

**SMALL BUSINESS AS THE MAIN DRIVER OF ECONOMIC DEVELOPMENT: STATE OF, DEVELOPMENT PROBLEMS AND PROPOSED INCENTIVE MEASURES**

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**ABSTRACT**

*Small business and private entrepreneurship is one of the important drivers of economic development, increasing employment and incomes of the population. In order to support the subjects of this sphere in recent years, more than 50 decrees and resolutions of the President of the Republic of Uzbekistan have been adopted.*

**KEYWORDS:** *Small Business; Entrepreneurship; Action Strategy; Business Environment; Ensuring Employment Of The Population; Government Regulation.*

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**INTRODUCTION**

The relevance of the topic of small business in the Republic is objectively determined by its large role in the modern world. Small business is an essential component of the modern civilized world market economy and its competitive mechanism. This entrepreneurial structure gives any market economy certain flexibility, powerful antimonopoly potential, contributes to the mobilization of the financial and production resources of the population, provides a breakthrough in many areas of scientific and technological progress, and solves the problem of employment of the able-bodied population of the country. For many countries, including the modern Republic of Uzbekistan, the formation and development of small business (of course, in unity with big business and relevant state institutions) is a strategic task of economic and reform policy. The purpose of the scientific work is to study the problems of small business in the Republic of Uzbekistan and identify the difficulties of its development.

**MATERIALS AND METHODS**

Small business is the most important element of the market economy, without which the state cannot develop harmoniously. It largely determines the rate of economic growth, the structure and quality of the gross national product. Small enterprises form a healthy competitive market environment, the middle class, which is the backbone of the social system, quickly and effectively solve many social problems of the state.

Since the first years of Uzbekistan's independence, much attention has been paid to the development of a legislative and legal framework, the organization of financial support, the

protection of the rights of entrepreneurs, the training and retraining of personnel, the development of market infrastructure serving small businesses.

Today the statistics are open and what can we observe? Small businesses continue to show growth rates. In January-September 2019, the share of small business in GDP was 57.2% (60.9% in January-September 2018). This decrease is explained by an increase in the share of large enterprises in the structure of GDP. And in recent years, the share of small business has grown steadily in GDP.

This means that in the total mass of goods produced and services rendered in all sectors (trade, construction, industry, etc.) in one year, a certain part, in this case more than half, was produced by precisely those small firms and enterprises.

For comparison, the share of small and medium-sized businesses in the GDP of developed countries is 50-60%. In Poland - 51%, Germany - 53%, Finland - 60%, the Netherlands - 63%.

## **MAIN PART**

One of the main indicators of the development of the business environment in the world is the World Bank (WB) Doing Business report, which is the most authoritative, recognized and most cited study that assesses the ease of doing business in 190 countries of the world according to 10 indicators.

The country's position in this rating not only reflects the favorable business environment, but is also an important criterion when making investment decisions in the international business community.




The President of the Republic of Uzbekistan, in a decree of February 5, 2019 No.PP-4160 "On additional measures to improve the rating of the Republic of Uzbekistan, in the annual report of the WB and the International Financial Corporation (IFC)" Doing Business "set a goal to reach 20th place by 2022.

Thanks to the measures taken in recent years in the Doing Business rating among 190 countries of the world, Uzbekistan has risen from 138th to 69th place.

In our republic, the following conditions have been created for business development:

1. The time for registering a small business is 30 minutes. To register a subject, as an individual entrepreneur, it is required to prepare only one document, and as a small enterprise with a legal entity - two documents.

2. Financial support for small businesses is carried out as follows:

-  Issuance of preferential bank loans at a subsidized rate;
-  A guarantee of the State Fund for Supporting the Development of Entrepreneurial Activity to business entities in the amount of up to 50% of the amount of the loan received;
-  Submission by the Fund of compensation for interest expenses on loans from commercial banks.

3. The interests of business are protected by the institution of the Commissioner for the protection of the rights and legitimate interests of business entities. In Uzbekistan, unscheduled inspections of small business activities have been canceled, business entities are exempted from all types of responsibility that have committed financial and economic

offenses for the first time;

4. All over the country, training courses have been organized for entrepreneurs on doing business, implementing projects on the basis of privatized facilities. Clusters of youth entrepreneurship have been created, where young start-up entrepreneurs are provided with sites for rent at a zero rate for a period for 5 years.

The measures taken were aimed at improving the regulatory framework and regulatory procedures in the field of entrepreneurial activities, creating a favorable business environment and a positive image of the country in the international arena.

The American research institute Heritage Foundation has published another Index of Economic Freedom, in which Uzbekistan ranked 140th in 2019 and rose over the year from 152nd with a score of 53.3 points.

The Freedom of Business sub-index, which is directly related to the development of small businesses and the business environment as a whole, reflects the opportunities for starting, running and closing a business;

The level of the general administrative burden on entrepreneurs, as well as the degree of government efficiency in regulating the business environment.

The data for 2010-2019 show positive dynamics, which is directly related to changes in the regulation of the business environment and the creation of favorable conditions for small businesses.

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

- ✚ Lack of own and borrowed funds, as a result of which small businesses are unable to purchase modern and high-tech equipment;
- ✚ Problems and difficulties in obtaining land plots for the implementation of entrepreneurial activities, as well as in connection to engineering and communication networks;
- ✚ Lack of liquid security or this security is not enough for a bank loan at the start of its activities, which reduces the possibility of obtaining a loan;
- ✚ Difficulties in obtaining long-term loans, stimulating the formation and development of small innovative industrial production;
- ✚ Ineffective mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the external market in certain sectors of the economy and the problem of entering foreign markets;
- ✚ Insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting centers, business centers, business incubators;
- ✚ Insufficient development of sales markets, as well as markets for raw materials and materials;
- ✚ Poor preparation of the professional and qualification level of those employed in small business;
- ✚ A large number of regulatory authorities.

Low equipment of small enterprises with modern technological equipment, ensuring the

release 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 the consideration of the submitted documents by the credit commission.

In addition, when obtaining a loan, entrepreneurs need to cover the costs of insurance and assessment of collateral, notarization of loan documents, etc.

Along with this, banks have established subscription fees and other commission percentages for converting funds, opening a letter of credit, transferring converted funds to the accounts of banks of foreign partners and other services, which is a significant financial burden for entrepreneurs who have applied to commercial banks for financial support.

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. It is also necessary that commercial banks recognize the valuation of collateral carried out by independent valuation organizations. At present, the appraisal organization is indicated by the bank itself, and the value of the appraised collateral may be underestimated.

## **CONCLUSION**

Proposed measures to stimulate the development of small business 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 the growth of production and consumer demand;
- 2) Organize training of personnel with entrepreneurial skills, which is a catalyst for the development of small business and individual entrepreneurship for self-employment through the introduction of vocational education for 10-11 grades of secondary schools based on the experience of Austria and Germany.
- 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 agreeing on land issues, registering buildings when transferring them for use or into the ownership of entrepreneurs;
- 5) Development and implementation of a criterion for assessing the activities of government and local government bodies for the development of entrepreneurship and the business environment in general;
- 6) Development of public-private partnerships aimed at reducing entrepreneurial and investment risks in the areas of research and development, the dissemination of new technologies;
- 7) The introduction of a mechanism for transferring shares of state-owned enterprises to the management of its employees, who have been working in them for more than 5 years, which could give an additional incentive to these employees to think like an entrepreneur and work on the development of the enterprise.

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