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THE GRANTED OPPORTUNITIES FOR PROMOTION BUSINESS AND THEIR RESULTS IN UZBEKISTAN

“Measures to improve the business environment and create more favorable conditions for the development of small business and private entrepreneurship deserve all kind of support” [1]

I.A.Karimov

The First President of the Republic of Uzbekistan

This article refers to the theoretical and practical aspects of business, its development paths and strategy selection in Uzbek economy, the statistical analyses through methods of observation, collection of statistical data, classification, tabulation; and also diagrams and graphs frequently used in presenting data, dynamic changes, comparison of the development of business in our Republic, including the ways of improvement of private sector in the formation of economy as well as the perspectives of development of business in Uzbekistan.

Key words: business, competitiveness, productivity, innovation, vulnerable strata of population, privatization, family business, individual business, micro firm; small business, Uniform State Business Register, statistical analyses of data.

Ushbu maqolada biznesni rivojlanishining nazariy va amaliy jihatlari, O'zbekiston iqtisodiyotida rivojlanish yo'llari va strategiyalari, Respublika bo'yicha biznes faoliyatining mavjud ko'rsatkichlari statistik tahlil qilingan. Shuningdek, O'zbekistonda xususiy sektorni yanada takomillashtirish va biznesni rivojlantirish istiqbollari o'z aksini topgan.

Kalit so'zlar: biznes, raqobatbardoshlik, hosildorlik, innovatsiya, aholi, xususiylashtirish, oilaviy biznes, individual biznes, mikro firma, aholining zaif qatlamlari, kichik biznes, yagona davlat registri, ma'lumotlarni statistik tahlil qilish.

В данной статье рассмотрены теоретические и практические аспекты бизнеса, его пути развития и выбор стратегии в узбекской экономике, результаты статистического анализа и динамические изменения, развития бизнеса в нашей республике, в том числе пути совершенствования частного сектора, а также перспективы развития бизнеса в Узбекистане.

Ключевые слова: бизнес, конкурентоспособность, производительность, инновации, уязвимые слои населения, приватизация, семейный бизнес, индивидуальное предпринимательство, микро фирмы; малый бизнес, Единый государственный регистр предприятий, статистический анализ данных.

The operation of a market economy is inseparably going to connect with business which is considered to be one of the main sector as fast growing economy and improving living standards in national economy. Through developing of this sector new jobs are created, productivity and competitiveness are increased, poverty are alleviated and societal goals are achieved, in particular by helping specific population groups to help themselves.

Business is more flexible and can adapt quickly to changes in demand, the situation on the global and regional markets, timely respond to their challenges, because it's compact in form, has a mobility and speed in decision-making and it's receptive to innovation. Creating and development business do not require large expenditures and capital investments, which allows faster and easier to carry out modernization, technical and technological equipment, develop new products, constantly updating its range and provide competitiveness.

The most important document accepted by the Central Bank of the Republic of Uzbekistan jointly with the Association of Banks of Uzbekistan, commercial banks and international financial institutions is the development of foreign funds and banks, proposals for the creation of the Guarantee Fund. It provides for business the need for the part uncovered collateral for loans of commercial banks issued for the purchase of new equipment.

It is known that, one of the basic principles of lending in the allocation of loans by commercial banks is that of a secured loan. The main problem is lack of business Republic of collateral in the financing of investment projects. The problem of lack of security for loans for business exist not only in countries with economies in transition, but also in developed countries such as the U.S.A, Japan and EU countries. In these countries, the issue is solved just through the mechanism to guarantee repayment of loans - the guarantee fund.

Creation of the Guarantee Fund for Development of entrepreneurship in Uzbekistan will increase access thousands of business representatives to bank loans who wants to organize production and services on the basis of new, advanced technologies. Undoubtedly business plays an important role in shaping the structure of the economy, meet rapidly changing market demands. Business represents a sphere of labor application and a source of income generation for a significant percentage of the country's population. Very often, it is the only economic sector, where many socially vulnerable strata of population, such as women, young people, uneducated and unskilled persons, can find a job.

As stressed by the President, “We should be aware that what has been achieved so far is just the beginning of the long path that the country has chosen: to become a modern, developed, democratic country; to ensure a decent quality of life for the people and for future generations; and to achieve a strong reputation in the international community”. [2]

Following the introduction of the First President's initiative, the country has adopted 27 laws and dozens of normative acts to implement constitutional and regulatory reforms. These reforms aim to: further develop and enforce the constitutional principle of separation of powers, enhance the role of the OliyMajlis (Parliament) within the governance system, and strengthen the parliamentary role and authority in shaping and implementing both domestic and foreign policies. Parliamentary powers have thus been enhanced, while the Government's accountability to the Parliament and local authorities' accountability to the Councils of the Peoples' Deputies have been strengthened. Critically, Uzbekistan has introduced an important institutional mechanism that allows the party that receives the largest number of Deputy Seats in the legislative chamber to promote its

candidate to the post of Prime Minister; strengthen judiciary control to ensure that civil procedural rights are enforced during the stages of inquest and investigation. The number of civil courts has been increased to improve the quality and speed of case processing. Strengthen accountability of the Government and public agencies for decisions taken under the Law “On the Openness of the Government and Public Agencies” further improve institutional and regulatory frameworks of civil self-governance institutions and enhance their roles in providing legal protection to citizens, particularly youth, women and vulnerable populations.

Opportunities of various strata of the population in taking advantage of benefits of economic growth also directly depend on infrastructure conditions. Infrastructure services are not only the major consumer benefits but also are means for increase of labour productivity and improvement of market access. Both functions of infrastructure - support of economic growth and expansion of its facilities- has a great importance for overcoming poverty, accumulating human capital, and increasing the welfare of the country.

Despite all these achievements, according to some sources, serious problems and imbalances, attributes of which can be found practically in all sectors and segments of the given sector of the economy, are maintained and being aggravated in social and economic infrastructure of the country.

Every year normative acts are adopted in particular fields in our country. Because of intensively changing economic conditions, newly adopted and long acting solutions sometimes come into conflict with each other. Confirming certain conditions and opportunities of Uzbekistan, our authorities are still searching for ways to modernize and develop infrastructure. In that way business assists to achieve particular goals as well as they have a great importance for overcoming poverty, accumulating human capital, and increasing the welfare of the country and adopting quickly for changing economic conditions.

The legal base for the activity of business in Uzbekistan is created by national legislation on privatization, restructuring and regulating natural monopolies, on measures on developing competition, introducing rent and concessions, attracting foreign investments, as well as on reforming certain sectors of social and economic infrastructure.

In the last few years, business has been making a huge contribution to the national economy, which is represented by three types of enterprises: individual, micro firm and small enterprises.

According to the governmental report, Uzbekistan achieved growth of gross domestic product (GDP) by 8% in 2015. The share of business in GDP amounted to 56,7%. Nowadays, in 2015, these sectors of the economy employ more than 76,5% of the total employed population against 49,7% in 2000. Encouragement of business in our country has proven one of the main strategic factors in Uzbek economy, in 2015, this sector of the economy employs more than 77, 6% of the total employed population against 74,3% in 2010. Encouragement of business in Uzbekistan is one of the main strategic factors in Uzbek economy. The share of incomes from business activity has increased to 52% in comparison to 47,1% in 2010. Over 980 thousand

jobs have been created, of which over 60% in rural areas, over 480 thousand graduates of professional colleges have been employed.[3]

Uzbek economy operates two types of enterprises, which are large and small enterprises, as well as the activities depend on personal and family labor. The condition to run a business in Uzbekistan has been implemented through the Law of the Republic of Uzbekistan "On family business", "On the introduction of amendments and additions" in the Law of the Republic of Uzbekistan, "On guarantees of free entrepreneurial activity" and they are designed to further facilitate the development of business.

According to the Decree of the President of the republic of Uzbekistan the law "On measures to further stimulation of small business and private entrepreneurship development" from April 9, 1998, the subjects of Small Business divided into three parts:

- 1) Individual business;
- 2) Micro firm;
- 3) Small business.

Individual business is physical person without legal entity, juridical / juristic person.

Micro firm employing 20 people or fewer people in production, 10 people or fewer in services, 5 people or fewer in trade (retail and wholesale).

A firm was considered "small" for the purposes of tax collection if the number of employees did not exceed an officially established limit of 200 people (to July 1, 2014 was 100 people) in heavy industry and construction, 25 in Research and science, 20 in other areas of production, 10 in trade and services.

The official definition of small businesses has changed a few times. The law "On measures to further stimulation of small business and private entrepreneurship development" currently regulates all activity of the small business sector.

As the matter of fact, according to the governmental report, Uzbekistan achieved growth of gross domestic product (GDP) by 8 % in the previous 2015. The contribution of business in GDP amounted to 56 %. "The number of newly established small business entities in 2015 comprised 26.9 thousand. As a result, the total number of operating small businesses entities as on 1 January 2016 reached 207104 units or 5.7 percent more than the same period last year, according to the press service of the State Statistics Committee of the Republic of Uzbekistan"[4].

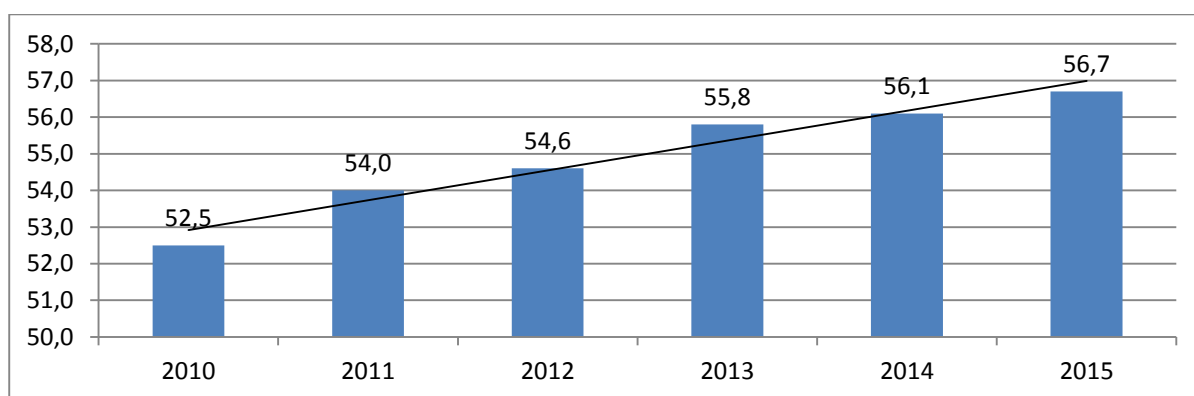
Achievements of the reforms, the results of socio-economic development of the country show the increasing role of private sector in the economy. The year 2015 observed the continuation of active work on providing the reliable protection to private property, small business and private entrepreneurship, the removal of barriers to their rapid development. Small businesses over the past year received loans in the amount of 12.1 trillion sums or 1.3 times more than 2014, including 2.5 trillion sums of microloans. In 2015, 26.9 thousands of new small businesses (the growth rate – 103.3% against 2014) were created. The greatest number of small businesses was established in industry and other branches (36%), trade and catering (30.4%) and construction (11.2%). As a result, the share of small business in GDP comprised

56.7%, industry – 38.9%, in retail turnover – 87.1%, in paid services – 50.8% and in employment - 77.9%. [5]

During 2010-2014 alone, GDP grew at average annual rates of more than 8 percent. Unemployment lies at the core of poverty. Certain part of the poor are

unemployed, which suggests that they should be attracted to labor markets. The Government has recognized the employment challenge and taken a number of steps to address issues related to economic governance and improving the business environment to promote private sector development. This challenge also cannot be de- macroeconomic considerations and external factors. Ensuring democratic, inclusive governance, based on core principles of equal participation, equal treatment, and equal rights before the law, has become a key development area. The Government has made continuous efforts to ensure the rule of law, democratize the governance system and encourage wider public involvement. In particular, the President introduced the “Concept of further deepening democratic reforms and establishing civil society in the country” to set the stage for strategic national reforms in governance and the public sector.

It is admitted that, the share of small business and private entrepreneurship in GDP is increasing year by year. As you can see below, the bar chart represents growing trend of share of small business and private entrepreneurship.



Graph 1. The share of small business and private entrepreneurship in GDP [6]

Principles of incentives to ensure the development of small business and private entrepreneurship are the provision of tax incentives, the use of a simplified tax system, preferential loans, reducing the frequency and timing of tax and accounting in government tax and statistical authorities, ways to reduce the frequency of tax and other inspections.

The higher stability of this sector compared with large enterprises to the challenges and consequences of the global financial and economic crisis. Business is not only a source of income, but also opportunity to disclosure the creative and intellectual abilities of people. This scope allows everyone to show their individual talents and capabilities, thereby forming a new layer of people - enthusiastic, enterprising and prone to self-employment who can achieve the goal.

The message of the Committee says that in January-December 2015 the share of small business and private entrepreneurship in total volume of industrial production

amounted to 38.9% (in 2014 – 34.8%), in retail turnover – 87.1% (86.3%), in services – 55,7% (51.5%), in paid services – 50.8% (48.6%), in the carriage of goods - 53.1% (50.9%) passenger carriage – 88.0% (85.6%) and in employment – 77.9% (77.6%).

The share of goods of private entrepreneurship (ownership of citizens) in total volume of goods (works, services) of small business in 2010-2015 is characterized by the following data:

Table 1.

The share of goods Small Business and Private Entrepreneurship in 2010-2015 [6]

Indicators	2010	2011	2012	2013	2014	2015
GDP	52,5	54,0	54,6	55,8	56,1	56,7
Industry	18,8	21,9	23,1	28,1	31,7	44,6
Agriculture	97,8	97,7	97,8	98,1	98,3	100,0
Investments	28,5	31,9	35,3	32,7	35,4	-
Construction	53,1	68,6	71,1	71,5	69,5	66,4
Trade	-	86,7	87,3	86,6	86,3	89,8
Paid services	47,0	46,3	44,9	46,2	48,6	-
Freight transportation	41,6	43,2	44,2	47,3	49,8	65,6
Passenger transportation	79,4	81,8	83,1	84,5	85,2	92,0
Employment	74,3	75,1	75,6	76,7	77,6	-
Export	13,7	18,8	14,0	26,2	25,9	3,3(\$,mln)
Import	35,8	34,3	38,6	42,4	45,5	8,8(\$,mln)

In addition, according to the State Statistics Committee, entities of small business and private entrepreneurship in 2015 utilized 14.79 trillion soums of investments, which makes 36.3% of the total volume of utilized investments in the Republic.

Taking into account national peculiarities and spiritual values of the republic, entrepreneurship has a special social significance. Social efficiency reflects the degree of achievement of the social dimensions of entrepreneurship. In this case brings to the fore the question of how data with limited resources to best meet the needs of staff entrepreneurial structures (micro level) and all members of society (macro level). In this regard, the President of the Republic of Uzbekistan scheduled major challenges in the further development of small business and entrepreneurship in Uzbekistan:

- Reduction of government intervention and regulatory authorities in the financial and economic activities of businesses;

- Creation of maximum favorable conditions, privileges and preferences on tax and other payments for small business and private entrepreneurship, improvement and standardization of the reporting system and the mechanism of delivery of reports in the financial, tax and statistical authorities;

- Broad involvement and direction for the development of small business of foreign investment, especially concessional loans from international financial institutions and private equity;

- Further development of the information management system and advice to small business and private entrepreneurship, as well as in matters of training, retraining and skills development;

- Expand opportunities for small businesses bank loans, raw materials.

However, the Law of the Republic of Uzbekistan "On family business": allowed to carry out activities in the family business of residential and non-residential premises owned by the participants in the family business ownership or other legal basis, sales of products family business can be carried out at the place of production; determined that after the payment of family business members of taxes and other obligatory payments remaining under their jurisdiction shall be exempt from income tax; found that a family business in the manner prescribed by law shall be exempted from the single tax on revenue received from the sale of products of national crafts and applied arts own making.

Needless to say, according to the data of the Uniform State Business Register, as of January 1, 2016, the number of registered legal persons (excluding dekhkan and private farms) was 278,5 thousand units, 257,8 thousand of them (92,6 percent of total registered enterprises) are operating.

The greatest number of enterprises and institutions was registered in trade and catering (27,5 percent of total registered enterprises), industry (17,6 percent), construction (9,0 percent), and agriculture and forestry (8,2 percent).

In the total number of registered enterprises and organizations the share of non-state form of ownership was 86,0 percent of which 30,4 percent - private enterprises, 1,8 percent - enterprises with participation of foreign capital, 53,8 percent – other enterprises.

The distribution of registered and operating enterprises by branches of economy, as of January 1, 2016, is characterized by the following data:

Table 2.

The distribution of registered enterprises in 01.01.2016 [6]

Branches of economy	Registered		Operating	
	Thousand	As % of total	Thousand	As % of total
Total	278,5	100,0	257,8	100,0
of which:				
Industry	48,9	17,6	45,6	17,7
construction	25,0	9,0	22,8	8,8
agriculture and forestry	22,6	8,1	20,3	7,9
personal services	4,3	1,5	4,0	1,5
health care, physical culture, sports and social security	11,6	4,2	11,3	4,4
education, culture, science and scientific services	22,0	7,9	21,6	8,4
other branches of non-material production	32,1	11,5	30,6	11,9

In the sectoral composition of newly registered enterprises and institutions 29,3 percent - the share of trade and catering, 23,7 percent – industry, 10,8 percent - construction. In the reporting period 23,7 thousand enterprises and institutions were liquidated. Out of them 5,8 thousand (24,4 percent of all liquidated) were liquidated voluntarily.

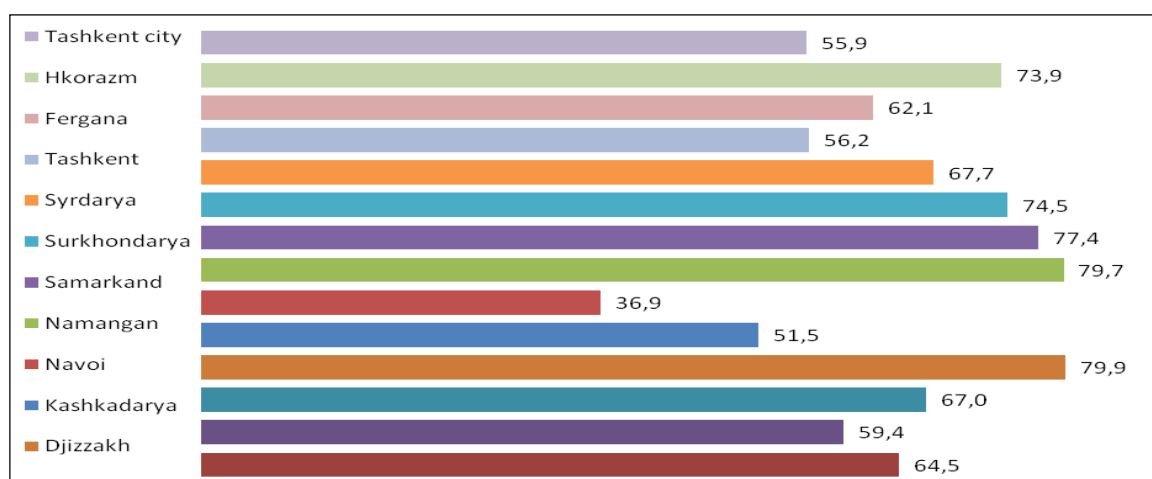
Measures taken to build the business environment, comprehensive support and further stimulate the development of small and private business contributed to the creation of more than 26,9 thousand of new small business entities in January-December 2015 (3,3 percent more than in January-December 2014).

In January-December 2015 small business entities:

- provided employment to 10178,9 thousand persons (77,9 percent of total persons employed in the economy), including 7949,4 thousand persons of the individual sector and 2229,5 thousand persons of small enterprises and micro firms;
- produced industrial output to the amount of 35699,7 billion soums (38,9 percent of total industrial production), or 119,8 percent to the level of January-December 2014;
- utilized 14789,3 billion soums of investments (36,3 percent of total utilized investments), or 118,1 percent to the level of January- December 2014;
- executed construction works to the amount of 17015,0 billion soums (67,2 percent of total construction works), which makes up 114,4 percent to the level of January- December 2014;
- ensured the growth of freight turnover of motor transport by 8,5 percent (83,9 percent of total freight turnover) and passenger turnover by 8,2 percent (89,9 percent of total passenger turnover);
- formed 87,1 percent (61839,9 billion soums) of total retail trade turnover (the growth by 16,0 percent) and 50,8 percent (13881,7 billion soums) of total paid services (the growth by 15,0 percent);
- exported products (goods and services) to the amount of USD 3461,6 million (26,9 percent of total exports), imported products (goods and services) to the amount of USD 5524,8 million (44,5 percent of total imports).

The number of persons engaged in the private sector of small business was 9376,4 thousand or 92,1 percent of total employment in the sphere of small business.

In recent years, the country has done much to create a favorable business climate and stimulate this segment of the economy. In the past five years, the share of small business and private entrepreneurship in the gross domestic product rose from 52,5 percent to 57,0 percent in 2010 and 2015, respectively. Another interesting fact - today in this sector employs over 77,6 percent of the total employed population.



Graph 2. Statistics on Uzbek SBPE: regional data for 2014. [7]

In January-December 2014 the number of newly registered enterprises and institutions was 27,9 thousand, 26,9 thousand of which are small business entities. Their significant number was marked in the city of Tashkent (25,5 percent of

total registered in the republic), Tashkent region (9,9 percent), Fergana region (8,4 percent), and Samarkand region (7,6 percent).

All types of business in Uzbekistan should be built creatively, taking into account the country realities. Such approach will be consistent with modern view of effective reform strategy, when universal recipes are replaced by search of own decisions, reflecting features of economy and institutes of individual countries.

National and foreign investors are not ready to allocate necessary resources, but even if financial resources are available, existing gaps in the legislation and shortage of experience would most likely lead such campaign on failure, having discredited thus Small business and private entrepreneurship in the government and the society as well as having undermined trust of private sector for a long time.

To sum up, business plays a crucial role in the formation and development of Uzbek economy. Since its independence the government of Uzbekistan, which is a doubly landlocked country with a gross national income per capita (GNI, Atlas method) of US\$2,090 in 2015, but resource rich (gold, copper, natural gas, oil, uranium), with great development potential, and strategically located in the heart of Central Asia and in addition, it's the only country bordering all other Central Asian states and its development affects energy, water, trade and other issues, and ultimately political and social stability within the region, conducted enormous economic changes with the initiative of the First President of the Republic of Uzbekistan I.A.Karimov. Economic reform has been gradually increased throughout many areas.

The inherent flexibility of small businesses and high adaptability to market conditions variability contribute to the stabilization of macro-economic processes in the country. Analysis showed that in Uzbekistan, the sector characterized by a certain yield, high labor intensity, the complexity of the introduction of new technologies, limited own resources, and increased risk of competition. In our view, it is appropriate to establish a definite system which provides for sanctions for clear violations or improper fulfillment of the law. A special role is played in small business control over the implementation of legislation and economic reforms should be based on the full legal space. In this case, absolutely equal footing before the courts and arbitration authorities should be all. Uzbekistan has developed industry and regional priority programs and enterprise development are successfully implemented.

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