

The Role and Necessity of the Development of Small Business and Entrepreneurship Based on Foreign Investments

Djulmatova S.R.

Acting Associate Professor of the Department of “Digital Economy” Samarkand Institute of Economics and Service

Article Info

Page Number: 8750-8755

Publication Issue:

Vol. 71 No. 4 (2022)

Article History

Article Received: 15 September 2022

Revised: 25 October 2022

Accepted: 14 November 2022

Publication: 21 December 2022

Abstract: The development of the modern economy is impossible without an initiative policy to support small businesses and private entrepreneurship. World experience shows that small business is an important element of a market economy, without which a country cannot develop harmoniously. This article describes ways to develop small business and entrepreneurship through foreign investment.

Key words: investment, small business, entrepreneurship, investment climate, foreign investment, unemployment rate, welfare, economy, economic growth, manufacturing enterprises.

The development of small business and entrepreneurship in the country is the most important way to improve the welfare of the population and reduce unemployment in the country. The development of entrepreneurship largely depends on the volume of investments coming into the country. The more foreign investment enters the country's economy, the more small business and entrepreneurship will develop in the country. Major reforms in this area are being carried out in our country. Investments were chosen as an important factor in economic development, and the directions of economic development were determined by attracting investments. A lot of positive work is being carried out on the basis of these directions.

The President of our country, Shavkat Miromonovich Mirziyoyev, expressed the following opinion about these areas: “World experience shows that any country that has pursued an active investment policy has achieved stable growth of its economy. That is why investments are the driving force of the economy, it would not be an exaggeration to say that this is the heart of the economy by Uzbek standards. Along with investments in various industries and sectors, the regions will receive new technologies, best practices, highly qualified specialists, entrepreneurship will rapidly develop” [1]. In addition, the Action Strategy for the Further Development of the Republic of Uzbekistan defines the following tasks and priorities for the development of entrepreneurship and improvement of the investment environment:

- creation of a favorable business environment for the broad development of small businesses and private entrepreneurship, strict prevention of illegal interference in the activities of business structures by the state, law enforcement and control bodies;
- improvement of the investment environment, active attraction of foreign, primarily foreign direct investment in industries and regions of the country's economy;
- introduction of modern standards and methods of corporate governance, strengthening the role of shareholders in the strategic management of enterprises;
- improvement and simplification of procedures and mechanisms for connecting business entities to engineering networks [2].

We can achieve high growth rates in the economic sector based on the implementation of the above priorities. To do this, it is necessary to accelerate the implementation of these priorities. The focus is on foreign investment. This is the most efficient way. Entrepreneurship can develop very quickly based on investment. Based on the development of entrepreneurship in the country, the income of the population will increase. Secondly, it reduces unemployment. Thirdly, the well-being of the population will increase. As you know, this is one of the most urgent problems facing the economy. Based on the development of entrepreneurship, it is possible to solve existing problems in all spheres of the economy.

If we pay attention to the indicators of small business and private entrepreneurship in our country over the years, we can note that positive results have been achieved:

Indicators	2014	2015	2016	2017	2018	2019	2020	2021
Industry (billion sum)	30907.0	39643.5	50654.5	61367.8	87962.0	83344.2	103020.8	121719.2
Construction (billion soums)	13944.9	16954.0	19671.0	22469.4	37451.7	53960.9	63866.6	77762.0
Employment (thousand people)	9950.8	10170.4	10397.5	10541.5	10128.8	10318.9	9865.7	10070.7
Export (million USD)	3657.8	3377.7	3139.2	2759.3	3810.8	4714.8	3100.9	3711.2
Import (million USD)	6352.6	5523.1	5676.8	7511.9	10916.2	14972.2	10943.3	12389.0
Trade (billion sum)	50197.8	61972.3	78935.6	92973.0	114896.4	138920.7	164106.1	204787.4
Agriculture, forestry and fisheries (billion soums)	82957.2	101197.5	118011.4	152010.5	191759.2	219466.9	253238.2	307280.2
Services (billion	40187.9	47269.6	61346.2	69212.7	84433.4	103106.6	114052.7	144812.7

sum)								
Cargo transportati on (million tons)	416.1	472.8	538.6	548.8	611.7	641.0	638.9	678.9
Freight turnover (million ton-km)	8632.9	9225.1	10072.4	10444.4	11657.7	12152.3	12304.6	13108.1
Passenger transportati on (million people)	4224.5	4486.3	4866.5	5037.5	5242.6	5345.0	4904.8	5237.6
Passenger turnover (million passenger km)	93024.7	99872.8	107789.7	111435.0	115335.2	117412.7	107766.7	114681.5

Table 1. The volume of the main indicators of small business and private entrepreneurship in sectors of the economy

The table above shows the volume of small business and private entrepreneurship in the economy of the republic by years. Over the past 5 years, these indicators have achieved sustainable economic growth. It can be seen that every day small business and entrepreneurship is developing in our country. Our country's position in the World Bank's Doing Business ranking is also improving.

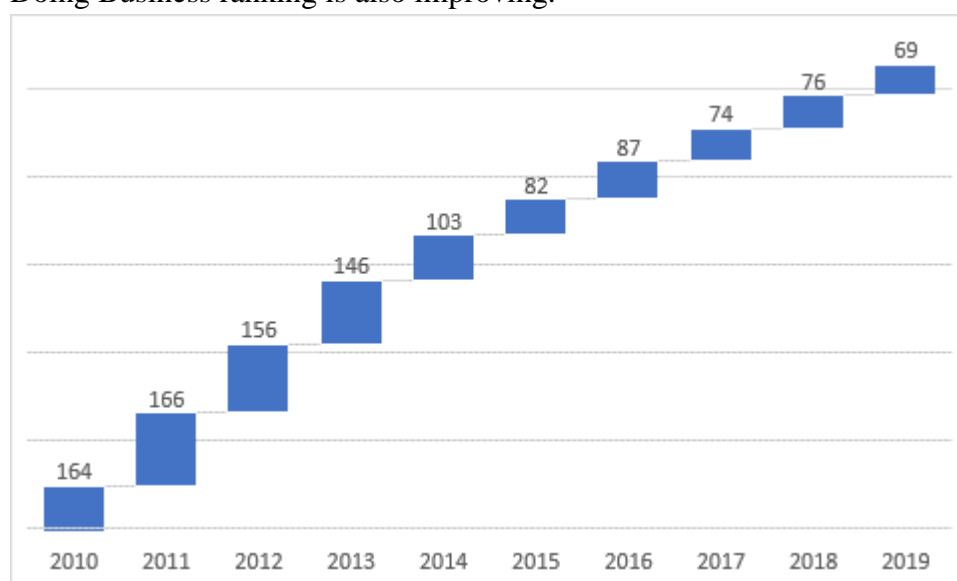


Fig.1 Dynamics of the place of the Republic of Uzbekistan in the World Bank's Doing Business ranking by years [3] .

The fact that the place of Uzbekistan in the above ranking is increasing indicates that a favorable business environment is being formed in our country and a favorable investment environment is being formed. If you pay attention to the figures, then in subsequent years the number of economic entities also increases significantly.

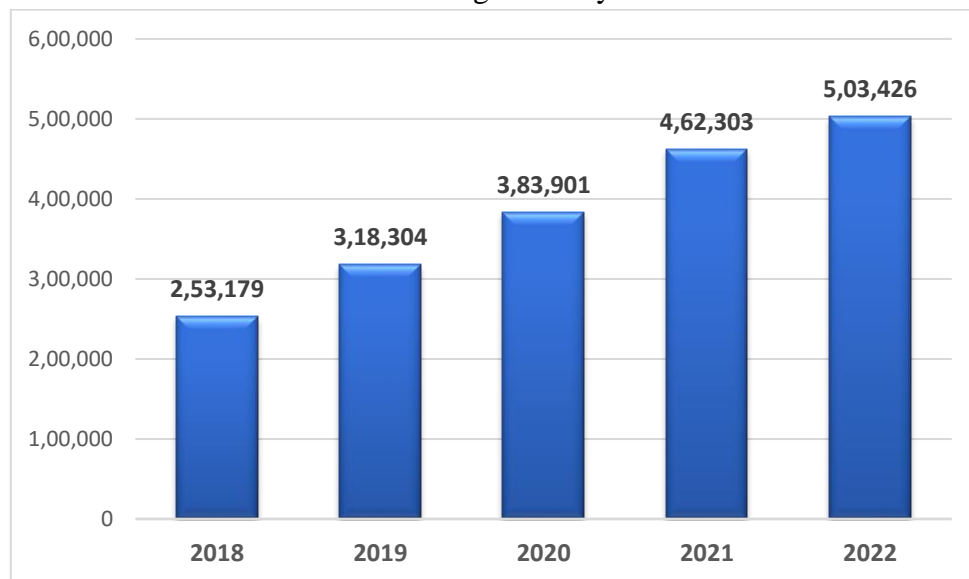


Fig. 2 Number of operating small businesses by years

There are many benefits of small business and entrepreneurship. Thus, it is possible to quickly adapt to market conditions, quickly adapt to changes in demand, quickly adapt from one activity to another with little cost. This sector of activity is very important in solving the problem of employment, in increasing the material interest of a person from the results of his free labor. From this point of view, it goes without saying that today our compatriots are engaged in retail trade, consumer services, and are actively involved in the production process. According to the Ministry of Economy and the State Statistics Committee, the growth rate of industrial production in small businesses is 2-3 times higher than the average for the industry as a whole.

In the process of economic reforms in our country, ample opportunities are being created for further support of small businesses and private entrepreneurship, especially in rural areas. Modernization of production, technical and technological renewal play an important role in the production of export-oriented products and improving the well-being of our compatriots. In particular, significant work in this direction is being carried out in Tailok, Urgut, Samarkand, Bulungur, Kattakorgan and other districts of the Samarkand region.

In recent years, a lot of work has been done in Uzbekistan to organize and comprehensively develop private business. Large-scale measures have been taken to regulate the registration of business entities, strengthen the legal framework that protects the interests of entrepreneurs and foreign investors, create opportunities for them to use raw materials and financial resources, stimulate small businesses and private entrepreneurship in our country has opened new horizons in its development.

Along with the above changes, some problems and shortcomings remain associated with the development of entrepreneurship and investment in business entities. We can include the following issues:

- lack of incentives for entrepreneurs to implement investment projects;
- the height of inflation in the country and the height of its impact on investment projects;
- high level of tax and customs fees;
- the presence of unreasonable interference in the activities of entrepreneurs by regulatory authorities and causing unlawful inconvenience to entrepreneurs on this basis;
- the presence of excessive bureaucratic barriers;
- unformed entrepreneurial culture among the population;
- high interest rates on bank loans.

Due to the problems and shortcomings listed above, there are currently obstacles to the development of entrepreneurship in our country. The rapid development of entrepreneurship is possible on the basis of the timely and accurate elimination of these problems and shortcomings.

As a solution to the above problems, we offer the following suggestions:

- increase in various benefits for entrepreneurs in the implementation of investment projects;
- reducing inflation in the country and maintaining it consistently at a low level;
- reduction of the amount of taxes and customs payments;
- not allow unreasonable interference of regulatory authorities in the activities of entrepreneurs and not create inconvenience in their activities;
- avoid excessive bureaucracy;
- formation of entrepreneurial culture of the population;
- lowering the high level of bank interest rates.

In conclusion, we can say that entrepreneurs are a key link in the development of the economy and the increase in the country's GDP. Because the main production activity in the country is carried out by entrepreneurs. Entrepreneurship is driven by investment. When the volume of investment in the country's economy increases, only then will entrepreneurship in the country develop rapidly. As a result of the development of entrepreneurship in the country, firstly, the unemployment rate decreases, and secondly, the income of the population increases. This is the main goal of economic development. In general, the development of entrepreneurship based on foreign investment is the most relevant and effective direction for the development of the country's economy.

References:

1. Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis on the most important priority tasks for 2019.// Narodnoye Slovo, December 29, 2018
2. Decree of the President of the Republic of Uzbekistan "On the Action Strategy for the five priority areas for the further development of the Republic of Uzbekistan" dated February 7, 2017 PF-4947.
3. Report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev on the results of 2016 and the most important priority areas of the economic program for 2017.

4. Kichik biznesni boshqarish – M.S. Qosimova; B.Y. Xodiyev: Toshkent. 2013-yil
5. Akhmedov D.Q., Ishmukhamedov A.E., Zhumaev K.X., Zhumaev Z.A. Macroeconomics. Textbook.- T.: TDI, 2004, 240 p.
6. Agapova T.A., Seregina S.F. Macroeconomics: Textbook. M.: Business and Service, 2001.
7. <https://tradingeconomics.com/uzbekistan/ease-of-doing-business>
8. <https://stat.uz/uploads/doklad/2019/yanvar-sentyabr/uz/8.pdf>