

## The Role and Prospects of Small Business and Entrepreneurship in the Country's Economy

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**Introduction.** In developed countries of the world, the activity of small business and private entrepreneurship is rapidly developing as a strategic task of economic policy. "Small business and private entrepreneurship account for 55-67% of the gross domestic product of developed countries. This indicator is 52-55% in the USA, 52-57% in Japan, and 63-67% in the European Union. In Western European countries, out of 17.1 million enterprises operating in the private sector, 90.9 percent are small business enterprises. They account for 50 percent of the total industrial volume, 67 percent of the service sector, and almost 90 percent of construction and trade. However, small businesses and private entrepreneurship account for about 30-40% of exports from developed countries. This figure is 30% in the USA, 27% in EU countries, and 15% in Japan." [1]

In developed countries of the world, further increasing the export potential of small businesses and private entrepreneurship remains a priority. Small and medium-sized businesses play a significant role in the development of the European economy. They account for 99% of all enterprises in the European Union. They employ about 100 million people, account for more than half of Europe's GDP, and play an important role in creating added value in every sector of the economy. Small and medium-sized businesses offer innovative solutions to problems such as climate change, resource efficiency, and ensuring social cohesion, and contribute to the dissemination of these approaches across all regions of Europe. [2]

**Methods.** Taking into account the socio-economic importance of small businesses and private entrepreneurship in the world, special attention is paid to scientific research aimed at fully and effectively utilizing their economic potential. In particular, scientific research is being conducted in priority areas such as revealing additional internal opportunities for realizing the economic potential of small businesses and private entrepreneurship, improving the mechanism for combining private interests and social responsibility in the process of conducting business, improving the system for attracting the population to entrepreneurship, implementing a project to provide state support to small businesses and private entrepreneurship that have suffered during the global coronavirus pandemic, improving the system of financial support for small businesses and private entrepreneurship, reducing poverty through the development of family entrepreneurship, and increasing the export potential of small businesses. In the context of rapid socio-economic reforms being implemented in the process of building a new Uzbekistan, small business and private entrepreneurship are one of the important sources of development of our country and increasing the well-being of the population. "It is necessary to attach special importance to supporting entrepreneurial initiatives aimed at solving social problems in the regions, especially youth and women's entrepreneurship. For this purpose, microfinance services and financial resources, as well as public procurement, will be provided to the population and entrepreneurs. Through such measures, our people will increase their enthusiasm and confidence in becoming entrepreneurs, and they will strive to earn more." Today, more than 56 percent of our country's gross domestic product is accounted for by small businesses and private

entrepreneurship, and their share in exports is 20.5 percent. The “Development Strategy of New Uzbekistan for 2022-2026” sets out priority tasks such as creating conditions for organizing entrepreneurial activity and forming permanent sources of income, increasing the share of the private sector in GDP to 80 percent and its share in exports to 60 percent[3]. Ensuring the effective implementation of these tasks requires improving the export activities of small businesses and private entrepreneurs. The implementation of these tasks requires accelerating work to ensure the sustainable development of small businesses in the economy and increase its efficiency. The development of small business activities, which are its component, and various aspects of the activities of established enterprises have been reflected in the scientific works of a number of foreign economists. In particular, it was developed by leading foreign scientists such as R. Vernon, A. Akamasu, K. Kodjima, E. Porter, K. Meyer, R. Barrel, H. Thomann, J. Dunning, R. Narulo[4].

Along with state bodies, non-governmental and international organizations are also working to promote the development of small businesses and protect the rights of entrepreneurs. They make a worthy contribution to providing practical assistance to small businesses and individual entrepreneurs, expanding the entrepreneurial movement in society and supporting its development. Indeed, in our country, comprehensive measures are being taken to develop entrepreneurship, especially small and medium-sized businesses, and to eliminate problems and obstacles in their activities. The traditional “open dialogue” of the President of the Republic of Uzbekistan with entrepreneurs plays a special role in this. During the dialogue, a number of initiatives were put forward by the head of our state, which are of great importance for the development of entrepreneurship and the prosperity of our state. The proposals and initiatives put forward earlier will open new opportunities for small businesses, contribute to the development of medium-sized businesses, increase access to new markets with quality and competitive products, and help increase the number of high-profit enterprises. Initiatives to simplify tax administration and eliminate bureaucracy will create a platform for entrepreneurs to achieve new heights.

**Results.**Over the past three years, not only our state, but also the world community has been living in a whirlwind of economic uncertainty amid global problems due to the pandemic and geopolitical situation. It must be admitted that the changes taking place in the international arena have had a strong impact on the life of the world community in the last three years, affecting the economies of countries, including our national economy. In the current situation, the reforms carried out by the leadership of our state and the practical implementation of strategic goals have ensured the stable growth of our national economy and created the basis for our people to live a decent life. It is no exaggeration to say that entrepreneurs are the first to feel the changes in international life. Because the disruption of logistics and product supply chains due to various conflicts occurring at the global level has a significant impact on their activities. In addition, the depreciation of the currencies of the countries in which their partners operate and the high level of inflation on a global scale also create a certain difficult situation for entrepreneurs.

If we look at the numbers, on the eve of the open dialogue, more than 15 thousand applications were received in 2021, more than 12 thousand in 2022, and 6 thousand this year. So, as the problems are solved, the number of applications is also decreasing.

As a result of the measures taken and important decisions made, the number of small entrepreneurs has increased by 40 thousand over the past year, and their total number is 490 thousand. The number of medium-sized entrepreneurs has increased by 2 thousand, and their number has now reached 10 thousand. The number of large enterprises has also increased by 400 in the past short period. Now their total number is 1,500.

Only, based on the proposals in last year's appeals, business entities were divided into micro, small, medium and large categories, and a system of working with each of them based on individual approaches was established. Districts and cities were divided into 5 categories, and separate tax, credit and financial assistance regimes were introduced in 60 districts. As a result, entrepreneurs in these districts benefited from benefits worth about 1 trillion soums in the past six months. Due to this, the income of entrepreneurs in 20 districts increased by 1.5-2 times compared to last year. In other words, in the first half of this year it increased from 7 trillion soums to 11.5 trillion soums. If we pay attention

to world experience, in the conditions of a modern market economy, the number of large enterprises has decreased, and the number of small enterprises has increased sharply. Because small businesses and private entrepreneurs are quickly adapting to the requirements of a market economy and are becoming more advanced in the development of innovations. This careful adaptation to market dynamics and changes is making a significant contribution to the development of entrepreneurship. In recent years, the growth of small businesses has also been reflected in our country's gross domestic product. Therefore, in our country, based on the experience of developed countries, great attention is paid to the development of small and private entrepreneurship. Taking into account the importance of small businesses and private entrepreneurship in fully meeting local needs and exporting products, strategies and roadmaps for the development of this sector have been developed and are being consistently implemented. All these processes will serve as a solid foundation for the rapid development of the economy.

Of course, in the development of entrepreneurial activity, along with legal frameworks, its financial support is also important. During the conversation, it was announced that if entrepreneurs invest 10 percent in financing the projects of business entities, the remaining 90 percent will be allocated by the newly established "Business Development Bank" and the state as financial resources. This will be a huge incentive for entrepreneurs and create a wide field for the implementation of their initiatives.

In general, our country is taking comprehensive measures to develop entrepreneurship, especially small and medium-sized businesses, and eliminate problems and obstacles in their activities. As a result, over the past year, more than 55,000 business premises have been built, the number of entrepreneurs with a turnover of more than \$1 million has increased by 5,000 to 26,000, the number of exporting enterprises has reached 7,500, and the total volume of exports has increased by 30%. On June 12, 2023, the Decree of the President of the Republic of Uzbekistan "On measures aimed at establishing mutually beneficial cooperation with business entities in poverty reduction" was published. Based on this legal document, the "20 thousand entrepreneurs - 500 thousand qualified specialists" program will be implemented in our country. A total of 1 billion US dollars in loans will be allocated for the implementation of the program in 2023-2024.[5] In this regard, a credit line equivalent to 100 million US dollars will be opened from the Reconstruction and Development Fund to commercial banks in 2023 to finance projects of business entities included in the program.

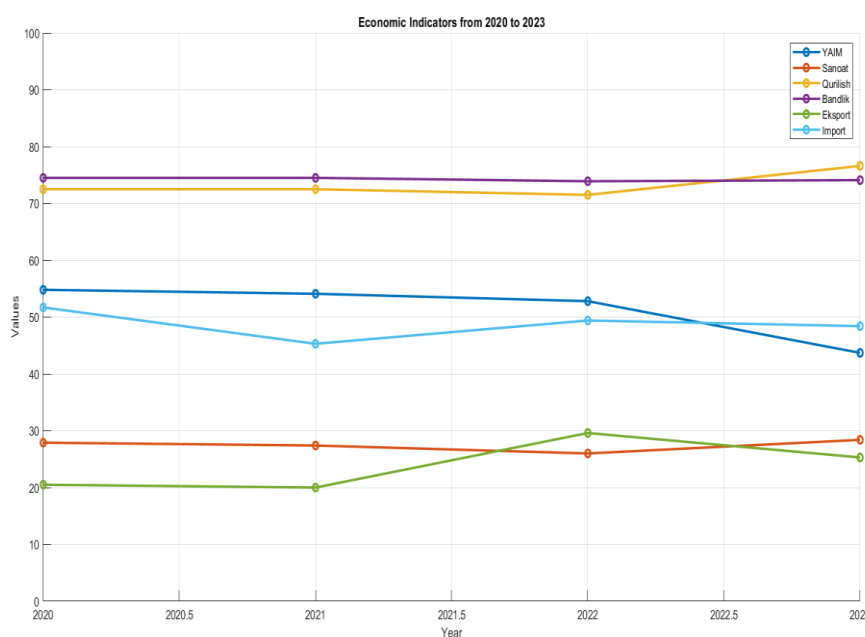
1 trillion soums will be allocated from the funds earmarked for financing projects within the framework of family entrepreneurship development programs. Loans in the amount of 200 million US dollars will be attracted from international financial organizations. Credit line funds are provided to commercial banks for a period of 10 years, including a 3-year grace period, at a rate of 10 percent.

It is worth noting that a number of benefits and preferences are applied in this process. In particular, when citizens included in the "Unified Register of Social Protection" are hired by entrepreneurs, until January 1, 2025, entrepreneurs will be granted exemptions from property and land taxes if they have provided employment to these citizens by paying them a monthly salary of at least 1 time the minimum wage for at least one year and they constitute at least 20 percent of the total number of employees. Also, when citizens are hired and the monthly salary is calculated at a rate of at least 1 time the minimum wage, the income tax from individuals paid on the monthly salary will be refunded to the employer from the republican budget (up to 2 times the minimum wage for each employee) and the social tax rate will be applied to them with a reduction of 50 percent. Entrepreneurs are given the right to pay certain types of taxes and customs duties in installments for up to one year without collateral and interest. In addition, when entrepreneurs purchase state-owned real estate objects and land rights through auctions, they will be able to pay the payments in installments for up to 5 years. In this regard, special attention should be paid to the priority tasks set for simplifying tax and customs administration. It was determined that the reimbursement (refund) of the amount of value added tax, as well as the refund of the amount of overpayment for all types of taxes, will be carried out in an accelerated manner within one day. At the same time, the amount of value added tax paid upon import of goods and upon sale of goods or services will be able to be offset in the accounting systems of

customs and tax authorities. Most notably, the "green lane" rules apply when implementing customs control.

These measures will not only improve the road, transport, electricity, communications and tourism infrastructure of the regions, but will also contribute to the development of small and medium-sized cities, the industrialization of neighborhoods, the expansion and development of entrepreneurial activity, but will also be an important factor in providing employment and a permanent source of income for the population. The integrity of this chain ensures economic growth. Economic growth, in turn, brings prosperity.

Figure 1. Share of small businesses and private entrepreneurship[6]



This diagram shows that the share of small businesses and entrepreneurship in GDP has been on a downward trend over the past three years, the main reason for this is the increase in the number and share of medium and large businesses in our country.

## Discussion.

1. Small business and private entrepreneurship play an important role in the socio-economic development of the country. They play a decisive role in ensuring economic stability, creating jobs, increasing population incomes, and stimulating innovative development.
2. First, small business is an important factor in the labor market, reducing unemployment by increasing the employment rate. Especially in densely populated areas, small business provides many people with jobs and increases their economic activity.
3. Second, private entrepreneurship serves to improve the standard of living of the population. It helps to meet the needs of consumers by creating the opportunity to produce and provide services in accordance with local market demand.
4. Third, small business is the driving force of innovative development. They have the ability to quickly adopt technological innovations and adapt to the market, compete with large enterprises and contribute to the diversification of the economy.
5. Fourth, small business and private entrepreneurship have a positive impact on regional development. They balance the processes of urbanization and migration, allowing for increased economic activity in rural areas.
6. Small business also ensures the flexibility of the national economy and helps mitigate the impact of economic crises or global changes.

7. Small business and private entrepreneurship are one of the pillars of the country's economy and social stability, and their support by the state is of strategic importance. Through their development, the state will be able to increase economic growth rates, improve the living standards of the population, and stimulate innovative development.

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