

SMALL BUSINESS IN UZBEKISTAN: TRENDS, STATE, PROBLEMS

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Abstract:

This article describes the main trends in the development of small business in Uzbekistan. The role of small business in the development of the country's economy. The current trends in the development of small businesses in the country are considered, and the main problems in this area are noted.

Keywords: *small business, private entrepreneurship, GDP, economic growth, regulatory framework.*

Introduction. World experience shows that small business has become a stable sector of the economy, an important element of social reproduction. This sector most fully realizes its capabilities in the competitive environment of a market economy, acting both as a factor in its formation and as an integral component. The higher the level of development of small business, the wider its penetration into various spheres of society, the more effectively national economies develop.

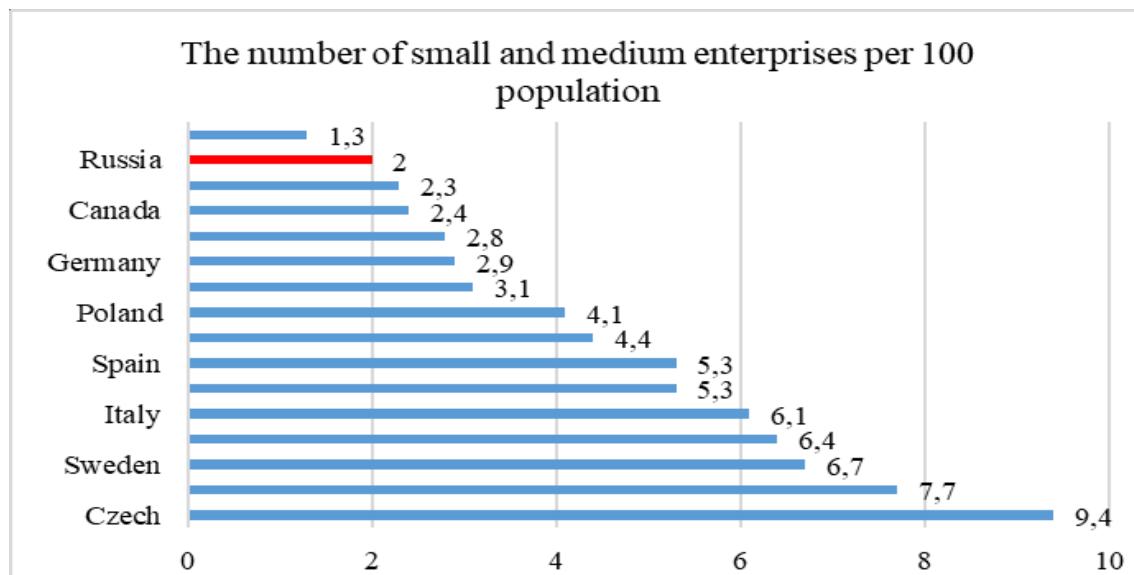
The modern world economy has certain features that determine the development of small business. These include: [8]

- ✓ flexibility and ability to quickly respond to changes in market conditions;
- ✓ the desire to quickly obtain an effect, which determines the prompt successful implementation of the latest achievements of science and technology;
- ✓ growth of technological specialization and a tendency towards increased diversification of production;
- ✓ increasing role of the knowledge-based economy;

Main part. The development of small business helps not only to reduce losses of raw materials, reducing them to a minimum, but also to reduce product losses and transportation costs due to the maximum proximity of a small company to sources of raw materials and consumers of finished products.

Small business is a creative enterprise that has the amazing ability to produce in-demand products, satisfy the needs for scarce goods and services, and produce individual products, maximally matching their characteristics with the customer's requirements. Today, the level of development of small businesses is a criterion for how competitive the market economy is in the country. The more developed the competition, the more fair the prices, the higher the degree of economic freedom of each economic agent, i.e., the easier it is for him to start his own business, to find a niche for himself in the social division of labor. Therefore, it is no coincidence that in general in the developed countries of the world the share of small businesses amounts to 80.0% of the total number of enterprises, they create 50.0–60.0% of the gross national product, and are employers of 50.0–60.0% of the employed population, form up to 60.0–70.0% of new jobs [2].

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



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.

Since 2019, SMEs and private entrepreneurship activities have accounted for 50% of Uzbekistan's gross domestic product (GDP), as per the Center for Progressive Reforms. However, in 2022, the share of SMEs and private entrepreneurship in GDP decreased by 4% compared to 2019. Additionally, during this time, the share of SMEs and private entrepreneurship in construction and employment also decreased by 2-3%.

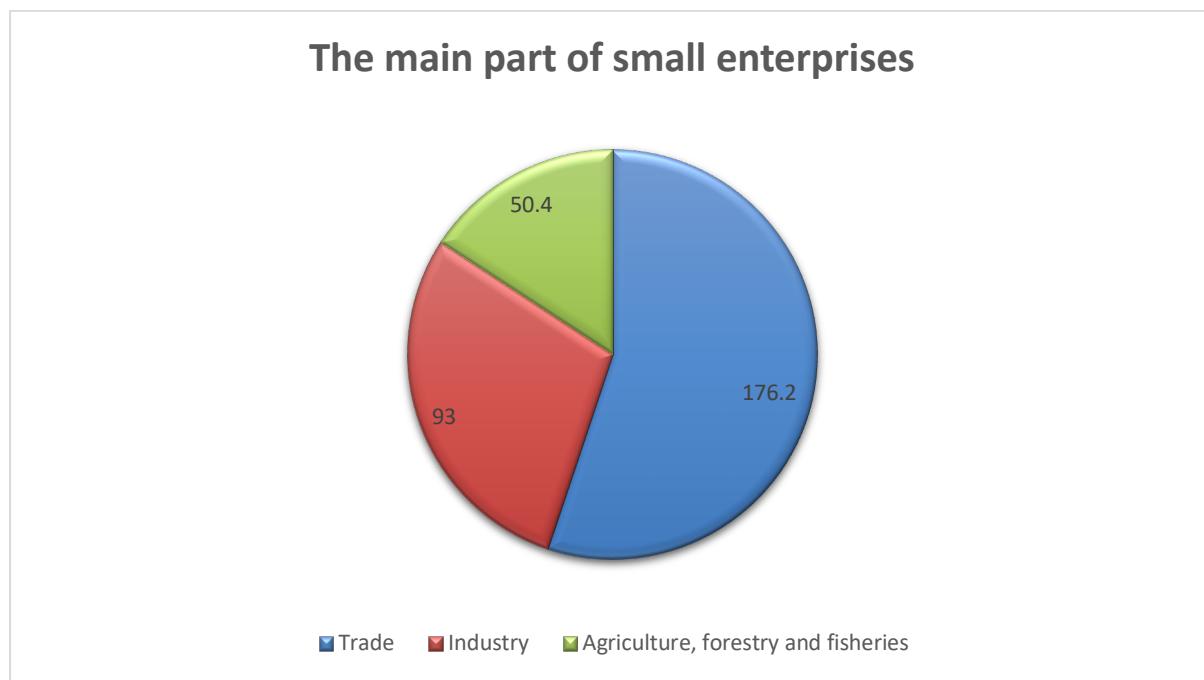
One of the main goals of the state in Uzbekistan is to promote sustainable economic growth by developing small and medium-sized businesses (SMEs). The Uzbekistan 2030 Strategy aims to create ample opportunities for these businesses to enter international markets and support startups. This confirms the state's interest in their development.

The most significant change was observed in imports, which decreased by about 13%. However, there was a positive change in the indicators for industry and export, with an increase of 0.2% and 2.6%, respectively.

The following chart looks at the share of small business and private entrepreneurship. [5]

Share of small business and private entrepreneurship (in % of the total volume)										
Indicators	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP	60,9	61,9	64,6	66,8	65,3	62,4	56,0	54,8	54,1	51,8
Industry	33,0	36,8	40,6	45,3	41,2	37,4	25,8	27,9	27,4	26,0
Construction	70,6	69,5	66,7	66,9	64,8	73,2	75,8	72,5	72,5	71,5
Employment	76,7	77,6	77,9	78,2	78,0	76,3	76,2	74,5	74,5	73,9
Export	26,2	27,0	27,0	26,0	22,0	27,2	27,0	20,5	20,0	29,6
Import	42,4	45,4	44,5	46,8	53,6	56,2	61,6	51,7	45,3	49,4

In January 2023, the number of registered small businesses increased by 13.5%. reaching 561 000. The main part of small enterprises work in trade (176.2 thousand), industry (93 thousand), agriculture, forestry and fisheries (50.4 thousand). [5]



The number of small businesses operating in Uzbekistan stood at 401,300 as of the beginning of April. This figure represents a decrease of 3.8% compared to the same period in 2023, the State Statistics Agency reports.

A notable concentration of small businesses is observed in Tashkent with 87,600 enterprises, followed by the capital region with 37,100, and Samarkand with 36,300. In contrast, the lowest numbers are recorded in Navoi with 18,700, Jizzakh with 15,800, and Syrdarya with 10,500.

The distribution of small enterprises by sector shows a prevalence in the trade sector with 155,300 businesses, followed by the industrial sector with 61,900, and agriculture, forestry, and fisheries with 35,500.

The total volume of services provided by small businesses amounted to UZS 61.2 trillion (\$4.8 bn), reflecting an annual increase of 22.1%. The retail trade sector generated UZS 60.4 trillion (\$4.7 bn), up by 17.9%, and investment enterprises reported revenues of UZS 58.3 trillion (\$4.6 bn), with a rise of 82%.

It is estimated that micro, small, and medium enterprises faced a total loss of funds nearing \$6 bn. In 2022 small businesses produced goods worth 142.6 trillion soums.

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

1. The time to register a small business is 30 minutes. To register a subject, as an individual entrepreneur, you need to prepare only one document, and as a small enterprise with a legal entity - two documents.
2. Financial support for small businesses is provided as follows:
 - ✓ issuing preferential bank loans with a subsidized rate;
 - ✓ a guarantee from the State Fund for Supporting the Development of Entrepreneurship for business entities in the amount of up to 50% of the amount of the loan received;
 - ✓ provision by the Fund of compensation for interest expenses on loans from commercial banks.
3. Business interests 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 businesses have been cancelled, business entities that have committed financial and economic offenses for the first time are exempt from all types of liability;
4. Training courses have been organized throughout the country for entrepreneurs on running a business implementing projects based on privatized facilities. Youth entrepreneurship clusters have been created, where young aspiring entrepreneurs are provided with space to rent at a zero rate for a period of time for 5 years.

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

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

1. lack of own and borrowed financial resources, as a result of which small enterprises are not able to purchase modern and high-tech equipment;
2. problems and difficulties in obtaining land plots for business activities, as well as in connecting to engineering and communication networks;
3. lack of liquid collateral or this collateral is insufficient for a bank loan at the start of its activities, which reduces the possibility of obtaining a loan;
4. difficulties in obtaining long-term loans that stimulate the formation and development of small innovative industrial production;
5. ineffective mechanisms for promoting small business products to regional and world markets, as well as the difficulty of competition in the foreign market in certain sectors of the economy and problems of entering foreign markets;
6. insufficient development of information systems, marketing, management and logistics services; insurance companies, auditing firms, trading houses, consulting offices, business centers, business incubators;
7. insufficient development of sales markets, as well as markets for raw materials and materials;

8. poor training of the professional and qualification level of those employed in small businesses;
9. a large number of regulatory authorities.

Low provision of small enterprises with modern technological equipment that ensures the production of competitive products.

At the same time, there are unresolved problems in the banking sector; many entrepreneurs point to high lending rates and commission fees for bank transactions, in particular, additional fees are charged for the review of submitted documents by the credit commission.

In addition, when receiving a loan, entrepreneurs must 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 interest for converting funds, opening a letter of credit, transferring convection transferred funds to the bank accounts of foreign partners and other services, which is a significant financial burden for entrepreneurs who turn 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 make it possible to reduce rates. It is also necessary for commercial banks to accept the assessment of collateral carried out by independent appraisal organizations. Currently, the appraisal organization is indicated by the bank itself, and the value of the assessed collateral may be underestimated.

Conclusions. Proposed measures to stimulate the development of small businesses and private entrepreneurship: [7]

- 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 lending rate, the more stimulates production growth and consumer demand;
- 2) Continuing and strengthening the development of cooperation ties between large enterprises and small businesses, as well as holding cooperation fairs;
- 3) Development of public-private partnerships aimed at reducing business and investment risks in the areas of research and development, dissemination of new technologies;
- 4) Cardinal simplification of the processes of coordination of land issues, registration of buildings when transferred for use or ownership of entrepreneurs;
- 5) Development and implementation of criteria for assessing the activities of state governing bodies and local government bodies for the development of entrepreneurship and the business environment in general;

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

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