



## PROSPECTS OF DEVELOPMENT OF INNOVATIVE ACTIVITY AND THEIR INFLUENCE ON INCREASE OF ECONOMIC POTENTIAL OF THE ENTERPRISE

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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

The role of the textile industry in the macroeconomic complex of the country can be judged by the following data: today it gives about a fifth of the gross domestic product, it contains a third of all workers employed in the industry of the Republic. In different years, the textile industry formed from 25 to 28% of the revenue of the state budget. Coordination of development of the textile industry, attraction of investments and technical re-equipment of its leading enterprises, increase of export and expansion of import substitution is carried out by the Cabinet of Ministers of the Republic of Uzbekistan.

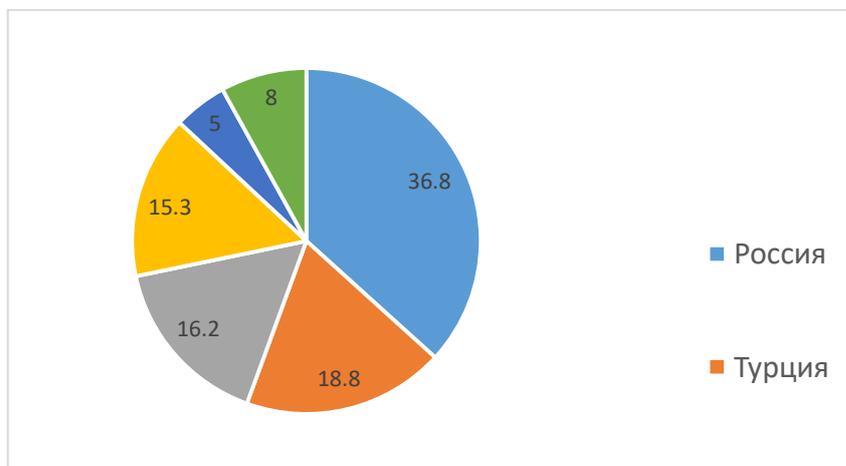
Another interesting feature is the maximum desire of domestic enterprises to produce not semi-finished products and fabrics, but finished products. To support these aspirations, a design center was established in Uzbekistan, specializing in the development of popular modern clothing models, taking into account national traditions and climatic conditions, as well as the wide promotion of domestic light industry products to international markets. Specialists of the center are engaged in perspective modeling of light industry products taking into account the growing needs of the population, the study of the latest trends in world fashion, marketing research of the external and internal market of the industry's products. Much attention should be paid to the work of attracting foreign designers to conduct master classes for domestic specialists and the joint development of modern models of clothing, followed by the organization of their industrial production in domestic enterprises.

Thus, during the years of independence, with the support of the country's leadership, the domestic light industry achieved high production and export performance. But there are new prospects ahead. Thus, the decree of President of the Republic of Uzbekistan adopted on March 4, 2015 approved a Program of measures to ensure structural reforms, modernization and diversification of the economy for 2015-2019, according to which about 80 projects worth about one billion dollars will be implemented in the light industry until 2020. Its implementation will, among other things, increase the export potential of the country's textile industry by more than 1.8 times. Under this program, by the end of the year, 11 industrial enterprises with a total value of \$ 90 million and an export potential of \$ 41.8 million are scheduled to be commissioned.

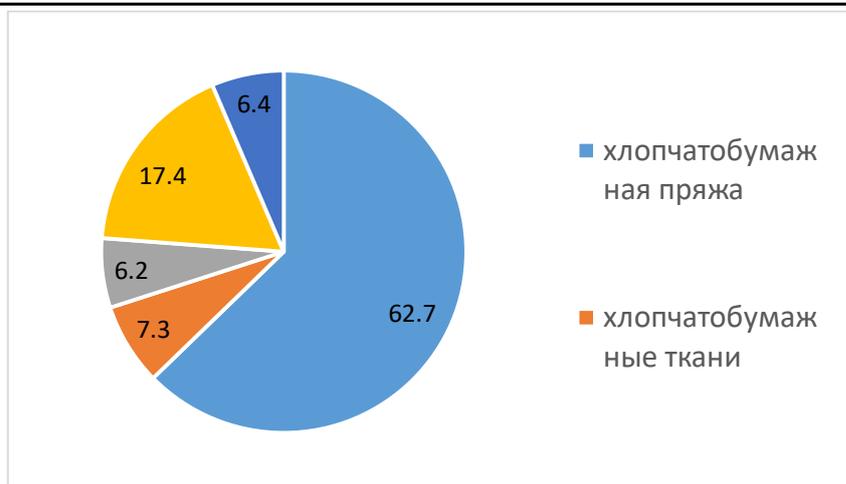
The persistent policy of introduction of innovative technologies on the basis of attracting foreign investment in the textile industry is already yielding tangible results:

- 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, the level of wages compared to the industry average;
- the domestic market of Uzbekistan was replenished with attractive, fashionable products (suits, jackets, clothes from Jersey, etc.) supplied by joint ventures;
- the population of the country was able to purchase at affordable prices high-quality products at the level of world requirements;
- in the industry, the share of ready-to-consume goods in the total volume of production is continuously increasing, it is freed from the raw material bias and moves to the in-depth processing of local raw materials, which provides a multiple increase in value added per unit of raw materials;
- at export-oriented enterprises, many new jobs have appeared, and work on them becomes prestigious.

The enterprises entering into Association "Uztextilprom" produced the following types of textile products: cotton yarn (from Ne5 to Ne40) pneumatic, ring, combed spinning technique; cotton fabrics up to 220 cm width in stock; cotton knitted fabric: Kulirnaya surface, Interlock, Ribana, Footer, Velour knitted on the basis of severe and painted, finished sewing and knitting products in a wide range of women, men and children; fabrics for technological purposes; haberdashery; hosiery; non-woven fabric; wool technical; medical cotton, gauze and bandages.



**Pic.1. The country's export of textile products of the enterprises included in the Association " Uztextilprom »**



**Pic.2. The range of export products of enterprises that are members of the Association " Uztextilprom " for 2017.**

According to decree of President of the Republic of Uzbekistan Shavkat Mirziyoyev, textile enterprises received a number of tax and customs privileges and preferences until 2020. Investment projects on modernization, technical and technological re-equipment for the period 2014-2019 are being implemented; a new mechanism for concluding investment agreements with foreign investors has been introduced. The investment program Association " Uztextilprom " provides for the implementation in 2014-2019 118 projects worth over \$ 2 billion. The main sources of financing of innovative projects are foreign direct investments and loans, own funds of enterprises and loans of commercial banks. The company's own funds will amount to \$ 331 million., foreign investment - \$ 361.4 million., and credit funds - \$ 985.5 million., of which \$ 117.7 million is estimated. - loans from commercial banks and \$ 867.8 million - resources of the Fund for reconstruction and development of Uzbekistan. The main part of these funds will be directed to the creation of capacities for the production of cotton yarn (769 million tons). doll.), finished fabrics (\$559 million) and knitted fabric (\$151.4 million.) based on the application of new innovative technologies.

In addition, the textile industry has a stable raw material base - in the country annually produces more than 1 million tons of cotton fiber, which is currently processed about 30%. In this regard, recently used a large number of benefits and privileges for the textile industry.

- 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 above-mentioned benefits and preferences led to an increase in net profit in the textile industry by 25.7 % at the end of 2017, however, did not ensure the full use of all investment opportunities, and therefore the attraction of foreign capital in the textile industry was not so active compared to competing exporting countries.

Therefore, by the Decree of December 21, 2016, № PP-2687 "On the Program of measures for the further development of the textile and garment industry for 2017 - 2019" President Shavkat Mirziyoyev expressed his desire to support the policy of attracting foreign investors to the textile industry and opened up great opportunities for exports. From 1 January 2017:

- abolishing the mandatory sale to authorized banks of part of the proceeds from the export of non-food consumer goods;
- releasing textile enterprises from customs duties (except for customs clearance fees) imported technological equipment and components that are not produced in the territory of the Republic of Uzbekistan, which gives a great help to the modernization of production equipment;
- exempting textile workers from taxes on profits, property and the single tax payment of micro and small businesses, as well as mandatory contributions to the Republican road Fund. In view of the fact that the savings will also be used to improve the technological equipment of the textile industry;
- promising to provide marketing, information and consulting services to light industry enterprises, including small businesses and private entrepreneurship. In other words, we can expect support in the organization of advertising events, presentation of export potential at international exhibitions and in print publications and promotion of products of light industry enterprises under direct contracts through trading houses abroad.

This Decree of the President has already given its results at the end of 2017 in the form of an increase in production volumes, that is: cotton yarn-92.3 thousand tons (growth of 116.8 %), fabrics - 53.8 million square meters (125%), knitted fabrics - 15.5 thousand tons (118,9 %), threads of raw silk - tons of 301.2 (114,1%):



**Pic.3. The volume of production of textile products on period from 2016-2017**

In order to ensure the entry of textile enterprises into the world arena, it is necessary to implement the set tasks, the main of which is the implementation of 132 innovative projects for the production of finished export-oriented textile and garment-knitted products for a total amount of \$ 2204.6 million. USA 67 of them focused on the organization, modernization and reconstruction of enterprises of the textile industry in the total amount 817,2 million. USA.

These innovative projects will be implemented not only on the basis of own funds and loans from commercial banks, but also through foreign investments, the share of which is 36.2% of the total cost of the projects.

The adopted program of development of textile industry of the Republic for 2015-2019 provides:

-further technical and technological upgrading of enterprises, including through attracting foreign direct investment;

-ensuring sustainability and balanced growth of industrial production;

- increasing the export potential of the industry;

- saturation of the domestic consumer market with goods of the light industry nomenclature;

- creation of new jobs;

- creation of additional capacities in the production of jeans, Terry fabrics and products, hosiery, finished knitwear and technical textiles.

During the years of independence, the textile industry of the Republic attracted investments in the amount of more than \$ 1.91 billion. USA:

- more than 150 enterprises were created with the participation of foreign investors from Germany, Switzerland, Italy, South Korea, Japan, Turkey, USA, India, etc.;

- implemented more than 52 projects specialized in the production of ready-made clothing (sportswear, adult clothing, children's clothing, underwear, etc.);

- exports of the company's products increased from \$ 7 million to \$ 770 million. USA;

- the modern textile enterprises including finishing, knitting and sewing productions are put into operation.

By a resolution issued at the end of last year, President Shavkat Mirziyoyev expressed his desire to support the policy of attracting foreign investors to the textile industry and opened up great opportunities for exports. From 1 January 2017:

- mandatory sale of part of the proceeds from the export of non-food consumer goods to authorized banks is cancelled;

- textile enterprises are exempt from customs duties (except for customs clearance fees) imported technological equipment and components that are not produced on the territory of the Republic of Uzbekistan. This will give a great help to the modernization of production equipment;

- textile workers are exempt from taxes on profits, property and the single tax payment of micro-firms and small businesses, as well as mandatory contributions to the Republican road Fund. It is planned that the savings will also be used to improve the technological equipment of the textile industry;

- marketing, information and consulting services will be provided to light industry enterprises, including small businesses and private entrepreneurship. In other words, we can expect support in the organization of advertising events, presentation of export potential at international exhibitions and in printed publications.

- it is planned to promote the products of light industry enterprises under direct contracts through trading houses abroad.

Measures aimed at the development of the textile industry should help to improve the level of development of the industry, the competitiveness of domestic textiles in the world market and, consequently, improve the economic situation of the country.