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# **Problems of Small Business in KASHKADARYA Region of Uzbekistan**

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**ABSTRACT.** There are economic development centers around the world. In most cases, they are concentrated in large administrative centers and the capital. Small business is important in that it allows you to develop a business, establish production and provide services regardless of location. This is especially true for regions, small cities, district centers and rural areas. Therefore, it is important to organize and further support small businesses in the regions, which ensures the employment of the population, increases tax revenues to local budgets, helps increase competition, introduce innovations, etc.

**KEY WORDS:** small businesses, loans, regions, support, competition, entrepreneurship, financing, financial and economic mechanism.

## **I. INTRODUCTION**

One of the most important priorities for the development of the economy of our Republic is the support and development of small business. According to the Decree of the President of the Republic of Uzbekistan on February 7, 2017 No. 4947 of the Strategy for action in five priority areas of the development of the Republic of Uzbekistan in 2017-2021 in paragraph 3.4. approved ... "Continuation of institutional and structural reforms aimed at reducing the state's presence in the economy, further strengthening the protection of rights and the priority role of private property, stimulating the development of small businesses and private entrepreneurship," which implies ensuring reliable protection of the rights and guarantees of private property , the elimination of all obstacles and restrictions, the provision of complete freedom in the development of private entrepreneurship and small business, the creation of a favorable business environment A broad development of small business and private entrepreneurship, strict suppression of illicit interference by the public, law-enforcement and controlling bodies in the activities of the newly-business structure tour. [1].

Taking into account the importance of small business development for the economy as a whole, The President Sh.M.Mirziyoev in the Message to the Oliy Majlis of the Republic of Uzbekistan dated December 28, 2018 also emphasized that —... we have a lot of systematic work to create an even more favorable environment for entrepreneurs and business, the creation of new jobs through further support for entrepreneurship, increased incomes of the population [2].

In the context of deepening economic reforms in the country, the successful implementation of this mechanism depends not only on the efforts of the republican government bodies, but also on the effectiveness of measures taken by regional authorities, which can significantly expand the range of tools and the scope of financial and economic assistance to processes the establishment and development of small businesses in the field.

## **II. ANALYSIS OF SUBJECT LITERATURE.**

In highlighting the theoretical foundations of entrepreneurship among foreign scholars who have made a great contribution to the development of the theory and methodology of small business development A. Smith, A. Marshall, J. Schumpeter, J. Keynes, K.R. Macconell, S .L. Brewster, J. Dollan, G. Carter, C.J. Campbell, J. Cook Kenneth, C.J. Lemben, D. Lindsay, J. Stanworth and others [3].

Such Russian scientists as A.Blinov, P.Zavlin, A.Ignatiev, A.Krutik, M.G.Lapusta, A.Muravyov, B.Raizberg, E.Utkina, M.Chepurina, L.Shabalin and others contributed to the study of the financial problems of small business. [4].



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In Uzbekistan, some theoretical and practical aspects of the development of small business and private entrepreneurship are studied in scientific researches of S.S.Gulomov, Y.Abdullayev, A.Ulmasova, A.Vahobov, Sh. Shodmonov, T. Juraev, D. Tojiboev, K.N.Murodov, E.Akramov, O. Iminov, D.Gazibekov, R.Abdullaev, S.Kosimov, U.Namozov, Sh.A.Yuldashev and others. [5].

Insufficient knowledge of the institutional foundations and the regional mechanism of financial and economic support for small businesses require a deeper scientific analysis and development of practical recommendations for its further institutional and functional development in the regions.

### III. RESEARCH METHODOLOGY

In the process of writing a scientific article, methods of comparative analysis, economic analysis, statistical groupings, systemic approaches and scientific abstraction were used.

### IV. ANALYSIS AND RESULTS.

As defined in the Constitution of the Republic of Uzbekistan, the basis of a country's economy aimed at developing market relations is property in its various forms. The state guarantees freedom of economic activity, entrepreneurship and labor, taking into account the priority of consumer rights, equality and legal protection of all forms of ownership. [6].

A legal entity is subject to state registration in the manner determined by law. The data of state registration are included in the unified state register of legal entities open for general familiarization. A legal entity is considered created from the moment of its state registration. [7].

To achieve full-fledged financial and economic support and to satisfy the needs of small businesses in financial resources, significant improvement, expansion and implementation of innovative ways to support the financing of their costs is required, as well as the creation of qualitatively new institutions for promoting small business, it is fully valuable to use modern economic methods of its state and public support, expanding the range of financial instruments necessary for this. [8]

In the period of transition from a state-monopolized economy to a free market, the creation of a middle class of owners acquires special significance, since it is he who is most prepared for innovative management methods and is able to ensure the introduction of new market relations, contributing to the further sustainable development of society.

Besides the fact that small business is a sphere of labor application and a source of income for a significant part of the population of Uzbekistan, it also acts as the most flexible part of regional labor markets, absorbing the bulk of unskilled labor resources or wanting to have a flexible working day. Being the most important source of employment and income growth, small business is an important factor in the growth of living standards.

The state's policy of developing a small business is dictated by the need to transform the entire economic system in the direction of increasing the competitiveness of domestic producers, which is impossible without the introduction of progressive forms and methods of management in the regions.

In these conditions, it is small enterprises that are most prepared for the harsh conditions of market economy, do not require large start-up investments and guarantee a high rate of turnover of the resources used, are able to solve the problems of restructuring many sectors of the national economy most quickly and economically consumer goods market with limited financial resources. [8]

The trend towards sustainable improvement of the financial and economic mechanism for supporting small businesses in the Republic of Uzbekistan is also expressed in the provided financial resources, including the allocated loans from commercial banks at the beginning of 2018, in the amount of:

- 3 trillion 582.2 billion uzs - for the development of the service sector;
- 490.3 billion uzs - to support family entrepreneurship and craftsmanship;
- 2 trillion 782.3 billion uzs - for financing projects of women engaged in entrepreneurial activities. [9]

The registration of business entities introduced in the Republic takes no more than half an hour, and with the formation of a legal entity no more than two documents are required, which, each year contributed to an increase in the number of newly created small businesses.

So, in the Kashkadarya region at the beginning of 2019 there were 16,752 registered small businesses, of which 16,218 were actually operating, which is 96.8 percent of the total number of registered enterprises, and the number of newly created for the reporting period is 2365 units. [10].

Share of Small Business enterprises in Kashkadarya regional product [10].

	unit	1.01.2018	1.01.2019	(+/-)
registered small business (SB) enterprises	Quant.	14969	16752	1783
of which are actually operating	Quant.	14347	16218	1871
Gross regional product(GRP) of Kashkadarya region	billion uzs	22633,4	28412,2	5778,8
Share of SB in GRP	%	64,3	65,1	0,8

Compared to the previous year, the number of registered small businesses increased by 1783, while in actual terms the growth amounted to 1871 units.

At the same time, the number of small business entities for various organizational, financial, economic and economic reasons that completed their activities or were closed amounted to 592 units, which requires the local government bodies to provide more detailed various benefits, organize training for entrepreneurs, reorientation of production of products and the provision of services, assistance in finding a sales market, etc.

The share of small business in the gross regional product amounted to 65.1 percent, which is 0.8 percent higher than the previous year, including in industry the share of small business was 21.4 percent, in the construction sector 82.7 percent, in 70.2 percent of services, 62.0 percent in investment and 37.2 percent in the export of goods and services.

With the population of the region as of January 1, 2019y at 3213300 people, the amount of small business output for the reporting period per capita amounted to 5756.1 thousand uzs.

At the beginning of 2019y, for the development, production of goods and services, small businesses in the Kashkadarya region, commercial banks of the Republic of Uzbekistan allocated loans in the amount of 1668074 million uzs, compared with 2017y 1185467 million uzs are 40.7 percent more than last year or 482607 million uzs.

For each sum of allocated loans to small businesses accounted for 11.08 uzs of manufactured products.

In our opinion, for the full functioning of small businesses, the institutional framework for supporting small businesses should be strengthened.

At the moment, only the conditions for registration of a legal entity are facilitated for the creation and functioning of small businesses. But their further functioning in most cases depends on the private entrepreneurial ability of the owner of a small business, his ability to organize the production of goods or services and finding markets for products, on his financial capabilities, including the ability to attract borrowed funds, the ability to solve production, organizational, technical, financial, economic, managerial and social problems.

It is also important to introduce innovations, inventions and use the latest achievements of science and technology.

Small businesses experience a number of problems with organizing and financing the costs of acquiring technical equipment, vehicles, and other means of production.

The acquisition of these fixed assets through traditional financial market instruments for many small enterprises, especially those just starting out, is difficult, and the leasing system, due to its underdevelopment, with the exception of the agricultural sector, has not yet been sufficiently developed in the region.

The first problems arise already at the stage of purchasing equipment at the expense of loans or other borrowed funds, since in most cases it takes several months to find, purchase, transport, install equipment and continue to operate production of goods, depending on the type of product.

But for credit resources, interest and payment are paid from the next month from the date of the loan. The provision of preferential loans by commercial banks is not universal, but have isolated cases and only on the basis of programs of local governments.

One of the main sources of funds for state and regional small business support funds may be the capital of private investors, accumulated through the organization of the issuance of targeted bond loans and other securities through specialized investment institutions created to develop small businesses in the regions of the republic.

Also, due to lack of entrepreneurial skills and lack of knowledge of business skills, many services are provided for a fee. The solution to this problem would be the free organization of short courses or the publication of relevant literature



without a theory that would fully explain in practice business skills, specifically to the addresses of governing bodies, their functions, the region, etc.

Problems exist with the provision of land or leasing land. Most entrepreneurs do not rent land because of the high cost of rental payments and the uncertainty of long-term rental terms due to the lack of insurance against price increases, etc. In this case, the solution to the problem would be to lease land plots on a long-term basis and at fixed prices. As well as an open transparent online sale of land with the condition of establishing production by a specific date, in case of default, the mandatory return of these land plots with the use of penalties for the purpose of disposing of persons occupying, reselling, artificially idle plots.

### V. CONCLUSION AND RECOMMENDATIONS.

An important area of institutional support for small business in the region is the system of measures of state stimulation of entrepreneurial activity, which are implemented through:

- creating conditions for attracting investments (including foreign) into the sphere of entrepreneurship, modern technologies and equipment, as well as for the development of market infrastructure institutions;
- taking measures to expand the participation of business entities in export-import operations, international exhibitions and fairs, in the implementation of various programs and projects in the field of foreign economic activity;
- providing business entities with legal, statistical, industrial, technological, scientific, technical and other information necessary for their effective activities;
- Establishment of local tax benefits for small enterprises, preferences for customs duties and tariffs.

Stimulation of small business in terms of creating production, financial and social infrastructure for it is carried out at the expense of budget allocations, as well as funds received in the process of privatization of objects.

It is appropriate to mention the government program, each family is an entrepreneur, the implementation of which will ensure the problem of employment, increase the share of small business in gross domestic product, produce a variety of goods and provide modern services. The widespread development of small and medium-sized businesses will increase the standard of living of the population, increase the volume of tax revenues, the development of infrastructure and communications, and will serve as quickly as possible the satisfaction of demand for various products, including exclusive ones, as well as all related positive factors inherent in this process.

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