

## BUSINESS PLAN WHILE DEVELOPING AN INVESTMENT PROJECT

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**Annotation.** The same economic planning and forecasting techniques apply to the enterprise as a micro-level subject. The stage of enterprise development, investment introduction, and activity innovation is when these procedures are most practically implemented. The writers come to the conclusion that an investment project's business plan should, first and foremost, satisfy the needs of the investment activity's subject, whose choice will determine the project's future.

**Keywords:** business plan, forecasting, strategic planning, and investment.

### Investitsiya loyihasini tuzishda biznes-reja

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**Annotatsiya.** Xuddi shunday iqtisodiy rejalashtirish va prognozlashtirish usullari mikro darajali subyekt sifatida korxonaga nisbatan ham qo'llaniladi. Korxonani rivojlantirish, investitsiyalar va innovatsion faoliyatni joriy etish bosqichida ushbu tartib-taomillar amalda amalga oshirilmoqda. Mualliflar investitsiya loyihasining biznes-rejasi, avvalo, loyihaning kelajagi tanlashga bog'liq bo'lgan investitsiya faoliyati sub'ektining ehtiyojlarini qondirishi kerak, degan xulosaga kelmoqda.

**Kalit so'zlar:** biznes-reja, istiqbolni belgilash, strategik rejalashtirish, investitsiyalar.

### Introduction

An enterprise development plan, which is basically a systematic description of an enterprise development project, is typically given in the form of a specially designed business plan in international practice. A project is referred to be a "investment project" if it has to do with luring in capital. Any new endeavor the company undertakes is typically something related to luring in new investors. In its broadest definition, a project is a particularly structured proposal to alter an enterprise's operations for a particular goal.

Typically, projects are separated into strategic and tactical categories. The latter typically include projects that involve a fundamental shift in the nature of production (production of new products, transition to fully automated production, etc.) or a change in ownership structure (creation of a rental enterprise, joint-stock company,

private enterprise, joint venture, etc.). Tactical projects are typically linked to improvements in product quality, equipment upgrading, and output volume.

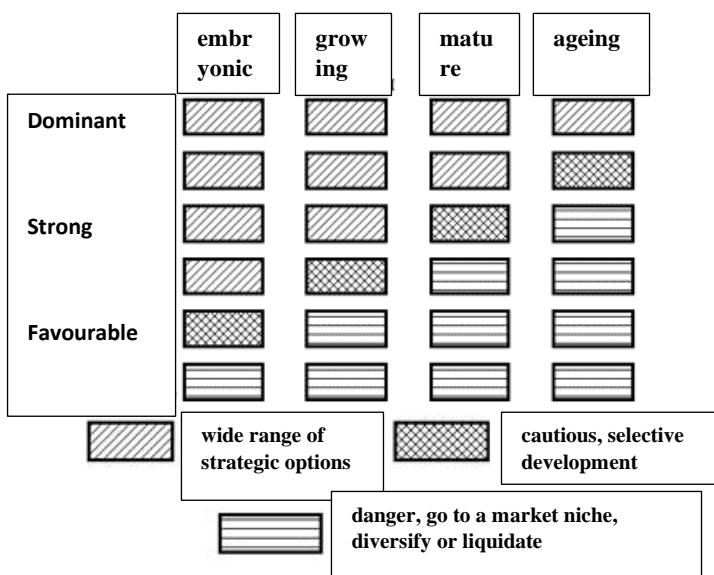
For domestic practice, the idea of a project is not new. Its unique characteristic from earlier periods was that, generally speaking, the primary paths of business development were established at a higher level of industry economic management with respect to the business. Given the current economic climate, the company's owners and senior management should be concerned about its future and handle all tactical and strategic problems on their own. In the area of investment design, such activities must be planned specifically.

The question of whether the business can actually implement this concept in theory inevitably comes up during the investment project formation process. An analysis of the industry's current status is required to respond to this question, which the business is a part of, as well as the business's relative standing in the industry. The initial phase of an investment project's development and analysis consists of this analysis. The following two criteria are commonly used in Western project analysis practice:

- Industry maturity (the four stages of development—embryonic, growing, mature, and aging—are frequently used to assess industry maturity).
- The business's competitiveness (its place in the market). It is vital to determine the enterprise's competitiveness within its industry using this criterion. To put it another way, it is essential to determine how the company compares to other businesses in the target market for goods or services. The six fundamental states of an enterprise—dominant, strong, favorable, unstable, weak, and unviable—are recognized.

We can visualize the enterprise life cycle matrix by aligning the industry maturity and competitiveness criteria.

Constructive in nature, the matrix shown in Figure 1 not only establishes the enterprise's position but also provides essential suggestions for future growth.



**Figure 1. Matrix of life cycle sets**

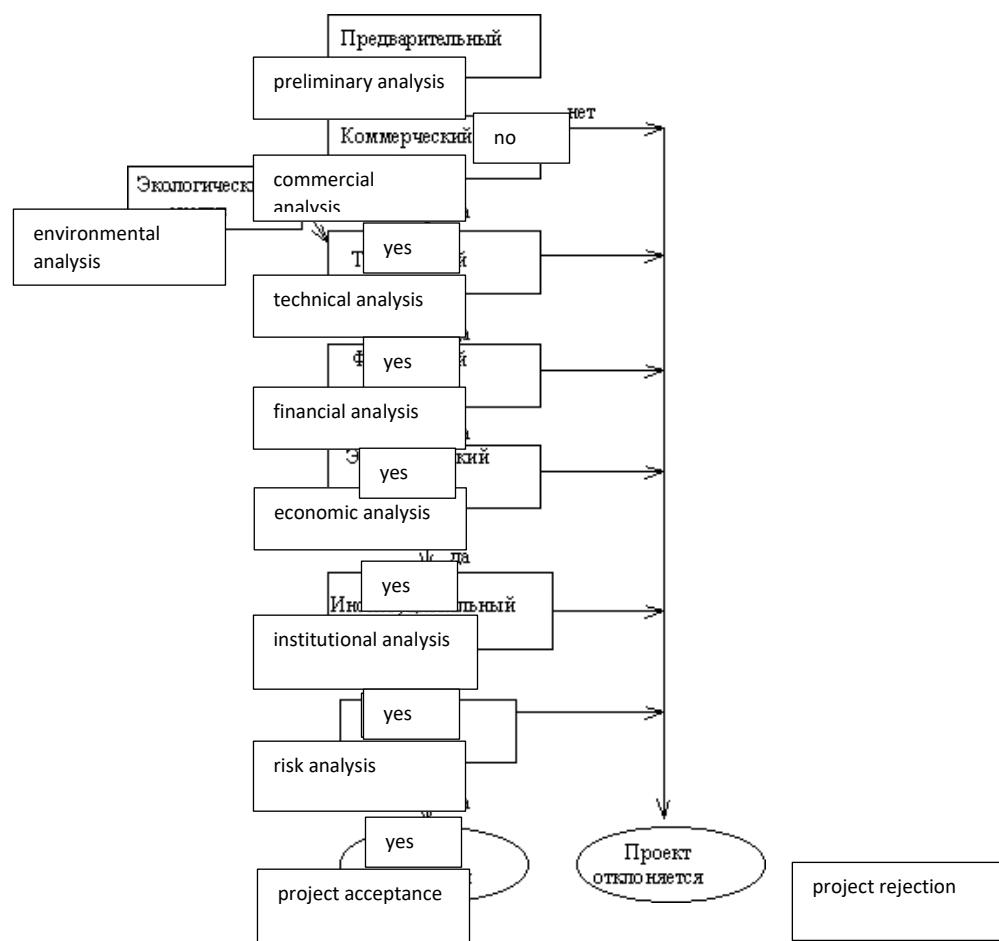
Establishing a particular firm's position based on the stated criteria—that is, precisely, which specific "cell" in the matrix of Fig. 1 the enterprise in question belongs

to—is the ultimate outcome of the preliminary stage of project analysis.

The early analysis phase shouldn't take a lot of time, and the results reached at this stage are mostly derived from qualitative evaluations. However, this phase is required for at least the two reasons listed below:

- The company's competitive position and industry maturity will undoubtedly be brought up in future communications with a strategic investor, so be ready for this beforehand.
- The strategic investor will conduct this examination on his own if the company's managers neglect it, and his findings might not be very positive.

Despite the variety of projects, their examination often adheres to a general framework with distinct sections evaluating institutional, financial, technical, commercial, and economic aspects viability of the undertaking. From the perspective of the strategic investor, a successful project should conclude with a risk analysis. The general project analysis sequence is depicted in Figure 2. Please take note that the diagram's "The project is rejected" resolution is conditional. In fact, the idea in its current form ought to be rejected. Simultaneously, the project might be changed because, for instance, it is not technically viable, and the study of the upgraded project should begin from scratch.



*Figure 2. General sequence of project analysis*

## 1. Examining the project's commercial viability

Answering these two straightforward questions is, at its core, the purpose of

marketing analysis: Can we sell the project's finished product? Can we make enough money off of it to make the investment project worthwhile?

Based on recent figures, almost 80% of businesses in third-world countries are insolvent. The primary cause of bankruptcies is inadequate marketing. The following are the fundamental concerns of marketing analysis.

1. What market is the project being implemented on? To a domestic or foreign country?
2. Is a balance between the home and foreign markets envisioned by the project?
3. Does the project's objective align with the state's fundamental policy judgments if it is directed at the global market?
4. Do the project's goals align with domestic public policy if it is centered on the domestic market?
5. Should a project be given more consideration if it violates state policy?

The projects should describe the current markets since they are being implemented in them. Analysis of competitors and consumers should also be part of the marketing analysis. Consumer desires, prospective market segments, and the characteristics of the purchasing process should all be identified through consumer study. Demand forecasting is a component of marketing analysis. When creating an investment project, the forecast's accuracy must be determined by weighing the costs of reaching the target level of accuracy. A precise forecast can lessen the level of uncertainty, even though the decision-making process is conducted in an unpredictable environment.

Given the impossibility of covering every marketing aspect of investment projection, we will attempt to identify the most important semantic marketing portions and provide a quick description of them. We can totally resolve all marketing challenges by completing the following four blocks: market study, competitive environment analysis, product marketing strategy development, and confirming the accuracy of the data used in the preceding sections.

An essential component of the project should be the marketing strategy. The marketer should respond to the following queries when creating it:

- To what extent is the product well-designed?
- Has the appropriate price plan been determined?
- Has the best approach to product advertising been determined?
- Can the customer and seller communicate effectively via the sales system?

To sum up, the marketing segment is essential to project analysis since it offers the market data required to evaluate the project's feasibility. Due to inadequate marketing analysis, it frequently occurs that a company invests a great deal of money and energy in constantly growing supply and sales operations, only to never reap the anticipated rewards.

## 2. Analysis of technical aspects

An investment project's technical analysis entails the following tasks: determining which technologies are best suited to the project's goals; analyzing

local conditions, including the cost and availability of labor, energy, and raw materials; and confirming the availability of potential opportunities for project planning and execution.

A team of the company's internal experts often conducts technical analysis, with the assistance of subspecialists if necessary. Analyzing one's own current technologies is the first step in the conventional technical analysis process. The following standards ought to be adhered to: (1) The technology must be established, meaning it must be standardized and not focused on importing raw materials and equipment.

### 3. Examining finances

The investment project's most extensive and time-consuming portion is this one. The overall plan of the investment project's finance part goes like this: Examine the company's financial standing throughout the last three (ideally five) years of operation.

2. A review of the company's financial situation during the investment project's planning phase.
3. A break-even analysis of the primary product categories' production.
4. Projected cash flows and earnings during the investment project's implementation.
5. An assessment of the investment project's effectiveness.

The primary financial ratios that show the enterprise's liquidity, creditworthiness, profitability, and management effectiveness are often calculated and interpreted as part of a financial study of the business's past operations and current state. Usually, this is not hard. The enterprise's primary financial statements for several prior years should be included in the financial section, along with a comparison of the key performance indicators by year. The financial statements should be changed into the Western formats of the nation from which the investor is expected to be drawn if the investment project is being prepared to draw in a Western strategic investor.

Break-even analysis entails a methodical examination of the structure of production and sales costs for the primary product types, as well as the separation of all costs into fixed costs, which do not alter with changes in production volume, and variable costs, which do. Finding the break-even point, or the amount of sales of items that equals zero profit, is the primary goal of break-even analysis. Comparing actual or anticipated revenue during the investment project's realization process with the break-even point and subsequently evaluating the dependability of the business's profitable operations are key components of break-even analysis.

The investment portion of the project is the most accountable part of the financial section. It comprises the following: assessing the enterprise's investment needs; establishing sources of funding for those needs; estimating the cost of capital attracted for project realization; forecasting profits and cash flows resulting from project realization; evaluating project performance indicators.

The problem of evaluating the project's payback during its implementation phase is the most methodologically challenging. Considering the "time value of money"

theory, the quantity of cash flows that arise from the project's realization should equal the entire investment. The adage "A dollar now is worth more than a dollar received in a year" means that any fresh financial flow received in a given year is worth less than an equivalent cash flow received a year prior. One feature that gauges the temporal relevance of cash flows is the rate of return on investment of the cash flows obtained during the realization of the investment project.

Therefore, considering the financial phenomenon mentioned above, a project is approved based on financial criteria if the overall cash flow produced by the investment exceeds its worth.

The problem of taking inflation into account is crucial when evaluating a project's payback. It is true that changes in the purchasing power of money necessitate recalculating cash flows invested over time. However, there is a viewpoint that suggests ignoring the inflation effect when drawing final conclusions about the efficacy of an investment project. It will be demonstrated in one of the chapters that the assessment of the net present value of cash flows—which serves as the primary efficiency metric for an investment project—is unaffected by inflationary fluctuations in the level of prices.

#### 4. Analysis of the economy

The fundamental query in financial analysis is whether the initiative will make the company's owners (shareholders) richer. As seen in the preceding section, cash flow analysis can be used to provide an answer to this question. Evaluating the project's contribution to raising the state's (nation's) wealth is the focus of economic research.

Why is economic analysis necessary? Economic analysis is not required if the market is fully (ideally) free because actions that benefit the company's owners also benefit everyone else. Without claiming that the definition below is universal, let's outline the key characteristics of a free market:

- a large number of purchasers and vendors;
- There are no restrictions on new businesses entering the market;
- prices are freely established according to the preferences of the buyer and seller;
- and all production factors—labor, capital, and materials—are movable.

Even the most developed Western nations should acknowledge this as the best scenario. In actuality, the state manipulates the pricing of many items (either overestimating or underestimating them), therefore it is rarely feasible to evaluate a project's economic value even when the financial contribution is known. Therefore, it is common practice to evaluate economic attractiveness and economic efficiency (i.e., the extent to which the project aligns with national priorities) in addition to financial efficiency for significant investment projects.

#### Conclusion

Finally, it should be mentioned that a business plan is the final form of an investment project. Generally speaking, this company plan covers every one of the aforementioned

concerns. However, the business plan's format does not suggest that the parts of this article are repeated. The fact that there are no rigid company planning guidelines that must be adhered to "in all cases of life" should also be made abundantly evident. An investment project's business strategy should, first and foremost, meet the needs of the investment subject, whose choice will determine the project's future.

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