



SMALL BUSINESS IN UZBEKISTAN: ORDER OF INTRODUCTION

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Abstract: *This article refers to the theoretical and practical aspects of business, its development paths and strategy selection in the Uzbek economy, the statistical analyses through methods of observation, collection of statistical data, classification, and tabulation; and also diagrams and graphs frequently used in presenting data, dynamic changes, comparison and prognosis of indicators of the development of business, including the ways of improvement of the private sector in the formation of the economy as well as the perspectives of development of business in Uzbekistan.*

Key words: *business, competitiveness, productivity, innovation, micro firm, privatization, family business, individual business, small business, statistical analyses of data, analytical method, prognosis.*

INTRODUCTION

The operation of a market economy is inseparably going to connect with business which is considered to be one of the main sectors of the fast-growing economy and improving living standards in the national economy. Through the development of these sectors, new jobs are created, productivity and competitiveness are increased, poverty is alleviated and societal goals are achieved, in particular by helping specific population groups to help themselves.

Business plays a crucial role in the formation and development of the Uzbek economy. Since its independence the Republic of Uzbekistan, which is a doubly landlocked country conducted enormous economic changes. Economic reform has gradually increased throughout many areas, such as business. As stressed by The First President of the Republic of Uzbekistan I.A. Karimov "Measures to improve the business environment and create more favorable conditions for the development of small business and private entrepreneurship deserve all kind of support" [1].

There are many different opinions to open the meaning of business. One of them is a business is one which is independently owned and operated and not dominant in its field of operation. With inexperienced management and a lack of financial stability, small businesses suffer a mortality rate significantly higher than that of larger, more established businesses primarily because of limited resources.

The intricacy of entrepreneurship makes it impossible to apprehend the totality of entrepreneurship with an idea; for that reason, I propose the following definition of entrepreneurship: “The entrepreneur has an owner or acting function, a risk and uncertainty bearing function, as well as, an innovation function”.

The combination of innovation, owning or operating an establishment, and bearing uncertainty provides an effective working definition of entrepreneurship that is useful for economic development purposes. This definition captures all of the components other scholars identify and is multi-faceted, to capture these multiple components of entrepreneurship.

There are some issues that cause most business failures, they are poor operations management, lack of experience, poor financial management, over-investing in fixed assets, poor credit practices, failure to plan, inappropriate location, lack of inventory control, and others.

As it's said above, business plays a distinctive and irreplaceable role in the development of the economy in Uzbekistan. The development of these sectors is provided with creating of new jobs, increasing productivity and competitiveness, alleviating poverty, and achieving societal goals. Uzbek economy operates two types of enterprises, which are large and small enterprises, as well as the activities depend on personal and family labor. The condition to run a business in Uzbekistan has been implemented through the Law of the Republic of Uzbekistan “On family business”, “On the introduction of amendments and additions” in the Law of the Republic of Uzbekistan, “On guarantees of free entrepreneurial activity” and they are designed to further facilitate the development of business.

According to the Decree of the President of the Republic of Uzbekistan the law “On measures to further stimulation of business development” of April 9, 1998, the subjects of Business divided into three parts:

1) Individual business is a physical person without legal entity, juridical/juristic person.;

2) Micro firm- employing 20 people or fewer people in production, 10 people or fewer in services, and 5 people or fewer in trade (retail and wholesale);

3) Small business. A firm was considered “small” for the purposes of tax collection if the number of employees did not exceed an officially established limit of 200 people (to July 1, 2014, was 100 people) in heavy industry and construction, 25 in Research and science, 20 in other areas of production, 10 in trade and services.

The official definition of small businesses has changed a few times. The law “On measures to further stimulation of business development” currently regulates all activity of the business sector.

LITERATURE REVIEW

Presently, business development has been an issue among local and foreign researchers, scientists and specialists, amid Uzbek researchers I.A. Karimov, Y. Abdul-

layev, Abdullaev A., Yugai A., Sotvoldiev A., Sirojiddinov I., Botirova A., Abirova G., Yuldashev Sh.A., A. Vakhobov, U. Burkhanov, N. Jumaev, F. Mullajonov, M. Solihov, B. Berdiyev, F. Dodiye, N. Holmuratov, Sh. Normuminov, S.K. Salayev, N.B. Fayzullaev, B.U. Tadjiyev, E. Egamberdiyev, H. Hujaqulov, S. Sattorov, N. Abdunazarova, N. O'rmanova, N. Xusanov, O. Iminov; among foreign scientists Richard Cantillon, Jean Baptiste Say, Alfred Marshall, Y. Schumpeter, R. Kirzner, Lapusta M.G, Gorfinkel V.Ya., Polyak G.B, Shvandar V.A., Nikolas N., Gorfinkel V.Ya., Shvandar V.A., Hirshleifer, Fama, Miller, Jensen, Meckling, Brealey, Meyers and others have researched these issues.

RESEARCH METHODOLOGY

In readiness of this article, there have been extensively used methods of observation, collection of statistical data, classification, and tabulation; and also diagrams and graphs frequently used in presenting data, dynamic changes, comparison, and prognosis of indicators of the development of business.

ANALYSIS AND RESULTS

A prediction is a statement about a risk. It is often based upon experience or knowledge and it can be useful to assist in making decisions about possible developments. Howard H. Stevenson writes that prediction in business is at least two things: important and hard.

In statistics, prediction is a part of inference. One particular approach to such inference is known as predictive inference, but the prediction can be undertaken within any of several approaches to statistical inference. Indeed, one description of statistics is that it provides means of transferring knowledge about a sample of the population to the whole population, and to other related populations, which is not necessarily the same as prediction over time. When information is transferred across time, often to specific points in time, the process is known as forecasting.

Statistical techniques used for prediction include regression analysis and time series analysis, and their various sub-categories such as ordinary least squares, logistic regression, and autoregression models. When these and/or a related, generalized set of regression or machine learning methods are deployed in commercial usage, the field is known as predictive analytics.

In many applications, such as time series analysis, it is possible to estimate the models that generate the observations. If models can be expressed as transfer functions or in terms of state-space parameters then smoothed, filtered, and predicted data estimates can be calculated.

To use an analytical method for prediction, data are collected on the variable that is to be predicted. In a functional form, often linear the parameters of the function are estimated from the data that is, are chosen so as to optimize in some way the fit of the function, thus parameterized, to the data. For the prediction step, explanatory variable values that are deemed relevant to future values of the dependent variable are input to the parameterized function to generate predictions for the dependent variable.

In order to use the analytical method, we need the right linear equation. Here is its mathematical formula:

$$\bar{Y}_t = a_0 + a_1 t$$

In this, t-periods; a_0 and a_1

$$\begin{cases} a_0 n + a_1 \sum t = \sum y, \\ a_0 \sum t + a_1 \sum t^2 = \sum yt \end{cases}$$

Here, y-real degree of lines; and n-the number of degrees.

$$\frac{\sum y}{n} - a \frac{\sum t}{n} \quad a_0 = \frac{n \sum yt - \sum t \sum y}{n \sum t^2 - (\sum t)^2}$$

$$a_0 = \bar{y} - a_1 \bar{t} \quad \text{and} \quad a_0 = 1, \text{ after that ;}$$

If $\sum t=0$, then the equation above can be in that manner:

$$\begin{cases} a_0 n = \sum y, \\ a_1 \sum t^2 = \sum yt \end{cases}$$

To measure tendency of business we decided to use analytical method, which is one of the main methods to analyze economic changes in dynamic lines in statistics. *Analytical methods* welcome early applied demonstrations of new analytical methods. *This method* should be demonstrated that methods and technology are sufficiently fit for purpose in the future.

The following five years, the share of business increased slightly from 53,0 per cent in 2020 to 56,8 per cent in 2021. As can be seen, every five year the growth rate has raised three or four per cent and the share is expected to go up modestly. Between 2020 and 2050, it is also projected to raise, but more steadily and it is predicted to reach more than three quarters in 2050 and then it will soar gradually.

CONCLUSION AND RECOMMENDATIONS

Business more flexible and can adapt quickly to changes in demand, the situation on the global and regional markets, timely respond to their challenges, because it's compact in form, has a mobility and speed in decision-making and it's receptive to innovation. Creating and developing business do not require large expenditures and capital investments, which allows faster and easier to carry out modernization, technical and technological equipment, develop new products, constantly updating its range and provide competitiveness. The higher stability of this sector compared with large enterprises to the challenges and consequences of the global financial and economic crisis. Business is not only a source of income, but also opportunity to disclosure the creative and intellectual abilities of people. This scope allows everyone to show their individual talents and capabilities, thereby forming a new layer of people – enthusiastic, enterprising, and prone to self-employment who can achieve the goal.

The most important document accepted by the Central Bank of the Republic of Uzbekistan jointly with the Association of Banks of Uzbekistan, commercial banks and international financial institutions is the development of foreign funds and banks, proposals for the creation of the Guarantee Fund. It provides for business the need for the part uncovered collateral for loans of commercial banks issued for the purchase of new equipment.

As you know, one of the basic principles of lending in the allocation of loans by commercial banks is that of a secured loan. The main problem is lack of business Republic of collateral in financing of investment projects. The problem of lack of security for loans by businesses exists not only in countries with economies in transition but also in developed countries such as the U.S., Japan, and EU countries. In these countries, the issue is solved just through the mechanism to guarantee the repayment of loans – the guarantee fund.

The creation of the Guarantee Fund for the Development of entrepreneurship in Uzbekistan will increase access to thousands of business representatives to bank loans who want to organize production and services on the basis of new, advanced technologies. Undoubtedly business play an important role in shaping the structure of the economy, meet rapidly changing market demands. Business represents a sphere of labor application and a source of income generation for a significant percentage of the country's population. Moreover, it is the most flexible part of national labor market, covering a lion's share of predominantly low-skilled manpower, those with insufficient practical experience and those preferring flexible working hours. Very often, it is the only economic sector, where many socially vulnerable strata of population, such as women, young people, uneducated and unskilled persons, can find a job.

Principles of incentives to ensure the development of small business and private entrepreneurship are provision of tax incentives, the use of a simplified tax system, preferential loans, reducing the frequency and timing of tax and accounting in government tax and statistical authorities, ways to reduce the frequency of tax and other inspections.

The higher stability of this sector compared with large enterprises to the challenges and consequences of the global financial and economic crisis. Business is not only a source of income, but also opportunity to disclosure the creative and intellectual abilities of people. This scope allows everyone to show their individual talents and capabilities, thereby forming a new layer of people – enthusiastic, enterprising, and prone to self-employment who can achieve the goal.

As stressed by the President, “We should be aware that what has been achieved so far is just the beginning of the long path that the country has chosen: to become a modern, developed, democratic country; to ensure a decent quality of life for the people and for future generations; and to achieve a strong reputation in the international community”. [5]

Following the introduction of the President's initiative, the country has adopted 27 laws and dozens of normative acts to implement constitutional and regulatory reforms. These reforms aim to: further develop and enforce the constitutional principle of separation of powers, enhance the role of the Oliy Majlis (Parliament) within the governance system, and strengthen the parliamentary role and authority in shaping and implementing both domestic and foreign policies. Parliamentary powers have thus been enhanced, while the Government's accountability to the Parliament and local authorities' accountability to the Councils of the Peoples' Deputies have been strengthened. Critically, Uzbekistan has introduced an important institutional mechanism that allows the party that receives the largest number of Deputy seats in the legislative chamber to promote its candidate to the post of Prime Minister; strengthen judiciary control to ensure that civil procedural rights

are enforced during the stages of inquest and investigation. The number of civil courts has been increased to improve the quality and speed of case processing. Strengthen accountability of the Government and public agencies for decisions taken under the Law "On the Openness of the Government and Public Agencies", further improving institutional and regulatory frameworks of civil self-governance institutions and enhancing their roles in providing legal protection to citizens, particularly youth, women and vulnerable populations.

Opportunities for various strata of the population in taking advantage of the benefits of economic growth also depend directly on infrastructure conditions. Infrastructure services are not only the major consumer benefits but also are means for the increase of labor productivity and improvement of market access. Both functions of infrastructure – support of economic growth and expansion of its facilities-has great importance for overcoming poverty, accumulating human capital, and increasing the welfare of the country.

Despite all these achievements, according to some sources, serious problems and imbalances, attributes of which can be found practically in all sectors and segments of given sector of the economy, are maintained and being aggravated in social and economic infrastructure of the country.

Taking into account national peculiarities and spiritual values of the republic, entrepreneurship has a special social significance. Social efficiency reflects the degree of achievement of social dimensions of entrepreneurship. In this case brings to the fore the question of how data with limited resources to best meet the needs of staff entrepreneurial structures (micro level) and all members of society (macro level).

Recommendations will be in the further development of business in Uzbekistan:

- Reduction of government intervention and regulatory authorities in financial and economic activities of businesses;
- Creation of maximum favorable conditions, privileges and preferences on tax and other payments for business, improvement and standardization of the reporting system and the mechanism of delivery of reports in the financial, tax and statistical authorities;
- Broad involvement and direction for the development of business of foreign investment, especially concessional loans from international financial institutions and private equity;
- Further development of information management system and advice to business, as well as in matters of training, retraining and skills development;
- Expand opportunities for small businesses bank loans, raw materials.

However, the Law of the Republic of Uzbekistan "On family business": allowed to carry out activities in family business of residential and non-residential premises owned by the participants in family business ownership or other legal basis, sales of products family business can be carried out at the place of production; determined that after the payment of family business members of taxes and other obligatory payments remaining under their jurisdiction shall be exempt from income tax; found that a family business in the manner prescribed by law shall be exempted from the single tax on revenue received from the sale of products of national crafts and applied arts own making.

According to the idea of M. Kalecki who is Polish economist, the most important prerequisite for becoming an entrepreneur is the ownership of capital. In terms

of prerequisite for business he was totally right. Nevertheless, it is also important entrepreneurial skills.

Recent advances in the theory of ownership and contracting provide a more specific analytical justification for business. The trade-off facing a government seeking to arrange for the provision of a particular service is between quality and efficiency. The private sector can use its better management skills and capacity for innovation to more actively pursue opportunities to reduce costs, but service quality may be compromised in the process. However, private provision may be workable if the government can write a fully specified, enforceable contract with the private sector. It needs for entrepreneurs to be able to enforce contracts, and reviews the types of reform of contract enforcement which have proven to be successful. For instance, tax registration, labor registration, administrative registration, bank deposit, notarization, health benefits, notice in newspaper, Company seal, court registration, statistical papers and etc.

Needless to say, special initiatives to reduce burdens and support regulatory compliance of business should be balanced against other concerns. Business have been put forward and originally realized in industrially developed countries, but soon was picked up also in developing countries, which have experienced urgent need for expansion and modernization of infrastructure. The most important features are the ability of small businesses to accelerate the development of investment and high turnover of working capital. Another characteristic of this sector is an active innovation and accelerate the development of various sectors of the economy in all sectors of the Uzbek economy.

The inherent flexibility of small businesses and high adaptability to market conditions variability contribute to the stabilization of macro-economic processes in the country. Analysis showed that in Uzbekistan, the sector characterized by a certain yield, high labor intensity, the complexity of the introduction of new technologies, limited own resources, and increased risk of competition. In our view, it is appropriate to establish a definite system which provides for sanctions for clear violations or improper fulfillment of the law. A special role is played in business control over the implementation of legislation and economic reforms should be based on full legal space. In this case, absolutely equal footing before the courts and arbitration authorities should be all. Uzbekistan has developed industry and regional priority programs and enterprise development are successfully implemented.

Reference:

1. Small business in Uzbekistan. Statistical Bulletin. Tashkent 2020. 16 p.
2. Annual Statistical Report of Uzbekistan. Tashkent.2021.
3. The Law of the Republic of Uzbekistan "On measures to further stimulation of business development" from May 25, 2020.

The year 2021 observed the continuation of active work on providing the reliable protection to private property, small business and private entrepreneurship, the removal of barriers to their rapid development. The Ministry of Economy of the Republic of Uzbekistan has published a report on the results of the socio-economic development of the country in 2021 and the most important priorities of the economic program for 2022 January 15, 2022.