

## PROBLEMS OF ECONOMIC DEVELOPMENT OF SMALL BUSINESS IN THE REAL SECTOR

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### ABSTRACT

The article discusses the current state of small business and private entrepreneurship in Uzbekistan, the problems of development and state support for small business and private entrepreneurship. On the basis of statistical data, conclusions are presented about the features of the development of small business and private entrepreneurship and measures to address them.

**Keywords:** small business, private entrepreneurship, trade, export and import, financial system.

In an economy based on market relations, entrepreneurial activity is considered one of the main economic resources and constitutes a component of human resources, while small business and private business structures give mobility to large-scale production.

The goal of increasing the share of small businesses in a country's gross domestic product (GDP) can be achieved in two complementary ways. These are: a sharp increase in the number of small enterprises created and a significant increase in the efficiency of existing enterprises. Since the first days of independence in our country, special attention has been paid to the development of small businesses. In this regard, a number of laws, decrees of the President, resolutions of the Cabinet of Ministers and a number of legal documents relating to the development of other areas have been adopted, which have a positive impact on the development of the business sector. Especially in the Action Strategy for the Further Development of the Republic of Uzbekistan for 2017-2021 of the President of the Republic of Uzbekistan dated February 7, 2017, the priority tasks are such as the development and liberalization of the national economy, ensuring the stability of the national economy, modernizing the agricultural network, supporting and developing the private sector.<sup>1</sup>

These tasks are of great importance in the statistical assessment of the factors and trends in the development of small businesses at various levels in our republic, the development of a system of statistical indicators, the creation of econometric models of economic development strategies, and the improvement of the scientific and methodological base. statistical forecasting. Today, the small business sector is the largest labor market in our country, a source of income and well-being for millions of people. To this end, President Sh. Mirziyoyev, in his

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<sup>1</sup> Ўзбекистон Республикаси Президенти Шавкат Мирзиёевнинг Олий Мажлисга Мурожаатномаси. //Халқ сўзи, 2020 й. 25 январь

address to the Oliy Majlis on January 24, 2020, said: “We must support entrepreneurs who create new jobs in every possible way, so to speak, carry them on our shoulders.”

At one time, A. Smith defines an entrepreneur as follows: “An entrepreneur is an owner of capital who takes on the risk of doing business.”

According to J. B. Say, an entrepreneur is an economic agent who combines factors of production or directs economic resources from the area of low productivity and utility to the area of high utility and productivity.<sup>2</sup>

Firstly, an entrepreneur combines production factors in the production of goods and services and acts as a "catalyst". Secondly, in the process of doing business, he takes on the difficult task of making decisions. Thirdly, an entrepreneur is an organizer who strives to produce new products through the introduction of new production technologies. Fourth, the entrepreneur is prone to risk. He risks not only his property, time, labor, but also the funds contributed by his partners and depositors.<sup>3</sup>

As a result of the measures taken, the number of small businesses in 2020 reached 411,200, which is 156% more than in 2018, or 148,300 in absolute terms. However, in 2019 this figure was 127.3%. This result is primarily due to the fact that small business and private entrepreneurship are constantly supported by the state (Figure 1).

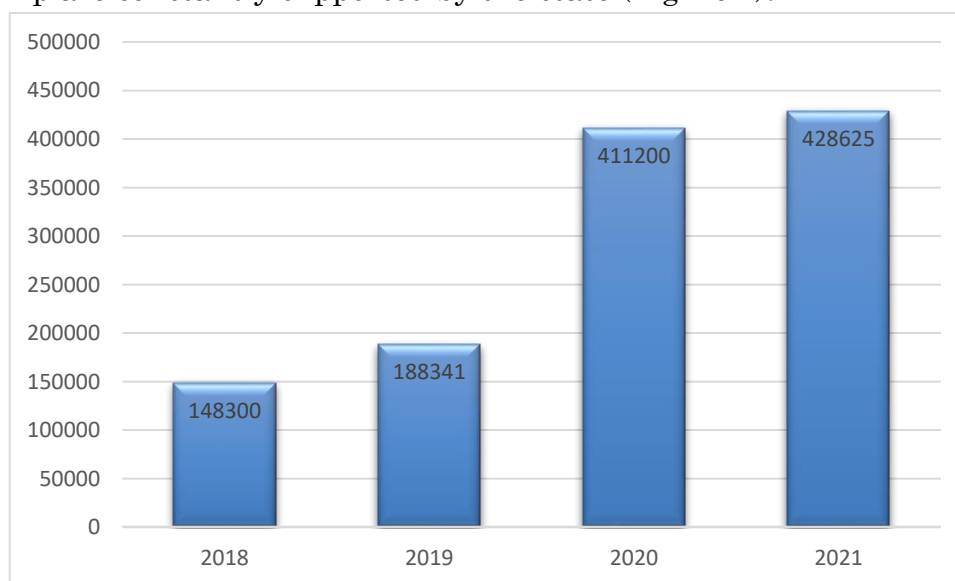


Figure 1. Dynamics of the number of small enterprises in Uzbekistan

Financial support measures for small businesses and entrepreneurship have been strengthened. In particular, many benefits and privileges have been provided for broad support of entrepreneurship. Small businesses were allocated 100 trillion in national currency, which is almost 4 times more than in 2016. Also, the rapid development of small business and private entrepreneurship has a significant impact on the creation of infrastructure facilities serving it and improving the quality of services.

Today, the small business sector of Uzbekistan is served by more than 8,000 infrastructure facilities of more than ten types, which creates the necessary conditions for their work. As a

<sup>2</sup> Шамхалов Ф. Роль предпринимателя в рыночной экономической системе. М.: Маркетинг. 1997. №3. с. 95

<sup>3</sup> Макконелл К., Брю С. Экономикс. Принципы, проблемы и политика (1). М.: Республика, 1992, с. 38

result, the results of small business and private entrepreneurship as an important factor in creating new jobs in Uzbekistan, increasing incomes and welfare of the population become significant. In particular, 562.8 thousand (59.8%) of more than 940.5 thousand new jobs created in Uzbekistan in 2021 are in the field of small business and private entrepreneurship.

The main problems in the field of small business and private entrepreneurship are still considered to be:

- lack of own and borrowed financial resources, as a result of which small enterprises are not able to purchase modern and high-tech equipment;
- problems and difficulties in obtaining land plots for the implementation of entrepreneurial activities, as well as in connecting to engineering and communication networks;
- lack of liquid collateral or this collateral is not enough for a bank loan at the start of its activity, which reduces the possibility of obtaining a loan;
- difficulties in obtaining long-term loans that stimulate the formation and development of small innovative industrial production;
- inefficient mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the foreign market in certain sectors of the economy and the problems of entering foreign markets;
- insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting offices, business centers, business incubators;
- insufficient development of sales markets, as well as markets for raw materials and materials;
- poor training of the professional and qualification level of those employed in small business;
- a large number of regulatory bodies.

Low equipment of small enterprises with modern technological equipment that ensures the production of competitive products. At the same time, there are unresolved problems in the banking sector, many entrepreneurs point to high lending rates and commissions on bank operations, in particular, an additional fee is charged for consideration of submitted documents by the credit commission. In addition, when obtaining a loan, entrepreneurs need to cover the costs of insurance and collateral valuation, notarization of loan documents, etc.

To prevent this situation, it is proposed to resume the activities of credit unions and microcredit organizations, which could become real competitors for commercial banks, which would reduce the rates.

Also, it is necessary that commercial banks recognize the valuation of collateral carried out by independent valuation organizations. Currently, the appraisal organization is indicated by the bank itself, and the value of the appraised collateral may be underestimated. Proposed measures to stimulate the development of small businesses and private entrepreneurship:

- 1) Subsequent easing of interest rates on loans, which will allow small businesses to reduce costs and ensure financial stability, because in world practice, the lower the loan rate, the more stimulated production growth and consumer demand;
- 2) Organize training of personnel with entrepreneurial skills, which is a catalyst for the development of small businesses and individual entrepreneurship for self-employment through the introduction of vocational education;



- 3) Continuing and strengthening the development of cooperation ties between large enterprises and small businesses, as well as holding cooperation fairs;
  - 4) Cardinal simplification of the processes of coordinating land issues, registering buildings when transferred to the use or ownership of entrepreneurs;
  - 5) Development and implementation of criteria for evaluating the activities of state authorities and local authorities for the development of entrepreneurship and the business environment as a whole;
  - 6) Development of public-private partnership aimed at reducing business and investment risks in the areas of research and development, dissemination of new technologies;
- Regular modernization, technical and technological re-equipment of production by business entities, equipping it with advanced modern equipment, which allows increasing the production of high-quality, competitive, export-oriented products, are becoming a requirement of our time. The main means of meeting this demand is financial support for small businesses. Almost a century has passed since leasing relations began to emerge and develop in North and South America and Europe. In Uzbekistan, only about twenty-five years have passed since the establishment of business relations. Business relations in Uzbekistan began to take shape mainly in the mid-1990s.

Financing through foreign credit lines is one of the priorities of the ongoing reforms in Uzbekistan, the development of small businesses and private entrepreneurship. Small businesses will need manufacturing technologies from developed countries to set up production in accordance with established standards, but not all small businesses and private entrepreneurs who want to start such production will be able to do this at their own expense. At the same time, good investment projects of small businesses are financed by foreign credit lines and banks. In a market economy, the development of small business by attracting foreign credit lines to the real sector through banks plays an important role in the financial support of private business. In the future, on their basis, it is planned to create large financially strong diversified manufacturing enterprises.

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