

Improving the mechanism for financing small businesses and private entrepreneurship

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Annotation. Private entrepreneurship is developing rapidly in Uzbekistan. A number of favorable legal and economic conditions have been created for domestic entrepreneurs and investors. The national economy continues the process of liberalization, which has a positive impact on the growth of economic indicators. Successful economic development creates conditions for the growth of the population's well-being. Measures are being implemented to further improve the business environment and the development of entrepreneurship. The article presents the results of the analysis and prospects for the development of private entrepreneurship. It also priority directions of further development of the private sector are analyzed.

Key words: small entrepreneurship, sectors of the economy, business environment, employment, micro-firms, farms, dekhkan farms, regional development, small business entities.

Introduction

One of the pillars supporting the nation's and its citizens' socioeconomic transition is small-scale entrepreneurship. The degree of development and support for small and medium-sized businesses determines the modern state's well-being, economic stability, and degree of development. Sh. M. Mirziyoyev, the president of Uzbekistan, emphasized the value of safeguarding private property and economic endeavors, saying that "if the people are rich, the State will also be rich."

The growth of small businesses as separate economic entities has a major impact on the availability and diversity of items of suitable quality, the speed and advancement of technology, literacy, and the nation's population. The primary functions of the national economy are also fulfilled by this kind of economic activity within the framework of social and economic interactions in the majority of nations. Innovativeness, preserving a healthy competitive environment, generating more jobs for the populace (one of the most significant benefits, as the rise in small businesses helps to reduce unemployment in the nation more quickly), combating monopolism, and boosting consumer demand are some of these. In addition to raising professional activity and boosting consumer demand. Small firms have a major benefit for their long-term survival and growth since they may contribute significantly to solving the serious issue of inflation as they generate more jobs.

Literature review.

Uzbekistan adopted the word "small business" or "small entrepreneurship" from English literature, where it is defined as "small business," encompassing both small and medium-sized businesses. According to Professor Hosking, a business is an activity carried out by organizations or persons for the profit of other organizations or interested parties.

According to the Universal Business Dictionary, "business" is defined as an independent economic action or initiative that is conducted at one's own risk and under one's own property responsibility using one's own or borrowed finances. Making money and growing one's own business are its primary goals, along with realizing items, doing labor, and offering services.

We can therefore conclude from the examination of these meanings of the term "business" that it is an autonomous economic activity that is conducted with risk and property responsibility, at the expense of one's own or borrowed funds, with the goal of turning a profit.

Since entrepreneurship is an initiative, risky, and creative action carried out on behalf of the owner with full responsibility for it, and business is an economic activity targeted at profit, we can generally conclude that the idea of "business" encompasses a wider range than "entrepreneurship."

Analysis and outcome.

It became vital to differentiate between "small business" and "small entrepreneurship" around the end of the 20th century. While some authors emphasize variations in the concept and core of these phenomena, others view these terms as equal, particularly in domestic literature and legislation. Three primary perspectives on the link between "small business" and "small entrepreneurship" are presented in the literature: business is more general than entrepreneurship; entrepreneurship is more general than business; and entrepreneurship and business are synonymous, notwithstanding their differences.

The country's socioeconomic development has benefited from the faster growth of private sector in Uzbekistan. This facilitates and promotes the development of a substantial body of scientific literature in this field, as well as the examination of international experience and the research produced by scientists from around the globe.

Number of subjects from January-October 2023

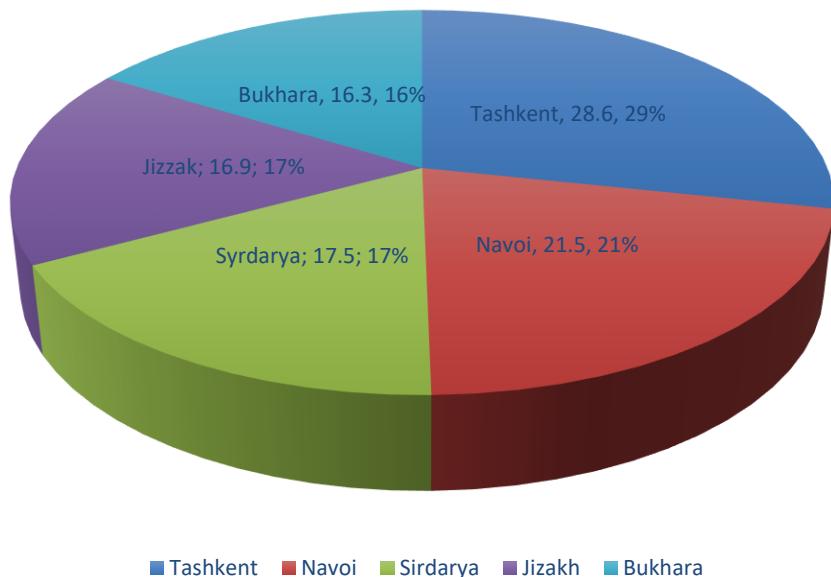


Figure 1: Number of small businesses in selected regions

The highest number of small companies (per 1,000 inhabitants) was found in Tashkent city (28.6 units), followed by the Navoi region (21.5 units), the Syrdarya region (17.5 units), and the Jizzakh region (16.9 units) in the regional analysis conducted between January and October 2023. This number came to 16.3 units in Bukhara region (Figure 1).

According to statistical analysis, cities with developed infrastructure and free economic zones have seen the largest growth and expansion in small company ownership. Geographically, the distribution is also fairly disorganized and unequal. Cities with advanced infrastructure or free economic zones are the primary locations for development and preference.

Almost every sector of the national economy is home to small private company entities. Below is a summary of the quantity and kinds of entities over the 2022–2023 period (Table 1).

Number of small enterprises by category

Industry types	January-September 2022	January-September 2023
Total	69312	67685
Agriculture, forestry, fishery	9816	7598
Industry	12583	11311
Construction	3630	3824
Trade	26265	26156
Logistics	2425	3188
Accommodation services	4388	4435

Information and communication	1883	2267
Health and other social services	1184	1134
Other types	7138	7771

When comparing the period from January to September 2022 to the same period in 2023, an analysis of the changes in the number of small business entities by type of industry reveals the following: There were 2.35% fewer entities overall. The sectors of agriculture, forestry, and fisheries exhibit a notable decline of 22.60%; Additionally, industry saw a 10.11% decline, while the construction sector saw a 5.34% growth.

With a mere 0.42% decline, trade remained essentially constant. Logistics experienced a notable surge of 31.46%; Food and lodging services experienced a modest 1.07% gain; Health and other social services saw a 4.22% decline;

The information and communication sector grew by 20.39%, and other activities saw an 8.87% growth.

These modifications mirror a number of social and economic developments, such as the redistribution shifts in consumer demand, the effects of governmental regulations, and the state of the world economy.

Over the past two years, there have been minor but noteworthy modifications in the number and variety of small company entity kinds. Stat.uz indicates that there are fewer entities overall. Environmental issues that exist on the nation's territory have hindered the growth of forestry, fishing, and agriculture. It was decided to create an Inspectorate of State Environmental Control in response to environmental issues around the world. In the past, inspecting businesses was equivalent to inspecting entrepreneurial activities. Coordination with state agencies and officials was required. In 2018, a proposal of this kind was adopted to grant firms greater autonomy. As a result, workers in the ecology system frequently lacked access to businesses' premises to verify adherence to laws pertaining to ecology and natural preservation. This made it possible for companies to break the law without being held accountable. There are fewer companies of this kind now that categorical measures have been implemented.

There haven't been any significant developments in trade, industry, lodging and food services, or healthcare. For instance, the information technology, construction, and logistics industries have all seen substantial growth. For instance, more than 28 presidential documents and 24 decrees enacted recently to regulate the building industry serve as the catalyst for this. The construction industry has experienced the most notable rise from 2017 to 2023 as a result of these measures. As of November 17, 2023, (as of 17.11.2023 \$1=12269.42 soums) the total amount of construction activity in the nation was 35 trillion soums in 2017, 51 trillion soums in 2018, 71 trillion soums in 2019, 88 trillion soums in 2020, 108 trillion soums in 2021, and 131 trillion soums in 2022.

Regionally, the oblasts of Surkhandarya (76.7%), Jizzak (74.2%), Bukhara (73.1%), Samarkand (73.1%), Namangan (72.5%), and Khorezm (71.7%) had the highest percentages of small businesses in GRP.

According to efficient governmental regulation mechanisms, small businesses and private entrepreneurship accounted for 51.2% of GDP. In comparison, it dropped by 0.7% from this time in 2022. The main cause of this decline, according to the experts, is the rise in the volume of added value in major economic units. Table 2 displays the dynamics of the small company share of Republic of Uzbekistan's GDP.

The Law "On Amendments and Additions to Certain Legislative Acts of the Republic of Uzbekistan in connection with the adoption of additional measures to ensure accelerated development of entrepreneurial activity, worldwide protection of private property, and qualitative improvement of the business climate" (Law, 2020) and several government decrees aimed at the development of small business and private property are the reasons behind the change in the number of small businesses for the period 2022–2023.

On average, 53% of entrepreneurs in Uzbekistan reported no operational issues, according to a year-end analysis of the country's small company barriers by the business community. At the start of the year, this percentage stayed at 49% for the first four months of the year before progressively rising to 58% in June. With minor upticks back to the starting point, a slight drop was observed at the conclusion of the year.

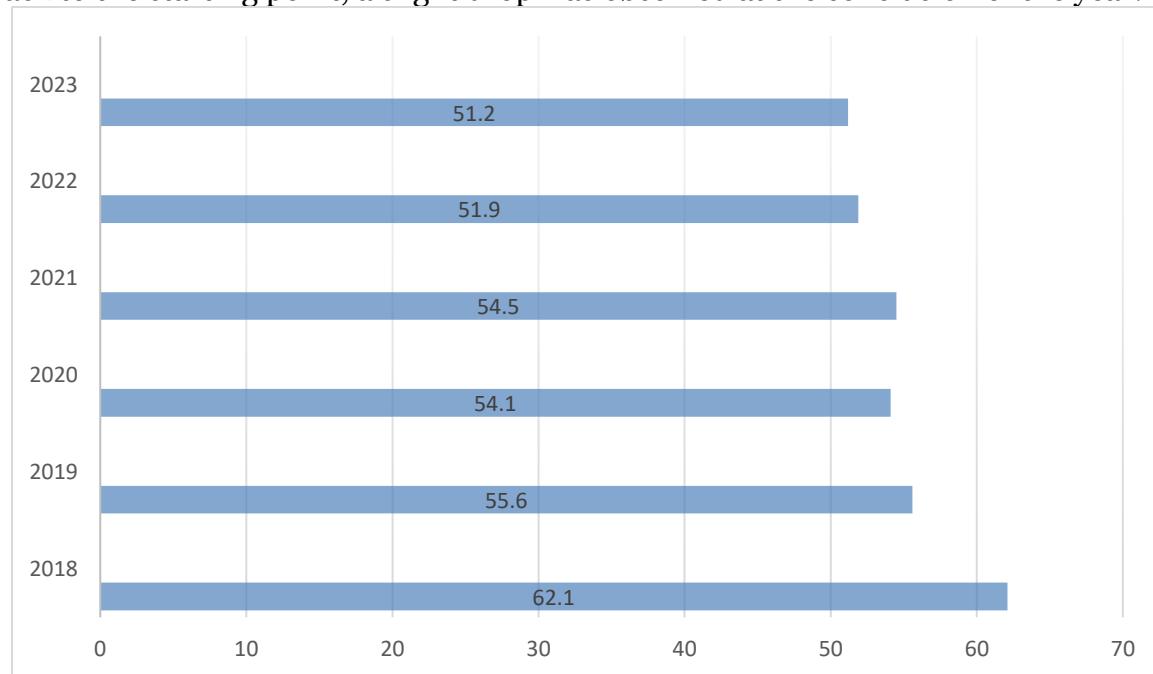


Figure 2: Dynamics of the share of small business in the GDP of Republic of Uzbekistan for 2018-2023, %

Access to financing was the biggest problem for industrial sector entrepreneurs, accounting for an average of 19% of respondents, while agricultural representatives were most likely to mention issues with water availability, with an average of 10%. More than any other sector throughout the year, the construction industry alleged corruption (3%), and tax administration (7%). The necessity of fostering small business and private enterprise, which are essential to the effective execution of changes in the nation, is a prerequisite for the ongoing revision of property laws. Maintaining market relations and the nation's overall economy are the

goals of the creation and enhancement of constitutional laws pertaining to property protection.

In conclusion

The development of the state economy is significantly influenced by active investment policy. Attracting direct investment fosters technological advancement, small business growth, job creation, and the resolution of several issues in various economic sectors. Attracting foreign investment requires establishing a favorable investment climate in the nation. Before putting their money into another country's economy, foreign investors research the laws pertaining to property protection and how the government and courts enforce them.

In order to guarantee the protection of owners' rights and interests, the state investment strategy should be backed by a methodical and trustworthy legal foundation, necessitating ongoing legislative updates.

Effective protection of property rights necessitates not only sectoral legal guarantees due to the intricacy of the property institution, but also the updating of fundamental laws with guiding significance and their subsequent development into sectoral laws that directly impact these relations. The study's findings indicate that the successful growth of small businesses in Uzbekistan depends on a number of factors, including further tax system improvement, oversight of regional support program implementation, official legislative support, enhanced risk insurance mechanisms, and guaranteeing access to production facilities and restructured enterprises' property.

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