

# THE ROLE OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN THE PROCESS OF MODERNIZATION AND DIVERSIFICATION OF THE ECONOMY

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**Abstract**— The article discusses the role of small business and private entrepreneurship in the modernization and diversification of the economy. According to the author, small business and private entrepreneurship provide high rates of resource turnover as capital-intensive economic activities in the face of capital shortages, and quickly and economically solve the problem of forming and replenishing the consumer market amid economic recession and resource constraints. The article analyzes the dynamics of changes in the share of small businesses in GDP in Uzbekistan from 2000 to 2018 and draws conclusions

**Index Terms**— small business and private entrepreneurship, employment, new jobs, income of the population, able-bodied population...

## 1 INTRODUCTION

Significant work is being done on further development of small business and private entrepreneurship, which play an important role in the national economy, thus filling the domestic market with competitive, high-quality and export-oriented products, creating new jobs and, as a consequence, ensuring sustainable economic growth. Commercial banks of the Republic of Uzbekistan also contribute to the development of small businesses and private entrepreneurship in accordance with the state program and resolutions of the President. In this regard, cooperation between banks and small businesses and private entrepreneurship deserves special attention. In many foreign countries, the state pays great attention to the development of small business, in particular, the creation of various types of incentives for its development. For example, in the United States, the share of small business in GDP is 50-52%, in the UK 50-53%, and in Japan 52-55%. At the end of 2018 this indicator was 59.4%, industrial production - 34.7%, construction - 66.6%, services - 55.2% and investments - 34.9%.

Small business and private entrepreneurship provide high rates of resource turnover as capital-intensive economic activities, and quickly and economically solve the problem of forming and replenishing the consumer market amid economic recession and resource constraints. Small businesses are able to adapt quickly to changes in consumer demand, thereby ensuring the necessary balance in the consumer market. Small business and private entrepreneurship play an important role in addressing the unemployment problem by creating new jobs. At present, this sector plays a leading role not only in accelerating the pace of economic

growth, but also in addressing issues of employment and income increase that are of vital importance to our country. In recent years, the number of small business and private entrepreneurship enterprises in our country has been growing.

## 2 LITERATURE REVIEW

The role of small business and private entrepreneurship in economy was studied by many researchers and scientists.

By professor Yuldashiev N.K. [11], Khakimov Z.A. [8,9], Tursunov B.O. [5,6,7,10], Krivyakin K.S. [8,9] investigated management and marketing aspects of business, and marketing problems were studied by professor Ergashkhodjaeva Sh.D. and others [8].

## 3 ANALYSIS AND RESULTS

The results of the study, set out in the first chapter of the work In the Strategy of Action for the five priority areas of development of the Republic of Uzbekistan for 2017-2021: "creation of new jobs and employment of population, first of all secondary and higher education institutions, ensuring the balanced labor market and development of infrastructure, reducing unemployment; creation of conditions for full realization of labor and entrepreneurial activity of able-bodied population, improvement of quality of labor force, expansion of system of vocational training, retraining and advanced training of people in need "[1]. Effective implementation of these tasks requires improvement of small business and private entrepreneurship in the republic on the basis of statistical study.

Implementation of the Presidential Decree of the Republic of Uzbekistan dated July 14, 2018 No PP-3859 "On Measures to Improve and Increase the Efficiency of Employment" [2] dated June 8, 2018 The results of this study will serve to some extent in the implementation of the tasks set forth in the Decree of the President of the

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The main directions of the program are:

- entrepreneurship of the population wishing to do business

all-round support of the initiatives, allocation of soft loans and provision of systematic practical assistance by the competent authorities at each stage of the organization and implementation of entrepreneurial activity;

- training of entrepreneurial skills and providing practical assistance in organizing business activities for people who are not engaged in business or income generating activities;

- creation of additional jobs through practical assistance in expanding the activities of business entities;

- providing people with additional income through financial assistance to establish home-based businesses and small-scale businesses (micro-firms);

- mini-clusters for families with entrepreneurial skills that have achieved positive results in this area, taking into account rural and community specialization (crafts, sewing, production of certain types of agricultural products, setting up greenhouses, etc.) to organize;

- cardinal extension of the range of services rendered to family entrepreneurship in the field, the creation of market infrastructure facilities, service and service centers that organize the sale of products produced by entrepreneurial families;

- Creation of additional jobs and income sources for the population through the transfer of vacant land in rural areas and mahallas to newly established family businesses;

- non-performing financial and economic activities and the state

identification of entrepreneurs operating without registration and taking specific measures to restore and legalize their activities.

Within the framework of the program "Every family

- entrepreneur" commercial banks will provide a number of soft loans. [3] According to official statistics, more than 48,900 small businesses and microfirms (excluding farms and dehkan farms) were established in 2018, which is 28.2% more than in the same period last year. As a result, the share of small business and private entrepreneurship in GDP increased from 31.0% in 2000 to 52.5% in 2010 and 59.4% in 2018. [4]

It is particularly noteworthy that today over 74.0% of the employed population of our country works in this sphere. Loans provided by banks for financial support of KBTU in 2018 increased by 36.0%, and microcredits to entrepreneurs and individuals increased by 70.0%.

One of the key indicators of economic development is gross domestic product (GDP). The share of small business and private entrepreneurship in GDP is increasing. As an

example, we can provide data on the share of small and private businesses in GDP in 2000-2018. This share was 31.0% in 2000, compared to 56.8% in 2018 (Figure 1).

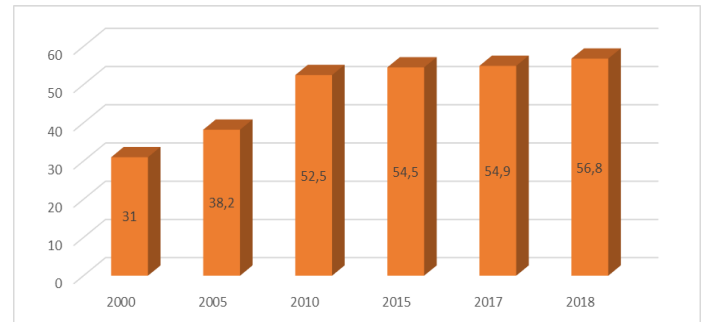


Figure 1. Dynamics of change in the share of small business in GDP in 2000-2018,%

Analysis of the picture above shows that the share of small business in GDP increased by 7.2% from 2000 to 2005, and by 14.3% over the next five years, and only by 2% by 2010-2015 and two years later. We can see an increase of 0.4%, a 1.9% increase in 2018 compared to the previous year, and it follows that 20 years ago, the emphasis on small business has been steadily rising over recent years. According to the analysis of small business and private entrepreneurship in the Republic of Uzbekistan for 2000-2010, in 2000 it was 149,309, and in 2010 it was 197,971. (Figure 2).

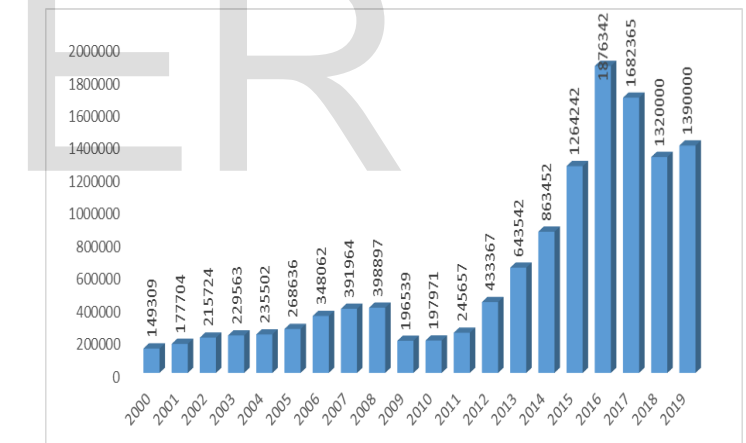


Figure 2 Number of small business and private entrepreneurship entities operating in the Republic of Uzbekistan

Uzbekistan has favorable business environment. To them:

- high propensity to introduce new business activities in Uzbeks;
- The formation of entrepreneurial activity corresponds to the national education system;
- high share of income of Uzbek people in savings;
- Strong ties between Uzbekistan and the world;
- relatively low wages and purchasing power of the population;
- Favorable political conditions.

Uzbekistan gained its independence and gave an opportunity to choose its own path of development. The transition to a socially-oriented market economy in the Republic has justified the idea of building an open democratic state and civil

society and the five principles of its implementation. Thanks to their consistent implementation today, the high rates of economic growth and macroeconomic balance in the country are being ensured, structural restructuring and modernization, technical and technological renewal of production is going on.

In the economy of the Republic of Uzbekistan, small business and private entrepreneurship make up the bulk of GDP. The following are the percentages of small business and private entrepreneurship in the period 2000-2018 (Table 1):

Table 1. Share of small business and private entrepreneurship [4]

Years	GDP	Industry	Construction	Employment	Export	Import
2000	31,0	12,9	38,4	49,7	10,2	27,4
2001	33,8	12,5	40,4	51,8	9,3	26,9
2002	34,6	15,4	42,0	53,5	7,5	24,9
2003	35,0	10,8	39,9	56,7	7,3	33,7
2004	35,6	11,0	49,6	60,3	7,3	32,7
2005	38,2	10,0	50,9	64,8	6,0	33,7
2006	42,1	10,9	52,1	69,1	10,7	34,0
2007	45,7	13,2	55,4	72,1	14,8	32,0
2008	48,2	14,6	58,4	73,1	12,4	35,7
2009	50,1	17,9	42,4	73,9	14,6	42,5
2010	52,5	26,6	52,5	74,3	13,7	35,8
2011	54,0	28,6	67,6	75,1	18,8	34,3
2012	54,6	29,7	70,0	75,6	14,0	38,6
2013	55,8	33,0	70,6	76,7	26,2	42,4
2014	56,1	36,8	69,5	77,6	19,8	45,4
2015	54,5	40,6	66,7	77,9	27,0	44,5
2016	57,3	45,3	66,9	78,2	26,0	46,8
2017	54,9	41,2	64,8	78,0	27,2	50,2
2018	59,4	37,4	75,5	76,3	24,1	53,6

Our analysis shows that the share of individual entrepreneurs and microfirms in the production of gross regional product by small businesses and private entrepreneurship is still high.

#### 4 CONCLUSIONS

In summary, rapid development of small business and private entrepreneurship is a key element in ensuring sustainable economic growth in any country and a priority in ongoing economic reforms. Sustainable development and support of small business and private entrepreneurship in our country

is also identified as one of the key priorities of the socio-economic development of the country.

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