



## STATE SUPPORT FOR SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN UZBEKISTAN

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<b>Received:</b> 28 <sup>th</sup> February 2021 <b>Accepted:</b> 7 <sup>th</sup> March 2021 <b>Published:</b> 30 <sup>th</sup> March 2021	The scientific value of the research results is connected with development of new methodological approach and its implementation improving the theoretical bases of mechanisms of state support of small scale business and private entrepreneurship which helps to determine and assess correlative coefficient between endogenous and exogenous indicators increasing entrepreneurship capability. The theoretical value of the research is determined by identifying the basic principles for the methods of conceptual development, special features of the sector and generation of the resources of hidden entrepreneurship capability on the basis of selectivity principle of state support of small scale business and private entrepreneurship.
<b>Keywords:</b> methodological approach, state support, small business and private entrepreneurship, improvement of the mechanism, economic model.	

### INTRODUCTION.

In the world economy, over the past ten years, especially in the context of the elimination of the negative impact of the latest global financial and economic crisis, many theoretical views on the role of the state in regulating the economy and the function of small business and private entrepreneurship (SB&PE) in ensuring high rates of economic development have radically changed. According to the International Monetary Fund (IMF), "today 90% of small and medium-sized enterprises in the world provide jobs for 63% of the world's population. Across the European Union, the total share of small and medium-sized businesses is 99.8 percent, providing jobs for 85 percent of the population, which is involved in the formation of only 58 percent of the added value" [1].

From the first years of independence in the Republic of Uzbekistan, the development of small business and private entrepreneurship was considered as a priority direction of the socio-economic development of the national economy. Noting the key principles on which the institutional development of small business and private entrepreneurship in Uzbekistan is based, it should be recognized that it is based "... on the formed powerful legislative and legal framework, its constant improvement, systemic state assistance in providing businesses with benefits and preferences, technical and technological re-equipment and modernization of production" [2].

### LITERATURE REVIEW.

The theoretical aspects of state support for the economy and the development of small business and private entrepreneurship were researched by foreign economists and scientists M.Peters, Yu.L.Starostin, F.F.Khamidullin, M.M.Khait, G.N.Vlasov and others [3],[4],[5],[6]. The effectiveness of small business in different sectors of the economy and the problems of its development are considered in the scientific research of H.P.Abulkasimova, I.A.Bakiyeva, N.K.Murodova, U.Boymatova, I.Yu.Ibragimova, D.Sobirjonova [7],[8],[9],[10],[11] and other authors investigated the issues of improving the mechanism of managing small business and private entrepreneurship. The issues of modeling and forecasting trends in the development of small business were considered in the researches of B.Yu.Khodiyyev, S.K.Salayev [12],[13] and other scientists. Problems of the development of private entrepreneurship and small business through tax mechanisms were considered in the works of M.I.Almardonov, N.B.Ashurova and A.A.Botirov [14],[15],[16].

In spite of the research work and scientific and theoretical studies, issues aimed at improving the economic mechanisms of state regulation of small businesses are not systematically covered. This situation further increases the relevance of the controversial issues raised in this article, as well as the presented proposals and conclusions for their solution.

**RESEARCH METHODOLOGY.**

State support for small business and private entrepreneurship, the main indicators of the development of this industry, the content and essence of small business and private entrepreneurship have today been studied by our scientists when developing conclusions and proposals for the further development of small business and private entrepreneurship in the Republic of Uzbekistan. The methods and results of scientific and practical research aimed at describing the specific features of the development of small business and private entrepreneurship in Uzbekistan were used for state support of small business and private entrepreneurship.

**ANALYSIS AND OBTAINED RESULTS.**

The state has implemented systematic measures to regulate and state support for small business and private entrepreneurship, in particular, aimed at increasing its share in the production of gross domestic product and in providing employment for the population, improving the technological structure of the SB&PE, meeting the needs for credit resources and creating a favorable business environment. As a result of the successful regulation of the development of the SB&PE activities, by the end of 2020, the share of small business and private entrepreneurship in the gross domestic product of Uzbekistan amounted to 57.5%; in the volume of industrial production - 45.6%, in the volume of agricultural production - 99.4%, in the volume of investments in fixed assets - 40.8%. Nowadays, 77.4% of all the employed population of the country works in the sphere of small business and private entrepreneurship [17] (Table 1).

**Table 1**  
**Main indicators of the level of development of small business and private entrepreneurship in Uzbekistan, in percent**

<b>Years</b>	<b>GDP</b>	<b>Industry</b>	<b>Construction</b>	<b>Employment</b>	<b>Export</b>	<b>Import</b>
<b>2000</b>	31,0	12,9	38,4	49,7	10,2	27,4
<b>2001</b>	33,8	12,5	40,4	51,8	9,3	26,9
<b>2002</b>	34,6	15,4	42,0	53,5	7,5	24,9
<b>2003</b>	35,0	10,8	39,9	56,7	7,3	33,7
<b>2004</b>	35,6	11,0	49,6	60,3	7,3	32,7
<b>2005</b>	38,2	10,0	50,9	64,8	6,0	33,7
<b>2006</b>	42,1	10,9	52,1	69,1	10,7	34,0
<b>2007</b>	45,7	13,2	55,4	72,1	14,8	32,0
<b>2008</b>	48,2	14,6	58,4	73,1	12,4	35,7
<b>2009</b>	50,1	17,9	42,4	73,9	14,6	42,5
<b>2010</b>	52,5	18,8	53,1	74,3	13,7	35,8
<b>2013</b>	54,0	21,9	68,6	75,1	18,8	34,3
<b>2014</b>	54,6	23,1	71,1	75,6	14,0	38,6
<b>2015</b>	55,8	28,1	71,5	76,7	26,2	42,4
<b>2016</b>	56,1	31,7	69,5	76,9	26,4	45,4
<b>2017</b>	56,5	40,6	66,7	77,0	26,6	44,5
<b>2018</b>	56,9	45,3	67,8	77,2	26,9	46,7
<b>2019</b>	53,3	45,4	65,1	77,3	27,0	50,0
<b>2020</b>	57,5	45,6	66,8	77,4	27,0	52,1

In the world economy, improving the economic mechanisms of state support for small business and private entrepreneurship is acquiring key importance through the effective use of the potential of monetary, investment, property and other mechanisms of influencing small businesses, creating a favorable business environment for their development.

In the context of the ongoing global financial and economic crisis, the importance of small business and private entrepreneurship has increased in creating broad opportunities for the development of private property and private entrepreneurship through the implementation of structural transformations in the economy. According to the

information, "employment of the population in small and similar businesses is: in China - 81.4% with a GDP of 54.3%, in Japan - respectively 70.8% with a GDP of 67.0%, in the USA - 50.6% with a GDP of 53.1%" [19].

During the research, changes were observed in the share of small business and private entrepreneurship in industrial sectors from 12.9% in 2000 to 45.6% in 2020, respectively, in agriculture from 73.6% to 99.4%, in construction from 38, 4% to 66.2%, in the service sector from 37.0% to 57.7%. However, with the distribution of small enterprises by industry, the share of trade and public catering entities remains (45.9%).

In the process of the research, the socio-economic advantages of the development of the national economy and the features of territorial development were determined. In 2000-2020, there was a tendency for the development of SB&PE in the country, the number of registered entities by 2.6 times, and the number of functioning entities by 2.9 times (Table 2).

**Table 2**  
**Key indicators of the development of small business entities in Uzbekistan**

Indicators	Years									
	2000	2005	2010	2012	2014	2016	2017	2018	2019	2020
Registered SB&PE entities, thousand	182,9	308,7	435,9	459,5	205,2*	213,6	221,1	245,9	254,7	287,9
Operating SB&PE entities, thousand	149,3	268,6	398,6	425,0	177,9*	189,6*	196,0	230,1	245,8	276,1
Share of SB&PE in the number of the employed in the economy, %	49,7	65,5	72,3	74,2	75,7	76,0	77	77,2	77,3	77,4
Share of SB&PE entities in GDP, %	31,0	38,2	48,2	52,5	54,6	56,0	56,5	56,9	53,3	57,5
Including small enterprises and microfirms, %	15,7	21,5	29,5	32,7	33,9	35,1	36,2	38,8	38,9	40,8
Share in export, %	10,2	6,0	13,6	14,7	25,9	26,8	27,0	26,0	27,0	27,0
Share in import, %	27,4	38,5	36,6	38,6	45,4	46,5	44,5	46,7	50,0	52,1
New jobs created in small business, thousand	296,9	350,8	410,0	476,6	485,0	480,4	480,9	498,9	568,8	587,8
Operating small businesses entities per 1000 people	5,7	10,3	14,7	15,8	16,8	17,8	18,1	18,7	19,5	19,9

The presence of a feature of reducing the tax burden for this type of entrepreneurship has been substantiated.

The reforms carried out in Uzbekistan, ensuring stable economic growth, are aimed at dramatically increasing the role and place of private property in the economy of the republic, reducing the state's presence in the economy, increasing the consistent growth of the share of private property in the gross domestic product, expanding the use of financial and credit resources, improving the business environment. As a result of the effectiveness of the reforms: The share of small business and private entrepreneurship in the gross domestic product increased from 31 percent in 2000 to 57.5 percent at present, or 1.8 times.

In the process of researching the Uzbek model of "Small business and private entrepreneurship", it became clear that, by its economic essence, there is a bilateral relationship in the economic model of small business entities, that is, bilateral features of the nature of entrepreneurship.

In the XXI century, in connection with the transformation of science into a direct productive force, the economic category "innovative entrepreneurship" has become a reality. The author's idea is substantiated that the socio-economic significance of the concept of "innovative entrepreneurship" as an economic category can manifest itself in various forms of ownership and economic management and is essentially an initiative activity for obtaining, first of all, income; it acts as an important lever of market economy for the optimal combination of factors of production in the management of the economy and is essentially an initiative to obtain, first of all, income, it acts as an important lever of the market economy for the optimal combination of factors of production in the management of the economy and innovative management.

In our humble opinion, from the point of view of activities, entrepreneurship acts as an element of business and has its own characteristics:

- small business is an enterprise created in the form of a legal entity that carries out entrepreneurial activity. In practice, it manifests itself in statistical observation of the activities of small businesses for comparative analysis in order to create favorable conditions for interregional and international comparison of small businesses, determine their needs in the field of tax benefits and preferences, use in practice the mechanism of attracting tax payments determined on the basis of regulatory business documents on the number of permanent workers;
- private entrepreneurship - carries out activities in the form of a private and individual enterprise at its own risk and responsibility for its own property, is engaged in proactive economic activities in order to obtain income not prohibited by law, it acts in the form of a legal entity, and individual entrepreneurship in the form of an individual.

This understanding of the essence of entrepreneurship is closer to the meaning of the concept of "Small business" (smaller plus medium or small business). It should be noted that the English transcription "Small business" is widely used in the literature of Western Europe [20].

At present, by ensuring the accelerated development of SB&PE, protecting private property, overcoming administrative barriers to the development of entrepreneurship, qualitatively improving and raising the investment and business environment to a new level, it is necessary to ensure their full compliance with international standards.

The above facts suggest the presence in the structure of factors of economic development, ensuring a decent standard of living for the population of the country, developing entrepreneurial ability, ensuring stable growth of entrepreneurship, improving the institutional framework, and the possibility of effective use of proactive self-management. Here, it is advisable to use the selective principle in the support by the state of the activities of SB&PE entities with economic levers and means.

On the basis of this approach, it is possible to comprehensively solve existing problems in this area, create new software systems to improve the theoretical foundations of state support for SB&PE entities, formulate a methodology and strategy for increasing entrepreneurial potential (EP).

Encouraging the development of SB&PE is considered one of the decisive factors of the country's socio-economic development. The economic literature substantiates the theoretical aspects of the need for state support for SB&PE, in particular, state support through economic mechanisms in a trusting and systematic form deserves attention.

It should be noted the factor of paternalism (patronage) of state support for SB&PE, taking into account the available world experience. In world practice, small business support is carried out in three models.

**The first model** is based on protectionist ideas, they reflect targeted programs to support small businesses and the experience of developed countries in overcoming the economic crisis. The USA is the most developed country for small business, where two support programs can be included in the number of effective measures: the Small Business Innovative Research Program (SBIR) and the Small Business Technology Transfer Program (STTR).

**The second model**, on the contrary, is based on free enterprise. In particular, it can be pointed out here that France is not adopting a large-scale program aimed at supporting small businesses.

**The third model** combines both models in combination. In particular, this approach can be seen in the UK. This approach implements measures to support small businesses on the basis of free entrepreneurship, which is notified at the state level.

In the theoretical aspect, the state economic support of SB&PE entities, is one of the regulatory levers of market relations.

In our opinion, in the implementation of this process, it is necessary to pay attention to the following. In particular, state support should pursue the following goal: achieving on a public scale the maximization of socio-

economic benefit (Marginal Social Benefit), increasing the competitiveness of entities, ensuring their innovative development, achieving Pareto efficiency of the resources used, and steadily improving the welfare of the population.

It should be emphasized that excessive government intervention in market relations can damage the functioning of the market mechanism, negatively affect the competitiveness of entities and their innovative development. Consequently, state support for business entities should be carried out selectively and at the initial stage of the "start-up" of their functioning. Taking into account the existing features of the transition to market relations in Uzbekistan, that the state is the guiding and organizing link of economic reforms, it exercises control over entrepreneurial activity in the following areas:

- ❖ monitoring the balance of supply and demand for goods and services in the market and intervention in the market only when necessary;
- ❖ implement fiscal and credit policies in order to streamline the activities of business organizations;
- ❖ to create a mechanism to streamline the existing system of the state institution itself.

In this regard, it should be noted that in some countries the development of SB&PE is supported and encouraged by the economic methods of the state.

SB&PE is viewed as a priority area of economic development and here the focus is not on the ability to produce goods and services they have, but on the extent to which they strive to take into account the interests of participants in economic relations as much as possible and try to satisfy their needs through the efficient use of internal resources. Such an approach to this problem, undoubtedly, is a theoretical basis for determining the potential of subjects and optimal state support for their development.

In the economic literature, the category "potential" is interpreted in a broad sense and is viewed as an assessment of the production capacity of a country or region. When assessing the potential of entrepreneurship, we made adjustments to the statistical indicators of the socio-economic complex and, based on our proposed approach, using indicators of "entrepreneurial ability", "entrepreneurial activity" and "opportunity to engage in entrepreneurial activity", we developed a classification of subjects into groups reflecting their ability to do business.

In our opinion, entrepreneurial potential is a phenomenon associated with complex economic, social and institutional factors. It consists in the desire of the population to engage in entrepreneurial activity, the availability of resources and opportunities, the ability to adapt to the rapidly changing market conditions, and the effective use of the available intellectual, material, financial and organizational capabilities.

To assess the entrepreneurial potential (EP) of the regions, it is required to determine, first of all, a strategy and promising directions for increasing the potential of SB&PE as a whole in the country, based on the analysis of socio-economic indicators of the effectiveness of its support and on the basis of the methodological analysis of EP, proposals have been developed for the selection of methods of state support and formulated the corresponding scientific provisions.

First, by grouping regions in accordance with the "Pareto complex of advantages", the level (coefficient) of EP in each studied region, the integral is calculated by the following formula:

$$Epr = \Sigma (fir / fio) / n.$$

where: r - region index, i – factor-indicator number, fir degree of factor-indicator i in the region r, %; fio - degree of factor-indicator in country scale (fio =100 %), n – number of indicator factors;

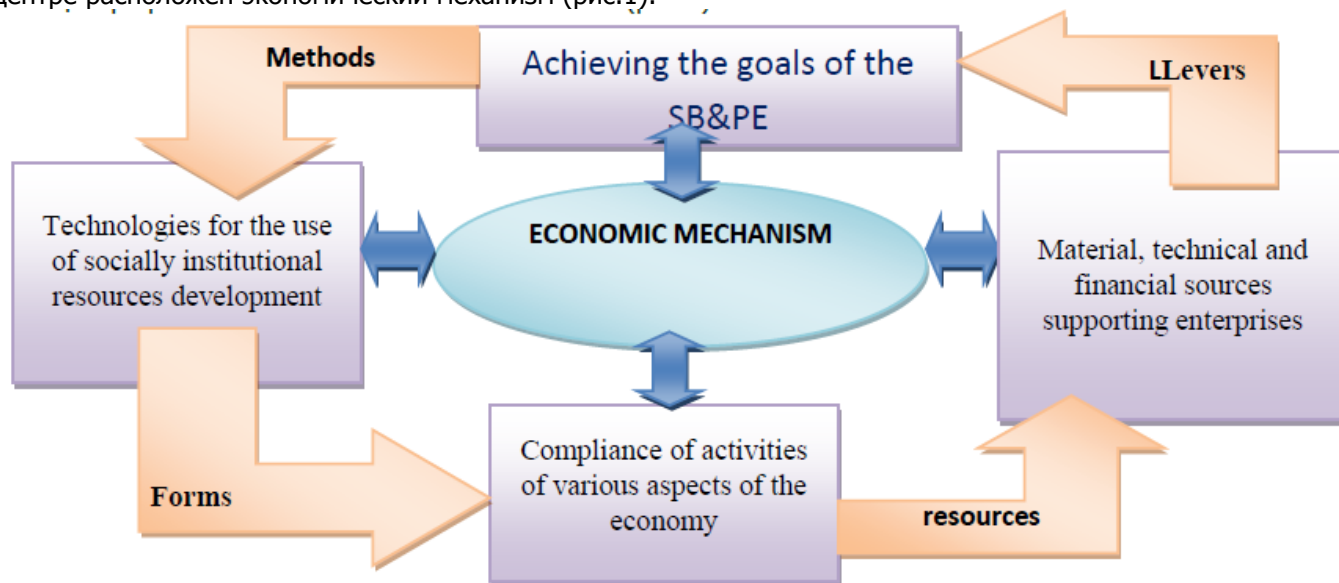
secondly, the expediency of determining the dynamics of the entrepreneurial potential of some small enterprises operating in various sectors of the economy has been scientifically substantiated.

The results of the activity of small industrial enterprises in the regions revealed in the course of the study using this methodology show that at some small enterprises the level of entrepreneurial potential remains low. It has been determined that in the formation of entrepreneurial potential in small enterprises, financial and economic indicators are in the first place, and only then production indicators. This implies the need to solve the problem of saving financial resources, increasing the number of qualified workers and scientific and technical groups, and on this basis it is possible to increase the entrepreneurial potential and achieve sustainable innovation and economic development.

The method of selective selection of enterprises according to the level of profitability, proposed in the study, makes it possible to evaluate them by ranking according to the success of the business. The grouping of small enterprises in this way plays the role of an economic tool for reducing the consumption of resources, monitoring the entire production process, from deep processing of semi-finished products to the final stage of their transformation into finished products, and contributes to solving issues of overcoming many problems and difficulties, and also justifies the need to adequately fulfill the role economic leverage for government support.

The experience of developed countries in supporting small businesses, such as the USA, Japan, and the EU countries, has been investigated. When using the experience of developed countries in the field of increasing the share of small businesses in GDP, we consider it appropriate to take into account the national characteristics of our country. In the Italian economy, special attention is paid to the organizational form [21] and the technological association of small business – "constellation". They cooperate with the activities of limited united small enterprises for the production of complex finished products. While one of the combined in such an organizational form, the company produces products, the other is responsible for the technological process, and the third company sells goods. Based on this experience, scientific proposals were substantiated regarding the problems of 3-4 stage production and sales of products, and the expansion of the scale of production.

We have substantiated the theoretical scheme, its methods, form and methods, а также инструменты, где в центре расположен экономический механизм (рис.1).



**Figure 1. The economic mechanism of state support for small business and private entrepreneurship**

As a result of the reforms carried out in our country to create conditions for improving the business climate in 2020, compared to 2000, employment increased by 3.5 times, the structural composition of small businesses in leading sectors of the economy and the share of the population employed in this area are also changing.

In our opinion, state economic support for business entities is relevant in such a way that it complements the market mechanism for increasing its efficiency. As a result of scientific analysis that the economic mechanism of state support is an integral system consisting of technologies, means and tools for the use of material, technical, financial and institutional resources, serving to achieve the goals set by the MBPE as a result of the appropriate development of all links of the economy and their correct use.

In our opinion, to support small business and private entrepreneurship, the following economic mechanisms from the state are necessary:

- ✓ provision of tax incentives;
- ✓ support through levers of control;
- ✓ applied mechanisms of customs duty and licensing;
- ✓ determination of export quotas;
- ✓ creation of preferential conditions in the state;
- ✓ creating a comfortable climate for investment;
- ✓ simplified taxation system.

## CONCLUSIONS AND OFFERS.

In the course of the study, the conditions and possibilities of organizing family entrepreneurship were considered, the features of the procedure for paying insurance and tax contributions by a family member registered as an individual entrepreneur without the status of a legal entity were determined. Based on this, the size of the tax payment for a family member registered as an individual entrepreneur was determined at the rate of 100% of the minimum wage, and for the rest of the family members an insurance premium at the rate of 50% of the minimum wage, as well as the obligation 56. analysis, it can be said that small enterprises in high-tech industries, in particular, in such as the fuel and energy industry, chemical industry, in industries with high capital savings, are underdeveloped. The share of small enterprises operating in industrial sectors of the total number of small enterprises and microfirms is 94.2%, and their total share in GDP is only 36.7%. It is analyzed that in our real economy, the SB&PE industry does not occupy a leading place.

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