

# ADVANTAGES OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN NATIONAL ECONOMY

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The article outlines the role and priorities of small business and private entrepreneurship in the country's economy, and also analyzes the factors that impede the development of the industry, based on practical analysis. Also offers and recommendations on priority areas for the development of small business and private entrepreneurship are given.

**Key words:** Business, entrepreneurship, entrepreneurship support, employment, export, import, entrepreneurship.

## INTRODUCTION

One of the key strategies of developed countries today is to use knowledge-based economies to improve the living standards of the population, the efficient use of low-cost methods through advances in science and technology.

It is no secret that rapid economic growth is largely determined by the increase in the share of small business and private entrepreneurship in the country's GDP, and the daily growth in the share of small business and private entrepreneurship depends on the favorable business environment in the country. As we all know, as a result of the efforts to develop this sector, the share of small business and private entrepreneurship in the country's GDP is increasing year by year.

As President of the Republic of Uzbekistan Sh. Mirziyoyev noted, "Another important task is to support and stimulate small business and entrepreneurship, to strengthen economic potential of our country, peace and stability in the country, further increase of its share in this sphere. - creation of conditions" [1].

In the context of implementation of the Strategy of Action for the five priority areas of development of the Republic of Uzbekistan in 2017-2021, small business and private entrepreneurship are important factors in creating national economy, forming middle class ownership, which is the basis of social stability of society, creating competitive environment and achieving sustainable economic growth. In the Republic, special attention is paid to the accelerated development, stimulation and support of small business and private entrepreneurship, which play an increasingly important role in ensuring economic growth, creating new jobs, solving employment problems, increasing the incomes and welfare of the population.

As a result of the implementation of the priorities for deepening and modernizing economic reforms to transition to a new stage of economic development, President Mirziyoyev said, "We are pleased to announce 2018 as "The Year of Active Entrepreneurship, Innovation Ideas and Technology Support", We have done 76,000 projects

worth 21 trillion and \$ 1 billion in the state program, showing the results of our good start last year” [2].

Certainly, along with the progress made in this area, there is a need for a more detailed, in-depth analysis of the problems that hinder it and its development, and make clear, strategic decisions based on the analysis.

## **THEMATIC ANALYSIS OF LITERATURE**

Issues about the role and importance of small business and private entrepreneurship in the modern economy have become a subject of debate among many economist scientists. Many research papers, articles and monographs have been published on the topic of this research.

Some theoretical aspects of the direction and importance of further improving the state of a favorable business environment are supported by many economists, including R. Cantilon, JB Say, A. Smith, A. Marshall, Y. Schumpeter, J. Keynes, F. Hayek, K. RR McConnell, S. L. Bru, Mohammad Yunus, Alan Jolie and others have been thoroughly reviewed in their research papers [3].

Small economies in the achievement of economic growth in the scientific work of economists of the country - S. Gulyamov, Y. Abdullaev, F. Karimov, A. Olmasov, A. Vahobov, Sh. Shodmonov, T. Juraev, D. Tojibaeva, and others. Some of the issues of business and private entrepreneurship are summarized and the strategic concepts of its development based on local programs and ways of solving social and economic problems have been studied in general [4]. The urgency of this problem is based on the relevance of our topic in the economic literature that the importance of small business and private entrepreneurship in ensuring economic growth and the development of state support system for its development.

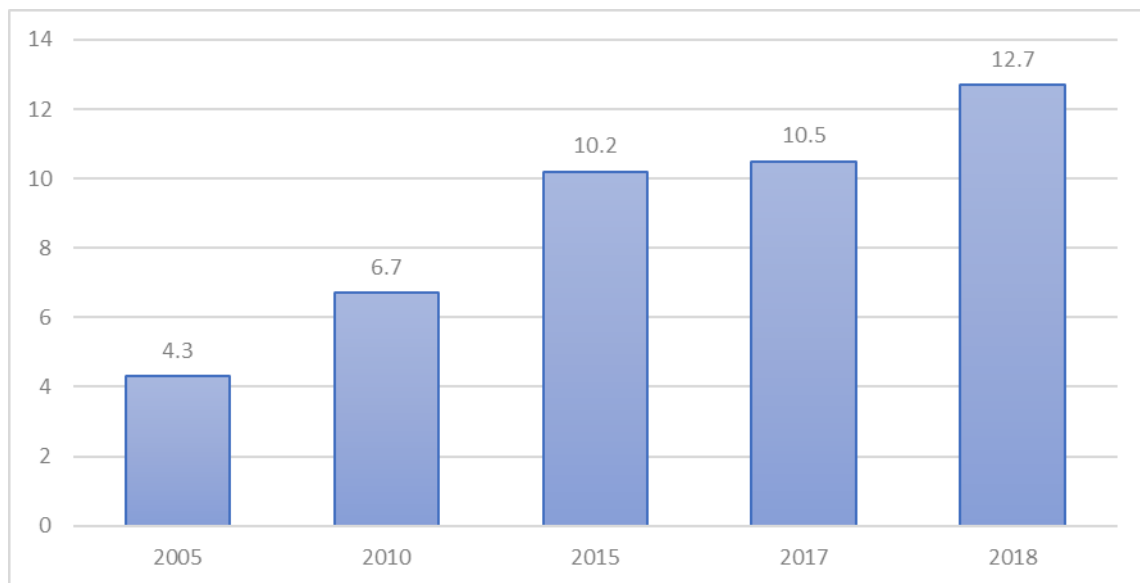
## **ANALYSIS AND RESULTS**

It is well-known that in modern conditions a lot of work is being done to develop small business and private entrepreneurship, to increase their number and to create favorable conditions for them. The importance of small business development is unmatched by the fact that economic growth, the ability to create new jobs at low cost, the ability to market segments in which large businesses cannot access, especially the service sector and the use of small local resources. That is why the issue of accelerated development of small business is inextricably linked with the issues of localization of production, development of services sector, as well as increasing the export potential of the country.

However, there are a number of factors that hinder their development:

- excessive taxes sensitivity;
- competition for imported goods and services of local producers;
- lack of start-up capital;
- challenges in the field of logistics;
- high rent payments required for operating as an enterprise;
- lack of access to credit resources [5];

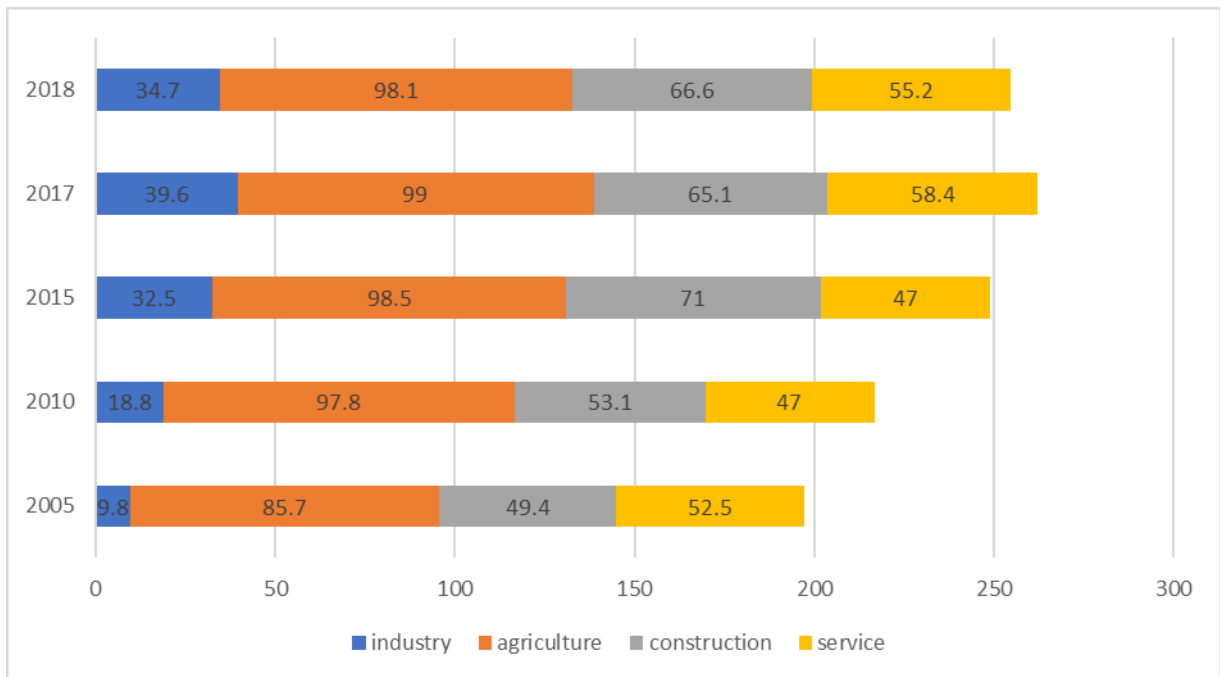
The Strategy of Development of the Republic of Uzbekistan for 2017-2020 focuses on the implementation of comprehensive measures to further improve the business environment for sustainable development of small business and private entrepreneurship.



**Figure 1. Employment rate in small business and private entrepreneurship [6].**

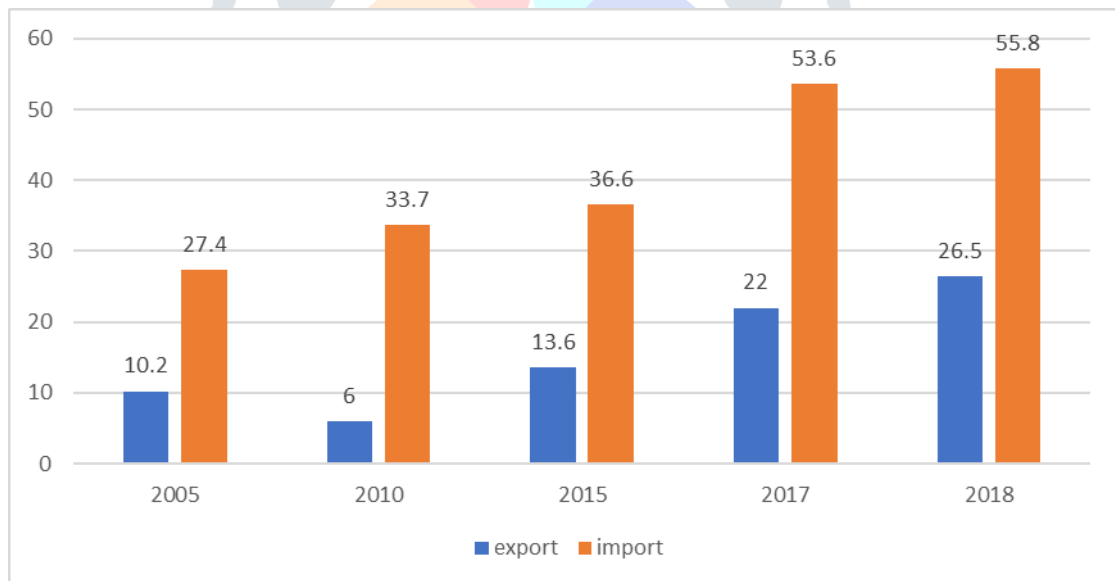
As Figure 2 shows, there was a tendency for growth in the total number of employed in the economy between 2000 and 2018. Accordingly, the number of employed in small enterprises and microfirms has also increased, i.e. by 0.6 million in 2000. By 2018, it is 2.1 million. per person. Comparing the number of employed in small business and private entrepreneurship, we can see the relationship between the number of employed in small businesses and private entrepreneurship, and the number of employed in small businesses and micro-firms. According to the official statistics of other foreign countries, in England and Australia, about 50% of the working population is employed in the small business sector [7].

Also, the share of small business and private entrepreneurship in the sectors of the economy has been increasing over the years, with the increase mainly in agriculture. In 2005, the construction sector accounted for 49.4 percent of the economy, and by 2018 this share was 66.6 percent. There was a tendency towards decrease in the share of small business and private entrepreneurship in the services sector in the economy. In 2005, its share of 52.5%, increased in 2018 to 55.2%.



**Figure 2. Share of small business and private entrepreneurship in the sectors of economy for 2005-2018 [8].**

The same trend in the share of small business and private entrepreneurship in the country's exports between 2005 and 2018 was also observed in the share of total trade and foreign trade turnover (Figure 3). Measures to simplify customs procedures for export-import operations and to abolish excessive licenses and permits by the Customs authorities continued in 2018.



**Figure 3. Share of small businesses in the total share of exports and imports in 2005-2018 (%) [9]**

Authorities are authorized to export goods, works and services without entering into an export contract on an invoice basis. As of December 1, 2017, the export customs regime will be assessed as overdue receivables after 120 calendar days (initially 60 days) from the date of customs clearance. Goods pass through the customs examination only once.

Also, the share of small business and private entrepreneurship in the total share of domestic portfolios of the country has been growing since 2000, reaching 55.8% by 2018, having increased almost 2.1%. In the overall export potential of our country, the modern

global economy of small business and private entrepreneurship offers unlimited opportunities for entrepreneurs and especially small businesses.

It should be noted that in the United States, small business provides the bulk of GDP, generating more than half of new jobs, most notably \$ 350-4 billion annually. The dollar is exported. Another center of world industry - Germany employs more than 70% of the working population. At the same time, there are a large number of small craft businesses (500-600,000) covering more than 90 different activities. Almost a quarter of them are exporters, accounting for 17% of the country's total foreign trade [10].

The state support of small business and private entrepreneurship in the conditions of modernization of the economy is the creation of material and technical basis of structures, their promotion, social and psychological support, insurance system, necessary information. Provision and increase of foreign economic activity. It should be noted that in most foreign countries small business and private entrepreneurship are actively supported by microfinance institutions. To date, these facilities provide nearly 16 million people. The man works.

From the data of this picture, business entities operating without registration were found to have committed offenses. Analysis of their registration as an entrepreneur shows that 35.3% in 2017, 42.3% in 2018 and 40.9% in 2019 were registered as individual entrepreneurs.



**Figure 4. Analytical data on individuals identified as carrying out entrepreneurial activity without state registration [11] (million soums)**

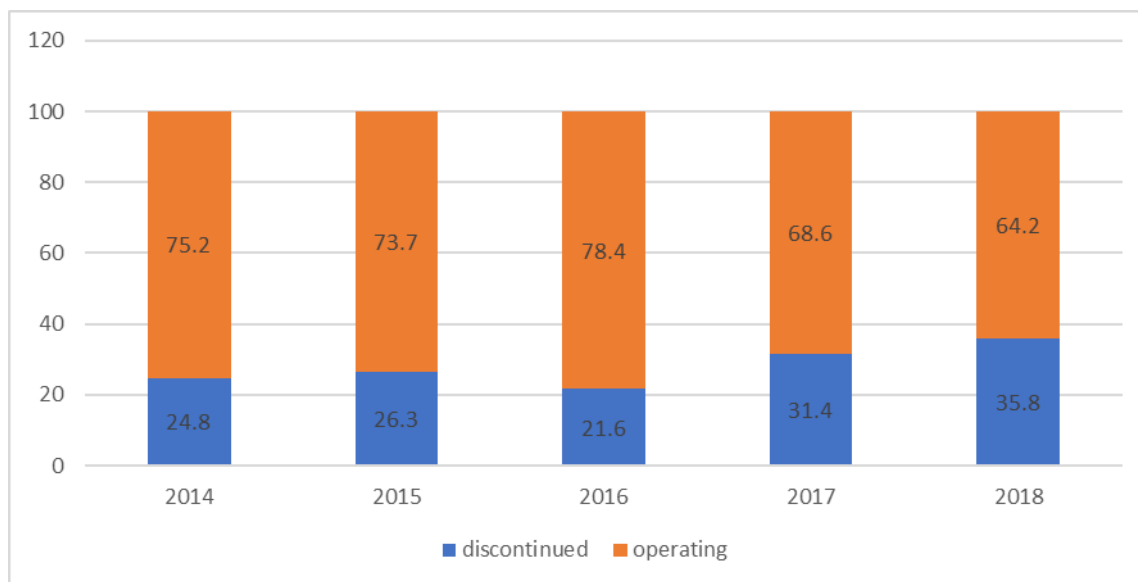
The table shows cases of wrongdoing of business entities operating without registration. Analyzing the financial penalties applied to them, we see that 14.1% in 2017, 21.7% in 2018, and 37.2% as of January 1, 2019.

We can also conclude that because of the high tax burden on individual entrepreneurship from the table data, entrepreneurs prefer to refrain from legal activities and to operate without registration.

Let's take a look at the analytical picture of individual entrepreneurs who have been operating and terminating their activities in 2014-2018.

According to this picture, individual entrepreneurs operating across the country in 2014-2018 fell from 75.2% to 64.2%, and on the contrary, the number of discontinued operations increased from 24.8% in 2014 to 35.8% in 2018.





**Figure 5. Analytical information on individual entrepreneurs operating and disrupting activities in the country for the period 2014-2018 [12]**

According to the experience of developed industrial countries, the development of small business and private entrepreneurship in the economy directly depends on the support policy of the state. The research shows that the main directions of development of the industry by the state are as follows:

- processes related to the establishment of small business and private entrepreneurship;
- provision of tax incentives on the basis of budget funds to increase the efficiency of private equity;
- ensuring the freedom to purchase or rent vacant spaces and to effectively use resources;
- providing information on the need for products and services that are in demand, both in the domestic and foreign markets

This information provides an opportunity for those who are planning to do business in a new direction to find out what products and services are needed in the market [13].

Of course, along with the positive results achieved in the activities of small businesses and private entrepreneurship in the country, the level of outdated assets in the privatized enterprises, the high level of investment in trade, catering, services, and production. There are disadvantages as well as inadequate marketing research in the business entities involved.

## CONCLUSIONS AND SUGGESTIONS

At the same time, under the ongoing policy of deepening structural reforms in the economy of the Republic of Uzbekistan, there are problems associated with the improvement of financing of business activity. One of the problems is the high costs associated with importing small businesses due to the high rate of devaluation of the national currency. In order to increase the efficiency of small business lending by commercial banks:

Firstly, it is necessary to introduce a calendar of payments for these entities in order to reduce the credit risk arising in the overdraft and counter-crediting of small businesses;

Secondly, the special instructions should specify the procedure for lending by

commercial banks to overdraft and countercurrent entities, ways to reduce credit risk, and the mechanism for paying interest on the debit and credit balance of the current account.

Thirdly, to enable banks to increase the volume of factoring loans granted to small businesses by allowing banks to purchase goods and documents sold by small businesses, both with regression and without regression rights and at the same time, overdue receivables and accounts receivable of unprofitable small businesses should not be collected.

Taking into account the above, it is advisable to develop an effective mechanism of temporary transfer of vacant buildings, structures, warehouses and trading places for the provision of entrepreneurs with industrial and other facilities. The Chamber of Commerce also assists, oversees and protects the implementation of investment projects by small and private businesses at all stages of the project (starting from the project idea, its development, bank expertise, borrowing and repayment). At the regional level, it is advisable to develop an information and analytical framework in the regions to assist them in the process of developing investment projects.

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