



## The need to increase the innovative and investment activity of small businesses and entrepreneurs in the Republic of Uzbekistan

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### ABSTRACT

The article discusses the theoretical issues of increasing the innovation and investment activity of small businesses in the transition to a digital economy and the content of key terms encountered in this process, the conditions created in our country, the main problems and proposals.

### Keywords:

Action Strategy, Reform, Entrepreneurship, Private Property, Small Business, Investment Environment, GDP, Statistics, Project, Business Environment, Problems, Technologies, Business Entities, Investment Activity, Financial Stability, Innovative Development.

In the third direction of the Action Strategy "Further development and liberalization of the economy", the country approved five priority directions for the development of the Republic of Uzbekistan for 2017-2021, strengthening macroeconomic stability and maintaining high rates of economic growth, increasing the competitiveness of the national economy, modernizing and accelerating the development of agriculture, continuation of institutional and structural reforms aimed at reducing the share of the state in the economy, protecting private property rights and further strengthening its priority positions, stimulating small business and private entrepreneurship, comprehensive and balanced socio-economic development of regions, districts and cities, actively attracting foreign investment in industries and regions of the economy by improving the investment climate measures are identified [1].

The Action Strategy for 2017-2021 provides for the implementation of sectoral

programs involving 649 investment projects worth USD 40 billion, which will increase industrial production by 1.5 times over the next 5 years, and its share in GDP from 33.6% to 36% the share of manufacturing is expected to increase from 80% to 85% [2].

Today, the share of small businesses in a country's GDP depends on the share of the population employed in them, the volume of loans provided by commercial banks, and the number of small businesses that enjoy tax incentives.

This means that a certain part of the total volume of production of goods and services (trade, construction, industry, etc.) per year, while the study shows that half of it falls on small businesses [4].

Compared to foreign countries, the share of small and medium-sized businesses in GDP was 51% in Poland, 53% in Germany, 60% in Finland and 63% in the Netherlands.

**Table 1**  
**Share of small business and entrepreneurship in GDP**  
**(in% of total)**

Year	GDP	Industry	Construction	Employment	Export	Import
2000	31,0*	12,9*	38,4*	49,7*	10,2	22,8
2001	33,8*	12,5*	40,4*	51,8*	9,3	26,7
2002	34,6*	15,4*	42,0*	53,5*	7,5	24,9
2003	35,0	10,8	39,9	56,7	7,3	33,7
2004	35,6	11,0	49,6	60,3	7,3	32,7
2005	38,2	10,0	50,9	64,8	6,0	33,7
2006	42,1	10,9	52,1	69,1	11,2	34,2
2007	45,7	13,2	55,4	72,1	14,8	32,0
2008	48,2	14,6	58,4	73,1	12,4	35,7
2009	50,1	17,9	42,4	73,9	14,6	42,5
2010	52,5	26,6	52,5	74,3	13,7	35,8
2011	54,0	28,6	67,6	75,1	18,8	34,3
2012	54,6	29,7	70,0	75,6	14,0	38,6
2013	55,8	33,0	70,6	76,7	26,2	42,4
2014	56,1	36,8	69,5	77,6	27,0	45,4
2015	62,9**	40,6	66,7	77,9	27,0	44,5
2016	64,9**	45,3	66,9	78,2	26,0	46,8
2017	63,4**	41,2	64,8	78,0	22,0	53,6
2018	60,4**	37,4	73,2	76,3	27,2	56,2
2019	56,5	34,9	75,4	76,2	28,7	54,2

*Source: data from the State Statistics Committee of the Republic of Uzbekistan.*

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One of the key indicators of the development of the business environment in the world is the World Bank's Doing Business report, which is one of the most recognized studies in the world, assessing the ease of doing business by 10 indicators in 190 countries.

The position of countries according to this indicator is not only the created business environment, but also an important criterion for making investment decisions in the international business community.

The main goal of the Decree of the President of the Republic of Uzbekistan dated

February 5, 2019 No.PF-4160 "On additional measures to improve the rating of Uzbekistan in the annual report of the World Bank and the International Finance Corporation" Doing Business "is to take 20th place by 2022.

According to the latest indicators of the Doing Business rating, Uzbekistan has risen from 138th to 69th place among 190 countries of the world.

Our country has created the following conditions for business development:

1. 30 minutes to register a small business.

One document is required to register a small business entity as a private entrepreneur, and two documents are required to register as a legal entity.

2. Financial support for small businesses is provided:

- provision of soft bank loans at a subsidized interest rate;
- up to 50% of loans provided to small businesses by the State Fund for the Development of Entrepreneurship;
- reimbursement by the Fund of interest expenses on loans from commercial banks.

3. In Uzbekistan, unscheduled inspections of small businesses and private entrepreneurship have been canceled.

4. Training courses were organized for entrepreneurs implementing projects at local privatized facilities in the country. Clusters are created for young startups by renting space for up to five years at a zero interest rate.

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

The data obtained for the period 2010-2019 show the creation of favorable conditions for small businesses and positive dynamics directly related to changes in the management of the business environment.

In the field of small business and private entrepreneurship, the main problems remain:

- inability to master modern and high-tech equipment due to lack of private funds and financial resources of small businesses;
- difficulties and problems with obtaining land for business, as well as problems with connecting to the engineering and communication system;
- lack of liquidity or data reduces the chances of getting a bank loan at the start of your business;
- the difficulty of obtaining long-term loans, which stimulates the development and formation of small innovative industries;
- ineffectiveness of mechanisms for bringing small business

products to regional and international markets, as well as the complexity of competition in foreign markets in certain sectors of the economy and the problem of entering foreign markets;

- insufficient development of information systems, marketing, management and logistics services, insurance companies, audit firms, trading houses, consulting centers, business centers, business incubators;
- undeveloped sales market (sales), as well as undeveloped markets for raw materials and materials;
- low quality of vocational training in small business;
- a large number of regulatory bodies.

The low level of provision of small enterprises with modern technologies does not allow them to produce competitive products.

In our opinion, it is advisable to develop proposals in their areas of small business development. In particular, the establishment of industrial cooperation between large industrial enterprises, including agricultural machinery, electrical engineering, building materials, chemicals, automotive and small businesses; joint study of consumer demand; formation of financial and industrial groups; training for small business professionals; creation of consulting and technology transfer centers.

To increase the investment activity of small businesses, you can offer:

1) Reducing interest rates on loans will allow small businesses to reduce costs and ensure financial stability, because in world practice, the lower the loan rate, the greater the growth in production and consumer demand.

2) Organization of training of personnel with entrepreneurial skills for the development of entrepreneurship based on the experience of Germany and Austria.

3) Development and strengthening of cooperation relations between large enterprises and small businesses, as well as the organization of cooperation fairs.

4) Simplification of the process of registration of land issues, lease or ownership of buildings and structures.

5) Development of public-private partnerships aimed at reducing the risk of entrepreneurship and investment in research and development, the spread of new technologies.

It should be noted that in order to increase the investment activity of small businesses, it is necessary to further develop cooperation between small businesses and industrial enterprises.

The relevance of scientifically grounded solutions to the problems of innovative development of small business requires the development of a specialized concept for financing innovative processes. In this regard, direct copying and implementation of a reform model successfully implemented in one or several countries for the economy of any country usually encounters certain difficulties.

Financing the processes of innovative development - one of the important areas of cash flows in this area increases the international competitiveness of the country, satisfies the social and economic needs of society. At the same time, the mechanism for financing innovation processes serves as the basis for the distribution of investment resources, and regulation of the economy is the basis for the transition to innovative development.

The process of developing an innovative financing mechanism can be carried out in two directions. In the first direction, traditional management functions are performed: investment, analytical, regulatory, consolidation and control; in the second, specialized knowledge that specifically reflects the requirements for the activation of intellectual capital.

The process of financing innovative activities of small businesses is divided into three components, namely:

1) management of multiple and interrelated processes of searching and accumulating investment resources;

2) implementation of interaction between the parties to the process on an institutional basis on the basis of legislation;

3) the implementation of financing of innovative activities in two stages: stimulating an increase in financial flow, improving institutional strategic reforms.

In the context of deep economic and social reforms in Uzbekistan, serious attention is paid to the development and implementation of policies in the field of science, technology and innovation, which is an important tool for the implementation of these reforms. This policy creates organizational conditions and economic and legal mechanisms for the development of scientific, creative and innovative activities, as well as the innovation market. In this regard, Uzbekistan is working on the development of innovation and transfer of innovations. In particular, the promotion of innovation in production and guarantees for the protection of intellectual property rights are a solid foundation for the development of innovation. However, the prospects for innovative development in Uzbekistan have not been sufficiently studied, and there are few studies in this area that do not fully and clearly consider the aspects of business and regional economy development in connection with the innovation factor. At the same time, the terminological apparatus, theoretical and methodological basis, as well as the practice of introducing innovations and the economic content of their transfer are constantly being improved under the influence of various factors.

Most countries of the world are aware of the need to move to a new model of innovative development of their national economy based on investments, and the importance of organizing the innovative development of small

businesses based on financial business. At the same time, innovations are created for a specific purpose, that is, their goal is to update the knowledge system, to obtain spiritual benefits and economic benefits based on improvement and development, to ensure innovative economic and technical and technological development.

Identifying the innovative factor and its sources that increase the volume of production and the competitiveness of the economy of Uzbekistan is one of the main tasks that serve as an important tool for increasing the investment activity of small businesses. Thus, a number of relevant legislative acts of the Republic of Uzbekistan [3] made it necessary to strengthen the investment activity of small businesses.

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