



IMPROVING MANAGEMENT OF INVESTMENT PROJECTS

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Abstract: This article presents ideas and opinions about the methods of improving the management of investment projects and evaluating the economic efficiency of investment projects.

Key words: investment, economic efficiency, socio-economic efficiency of the project, commercial efficiency of the project.

Introduction

Economic efficiency is the profit received for the use of the capital invested for investment, and if the income is understood, the socio-economic effect, in addition to the profit obtained from the use of the investment, is also understood as the improvement of people's lives, the preservation of nature, and the development of scientific and technical progress.

When evaluating the economic efficiency of investments, it is necessary to pay attention to the terms "economic efficiency" and "economic efficiency".

Economic efficiency is the result of investment of invested capital, while economic efficiency is the relationship between the profit obtained from two investments and the amount of investment.

The economic effect is calculated by subtracting the amount of invested capital from the income received on account of this investment and is calculated as follows:

$$\mathcal{E} = \mathcal{D} - K \quad (1)$$

here:

\mathcal{E} - economic efficiency;

\mathcal{D} - income from invested capital;

K - the amount of invested capital.

Economic efficiency is found by dividing the profit from the invested investment by the amount of invested capital:

$$\Theta_1 = \frac{I\phi}{K} \quad (2)$$

here:

Θ_1 - economic efficiency;

$I\phi$ - return on investment;

K - invested capital.

The indicator of economic efficiency of investment at the scale of the country's economy is found by dividing the amount of gross national product created in the country by the amount of investment made at the scale of the country.

$$\Theta = \frac{YMM}{K} \quad (3)$$

here:

Θ - economic efficiency;

YMM - gross national income;

K - The amount of capital invested to create GNI.

Economic efficiency is a function of time and is negative at the beginning, because the capital invested has not yet received a return. As the return on capital increases over time, income increases and this is a positive result, that is, the return on invested capital increases over time over the amount of invested capital.

The return on invested capital equals the invested capital over time. This period is called investment payback period. This indicator shows the efficiency of capital investment in the production sector of the economy. The investment payback period lasts 2-3 years in the small business sector, and 10-15 years for long-term investments. There is a concept of capital investment payback

period norms, which is understood as the average amount of capital investment payback period in economic sectors. On average, the investment payback period is 6-8 years in the economy.

Investment contribution to national income is called investment rate. It is calculated based on the formula in tune;

$$\text{ЯИИ} = \frac{\text{ЯИС}}{\text{ЯММ}} \times 100\% \quad (4)$$

here:

ЯИИ- gross investment rate;

ЯИС- gross investment amount;

ЯММ- gross national income.

Commercial (financial) efficiency of an investment project (IL) is a category that reflects the project that creates this IL, its compliance with the goals and interests of its participants.

Efficiency can be:

- overall efficiency of the project;
- effectiveness of participation in the project.

The overall effectiveness of the project will be assessed for the participants in order to determine their interest and seek funding sources. This type of efficiency includes:

- socio-economic efficiency of the project;
- commercial efficiency of the project.

Socio-economic efficiency indicators take into account the socio-economic results of IL implementation.

Commercial efficiency indicators take into account the financial results for the participant implementing this project. It is envisaged that this participant will bear all the costs necessary for the implementation of the project and fully use the results of the project.

In general, project performance indicators describe technical, technological and organizational project decisions from an economic point of view.

The effectiveness of participation in the project is determined in order to determine the interest of all participants and the implementation of IL.

The effectiveness of participation in the project includes:

- the efficiency of the enterprise's participation in the project (IL efficiency for participating enterprises);
- efficiency of investing in company shares (IL efficiency for shareholders of joint-stock enterprises);
- for some sectors of the economy, financial-industrial groups, associations and holding structures - sector efficiency;
- Budget effectiveness of IL (budgets of all levels in terms of costs and revenues, efficiency of state participation in the project).

Evaluation of IL efficiency is carried out in two stages. In the first stage, the indicators of the project as a whole are considered. The purpose of this stage is to create favorable conditions necessary for a generalized economic evaluation of project decisions and the search for investors. In relation to local projects, only their commercial efficiency is evaluated, and only if it is convenient, it is recommended to proceed to the second stage of evaluation.

The second stage of the evaluation is carried out only after the financing scheme is developed. At this stage, the composition of the participants, the financial participation and efficiency of each of them is determined. (Chetyrkin E.M. *Methody finansovykh i kommercheskikh raschyotov*. - M.: 1995.)

To calculate net discounted income (NDI) and internal rate of return (IMR), it is necessary to know the return on investment. In order to find this income, it is necessary to know the price of the product (service) or, in other words, the value of the results of investments. Based on this, it can be concluded that the absolute efficiency of the project cannot be determined using SDD and DIM indicators in the absence of a value assessment of the result. However, even when the issue is put like this, SDD and DIM blind sellers can be counted. The fact is that two different options are considered: the first (project) and the second (zero alternative) options. In this approach, the income is replaced by saving the costs of operating the facility, and the investment costs under the zero option are equal to zero. This approach is valid only when the bets on the null option are truly zero. Let's consider the solution of the problem in the zero variant. We use the comparative efficiency indicator:

$$C_T = \frac{T_1 - T_2}{K_2 - K_1} \quad (5)$$

here: T_1 and T_2 – annual product cost under the options being compared.

$K_1=0$ since it is a comparative performance indicator E_c becomes an indicator of absolute efficiency and can be defined by profitability (R), that is:

$$R = \frac{X_1 - T_2}{K_2} \quad (6)$$

Indeed, $K_1=0$ then the amortization according to the first option is also zero, T_1 while, X_1 will be equal to $(T_1=X_1)$. (X- expenses).

so that, (X_1-T_2) leading to annual savings K ($K_2, K_1=0$ in) capital investments are being made. The question of whether capital investments are effective or not can be answered using the following indicator:

$$X_1 - T_2 > CK \quad \text{или} \quad X_1 - T_2 - CK > 0 \quad (7)$$

Indeed, if the magnitude of profitability is compared with S , then K_2 being a condition of effectiveness $R = \frac{(X_1 - T_2)}{K_2} > E$ serves.

If we take into account current cost savings in the service life of the object (T), then the project

efficiency is determined by the following inequality: $\frac{(1+C)^T - 1}{(1+C)^T \cdot C} \cdot (X_1 - X_2) - K > 0$

SDD during the service life of the object: $CDD^T = \frac{(1+C)^T - 1}{(1+C)^T \cdot C} \cdot (X_1 - X_2) - K$

Average annual net income (annuity) can also be used to determine the efficiency of capital investments. If the annuity is not less than the annual savings, the capital investment option is effective.

$$(X_1 - X_2) - K > K \frac{C(1+C)^T}{(1+E)^T - 1} \quad (8)$$

The level of project efficiency can be determined using the DIM indicator. $CДД^T = \text{Yield at } 0$ is DIM.

Due to the fact that cash flow elements appear at different times, the problem of comparing them arises. Because the same sums of money received at different times cannot be said to be of equal value. According to the "golden" rule of business: today's money is worth more than tomorrow's money.

Different approaches to accounting for the time factor are used in financial analysis. The most common method is the function method, which reflects and compares the relative degree of preference of present over future benefits. In practice, in most cases, a function in the form of compound interest is used for this purpose. In this approach, the present and future values of money are interconnected by a compound interest formula:

$$S_n = S_o - (1 + r)^n \quad (9)$$

here:

- S_n – current amount of funds;
 S_o -n sum of funds after the same time intervals (added sum of money);
 r – rate of return (interest rate) over a period of time.

This means that if a job has an annual rate of return r S_o if sums of money are deposited, then after n th year we S_n we will be able to own money. And vice versa, brought to the present time, S_n The real value of the future amount of money is estimated according to the following formula:

$$S_o = S_n \cdot dm_n \quad (10)$$

here:

- dm_n – discount multiplier;
 r - according to the rate, the discount multiplier for period n is determined as follows:

$$dm_n = 1/(1+r)^n \quad (11)$$

Therefore, the process of bringing future income to the present time period is called discounting, that is, it reflects that one sum received today will be valued more highly than one sum received one year from now. The reason for this is not only inflation, but also the fact that there are various opportunities to increase income, and giving them up is equivalent to losing a certain amount of money in the future. Choosing a discount rate is a complex problem of investment analysis. In the conditions of the market economy, the discount rate should first of all reflect the alternative investment opportunities for the use of the company's monetary resources.

The discounting operation is widely used in evaluating the effectiveness of investment projects, as it allows comparing the income and expenses related to different periods of time.

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