

DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN UZBEKISTAN

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Abstract

This article describes the main trends in the development of small business and private entrepreneurship in Uzbekistan. The role of small business in the development of the country's economy.

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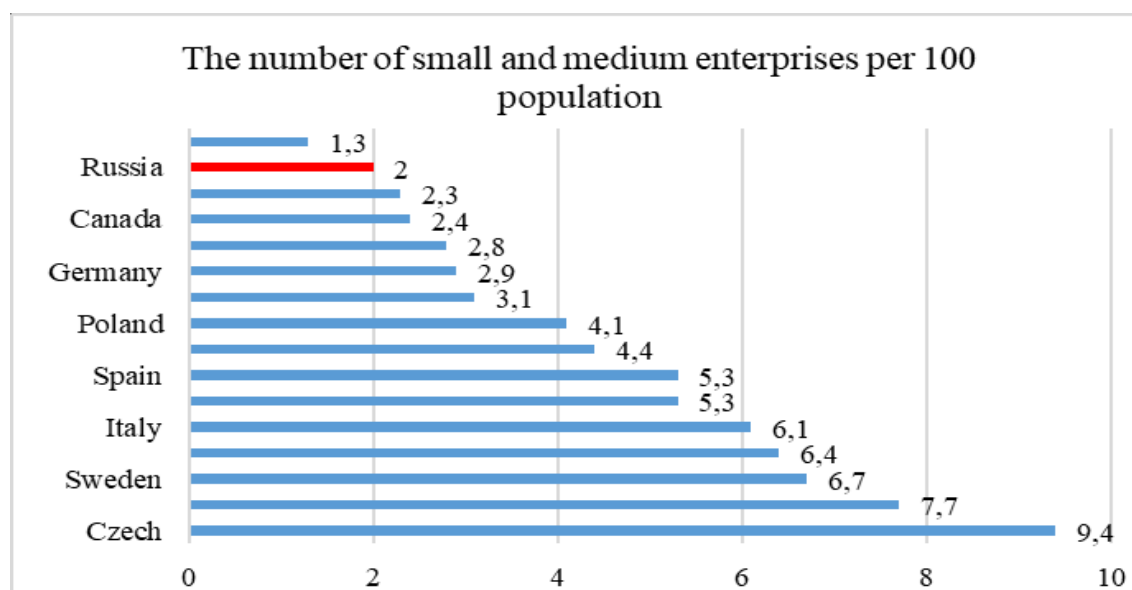
Introduction

The value of small business in a market economy is very high. Without small business, the market economy can neither function nor develop. Its formation and development is one of the main problems of economic policy in the transition from an administrative-command economy to a normal market economy.

In the years of independence, small business and private entrepreneurship have rightfully become the basis of the economy of Uzbekistan. The wide possibilities of private property are reflected in the creation of industrial production in the countryside, the development of enterprises, the replenishment of the domestic market with high-quality and competitive products, the improvement of the service sector, and the increase in employment and welfare of the population.

Significant results are given by the special attention paid to the development of the private sector, benefits and preferences created for the free operation of business entities within the framework of the law. As a result, the ranks of enterprising and proactive owners are expanding, and the interest of the population in this area is growing. Entrepreneurs of the country make a worthy contribution to the transformation of the appearance of our cities and villages, the abundance of dastarkhan and the well-being of the people.

Small business in a market economy is the leading sector that determines the rate of economic growth, the structure and quality of the gross national product; in all developed countries, small businesses account for 60 to 70 percent of GNP. Therefore, the absolute majority of developed countries encourages the activities of small businesses in every possible way. The following chart looks at the share of small businesses in terms of GDP in developed countries.



There are a huge number of small firms, companies and enterprises operating in the global economy. Small business, quickly responding to changes in market conditions, gives the market economy the necessary flexibility.

Main part. Modern economists practically equate the concepts: “entrepreneur”, “small business”, “small business”, in turn, considering “big business” as a phenomenon of economic life, based on other principles of business organization.

Small business is a business carried out in small forms, based on entrepreneurial activity, a set of small and medium-sized private entrepreneurs who are not directly included in any monopoly enterprise.

Small business is, on the one hand, a specific sector of the economy that creates material wealth with minimal involvement of material, energy, natural resources and maximum use of human capital, and on the other hand, the sphere of self-realization and self-sufficiency of citizens, within the rights granted by the Constitution of the Republic of Uzbekistan.

So entrepreneurial activity as a small business is an entrepreneurial activity carried out by subjects of a market economy in accordance with established laws, aimed at systematically making a profit from the use of property, the sale of goods, the performance of work or the provision of services by persons registered in this capacity.[2]

A small business in America, according to the definition of the US Department of Commerce, is a manufacturing enterprise in which no more than 100 workers and employees are employed and the wholesale turnover does not exceed 200 thousand dollars per year. If this is not a manufacturing enterprise, but a trading or any other enterprise, then the annual turnover should not exceed 50 thousand dollars.

Although the "face" of any developed state is made up of large enterprises and corporations, and the presence of a powerful economic force - big capital - largely determines the level of scientific, technical and production potential, the true basis of life in countries with a market economy is small enterprises as the most massive, dynamic and flexible form of business life.

The small business sector most dynamically develops new types of products and market niches, helps to bring the production of goods and services closer to the consumer, and develops in industries that are unattractive to large businesses. Important features of small business are the widespread use of small local sources of raw materials, the ability to accelerate the development of investments and the high turnover of working capital. Another characteristic feature of this sector is the active innovation activity, which contributes to the acceleration of the development of various sectors of the economy. Small businesses form a competitive environment, create an alternative in the labor market, and create millions of new jobs. The flexibility and high adaptability to the volatility of market conditions inherent in small businesses contribute to the stabilization of macroeconomic processes in the country and the achievement of an optimal structure of the economy.

So small business is a business sector that largely determines the rate of economic growth, the state of

employment of the population, the structure and quality of the gross national product of the state.

And over the years of independence, the country's leadership has gradually taken and is taking effective measures so that enterprising and enterprising people can apply their best qualities in practice for the sake of increasing personal well-being and, at the same time, to solve the problems of socio-economic development of the republic.

First of all, the necessary regulatory and legal framework was created and is constantly being improved. Thus, the fundamental role in the development of private entrepreneurship was played by the Law "On Guarantees of Freedom of Entrepreneurial Activity", which enshrined all the basic guarantees and conditions for the free participation of citizens in entrepreneurial activity. At the legislative level, the principle of the priority of the rights of entrepreneurs in the relationship of business entities with state, law enforcement and regulatory bodies is enshrined, in which any contradictions and inconsistencies in the legislation should be interpreted in favor of entrepreneurs.[1]

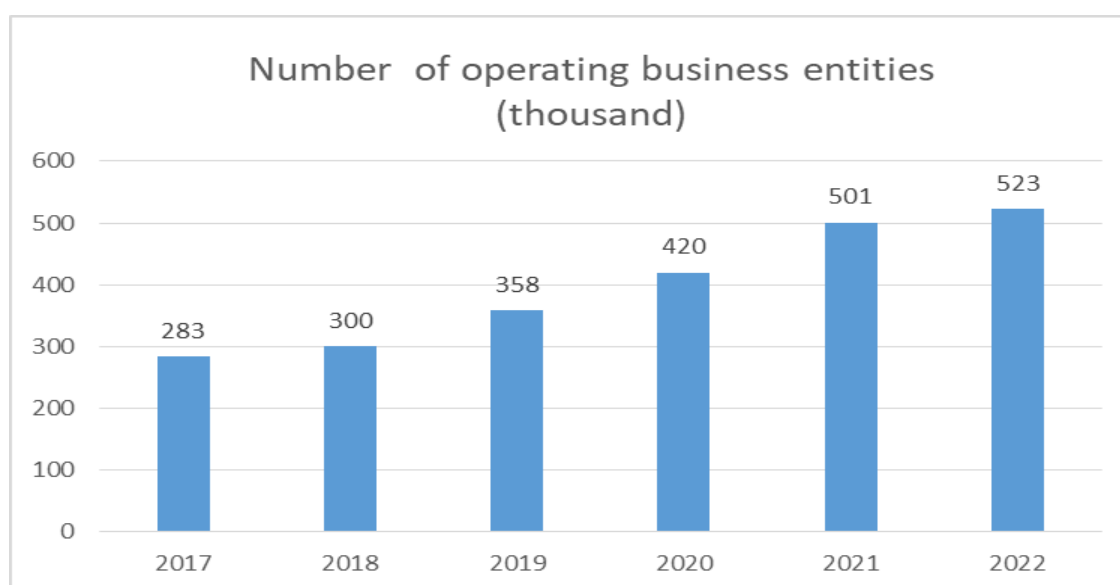
Over the past few years, about 2 thousand laws, decrees and resolutions aimed at developing entrepreneurial activity have been adopted in the republic.

As a result:

- 114 types of licenses and permits required for doing business were cancelled;
- instead of 33 types of licenses and permits, a notification procedure has been introduced;
- from 13 to 9 the number of taxes has been reduced;
- reduced types of tax audits from 13 to 3;
- the value added tax rate was reduced from 20% to 15%;
- the social tax rate was reduced from 25% to 12%;
- import duties were canceled for 3.5 thousand items of goods, as well as excise tax - for 1.1 thousand goods;
- import duties on more than 3,000 types of goods have been significantly reduced.

According to the data, in 2022 from about of the total number of business entities operating in the republic, LLC is 54.2%, farms - 18.1%, private enterprises - 15.3%, family businesses - 9.4%, dekhkan farms - 1.9% and other forms entrepreneurship - 1.1%

In 2017, the number of business entities amounted to more than 283 thousand units. As a result of the reforms implemented over the past few years in terms of developing and supporting entrepreneurship, this indicator by the end of 2022 exceeded 523 thousand units, or 1.8 times more than in 2017. In the following diagram, one can observe the growth dynamics of business entities in Uzbekistan from 2017-2022.[5]



By the end of 2022, in Uzbekistan, the average number of entrepreneurs per 1,000 people was 15, in particular, the highest rate was noted in Tashkent - 36.8, in Navoi - 21.9 and in the Syrdarya regions - 18.1. At the same time, a low indicator is observed in such regions as Surkhandarya - 10.3 and Kashkadarya - 10.6.

By the end of 2022, the share of small and private entrepreneurship in the republic's GDP reached the level of 54.9%, in construction it amounted to 72.4%, in the total number of employees - 74.4%. [5]

In Uzbekistan, the level of development of entrepreneurship in the regions was assessed. According to the assessment results, the highest level of business development was recorded in Tashkent (7.8 points). The lowest rates were recorded in Kashkadarya (4.5 points), Surkhandarya (4.5 points) and Samarkand (4.6 points) regions. The assessment of the level of entrepreneurship development in the regions is carried out regularly based on the results of half a year and a year.

In accordance with the Government Decree "On measures to introduce a system for assessing the level of entrepreneurship development in the regions of the republic" (No. 8, 01/08/2020), from 2020, the Ministry of Justice and the Ministry of Economic Development and Poverty Reduction put into operation an automated online information system "Business indicator".

The online system for calculating and evaluating entrepreneurship development indicators is a 25-point indicator provided by responsible organizations and surveys of entrepreneurs in 4 areas.

Uzbekistan in the Doing Business 2020 ranking took 69th place among 190 countries, rising by 7 positions compared to the previous year's ranking. Uzbekistan, compared with 2016, made a sharp leap to improve the conditions for doing business. State (regional) support has become one of the factors for the development of entrepreneurship.

Conclusion

Emphasizing the importance of these steps in strengthening the private sector and creating new jobs, a number of problems also need to be identified.

1. Weak competition. Uzbekistan improved its assessment of market competition in the Bertelsmann Transformation Index, but remains behind its neighbors in Europe and Central Asia (including Russia and Tajikistan).
2. Limited development of entrepreneurship. The number of newly registered businesses per 1,000 working-age population has increased, but also lags behind the regional average.
3. Legal business is growing slowly, especially in the service and manufacturing sectors. For example, in Uzbekistan, a company opened less than 10 years ago employs an average of 20 people, in Vietnam - 33.6.
4. Decrease in labor productivity. Sales revenue per 1 employee has been falling over the past 10 years (in 2010-2013 - by 1.2% per year, in 2016-2019 - by 6.7%). This indicates other problems, in particular, low innovation activity and weak technological potential.

There are 7 main areas to improve the conditions for business:

1. Further strengthening of competition. Discrimination must be reduced, especially in markets where state-owned companies compete with private ones. When providing state support, it is important to avoid favoritism and distortions.
2. Favorable tax regime. Tax rates and burdens must be balanced. Taxes should be raised in stages for larger businesses, and top rates should be lowered.
3. Reducing the informal economy. This requires preparing the conditions for creating jobs in the legal sector - a more flexible labor market, reforming social security, developing the legal framework and the judicial system.
4. Access to finance for small and medium businesses. The banking system needs to be updated to stimulate competition, reduce government intervention, improve management efficiency and develop human capital.
5. Reform of the electricity sector. The transition to market mechanisms will attract investment, upgrade infrastructure, improve quality and productivity. It is also important to regulate pricing.

6. Active business support measures. They should be aimed at the development of enterprises, and not just their survival. It is important to combine financial and other support measures to improve managerial efficiency, stimulate the development of new projects, the introduction of technologies and expansion.
7. Eliminate qualification gaps. Many businesses complained about the lack of professional skills among workers, and the pandemic has exacerbated the situation. Therefore, the education sector requires urgent attention.

Analyzing official statistics, it can be argued that small business creates a stable and numerous layer of owners in Uzbekistan. In terms of their standard of living and social status, they represent an ever-growing middle class, being both producers and consumers of a wide range of goods and services. The non-state sector today forms the most extensive network of enterprises in the republic, operating mainly in local markets and directly connected with the mass consumer which, in turn, combined with the small size of enterprises, their technological, production and management flexibility allows them to respond in a timely manner to changing market conditions.

In historical terms, the process of formation and development of the entrepreneurial movement in Uzbekistan is relatively short. At first, it was accompanied by many difficulties, problems and contradictions, which were eliminated only by having clear guidelines and a comprehensive program for the development of this sector. This once again proves that the leadership of Uzbekistan competently determines priorities in economic policy, every year improving the regulatory framework that regulates this sector based on naturally changing market conditions.

Having received support from the state, business people proved that private business is capable of not only the sphere of trade and services, production activities, but also the development and implementation of advanced technologies. Small business today concentrates a huge intellectual potential of professionals.

This will create a wide network of flexible industries in the country that can compete in the domestic and foreign markets, creating additional jobs, which ultimately will make it possible to improve the welfare of citizens, which is a barometer of the economic achievements of society and the country as a whole.

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