note distinctive trends in the industry. For example, the desire of enterprises to produce finished products, thereby improving technical equipment and modernizing production. This allows you to reduce labor costs and increase the production of finished material. But, according to some, in order for Uzbekistan to become one of the largest producers of light industry products, much work remains to be done. First of all, the assistance of the government is required.

Over the years, the textile industry has developed a legal framework and simplified procedures for licensing and registration of enterprises. A large number of benefits and privileges were applied, including for joint ventures and foreign enterprises operating on the territory of Uzbekistan.

- It was possible to buy cotton and fiber with a 15% discount and in installments for a period of 90 days.
- Enterprises were exempt from taxes and fees to the state budget, except for value added tax.
- Enterprises of the textile industry were exempted from customs duties on imported equipment, components and raw materials not produced in the country until January 1, 2016.
- The right to reduce the tax base on the amount of funds aimed at upgrading the technical equipment of enterprises was granted.
- Exemption from property tax with a five-year term for new enterprises put into operation.
- It was allowed to buy freely convertible currency, textiles, semi-finished products, provided that 80% of the products will be exported.
- The enterprises exporting more than 80% of production were exempted from payment of tax duties.

The medal has two sides. While some analysts praise the Uzbek textile industry, some still note the dark side of the industry. For example, because of the policy framework, it is not possible to take full advantage of all investment opportunities, and therefore the attraction of foreign capital to the textile industry is not as active compared to competing exporting countries. In other words, many foreign investors regard the country's economic situation as unstable.

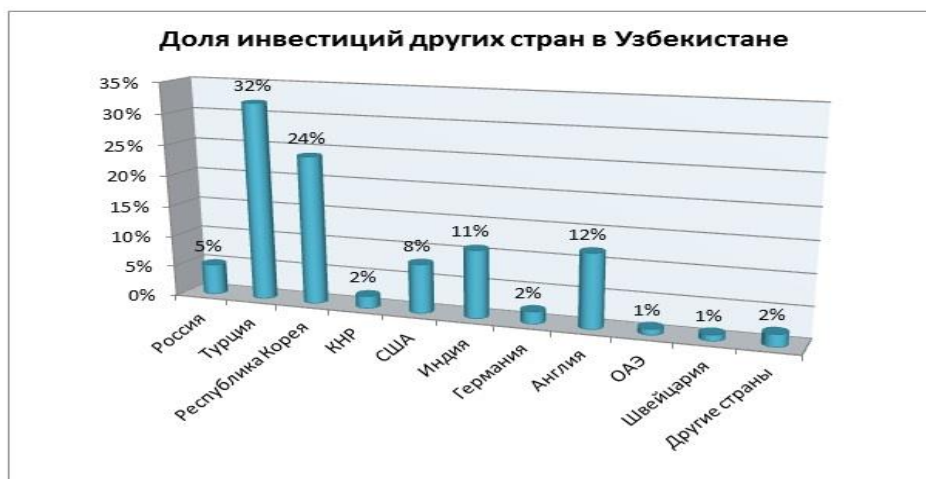


Figure 6. Share of investments of other countries in Uzbekistan

Also, despite the high population density, the purchasing power of the residents of Uzbekistan remains low, which is not an attractive factor for investors. On average, in two years the demand of buyers for domestic textile products in local markets is growing by 1%.

Despite the protection of the state, the share and competitiveness of textile enterprises in the domestic market is very low. Due to the existing benefits, enterprises work mainly for export, and about 95% of the needs of the domestic market are covered from abroad. And consumers are forced to purchase imported textiles. The reason lies in the inability of domestic enterprises to adapt to the rapidly changing requirements of the world market.

Currently, all joint ventures operating on the territory of Uzbekistan have the opportunity to buy raw materials 15% lower than its value on the Liverpool stock exchange. On the one hand, it indicates the desire to pursue pricing policy, remove all administrative obstacles and regulate the country's policy. But on the other hand, against the background of similar advantages in other countries, Uzbekistan is not competitive.

In Uzbekistan, the sale of cotton to the foreign market is carried out only through three firms: Uzinterimpex, Uzprommashimpex and Uzmarkazimpex. They have a monopoly position and seek first and foremost to implement their guaranteed export contracts. As a result, they export the best quality cotton to their competitors, and sell the remains of raw materials to domestic joint ventures. It is difficult under such conditions to guarantee that domestic enterprises will be competitive in the ratio of "price - quality". Therefore, analysts recommend that the government decide which direction of the textile industry to choose as a priority: the export of raw cotton in order to replenish the country's currency funds or the development of industry, in the long term, compensating for investment costs. In addition, it can solve a number of social problems, thereby creating a large number of jobs.

All this can be confirmed by digital data. According to the report of the Ministry of economy of Uzbekistan, the volume of foreign investments in Uzbekistan in the first half of 2016 increased by 17.2% to 1.76 billion dollars, compared to the same period last year. The volume of foreign investments attracted under the guarantees of the government of Uzbekistan amounted to 590 million dollars (growth of 1.9 times), the volume of direct investments - 1.17 billion dollars (+1.5%).

Important conditions for the development of innovation in the country is not only to attract funds for its implementation, but also to create conditions for their rational use. One of the ways to stimulate innovation activity is the direct interaction of science and production, namely the creation of scientific and educational clusters, which are already successfully functioning in a number of countries.

The cluster is an integration mechanism providing intensive development of the organizations forming it, their social partnership. [1]. Universities play the main role in scientific and educational clusters and are its core. Also, the scientific and educational cluster may include commercial organizations, public authorities, organizations for cooperation.

The creation of clusters is necessary for the application of the knowledge gained by a specialist during training in an educational institution in the most effective way in the production process. Educational institutions at the expense of funds received from manufacturing companies participating in the cluster can create all the necessary conditions for an effective learning process. In turn, this principle of interaction between science and production allows manufacturers to participate directly in the training of future specialists and adjust the curriculum according to the modern needs of production, to be confident in the training of qualified personnel.

Scientific and educational clusters have been widely used in the last 20-30 years in developed and developing countries, such as the United States, Japan, South Korea, Israel, Finland, Austria and others. Some companies based in these countries, thanks to the interaction of science and technology have become leaders in global production.

It follows from this that Uzbekistan has all the necessary prerequisites for the development of innovation. The risks of its development in an industrial enterprise can be reduced by regulating the scale of innovation and choosing the optimal method of implementation.