

## **The Role of Small Business and Private Entrepreneurship in the Modern Economy: State and Problems**

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### ***Abstract***

*the article discusses the main development of small business and private entrepreneurship in Uzbekistan. The role of small business and private entrepreneurship in the modern economy, which has significant potential to increase its contribution to the economic growth of Uzbekistan. The reasons that hinder the development of small business and private entrepreneurship are identified, the place of small business in the national economy of the country and the importance of its legal regulation are also determined.*

**Keywords:** *small business, private entrepreneurship, economic growth, financial support, modern economy.*

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Small business and private entrepreneurship is one of the important drivers of economic development, which gives impetus to increasing employment and income of the population. In order to support small businesses and private entrepreneurship, a number of decrees and resolutions of the President of the Republic of Uzbekistan have been adopted in recent years. Since the independence of Uzbekistan, much attention has been paid to the development of the 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 and private businesses.

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 evaluates the ease of doing business in 190 countries of the world according to 10 indicators. The President of the Republic of Uzbekistan, in a resolution dated 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 Finance Corporation (IFC) “Doing Business”, set the goal of achieving 20th place by 2022 .

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

The following conditions have been created for business development in our republic:

1. The time to register 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 business with a legal entity - two documents.
2. Financial support for small businesses is carried out as follows:
  - issuance of preferential bank loans with a subsidized rate;
  - a guarantee of the State Fund for Supporting the Development of Entrepreneurship 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 the activities of small businesses have been canceled, business entities are released from all types of liability that have committed financial and economic offenses for the first time;
4. Throughout the country, training courses have been organized for entrepreneurs on doing business, implementing projects based on 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 of 5 years.

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

The experience of developed countries shows that small business and private entrepreneurship play a very important role in the economy. The development of small business and private

entrepreneurship affects, first of all, economic growth in general, the acceleration of scientific and technological progress, the saturation of the market with goods of good quality, that is, this type of entrepreneurship solves many urgent economic, social and other types of problems of any state.

Small business and private entrepreneurship in the system of economic and social relations in most states perform the most important functions. Such functions include, for example, such as: innovative state, maintaining a normal competitive environment, creating additional jobs for the population (one of the most important advantages, since the more small businesses are created, the faster the reduction in unemployment in the country), counteracting monopoly, as well as expanding consumer demand and increasing professional activity. Since small business and private entrepreneurship create additional jobs for the population, this means that it is small businesses that can help solve the most important problem of inflation, which is a huge advantage, a “plus” for their further existence and development.

Despite the development of small business and private entrepreneurship today, there are a number of shortcomings and problems in this area.

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

- lack of own and borrowed financial resources, as a result of which small enterprises are not able to purchase modern and high-tech equipment;
- problems and difficulties in obtaining land plots for the implementation of entrepreneurial activities, as well as in connecting to engineering and communication networks;
- lack of liquid collateral or this collateral is insufficient for a bank loan at the start of its activity, which reduces the possibility of obtaining a loan;
- difficulties in obtaining long-term loans that stimulate the formation and development of small innovative industrial production;
- inefficient mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the foreign market in certain sectors of the economy and the problems of entering foreign markets;
- insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting offices, business centers, business incubators;
- insufficient development of sales markets, as well as markets for raw materials and materials;
- poor training of the professional and qualification level of those employed in small business;
- a large number of regulatory bodies.

Low equipment 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 commissions on bank operations, in particular, an additional fee is charged for consideration of submitted documents by the credit commission.

In addition, when obtaining a loan, entrepreneurs must cover the costs of insurance and valuation

of collateral, notarization of loan documents.

Along with this, banks set subscription fees and other commission fees for converting funds, opening a letter of credit, transferring converted funds to the account of foreign partner banks and other services, which is a significant financial burden for entrepreneurs who apply 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. Also, it is necessary that commercial banks recognize the valuation of collateral carried out by independent valuation organizations. Currently, the appraisal organization is indicated by the bank itself, and the value of the appraised collateral may be underestimated.

Proposed measures to stimulate the development of small businesses 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 production growth and consumer demand;
- 2) Organize the training of personnel with entrepreneurial skills, which is a catalyst for the development of small businesses and individual entrepreneurship for self-employment through the introduction of vocational education "Vocational education" for grades 10-11 of general education 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 coordinating land issues, registering buildings when transferred to the use or ownership of entrepreneurs;
- 5) Development and implementation of criteria for evaluating the activities of state authorities and local authorities for the development of entrepreneurship and the business environment as a whole;
- 6) Development of public-private partnership aimed at reducing business and investment risks in the areas of research and development, dissemination of new technologies;
- 7) Introduction of a mechanism for the transfer of 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.

Taking into account the current state and reasons hindering the development of small business and private entrepreneurship, the state policy is currently aimed at expanding, supporting and developing small business in Uzbekistan.

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