



FINANCIAL MANAGEMENT OF OIL AND GAS INDUSTRY COMPANIES

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ABSTRACT

The scientific article analyzes the processes of managing the financial stability of companies operating in the oil and gas industry of the Republic of Uzbekistan. In the course of the analysis, the activities of the joint-stock company Uzbekneftegaz were studied. Based on the results of the analysis, it was shown that investments made in the fuel industry of our country will not only accelerate the pace of production of the fuel industry in our country in subsequent years, but also create new industrial complexes in the regions, create new jobs, change the volume of production fuel industry per capita.

KEY WORDS: oil, gas, industry, investment, joint stock company, financial statements, financial stability.

INTRODUCTION

Investments in the fuel industry in Uzbekistan in the following years will have a great impact not only on the acceleration of the production of fuel industry products, but also on the establishment of new industrial complexes in the regions of our country, on the creation of new jobs, and on the change in the volume of production of fuel industry products per capita. Today, compared to other branches of the republic's industry, the rapidly developing fuel industry is becoming increasingly attractive for investment. As a result of the increase in the volume of investments attracted to the fuel industry of Uzbekistan, the production level and efficiency of the industry are being increased. The high level of network production leads to the development of industry and other sectors in the economy of our country, the strengthening of the industrial potential of our republic, and the improvement of the living conditions of the population. Further improvement of operating conditions of fuel industry enterprises, effective redistribution of investments in the network, establishment of a processing system capable of activating internal sources and reserves of the country's fuel industry development are becoming one of the important issues.

The economic policy carried out in Uzbekistan envisages the acceleration of the process of integration into the world economic community not only in terms of the structural structure of the state, but also at the level of the private sector. The conditions created for the operation of the free market arouse the steady interest of Western and Eastern businessmen in our country. Today, our businessmen are actively attracting foreign investors to cooperation.

LITERATURE REVIEW

Another factor driving foreign investment is the value factor. Skillful use of it allows the investing country to save significant amounts of money. For example, in China's foreign investment policy, the cost of land is relatively cheap compared to neighboring countries. As a result of the efficiency of the value factor, the volume of foreign investments in China's Shenzhen Free Economic Zone was 75% by 2014[1].

According to the opinion of Professor L. Krasavina[2], the factors of effective use of foreign investments are: considered as a secondary source in the formation of funds of national enterprises; potential innovative character of the investment; creation of real long-term interests of foreign investors in the host country helps to shape the investment environment in this country and attract foreign investments.

In order to carry out a favorable investment policy by the Republic of Uzbekistan, priority is given to the following principles: further liberalization of foreign economic activity; further improvement of legal, socio-economic and other conditions that ensure wide involvement of direct capital investments in the republic's economy; consistently carry out the policy of creating favorable conditions for foreign investors who bring world-class technologies to our country and help establish a modern structure of the national economy; directing funds to the most important priorities[3].



The composition of external causes is as follows: access to the world market; a healthy and effective competitive environment; good foreign economic relations; local authority requirements.

The composition of strategic reasons consists of the following[4]:the possibility of using modern business methods in the country; have a solid raw material base; technology transfer; expand production.

According to the researchers, international capital migration is important in the development of the world economy, because it leads to the strengthening of foreign economic and political relations of the country, increases their foreign trade turnover, the volume of production, accelerates economic development, increases the competitiveness of manufactured goods in the world market, and the technical skills of importing countries. increases its potential and increases employment in the country[5].

Referring to the opinions and studies of foreign scientists, M. Porter proved that the strategy of large multinational companies and countries receiving foreign investments is based on profiting from existing competitive advantages. He divides competitive advantage into four areas: corporate governance advantages; dominance of production factors; the amount of demand in the country; priority due to auxiliary and additional networks[6].

Three models of investment policy can be distinguished in the practice of the world economy [7]. We tentatively call the first model "American", the second - "Japanese" and the third - "Taiwanese". The given classification is an attempt to systematize the experience of countries with a developed market economy. Importantly, all of these models are effective and need to be studied in depth to develop appropriate investment policy strategies in these transition economies.

RESEARCH METHODOLOGY

As a result of research, approaches related to the development of new technologies in the field of oil and gas services, management of logistics and selling processes in oil and gas sphere, and scientific conclusions and proposals on the formation of investments in “Uzbekneftegaz” JSC have been developed. Methods such as abstract thinking, systematic approach, complex assessment were used in the research.

ANALYSIS AND RESULTS

In the conditions of globalization, a characteristic aspect of the world financial market is represented by the migration of investments from one country to another. The main of such investments are foreign investments. In the last ten years, the volume of foreign investments in our national economy has increased by 45 times, it is significant that the volume of international trade has increased by 25 times and industrial production by 6 times during the same period[8].

When attracting foreign investment floating in the global investment market, the following three-tier incentive measure (Figure 1) is used, but in many cases it also depends on the tax system of the country receiving the investment.

Currently, among the incentive factors, the investor service program is included[9]. The main goal of this program is to reinvest the income earned during the investor's career in this country. For this, the receiving country focuses on the allocation of production subsidies and financial assistance, as well as the formation of the labor market and the development of product delivery networks[10].



Figure 1. Classification of stimulating factors of attracting foreign investment[11]



According to a survey of investors, legislation, political stability, protection of property rights, efficiency of the judicial system and low level of corruption are the most important indicators for attracting foreign investment. After examining these indicators in detail, investors compare the incentives in the countries compared and only then choose the country that forms the "total incentive package" for them.

Without attracting foreign investments, especially without expanding the participation of foreign investments in the leading industries, it is impossible to implement structural changes and modernize the economy, re-equip enterprises with modern equipment, and launch competitive production. Attracting foreign investments to the country's economy, accelerating the expansion of its economic potential, using internal capabilities and reserves in all areas, mastering new equipment and technology, exportable goods, and ensuring the economic power of our country is of urgent importance.

In the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 PF-60 No. PF-60 on the development strategy of New Uzbekistan for the years 2022-2026 to the joint-stock company "Uzbekneftegaz" "to ensure the continuous supply of oil and gas products to economic sectors and the population and to accelerate the transformation processes in the oil and gas sector a number of tasks, such as the introduction of market mechanisms, with the establishment of social protection guarantees in the natural gas supply" [12].

Joint-stock company "Uzbekneftegaz" in 2022 and in the following years, the company is a large oil and gas complex in order to provide rhythmic supply of oil, gas condensate and natural gas processing products to the economic sectors and residents of the Republic of Uzbekistan, as well as to export them. carries out work on exploration, exploration and extraction of natural gas, gas condensate and oil, their processing, sale of processing products and construction and social development of production facilities. The main types of the company's products are natural gas, gas condensate, liquefied gas, oil, as well as their processing products.

At the same time, the oil and gas industry is currently solving large-scale tasks of extracting valuable components from existing raw materials through deep processing. Among the major production facilities of the oil and gas industry are the Bukhara oil refinery, Mubarak and Kandim gas processing complexes, Shu'rtan and Ustyurt gas-chemical complexes, GTL and others. These industrial giants form the backbone of the modern oil and gas industry.

The five largest fields, which provide 50% of the total gas produced by the company: Shortan (24.7%), Alan (7.9%), Southern Kemachi (6.2%), Somontepa (7.3%), Zevardi (8.7%).

The liquefied gas obtained during the processing of natural gas and unstable gas condensate is sold for sale to the population and social sector objects at the stock auctions organized for the owners of the gas filling stations supplied to the enterprises of the joint-stock company "Hududgazt'minot".

The main share of the company's products is delivered primarily to the domestic market in order to meet the existing demand. At the same time, the segmentation of the domestic market includes the supply to budget organizations, large strategic enterprises of the republic that buy oil products under direct contracts or process imported raw materials on the basis of a commission contract. The company's natural gas sales in 2020 reached 30.55 billion cubic meters. In 2021, the volume of trade was 30,218 billion cubic meters. The enterprise exports the following types of products: polyethylene, liquefied gas, sulfur and other petroleum products. In 2020, the volume of polyethylene export was 26,000 tons, and the volume of liquefied gas export was 16,000 tons.

The main markets for export products are the following countries: Iran, Poland, Baltic countries, Germany, Turkey, Kazakhstan, Tajikistan, Kyrgyzstan, Afghanistan and others.

More than 60% of the company's net income comes from gas sales. 16.0% of the income is obtained from the sale of petroleum products, 11.0% from the sale of liquid hydrocarbons.

In 2021, the increase in the cost of production occurred due to an increase in material costs, including an increase in the cost of works and services of an industrial nature.

The company has set a new development path based on modern methods of corporate management, digital transformation, as well as transition to international standards involving international consulting companies and financial institutions (Ernst & Young, KRMG, etc.).

Today, there is active cooperation with world leaders in the oil and gas industry - Lukoil, Gazprom, VP, Total, as well as companies from countries such as Korea, China and others. Processing of hydrocarbons in Uzbekistan.

During the analysis, the shortcomings of the Company were identified. Large deposits of the company are characterized by a relatively high level of exploitation (60-80%). This affects the slowing down of the rate of growth of hydrocarbon production, as well as the deterioration of the composition of the extracted raw materials.



A high share of receivables in the total structure of the company's assets threatens to reduce the turnover of working capital, as well as to reduce the Company's liquidity.

High wear and tear of fixed assets leads to large losses of hydrocarbons, as well as increased costs of maintaining the operation of these fixed assets.

Underutilization of the main production capacity of the oil refinery leads to an increase in the cost of the manufactured product. The shortage of petroleum products will be partially compensated by increasing the production of diesel fuel and kerosene after the GTL project is launched.

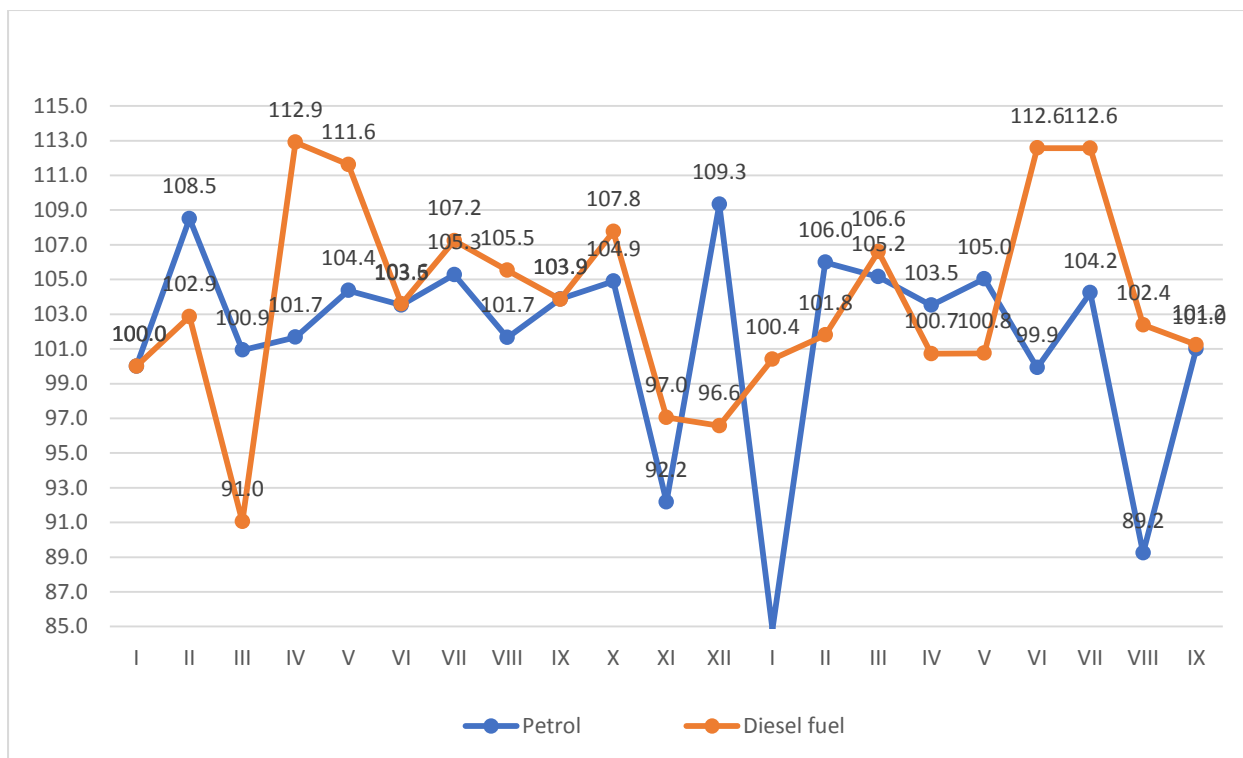


Figure 2. Dynamics of changes in prices of refined petroleum products[13], January 2021, September 2022

It can be seen from this picture that the main factor of price increase of oil products is the procedure of formation of exchange prices and the practical application of newly introduced prices by price regulating organizations (bodies). During the year, the price of fuel oil increased by an average of 6.1 times, jet fuel by 4.8 times, petrolatum, petroleum paraffin by 2.9 times, petroleum oils for lubrication by 2.1 times, kerosene by 63.2%, gasoline by 57.7%, diluted propane and butane became more expensive by 15.6%, diesel by 1.3%.

The volume of investment in our country in 2021 was 125.2 percent, the share of investments in GDP was 22.9 percent.

Further deepening of structural reforms in the economy, revitalization of investment activities of enterprises, wide attraction of foreign investments, first of all direct foreign investments and their effective use, modernization of production, technical and technological rearmament, creation of new jobs and, on this basis, stable national economy and in order to ensure rapid development, large amounts of funds are allocated from the republic budget.

Commercial banks, non-bank financial organizations, investment funds and other financial intermediaries, which have wide opportunities to serve the investment and financial needs of economic entities, play an important role in the formation of the infrastructure of the investment market.

CONCLUSIONS AND SUGGESTIONS

The investment policy envisages not only increasing the scale of capital funds, but also improving the structural structure of their reproduction, directing investments to more efficient and competitive production.



Therefore, continuation of the processes of structural changes and diversification of the economy in our country is an important factor for ensuring stable and proportionate economic growth, increasing the competitiveness of our national economy, and achieving rapid development.

Today, based on modern economic conditions, not all countries can imagine the stage of industrialization without foreign investments. If in 1970, only 85 countries attracted foreign investments and 25 countries made investments, by 2014, this indicator is represented by the fact that 230 countries attracted foreign investments and about 150 countries made investments [14].

The investment market in the world is very competitive and it has entered the competition by offering investors a liberal, stable and predictable investment system. In this regard, under modern conditions, transition economies and developing countries use different incentives.

Currently, in the oil and gas sector of our republic, it is possible to see the efficiency of the fuel industry enterprises whose modernization has a modern character:

- equipping the oil and gas network with modern equipment, increasing product profitability as a result of using the most advanced technologies;

- increasing the volume of production of finished industrial products in the network;

- increasing labor productivity in fuel industry enterprises and paying more attention to personnel qualification based on foreign experiences;

- foreign investments should be attracted not only to oil and gas extraction, but also to their processing.

- along with the development of cooperation with foreign investors in the development of the national oil and gas sector, it is necessary to increase the investment capacity of our local companies.

- in the short term, it is necessary to reduce the degree of dependence of economic development on extraction of oil and gas raw materials and their export.

Thus, all grounds are sufficient for the development of the energy sector in Uzbekistan. The amount of extraction and export of hydrocarbon resources is growing year by year. A good environment has been created for attracting foreign investment in the energy industry of the region. In the future, for the development of our country's energy sector, close cooperation in energy issues is required from the countries of the region. Effective use of energy resources in Uzbekistan and extensive involvement of foreign investors in improving the sector will lead to further development of the country's economy.

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