

# WAYS TO IMPROVE THE MANAGEMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN THE CONTEXT OF ECONOMIC LIBERALIZATION

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**Abstract:** *The scientific article is based on the general principles of economic theory and the theory of market economy, based on both domestic and foreign studies on the development of innovations and improvement of business planning within small enterprises. In the research process, official materials were used that characterize innovative activities that affect the formation of small innovative enterprises. The research process used analytical and statistical methods, as well as a systematic approach to the analysis of the problems considered in the work. The information base of the study was the official materials of the State Statistics Committee of Uzbekistan and the reporting data of individual entities of the Republic Uzbekistan.*

**Key Words:** *small business, innovation, economics, small enterprises.*

## 1. INTRODUCTION:

The main strategic goal of state policy in the field of science and technology is the transition to innovative development of the country. This also applies to small business (SB) - one of the leading sectors of a market economy that determines the rate of economic growth, structure and quality of gross national product. However, if in the Moscow region the development of small business is one of the priority tasks (almost 30% of the capital budget treasury is replenished from the income of small enterprises), then in some other regions of the country small business is practically absent or is at the very beginning of the development of Uzbekistan as a whole by the number of small of enterprises is an order of magnitude lagging behind the leading European countries, in which the contribution of small business to national GDP totals more than 50% authorities.

The announcement of 2018 as the Year of Active Entrepreneurship, Innovative Ideas and Technology Support in our country has created ample opportunities for the development of small business and private entrepreneurship.

Today, in the conditions of global integration and globalization, the development of entrepreneurship in the country requires the creation of small business based on innovative and modern approaches, advanced technologies and management methods. As the President of the Republic of Uzbekistan Shavkat Mirziyoev in his address to the Oliy Majlis said: "Being an active entrepreneur means we are business people capable of producing competitive products, and most importantly, creating jobs, not only for themselves and their families, but also for the benefit of the whole society. Our priority should be to expand the ranks of such entrepreneurs, including the creation of appropriate conditions for the importation and implementation of high-tech, cutting edge technologies and equipment based on the latest scientific achievements". However, this important sector of the economy still does not fully utilize its potential in the social and economic development of settlements, both in terms of production volumes of competitive goods and services, and in terms of employment. A special place among the problems hindering the development and sustainable functioning of small enterprises is the lack of an economic, organizational and managerial mechanism that makes it possible to objectively evaluate the variants of small enterprises at the initial stages of their development, as well as the lack of innovative facilities for small businesses, which are often forced to rent inadequate premises with the Small to medium specific market conditions of a business plan, taking into account the innovative - functional, commercial, organizational, administrative and social features of the SB. The relevance of the development of such a tool is predetermined by the structural, search and evaluation requirements of business planning, adapted for innovative small enterprises. Thus, the relevance of the study is due to the need to resolve the contradiction between the need for the formation of innovative approaches to the development of small business in domestic economy and the lack of evidence-based practical recommendations and methodological tools that ensure the implementation of this need in modern economic conditions.

## 2. LITERATURE REVIEW:

A study of the topic of small business was reflected in the works of a number of domestic and foreign scientists, on which the author relied when conducting this study. In Western economic theory, the introduction to entrepreneurship and its development is associated with the names of R. Cantillon, A. Turbot, F.

Cainet, A. Smith, J.-B. Say, then Marx, J. Schumpeter, A. Marshall, F. Ha ye ka, L.Mizesa , I. Kirzner , M. Weber, W. Sombart , P. Drucker and other researchers. These scientists and schools headed by them have determined the main characteristics of business - risk bearing and economic uncertainty (R. Cantillon), a revolutionary change in the factors of production (Jean-Baptiste Say and A. Schumpeter), the organization of the practical implementation of innovative ideas (P. Drucker). It should be noted that many Russian scientists, such as A. Ageev, A. Busigin, A. Kaminka, Yu. Osipov, A. Petrazhetsky, V. Radaev , devoted their work to the development of entrepreneurial organizations as the most important business entities in a market economy . and etc. Studies of small businesses in the sector of the market economy Uzbekistan began in the second half of the 9 0-ies of XX century., As evidenced by the work of M. Sharifkhuzhaev, S. Gulyamov, F. Nazarova and others. A wide range of issues of state support of small business is considered in the scientific works of modern scientists: Bazhenova Yu.K., Voronina S.N., Volsky A.S., Starostina Yu.L., Yasina E.N. and others. The problems of development of business in the conditions of market economy are devoted to the Dagestani scientists and economists: Aliyev VG Ahmedueva AS, Hamidova MS, Kolyvanova VY, Magomedov M.A, Mudueva B.S., Suleymanova N.M. and Shabanova M.G. Noting the value of the scientific contribution of domestic and foreign scientists to the study of small business problems, it should be noted that the issues of small business formation in the subject, taking into account the specifics and regional characteristics, are not well understood. Therefore, it is necessary to generalize existing studies in order to develop their own recommendations aimed at improving support for small businesses at the regional level. The relevance of the problem and the lack of knowledge of the features of the formation of small businesses at the regional level determined the choice of topics, made it possible to formulate the goal and objectives of the dissertation.

### **3. MATERIALS AND METHODS:**

The methodological and theoretical basis of the study was the work of their Uzbek and foreign economists on the problems of the formation and development of small business, as well as programs, strategies for regional development and other materials on small business. The accuracy of the study confirmed the use of statistical materials Goskomstat Republic of Uzbekistan (the State Committee of the republic of Uzbekistan on Statistics) and its regional units on the state of small business; republican and regional regulatory legal acts; analytical materials of the National Institute for System Studies of Entrepreneurship; small business support programs; as well as statistics obtained by the author. The study used the methods of comparative analysis, statistical data processing, assessment of quantitative and qualitative indicators of the studied processes and other general scientific. The empirical basis of the study was the statistical reporting data of the State Committee on Statistics of the Republic of Uzbekistan; official data and reports of the Ministry of Economic Development and Trade of the Republic of Uzbekistan, the Government Committee for the Support and Development of Small Business and the Consumer Market; results questionnaires managers of small enterprises of the Republic of Uzbekistan, conducted by the author.

### **4. ANALYSIS, DISCUSSION AND FINDINGS:**

World practice convincingly shows that even in countries with developed market economies, small business has a significant impact on the development of the national economy, solving social problems, and increasing the number of employed workers. In terms of the number of employees, the volume of goods produced and sold, works performed and services rendered, small businesses in a number of countries play a leading role. Small and medium-sized enterprises, compared to large ones in individual countries, occupy a dominant position, both in number and in specific gravity in the production of goods, the performance of work, and the provision of services. The study showed that in the western p Anahita rapid growth in the share of small companies and businesses in its infancy in the mid 70's and early 90-ies of the last century. Currently, in the most developed Western countries, the share of small business is 70-90% of the total number of enterprises, in the United States more than half of the total population (53%) is involved in small business, and in Japan it is much more than 71.7% [7.122]. The Republic of Uzbekistan pays great attention to the development of small business and private entrepreneurship. The priority choice for the accelerated development of small business and entrepreneurship in the Republic of Uzbekistan is explained by the following: –First, small business, being the most important structure-forming sector of the economy, serves as the main source of filling the domestic market with necessary goods and services. Small business not only fills certain niches in the economy, but also plays an extremely important role in its diversification and ensuring a steady pace of its development; –Secondly, being compact in form, possessing mobility and efficiency in decision-making, being susceptible to innovations, small businesses can more flexibly and quickly adapt to changes in demand, the situation on world and regional markets, and respond to its challenges in a timely manner; –Thirdly, the creation and conduct of small business does not require large expenditures and capital investments, which allows faster and easier to carry out modernization, technical and technological re-equipment of production, to develop new types of products, constantly update its range and ensure competitiveness; –Fourth, higher stability of this sphere compared with large enterprises to

the challenges and consequences of crisis phenomena in the economy; –Fifthly, small business is not only a source of income, but also a means for revealing the creative and intellectual abilities of people. This sphere enables each person to show their individual talents and opportunities, thereby forming a new layer of people - initiative, enterprising, inclined to independent activity, capable of achieving their goals. A particularly powerful impetus to the development of small business was given by the Development Strategy of the Republic of Uzbekistan for 2017-2021. [1] Within the framework of this Strategy, one of the first documents as President for Sh.M. Mirziyoyev became the Decree “On additional measures to ensure the accelerated development of entrepreneurial activity, the comprehensive protection of private property and the qualitative improvement of the business climate” signed by him on October 5, 2017 [9]. The document approved a program of comprehensive measures, providing for the implementation of 42 specific measures in the five highest priority areas, among which are legal regulation of business activity, reduction of inspections and prevention of unreasonable interference in business activities, further liberalization of responsibility of business entities, improvement of the financial system, taxation and customs as well as improving the conditions for doing business shenie investment appeal of the republic and international rankings. In his Address to the Oliy Majlis dated December 28, 2018, President Sh.M. Mirziyoyev noted: “In 2019, we have a lot of systematic work to create an even more favorable environment for entrepreneurs and business, to create new jobs by further supporting entrepreneurship, increasing the incomes of the population and improvement of pension provision” [2]. In order to further expand this good practice, a phased introduction by 2020 of another 86 types of the most popular licenses and permits is envisaged. [4, 12] In addition the, the President canceled from January 1, 2018 the mandatory registration of licenses and Dr. Permissions, issued through a "single window" on the special forms in paper form. This mechanism will be replaced by the specialized information electronic system "License". It will allow entrepreneurs to receive government services in electronic form on a “one-stop shop” basis, without visiting other departments, to track the progress and outcome of the examination of applications for permits and licenses, regardless of location and method of application. The emergence of such a portal will create a centralized system for issuing optionally walk licenses and permits, independent of the second -State bodies. After commissioning through it, it will be possible to obtain about 40 types of licenses and permits, and by 2019 it is planned that all their types operating in Uzbekistan will be available here. In addition, in its Resolution President of 07.06.2018 of Uzbekistan has provided the program "Every family - entrepreneur", which will provide support for the first part of the population that wants to do business. [9] Under this program, soft loans will be provided to the population and practical assistance will be provided at all stages of the organization and implementation of entrepreneurial activity. Also, by a decree of the President of the Republic of Uzbekistan dated July 27, 2018 No. UP-5490 “On measures to further improve the system for protecting the rights and legitimate interests of business entities”, counter and unscheduled inspections, as well as a number of licensed activities and licensing procedures in the field were canceled entrepreneurial activity is significantly reduced and simplified [9]. As a result of measures taken to create a business environment, comprehensive support and further stimulate the development of small business and private entrepreneurship in the Republic of Uzbekistan in 2018, 48.9 thousand new small enterprises and micro-firms were created (excluding dekhan farms and farms), which is 28,2 % more than the same for the period of 2017. The largest number of small enterprises and micro-firms was formed in the field of trade (23.9%), industries (23.0%), construction (13.0%), agriculture, forestry and fisheries (11.4%), services for accommodation and food (8.0%), transportation and storage (4.3%).

**Table 1. Key indicators of small business (for 2018) [10]**

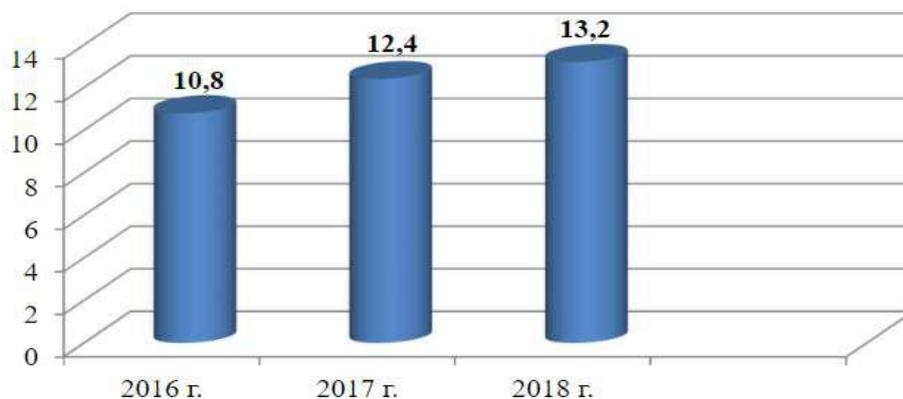
	Unit .	2017	2018	(+ -)
Number of operating small enterprises and micro-firms	units	229666	262930	33264
Newly created small enterprises and microfirms	units	38167	48922	10755
GDP	%	63.6	59.4	-4.2
Industry	%	41.2	34.7	-6.5
Agriculture, forestry and fisheries	%	98.1	98.1	0,0
Investments	%	34.8	34.9	0.1
Construction	%	66,2	66.6	0.4
Trade	%	88.3	86.3	-2.0
Services	%	58.4	55,2	-3.2
Cargo transportation	%	54,2	54,4	0.2
Cargo turnover	%	77.7	79, 6	1.9
Passenger transportation	%	90.1	90.8	0.7
Passenger turnover	%	94.7	95.2	0.5
Export	%	22.0	26.5	4,5
Import	%	53.6	55.8	2.2

In 2018, in the regional context, the largest indicator of the number of newly created small enterprises and micro-firms was recorded in the city of Tashkent - 12071 units, Tashkent region - 5080 units, Samarkand region - 4312 units. In the Ferghana region, this indicator reached 3780 units, Andijan - 3131 units, Bukhara region - 3024 units. In Namangan, Surkhandarya, Kashkadarya, Jizzakh regions and the Republic of Karakalpakstan, Khorezm and Navoi first areas this indicator is marked on the average, in the range of 2709-1810 units. At a low level, this indicator in the Syr Darya region is 1354. In the context of regions, the largest share is in the city of Tashkent and in the total number of newly created small enterprises and micro-firms is 24.7%, in the Tashkent region - 10.4%, Samarkand - 8.8%, Ferghana - 7.7%, Andijan - 6.4% and Bukhara oblasts - 6.2%. In Surkhondaryo region - is 5.7%, Namangan - 5.5% Kashkadaria - 4.8% Djizzak - 4.7% Khoresm - 4.1% Navoi - 3.7%, Sirdarya areas - 2, 8%, in the Republic of Karakalpakstan, the specific gravity was 4.5%.

**Table 2. The number of newly created small enterprises and micro-firms by type of economic activity [10]**

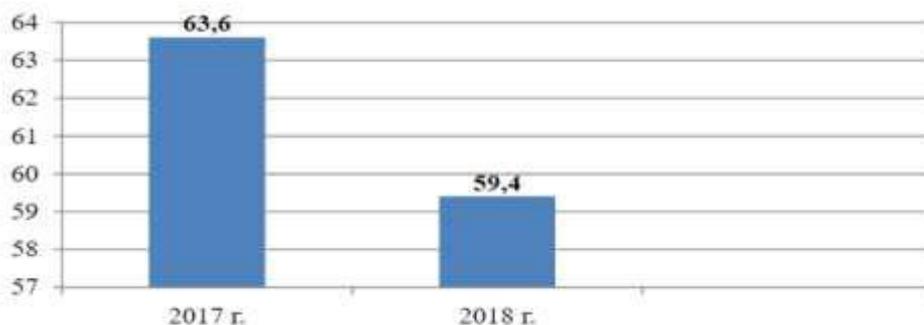
	2017	2018
Total	38167	48922
Agriculture, forestry and fisheries	5144	5586
Industry	10182	11262
Construction	3788	6360
Trade	7891	11713
Transportation and storage	1830	2107
Accommodation and food services	3353	3891
Information and Communication	1001	1228
Health and provision social services	858	1154
Other types	4120	5621

If in 2017 the number of small businesses in the whole country (per 1000 population, units) was 12.4 units, then in 2018 this figure reached 13.2 units, which is 0.8 units. higher than 2017.



**Figure 1. The number of small businesses (per 1000 people, units) for 2018 [10]**

The share of small entrepreneurship (business) in 2018 by sectors of the economy in industry was 34.7%, agriculture, forestry and fisheries - 98.1%, construction - 66.6%, investment - 34.9%, trade - 86, 3%, export - 26.5%, import - 55.8% and services - 55.2%. In 2018, the share of small business in GDP was 59.4% (63.6% in 2017). This decrease is due to an increase in the share of large enterprises in the GDP structure.



**Figure 2. The dynamics of the decline in the share of small business in GDP for 2018, % [ 10]**

According to the results of 2018, a survey was conducted among small businesses in the Republic of Uzbekistan, according to which the economic situation was considered favorable by 31.5% and satisfactory - 55.1% of enterprises engaged in construction, in the field of trade - respectively 35.5% and 52.6 %, services - 30.4% and 57.4%, agriculture, forestry and fisheries - 27.0% and 54.8%, industry - 32.1% and 51.3%. The number of pessimists regarding the assessment of the current economic situation was 16.5% in industry, 13.4% in construction, 18.3% in agriculture, forestry and fisheries, 12.2% in services, and 12.0% in trade [ten]. Over the next three months, 65.2% of industrial enterprises, 67.1% of trade, 69.6% of services, 66.9% of agriculture, forestry and fisheries and 62.5% of construction expect improvement in the economic situation. Monitoring of the problems facing small entrepreneurship in Uzbekistan revealed the following typical trends that hinder the growth and development of small and medium-sized enterprises in the country [8, 18]: - the bulk of small businesses do not use loans, although they are in dire need of them (lack of collateral or a reliable guarantor, high interest rates); - lack of own and borrowed financial resources, as a result of which the MP is not able to purchase modern compact and high-tech equipment; - insolvency of consumers of products; - poor development of market infrastructure; - insurance companies, audit firms, trading houses, consulting centers, business centers, business incubators; - Information, consulting, forecasting, analytical and property assistance to small businesses is not provided enough. Not involved at the regional levels The Employment Program. In addition, in our opinion, the development of small business in the republic is restrained [3,15]: - insufficient development of markets, as well as markets for raw materials; lack of entrepreneurial know-how; - insufficiency of trained specialists in the field of small business; - legal uncertainty; - hard press of the bureaucratic apparatus; - a large number of controlling and duplicating functions of the republican and local authorities; - there are some direct violations of the legislation on entrepreneurial activity. In his Address to the Oliy Majlis on 28.12.2018, the President Sh.M. Mirziyoyev said: "The World Bank's dedicated to conducting business Uzbekistan on construction occupies only 134 - th place, which indicates the presence of the many problems we have in this industry. For example, in our country in the field of construction, there are 17 licensing procedures that take 246 days to complete. Is that normal" [2]. That is, in the field of small business, in spite of many positive aspects, there are still problems that the people of Uzbekistan have yet to solve.

## 5. RECOMMENDATIONS:

According to the author, the development of small business largely depends on the actions or inaction of the regional authorities. Along with the general factors affecting the development of small business, there are specific regional factors. For example, in the Republic of Uzbekistan, criminality continues to be a significant factor hindering the normal development of small business. There are real threats to the personal safety of entrepreneurs and their families. In the absence of effective legislative and judicial regulation, force methods have entered into economic relations as a regular element. Among the internal factors that have a significant impact on the efficiency and achievement of economic sustainability include: the level of management and marketing in small business, the composition and qualifications of the staff, the state of the material and technical base and technology, the quality of the goods (services), features of internal relations in small business. And the more efficiently the company uses the internal components of its potential, the less susceptible it is to negative influences from adverse external influences. One of the features of economic relations within small businesses in the Republic of Uzbekistan is due to the spread of the shadow form of wages. The author believes that it is necessary to increase the social responsibility of business, respect for the rights of employees, the withdrawal of the tax base and wages from the "shadow". Since the "transparency" of small businesses in relation to financial indicators is increasingly important for attracting investment and obtaining government contracts. Sustainable effective development of the regional economy through small business is determined taking into account and skillful use of factors external and internal environment.

## 6. CONCLUSIONS:

Thus, small business enhances the competitiveness of the national economy, promotes its innovative development, stabilizes the political situation in the country, increases the level of well-being of the population and contributes to the republic's entry into the world arena. That is why, in the Republic of Uzbekistan, the development of small business is the most important priority task and for the implementation of this task all efforts are made by our state.

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