

Risk Assessment of Investment Strategy in the Textile Industry

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Abstract

An important industry, producing non-food consumer goods, is textile industry. From the development of this industry depends the social level of living, therefore it is necessary to increase the role of light industry in the development of domestic market by competitive domestic products of high quality. Light industry includes several sub-sectors: textiles (including cotton, wool, silk, linen, knitted fabrics, felting), garment, haberdashery, leather, fur and footwear industries. However, under the pressure of imports the light industry of Kazakhstan has practically ceased to exist, providing only 8-10% of the internal demand. The paper evaluated the effectiveness of investment projects in the textile industry on the basis of economic and mathematical risk prediction method, marked types of risks in investment attractiveness, which are inherent in any sector of the economy. The article details the method for calculating the prediction of risk of the investment strategy in the textile industry.

Keywords: Light industry; Textile industry; Risk; Investment attractiveness; Prediction; Efficiency assessment

Introduction

Sustainable development of the economy which based on the accelerated technological modernization of the economy, by using digital technologies, creation of conditions for production of competitive types of products are the main directions of development of economy of Kazakhstan at the modern stage [1,2].

For any country, light industry is the most important multi-disciplinary and innovative-attractive sector of the economy. Without its development, it is hard to imagine the growth in other non-primary sectors of the economy.

Now light industry of the Republic of Kazakhstan is characterized by the decline of its share in the volume of the country's industry and by the significant decline in the share of GDP from 2.3% in 2000 to 0.3% in 2015. This is because more than 90% of the market occupied by imported goods [3].

If in 2000, there were 1295 large existing enterprises, in 2010 - 526, then in 2015 - 756 enterprises. In Soviet period, light industry was established as 25% of the Republic budget, but after independence, many factories were destroyed and closed [4]. The main reasons, that have led the industry to the brink of collapse, are: inflation, high interest rates on loans, tax burden, ill-conceived privatization, and the flow of uncontrolled imports.

Currently, large part from considered enterprises is the small enterprises - 90.6%, medium-sized enterprises are 6.7%, and the largest are 2.7%. Such distribution of the company dimension is normal for industries with small entry barriers to the market. Industrial organizations of the country organized through the Association of light industry enterprises of the Republic of Kazakhstan. Members of this Association are such companies as "Mukhtar Corporation" LLP, "Technoprom-tekst" LLP, "Hlopkoprom-celuloza" LLP, "Argo" LLP, "Kuat LTD" (joint with JSC "Smilovich felt factory", Belarus), "Semiramida" LLP, "Melanzh" JSC, "Uteks" JSC, "Russian textile" LLP, "Alliance Kazakhstan" LLP, "Kazakhstan - Textiles" and others. Successfully operating companies such as "Kazakhstan Textiline" with children clothing brand "Mimioriki", "Kaz SPO-N" presents sports apparel for children and adults "Zibroo", "Semiramida" - headwear "LadyLike", "South Textiline KZ" company presents the production

of cotton yarn and fabric, "Almaty leather factory" LLP (joint with "Mozhelit" JSC, Belarus) [5].

The largest number of companies producing fabrics and clothing in the Republic of Kazakhstan is concentrated in Almaty city and the highest number of large enterprises - in the South Kazakhstan region. For the systematic implementation of the creation and development of cotton-textile cluster in South region of Kazakhstan have already taken measures at national level. Decree of the President of the Republic of Kazakhstan established a Special Economic Zone (SEZ) "Ontustik", the purpose of which is to create favourable conditions for the processing of the cotton fibre produced in Kazakhstan to the finished high-value products. Textile companies in the SEZ are granted significant tax and customs preferences. Currently in "Ontustik" FEZ there are 8 large companies with a total investment of more than 144 million U.S. dollars, which provide about 1,500 workplaces.

In our country developed a comprehensive plan for the development of light industry on 2015-2019. The main purpose of this plan is to increase the competitiveness of light industry with the strengthening of its social effectiveness [6].

Innovative development of industry associated with the development of human capital, the availability of production capacity and raw materials.

Among the products, produced by textile industry and exported to foreign countries, in the Republic of Kazakhstan stands out for the cotton, grown in the Southern regions of Kazakhstan, which in different years considered as 70 to 90% of exports. It should be noted, that Kazakhstan has significant potential for the development of light industry, which is due to the proximity of the regions producing raw materials (Uzbekistan, Tajikistan, Turkmenistan), as well as potential large markets (Russia, Asian and European countries,

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middle East). Kazakhstan has the necessary conditions to create the resource base, the cultivation of cotton, also available in the presence the significant human resources. The country annually produces about 100 thousand tons of cotton fibre, 90% of which is exported. Today in South Kazakhstan region has 15 cotton processing factories, which have a high consumption of equipment, low quality of fiber and the lack of its own raw materials. At full load, domestic enterprises will be able to process up to 30% of the total volume of cotton fibre. This should draw attention to the need of application of new technology of cotton sowing (modern methods of cultivation, the method of drip irrigation under plastic film) without increasing acreage to increase the yield and quality. In addition, it is time to review subsidy mechanisms. Instead of allocating them for fuel, irrigation water and fertilizers, it is more efficient to provide subsidies per unit of produced goods, i.e. raw cotton.

One of the solutions to the problems of the light industry should be the improving of the innovative activity of enterprises in the industry. The most important technological modernization, involving the renewal of obsolete equipment and technologies. The entry of Kazakhstan into the WTO in December 2015 for light industry carries a number of serious consequences for the industry. Particularly the important will be the role of state support, related, primarily, to the financing of innovation.

Management decisions on investment depend on various factors: type of investment; the investment cost of the project; the number of investment projects; limited financial resources; risks associated with the adoption of management solutions.

Materials and Research Methods

In domestic and foreign practice there are a number of mathematical and formal methods for investment projects including research that we have conducted in the work [7].

The analysis of the sources shows that the theory and methodology of risk assessment of investment attractiveness of projects in textile industry is not sufficiently developed to systematically and comprehensively, did not take into account the specific characteristics of the investment in textile industry. The method must be observed, that allows the investor independently make the effective, dynamic, and comparative risk evaluation of investment attractiveness of the textile industry project. This is especially important in conditions of market relations in the textile industry, given the current financial and logistical status of its businesses.

In the future we will understand the risks of investment attractiveness of projects in textile industry, among which the risks of products, qualification (personnel), territorial, innovative, financial risk.

The investor, before investing in a particular enterprise, assesses

the risks of the products produced (the technical level compared with other industries, the demand for products, the existence of contracts for implementation, the volume in kind and in monetary terms of exports, with the reference of countries etc.).

Next to them are assessed qualification (human) risks, i.e. qualification of managers, work experience, etc. They lead to losses of assets due to low qualification level of employees.

The following is the territorial dimension of risk on the investment attractiveness of the enterprise. As you know, one advantage is a compact arrangement of the raw material and processing factories. This allows you to apply cluster model of development of the industry.

Innovative risks arise in the implementation of new technologies and techniques, and it is not as an opportunity to recoup financial resources.

Financial risks for the textile industry investor are a key point in the rating of favorable conditions for investments, as the financial performance of textile industry depends on the manufactured products and used resources. Is the probability of losing money when entering into various financial transactions, and conducting financial transactions?

The graduation of these risks in terms of acceptability (level of perception) is a residual subjective, usually determined by a group of experts or specialists of the business entity itself, and is associated with the percentage of the probability of financial losses due to the manifestation of risks projects.

More detailed methodologies for the practical application of the proposed methods for the purpose of projecting the risk of investment attractiveness of projects are listed [7].

Results

So, in the estimation of the probability of RP when making specific management decisions was attended by 5 experts. The results of their survey are presented in the Table 1.

Calculations show that if we consider the (analyzed) administrative decision is made, then most likely the risk of investment attractiveness in the textile industry projects forecasted in production activities and is 11%, the lowest - in the financial sector (3%). Integral indicator of predicted probability of risks projects 19%.

The calculated coefficient equal to 0.74: shows the high degree of consistency of the views of experts. Therefore, the probability prediction of risks projects (19%) can be regarded as adequate.

From our calculations, the probability of risks projects (19%). It ranges from 10 to 19%, and its level is considered to be an acceptable

Serial Number of the expert participating in the survey	Probability of risk on the investment attractiveness of projects in textile industry					Expert factor (authority) (h _i)	Expected probability of risks projects
	Products (vr _{1j})	Qualification (vr _{2j})	Territorial (vr _{3j})	Innovative (vr _{4j})	Financial (vr _{5j})		
1	0.14	0.06	0.13	0.02	0.01	0.7	0.25
2	0.01	0.04	0.01	0.08	0.07	0.6	0.13
3	0.15	0.03	0.02	0.01	0.03	0.7	0.17
4	0.14	0.05	0.11	0.05	0.05	0.5	0.20
5	0.12	0.09	0.01	0.09	0.02	0.6	0.20
Average value of the number	0.112	0.054	0.056	0.05	0.036	-	0.19

Table 1: The prediction of the probability of risk on the investment attractiveness of projects in the textile industry based on the opinions of experts.

risk. The use of reserves, reserves and self-insurance is recommended to mitigate adverse effects.

Selection of performance reserves, reserves and self-insurance "depends on the decision maker (DM), which, in turn, focused and strategic priorities of State policy and the impact of any State, namely how to reduce the risk and increase profitability in comparison with other sectors of the economy.

The tools discussed in our work can be part of a cluster policy aimed at creating a positive image of any cluster as an investment and attractive area.

Conclusions

1. It is necessary to develop a new, comprehensive method of assessment of investment appeal of subjects of Kazakhstan, which would take into account all the factors and conditions of regional development (only territorial and sectoral) and would be based on already existing methods.

2. In the result of the study highlighted the risks that are priority in modern conditions when identifying risks of investment projects in the

textile industry: the risks of products, qualification (personnel) risks, the territorial dimension of risk, innovation and financial risks.

3. It is necessary to determine the investment attractiveness of the region as a cluster system from the perspective of each individual investor. In general, Kazakhstan must have its own investment strategy [2].

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