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The Impact of Small Business to the Countries Economy and the Main Problems of Its Development

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Abstract.

The article defines the role of small business in the country's economy, the classification features of small and medium business. In this research article analyzed problems of development of small business and designated possible ways of their decision.

Keywords: employment, small business, government regulation, competition.

1. INTRODUCTION

The economic efficiency of a government is determined by the volume of gross product per capita; the level of inflation, the state of employment; susceptibility to scientific and technological progress, resistance to possible world economic crises. In addition, there are many ways and methods that affect the achievement of economic growth and rational use of the country's resources. One of the segments having a significant impact on economic development in general and providing employment for the population is small business. The role of small business in the economy differs largely from that of large scale enterprises. First and foremost, it is mobility, rapid decision-making and adaptation to changes in market conditions. Small business is capable of providing employment both for highly qualified employees and for students, pensioners and population groups with low levels of education and qualification. It is at such enterprises that students can obtain all the necessary knowledge and experience and develop as professionals. In Uzbekistan there are the following criteria for determining what is small entrepreneurship and what is small.

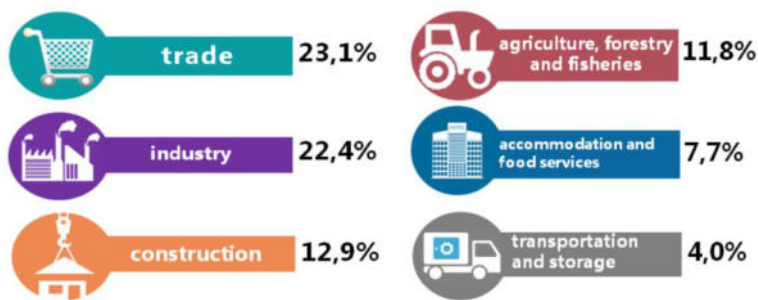
In the first place in popularity among small entrepreneurs trade. Then there are real estate transactions - rent, buy, sell. The top three are construction sphere.

Medium business: industrial production and agriculture are added to trade, and where without it. By the way, agriculture is the most promising sphere from the point of view of investments, especially when implementing the import substitution strategy implemented by the Government.

2. METHODOLOGY

So far such entrepreneurship in Uzbekistan in terms of the scale of employment, if not small, the average - only one in four Uzbeks work in such small companies - 30%. Quite modestly. Taking into account the fact that in developed countries this indicator is higher - 35-80%. All in all, as they say in the business environment, "small and medium-sized businesses" in Uzbekistan are gaining just over five and a half million. Two-thirds of them are individual entrepreneurs and a third are legal entities. So, there is chamber for growth.

Figure-1. The percentage of newly created small enterprises and microfirms by economic activity in 2018 y



Source: www.stat.uz

In **Figure-1** the largest shares of small enterprises and microfirms were created in the sphere of trade (23.1 %), industries (22.4 %), construction (12.9 %), agriculture, forestry and fisheries (11.8 %), hospitality and food services (7.6 %), transportation and storage (4.0 %). Small business often plays the role of a tool to redress imbalances in individual commodity markets. Government support for small businesses is more cost effective. Creation of new jobs, development of fair competition, rapid saturation of the market with goods and services, introduction of innovations, all this happens in the internal economy of the state thanks to small business.

In researching the market economy, the following advantages can be highlighted like:

- Sustainable use of production resources.
- Consistency of interests of market subjects.
- Realization of entrepreneurial potential.
- Implementation of flexible structural reorganization of the economy.
- Freedom of market choice and democratization.
- Dynamism and fair competition.

The main advantage in a market economy is the mechanism that provides freedom of economic choice.

When considering the functioning of small businesses in a stable market economy, its advantages should be emphasized:

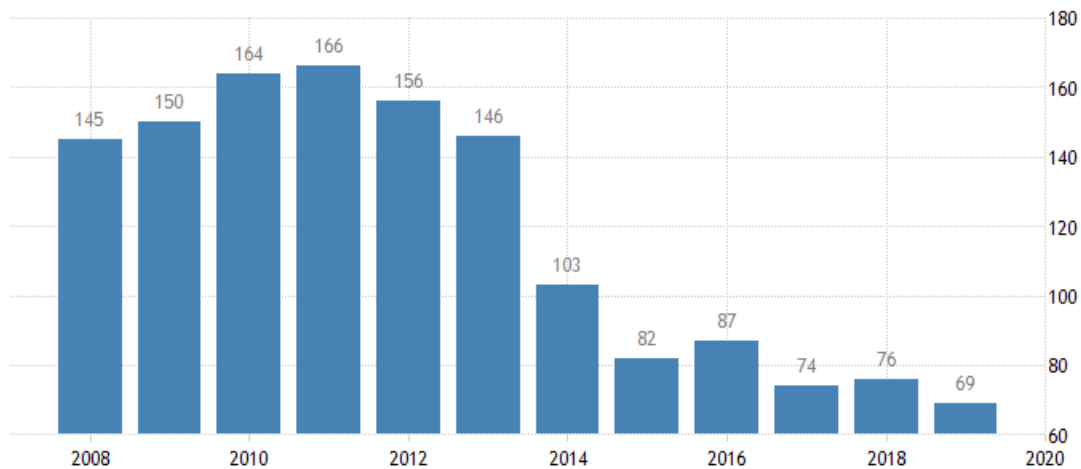
Small business makes an invaluable contribution to the formation of a natural competitive environment. Competition reflects the competition between economic elements, which stimulates production and the quality of the goods the consumer needs.

A high response to changing market conditions gives the market economy flexibility and sustainability. This advantage is especially in demand in modern market conditions with individualization and differentiation of consumer demand, active growth of the nomenclature of goods and services.

Small business helps accelerate the introduction of technical and commercial innovative ideas. All participants in this sector work in an environment of fair competition, albeit at their own risk, in order to generate profit.

Small business absorbs most of the excess workforce. In addition to creating a large number of jobs, small businesses are actively addressing the problem of employment of citizens in the face of cyclical downturns and structural shifts in the economic condition of the state. At the same time, the quality of employment is at a high level, as small business is the fundamental basis for the formation of a middle class

Figure-2. Ease of Doing Business in Uzbekistan (2008-2021)



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

Based on the (Fig-2) ease of doing business in Uzbekistan, it is necessary to highlight the main advantages of small business as an economic phenomenon:

- the effect of weakening the monopoly;
- rapid market saturation with goods and services;
- operational efficiency and cost recovery;
- mobilization of an independent initiative of a business entity;
- the basis of small-scale production;
- high adaptive properties of scientific and technological progress;
- active introduction of innovations;
- job creation places;
- the basis for the formation of a middle class.

It should be noted that small business in a market economy is the main sector that determines the rate of economic growth of gross national product (GNP). All developed countries actively support the small business sector, as the structure and quality of GNP depend on it.

Small and medium businesses account for just over 50.2 % of Uzbekistan's GDP. In developed market economies, small businesses account for 60% to 70% of GNP.

The development of small and medium-sized businesses is taking place at different rates in all countries of the world. In Europe, the system of SME support and regulation was established back in the 1990s. The approach is based on the development of competition, financial support, simplification of the regulatory framework, assistance in research and training of highly qualified personnel.

In Germany, for example, schoolchildren and students wishing to start a business in the future are offered special courses. In the UK, free advice and business tutors are available for beginners. In France, unemployed people who decide to start a business are exempt from taxes for three years.

In the U.S., where one in three families is in business, the government helps entrepreneurs enter into contracts with large businesses and receive government orders. China, where small and medium businesses are heavily tied to innovation, offers low interest loans to businessmen to repay their loans. In Japan, the government provides entrepreneurs with consulting, advertising and recruitment services.

At present, specialists highlight several major problems of small businesses. First of all, the low level of development of small and medium-sized enterprises is associated with low entrepreneurial activity of the population, as well as imperfection of Uzbekistan legislation.

Also to problems of small business it is possible to carry high interest rates on various kinds of credits which are necessary for development of small or average enterprise. For a long time large Uzbekistan banks refused to provide loans for small enterprises, but nowadays a beginner entrepreneur can get the necessary funds.

To solve this problem, various small business assistance programs are being developed with the help of which an entrepreneur can receive a subsidy, grant or partial reduction of the interest rate when applying for a loan, various associations of entrepreneur assistance are being created where novice businessmen can obtain additional knowledge related to the organization of business, as well as share various ideas, the implementation of which can bring entrepreneurs significant income. In addition, such organizations actively cooperate with various banks, acting as guarantors in obtaining a loan.

Many businessmen in Uzbekistan complain about the difficulties associated with starting and running a business. Of course, some of the problems of this kind are "international", but there are also purely Uzbekistan nuances that make life difficult for entrepreneurs. The presence of these problems hinders not only the development of specific undertakings, but also the entire economy of the country, so their solution is an important state task.

Formation in Uzbekistan of steady business models is not finished, and the economic situation in the state can hardly be called stable.

The main problems of modern business are, of course, closely related to the trends that have been observed in the modern world economy in recent years. No one will deny that it was the global economic crisis that made its negative contribution to the overall picture of business development. Unfortunately, quite a few small businesses, whose activities were carried out on the territory of European countries, have simply stopped. It should also be noted that when the representatives of our country plan to open their own business abroad, they have quite a lot of different problems. Everything is very individual, so it is quite difficult to make any generalizations on this issue. Still, one of the main problems is the lack of awareness about the specifics of tax legislation in force in a certain country.

In order to ensure continuous progressive economic development of the country, the state is obliged to intervene in the economy through the application of state regulation methods. And the grounds for this are in the sphere of public interests. This is expressed in several levels.

First of all, it is legal support of business and other economic activities. Here the state acts as a monopoly, complemented by the customs of business turnover.

Secondly, country, represented by public authorities, is a direct participant in economic turnover.

Thirdly, it affects economic processes within its competence: tax, customs, foreign economic, etc.

Maintaining and improving the efficiency of the economic mechanism is the goal of legal support of the economy. The state is not limited to the regulation of entrepreneurial activity by the sphere of small business. It regulates all spheres of economic activity of the country. Its fundamental beginning is the principles of legal regulation of the economy.

Formation of the legal environment is the legal support for the economy of the country, where the economic activities are formed from the following basic elements:

- objective situation, economic conditions and emerging trends in resource and product markets;
- economic infrastructure, which includes not only material, private financial and credit institutions, but also legislative and other legal institutions that the state is called upon to form and improve;
- social relations - political, social, cultural, ideological, legal, ensuring legitimacy of business activity and the degree of public interest in the legal regulation of the economy.

They highlight direct and indirect methods of state regulation of the economy.

Methods related to the use of administrative means of economic regulation are called direct. Here used means are characterized by direct power influence of state bodies on the regulated relations and behavior of the corresponding subjects.

The direct methods of state regulation include state registration of subjects of entrepreneurial activity, licensing of certain types of entrepreneurial activity, etc.

Methods based on non-administrative, economic means of influence are called indirect methods of state regulation. Economic instruments of influence include primarily monetary and fiscal policy instruments, forecasting and indirect planning, price regulation instruments, etc.

The main areas of legal support include:

- anti-monopoly legislation with recognition of a number of natural monopolies and monopoly regulation with preservation of state monopolies for certain types of activities;

- currency restrictions in accordance with the Law on Foreign Exchange Regulation and Foreign Exchange Control;
- regulation of prices and tariffs (in particular for products and services of natural monopolies);
- patent law;
- consumer protection;
- government contracts;
- Export of dual-use goods and technology;
- government support for private enterprise.

Areas of activity of economic entities, where the state intervention is necessary and lawful in order to maintain a balance between the interests of the company and those of business entities are the main areas of state regulation of business activities.

Unfair competition is considered the most dangerous factor in a market economy. By inducing business entities to compete, competition contributes to achieving high economic indicators. When there is an unfair competition which destroys this mechanism, the state assumes the function of control over observance of rules of activity, first of all in the form of prevention of monopolies by means of legal regulation. This prevents economic dominance from being concentrated in one hands, preventing abuse of monopoly position and allowing markets to open up. In order to protect the interests of entrepreneurs, the Constitution of the Uzbekistan provides a legal basis for supporting competition as a special area of state activity.

In this way, the state protects public interests by allowing certain known limitations on the actions of economic entities. On the other hand, the state acts in economic turnover as the owner, investor and customer.

There are other indirect means of regulation based on regulations but of an economic nature. This, primarily tax impact, regulation of foreign economic activity, both by regulating customs duties and by setting quotas and tariffs. The procedure for termination of entrepreneurial activity by means of reorganization or liquidation of an economic entity is another element of legal regulation.

In addition to the above mentioned directions of state regulation of entrepreneurial activity, which can be called the main ones, we can also name other directions and forms of legal support of economic entities' activity. This, first of all, is the formulation of legal requirements in the field of quality assurance of goods (works, services), environmental protection, fire safety and other safety, sanitary and hygienic norms, etc.

Direct and indirect methods of state management of the economy and, accordingly, administrative and economic means of state regulation of the economy have common goals and objectives and are always in the appropriate legal form. The main task of the state is the formation of the legal base of economic and business activities.

As a measure of government support to SMEs, the government plans to establish the Unified Institute for Small and Medium Business Development on the basis of SME Bank - a subsidiary of National bank, which specializes in lending to small businesses, and the Credit Guarantee Agency. This will make it possible to focus the instruments of small business support within the "single window". It should remove the barriers that prevent small businesses from moving to the medium one.

In principle, it is necessary to preserve all the best that is available in the SME Bank and the Credit Guarantee Agency, namely, to support Uzbekistan entrepreneurs for purposes:

- diversification of the structure of the Uzbekistan economy, its modernization with an emphasis on the development of the innovation component and improvement of its competitiveness;
- development of employment itself, creation of qualitatively new jobs;
- increase in GDP and tax revenues to the federal and local budgets at the expense of SME performance;

3. CONCLUSIONS

Forming a confident middle class of society with a conscious attitude towards the socio-economic development of its region and the country as a whole.

It's important that all of this resonates with the business itself. Thus, according to recent surveys, only a third of small business leaders in Uzbekistan are aware of support programs in their region.

There are several different programs in Uzbekistan that involve financial support for different types of businesses from the local, regional or federal budget. Thus, SMP entities can count on the following measures of financial support:

- Grants to start-up entrepreneurs;
- Grants for experienced companies operating in priority sectors, including innovation projects;
- Reimbursement of part of expenses under loan and lease agreements;
- Compensation of part of expenses for acquisition of fixed assets and modernization of fixed assets;
- Cash subsidies to organize your business through the Employment Centres;
- Grants to create and develop your business;
- Benefits for paying for participation in exhibitions and fairs;
- Grants to support small businesses, including agricultural producers.

It is important to understand that it is difficult not only to get money from the budget, but also to account for it. The requirements for the recipient of state support are particularly stringent. In order to receive the funds, you will have to pass the appropriate competitive selection, and after the money has been transferred, you will also have to account for its targeted spending. The main thing that interests representatives of the administration is the budget efficiency of business, so in the business plan, and in reality, the entrepreneur will have to provide full openness to the tax and other regulatory authorities. If you do not meet the expectations of these authorities, you will have to return the money to the budget.

Thus, the state takes certain measures to overcome the crisis situation, develops new draft laws to facilitate small business and makes amendments to the already issued ones, which allows the state to solve some problems in the field of small and medium business. However, this process should not stop; due to the ongoing changes in the global economic environment affecting the Uzbekistan economy, a more flexible response from the state would be beneficial for business development.

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