

**TO THE PROBLEM OF ACTIVATING FINANCIAL FACTORS IN
ENTREPRENEURSHIP DEVELOPMENT IN UZBEKISTAN**
Kurpayanidi K.I.¹, Khakimov D.², Tolibov I.Sh.³ (Republic of Uzbekistan)
Email: Kurpayanidi52@scientifictext.ru

¹*Kurpayanidi Konstantin Ivanovich - PhD in economics, Professor;*

²*Khakimov Davrbek – Student;*

³*Tolibov Islombek Shuhratjon o'g'li - Student,*
ECONOMICS DEPARTMENT, FACULTY MANAGEMENT IN PRODUCTION,
FERGANA POLYTECHNIC INSTITUTE,
FERGANA, REPUBLIC OF UZBEKISTAN

Abstract: *the article studies modern tendencies of development of small and private entrepreneurship in the system of national economy of Uzbekistan. The socio-economic functions of small business are considered. On the basis of the analysed financial factors of development of small and private entrepreneurship, the author proposes to discuss measures to improve the financial environment for the further development of small and private business in the country.*

Keywords: *business environment, business climate, credit, small business, entrepreneurship, financing, economy of Uzbekistan.*

**К ПРОБЛЕМЕ АКТИВИЗАЦИИ ФИНАНСОВЫХ ФАКТОРОВ В РАЗВИТИИ
ПРЕДПРИНИМАТЕЛЬСТВА В УЗБЕКИСТАНЕ**
Курпаяниди К.И.¹, Хахимов Д.², Толибов И.Ш.³ (Республика Узбекистан)

¹*Курпаяниди Константин Иванович - кандидат экономических наук, профессор,*

²*Хахимов Даврбек – студент;*

³*Толибов Исломбек Шухратжон угли - студент,*
кафедра экономики, факультет управления в производстве,
Ферганский политехнический институт,
г. Фергана, Республика Узбекистан

Аннотация: *в статье изучаются современные тенденции развития малого и частного предпринимательства в системе национальной экономики Узбекистана. Рассмотрены социально-экономические функции малого бизнеса. На основе проанализированных финансовых факторов развития малого и частного предпринимательства автором выдвигаются к обсуждению мероприятия по улучшению финансовой среды для дальнейшего развития малого и частного бизнеса в стране.*

Ключевые слова: *бизнес-среда, деловой климат, кредит, малый бизнес, предпринимательство, финансирование, экономика Узбекистана.*

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Modern small business plays an important role in any country: it provides employment for the population, generates healthy competition, saturates the market with new goods and services and in cooperation with large enterprises provides economic growth [1.2].

As the practice of doing business shows, the main socio-economic functions of small businesses in the country's economy are: overcoming monopoly, developing competition, shaping market relations in the economy; expanding the range and increasing the production of goods and services without investing significant public investment; maintenance of large enterprises, manufacturing of components for them, separate units, organization of sales of finished products; development and introduction of innovative technologies in production; ensuring socio-political stability [3].

In the national economy of Uzbekistan over the past few years, significant work has been done to boost the development of small businesses and various measures have been proposed to modernize it. But it should be emphasized that the degree of its development in Uzbekistan and the state support are still lagging behind the economically developed countries. In this regard, the issues of the functioning and development of small business in foreign countries and the possibility of applying their experience in Uzbekistan are considered.

The small business occupies a rather high share in the key economic indicators of the industrialized countries. Thus, the share of small business in the USA GDP produced by the private sector (excluding the agricultural sector) remains relatively stable for several decades and fluctuates around 62%¹. In the European

¹The share of small and medium businesses in GDP. [Electronic resource] Access mode URL: <http://www.vestifinance.ru/infographics/5337>.

Union countries, small and medium-sized enterprises employ about 70% of the total number of employment. The number of small businesses per 1,000 residents in the USA, the European Union has long been estimated at more than 35-40, in the Russian Federation - 7. At the same time, these indicators can not be compared because in the USA small enterprises are enterprises with a number of employees up to 1 thousand people, in Russia up to 100 people, in Uzbekistan up to 200 people depending on the scope of activity.

Foreign experience confirms that it is crediting is the most important source of financial resources for small and medium-sized enterprises. So, in the USA, 77% of small business owners, at least once during the running of business, applied for a credit. In the countries of the European Economic Area, over 75% of small and medium-sized enterprises have credit lines in one or more banks. At the same time, it can be noted that the frequency of use of credit lines increases with the increase in the size of the enterprise, which is confirmed by the data of Europe and North America. In Russia, for the establishment of an enterprise, bank loans attracted 10% of small businesses and individual entrepreneurs [7].

The share of loans allocated to small businesses in the USA is 20%, in the European Union - an average of 30%, and in Japan - up to 40%, Russia - 2% of GDP. Despite certain country differences, ways of forming financial resources, priority for various categories of small and medium-sized businesses, are singled out. Classification of forms of financing according to types of enterprises using these forms most intensively is presented in the table.

Table 1. Forms of financing and their preferential use by enterprises of various types²

Forms of financing	Types of enterprises using this form of financing more often than others
Overdraft	Micro firms at the stage of creation
Loans from acquaintances and relatives of the owner of the enterprise	
Personal savings of the owners of the enterprise	Functioning micro-firms
Assignment of a share of the capital of the enterprise to a private investor	
Credit lines in the name of the owner of the enterprise	
Retained earnings	Functioning micro firms (to finance circulating capital)
	Small and medium-sized enterprises (to finance investments)
Bankloans	Small and medium enterprises in general
Commercial loan	

²Compiled on the basis of: 1. Enquetcsur le financement des petites et moyennes entreprises, 2004. Tableaux de donnees / Statistique Canada, Division des petites entreprises et enquetes speciales; 2. Mach T. L., Wolken J. D. Financial Services Used by Small Businesses: Evidence from the 2003 Survey of Small Business Finances; 3. Scott J. A., Dunkelberg W. C., Dennis W. J., Jr. Credit, Banks, and Small Business— the New Century; 4. SME Access to Finance / European Commission. Flash Eurobarometer 174.

Factoring	
Leasing	
Venture financing	
Credits of specialized state institutions	
Issue of shares on specialized exchanges	

These forms of financing are due to their inherent advantages and disadvantages. Sources such as retained earnings and personal savings of owners allow the enterprise not to depend on external creditors. Overdraft, credit cards and credit lines are flexible, but expensive tools. In case of attracting bank loans after their return, the owner retains control over the enterprise, unlike venture financing or the issue of shares. A distinctive feature of lending to small and medium-sized enterprises is the increased risk caused by the limited resources of enterprises, the lack of quality information about the financial position of borrowers, the complexity of formation of the reputation of small enterprises, etc. The increased risk level entails the need for the bank to insure against possible losses, which leads to an increase in the cost of borrowed funds for small and medium-sized enterprises and to an increase in the requirements for the guarantee provision of credit.

In economically developed countries, the main factors leading to the refusal to obtain a bank loan are the lack of collateral in the amount necessary for the bank, unsatisfactory performance of the enterprise, discrepancy of the provided information to the bank's requirements [6].

In view of the fact that access to bank lending is difficult for newly established micro-firms and small enterprises that can not provide collateral in the required amount. One of the traditional tools used to facilitate the access of small and medium-sized enterprises to finance in industrialized countries is safeguards. Guarantee schemes are used by about 10% of European small and medium-sized enterprises (12% for small medium business operating less than 5 years, and 8% for more than 10 years). The implementation of policies to stimulate the development of small and medium-sized enterprises also includes the regulation of processes to improve the business environment (tax, institutional environment, infrastructure security, etc.), measures to support the innovative activity of small businesses, etc.

The history of small business development in the Republic of Uzbekistan has been more than 25 years. Over the past period, there have been significant changes in the development of small businesses, as well as in the policy of state support for entrepreneurship. On the part of the state, in order to develop entrepreneurship and create a favourable business environment, a number of regulations have been adopted guaranteeing its freedoms and providing protection and support to entrepreneurs. Legislatively established a wide system of privileges, preferences and guarantees to protect the rights and interests of entrepreneurs and investors. Over the past five years alone, about fifty laws, amendments and supplements to the laws, more than thirty presidential decrees and a wide range of decisions concerning entrepreneurship and radically improving the business environment in the country and regions have been adopted.

Improving the business climate has contributed to maintaining stable growth rates and economic sustainability of small businesses. For 2000-2017 years, the share of small business in GDP increased from 31.0% to 53.3%. As a result of the measures taken to create a business environment, comprehensive support and further stimulation of the development of small business and private entrepreneurship in 2017 created 38.2 thousand new small enterprises and micro-firms (without agriculture, 122% compared to the same period in 2016). The largest number of small businesses was created in industries (27%), trade (21%), agriculture, forestry, fisheries (13%) and construction (10%). On January 1, 2018 the number of small businesses per 1,000 residents in Republic of Uzbekistan has been estimated at average 12.2, or 107.0% against the level of January 1, 2017.

In 2017 the small business and private entrepreneurship:

- industrial output was increased by 57 095.6 billion UZS (39.6% of total industrial production), or 102.1% against the level of 2016;
- investments in 19 407.1 billion UZS (32.0% of the total volume of the republic's investments), or 95.5% against the level of 2016;
- construction works were completed for 22 173.8 billion UZS (65.1% of the total volume of construction work), or 103.2% against the level of 2016;
- 681 161.9 billion UZS (58.4% of the total volume of services) were rendered (rendered) services, or 99.9% against the level of 2016;
- 88.4% of the total volume of retail trade turnover was formed, which amounted to 93 508.0 billion UZS (an increase of 1.1%);
- an increase in the freight turnover of road transport by 5.3% (77.9% of the total volume of freight turnover);

- growth in passenger turnover by 3.1% (94.8% of the total volume of passenger turnover);
- 10 587.7 thousand people were employed, or 78.3% of all employed in the economy (an increase of 1.8%).
- exports of goods (goods and services) by \$ 3 763.5 million (27.0% of total exports), which is \$ 624.4 million, or 19.9% more than in 2016;

The growth in the volume of exports was facilitated by an increase in the number of small enterprises and micro-firms exporting goods and services. Compared to 2016, their number increased by 1 10, in particular, industrial (733), trade (329), agricultural (162).

In the conditions of instability of the world and domestic economy, small enterprises are the optimal form of production in conditions of increased risk. In addition, it is obvious that one of the components of small business functions is the involvement in the production of material and financial savings of the population and the generation of new jobs [5].

The expansion of the number of small enterprises in these areas can be facilitated by the improvement of the financial environment for the development of the small business. The sustainable development of the banking sector in the country creates conditions for the development of the financial services market and the increase in the assets of small enterprises.

For the period 2000-2017 years increased credit support for small businesses due to all sources of financing 70 times, micro-crediting - 110 times.

However, despite the positive trends, there are still problems that impede the development of small business lending in the country, in particular: stringent lending conditions - loan terms and interest rates; duration of the loan procedure; high requirements of commercial banks for collateral; Crises in the global credit market, which hinder access to credit resources and reduce the own resources of commercial banks; inefficient use of the resources of public investment and credit institutions.

As recommendations for improving the financial environment for the development of small enterprises, measures can be taken in three directions:

1. system analysis of small business financing (factors acting on the demand side) and factors affecting the supply of financial services, in particular, credit resources, based on information from the Ministry of Economy, the Ministry of Finance, the Central Bank and the State Statistics Committee;
2. creation of guarantee funds and mutual guarantee companies that provide the most vulnerable categories of small enterprises, financing on more favourable terms compared to banks [7];
3. diversification of forms of financial support for the small business, when an effective alternative to bank lending can be development of overdraft, credit cards and credit lines, etc.

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