

# Methods for Evaluation and Measurement of Intellectual Capital of Employees of Small Businesses

Muyassarkhon Umarkhodjaeva

Ph.D, Associate Professor at “Corporate professor”,

Tashkent State University of Economics,

Tashkent City

Republic of Uzbekistan

**Abstract-** The aim of the study is to evaluate methods for measuring intellectual capital (assets) to create a management balance sheet in a company with a predominant share of intellectual resources. In the course of the research, methods of assessing and measuring the intellectual capital of Russian and foreign enterprises were studied, a methodology for assessing and accounting for intellectual assets in the form of intellectual potential (capital) was developed. The efficiency of developments is achieved due to the method of building an intellectual balance, which, on the one hand, is difficult to use, because each asset is classified and accounted for, on the other hand, it has a monetary value of assets, has a clear output form (balance sheet), and also establishes a rigid connection between assets and their sources of formation and capital.

**Keywords:** Human capital; intellectual capital; assets; enterprise potential; workers; balance; methods; efficiency; intellectual property.

## I. INTRODUCTION

Since the first years of Uzbekistan's independence, much attention has been paid to the development of a legislative and legal framework, the organization of financial support, the protection of the rights of entrepreneurs, the training and retraining of personnel, the development of market infrastructure serving small businesses.

Today the statistics are open and what can we observe? Small businesses continue to show growth rates. In January-September 2019, the share of small business in GDP was 57.2% (60.9% in January-September 2018). This decrease is explained by the increase in the share of large enterprises in the structure of GDP. And in recent years, the share of small business has grown steadily in GDP.

This means that in the total mass of goods produced and services rendered in all sectors (trade, construction, industry, etc.) in one year, a certain part, in this case more than half, was produced by precisely those small firms and enterprises.

For comparison, the share of small and medium-sized businesses in the GDP of developed countries is 50-60%. In Poland - 51%, Germany - 53%, Finland - 60%, the Netherlands - 63%.

One of the main indicators of the development of the business environment in the world is the World Bank (WB) Doing Business report, which is the most authoritative, recognized and most cited study that assesses the ease of doing business in 190 countries of the world according to 10 indicators.

The country's position in this rating not only reflects the favorable business environment, but is also an important criterion when making investment decisions in the international business community.

## II. LITERATURE REVIEW

Issue of statistics of competition of small business and private entrepreneurs assessment methods were studied by Odilov R.[1], the empirical research on causal relationship between export and foreign investments in the economy of Uzbekistan based on granger test were made by Mustafakulov, S. I.[2], econometric model of production capacity usage of textile enterprises in Uzbekistan were researched by Tursunov B.O. [3,4,8], Modernization and intensification of agriculture in the republic of Uzbekistan were investigated by Yuldashev, N. K., Nabokov, V. I., Nekrasov, K. V. [5,6], evaluation of textile and clothing industry clustering capabilities in Uzbekistan were made by scientists as well as Ergashxodjaeva, S. J., Kyvyakin [7], Features Of Investment In Mutual Fund and The factors effecting net actives of investment funds were studied by economists Burkhanov A. U., Hudoykulov H. H. [9,10] and et.al.

## III. METHODOLOGY

Is this article uses the methods of analysis and synthesis of scientific knowledge, induction and deduction, systematic approach, statistical and financial analysis.

#### **IV. ANALYSIS AND RESULTS**

Thanks to the measures taken in recent years in the Doing Business rating among 190 countries of the world, Uzbekistan has risen from 138th to 69th place.

The following conditions have been created for business development in our republic:

1. The time for registering a small business is 30 minutes. To register a subject, as an individual entrepreneur, it is required to prepare only one document, and as a small enterprise with a legal entity - two documents.

2. Financial support for small businesses is carried out as follows:

issuance of preferential bank loans at a subsidized rate;

by the guarantee of the State Fund for Supporting the Development of Entrepreneurial Activity to business entities in the amount of up to 50% of the amount of the loan received;

the presentation by the Fund of compensation for interest expenses on loans from commercial banks.

3. The interests of business are protected by the institution of the Commissioner for the protection of the rights and legitimate interests of business entities. In Uzbekistan, unscheduled inspections of small business activities have been canceled, business entities are exempted from all types of liability that have committed financial and economic offenses for the first time;

4. All over the country, training courses have been organized for entrepreneurs on doing business, implementing projects on the basis of privatized facilities. Clusters of youth entrepreneurship have been created, where young start-up entrepreneurs have been leased sites at a zero rate for a period of 5 years.

The measures taken were aimed at improving the regulatory framework and regulatory procedures in the field of entrepreneurial activities, creating a favorable business environment and a positive image of the country in the international arena.

The American research institute Heritage Foundation has published another Index of Economic Freedom, in which Uzbekistan ranked 140th in 2019 and rose over the year from 152nd with a score of 53.3 points.

The Freedom of Business sub-index, which is directly related to the development of small businesses and the business environment as a whole, reflects the opportunities for starting, running and closing a business;

the level of the general administrative burden on entrepreneurs; and the degree of government efficiency in regulating the business environment.

Data for 2010-2019 show positive dynamics, which is directly related to changes in the regulation of the business environment and the creation of favorable conditions for small businesses.

The main problems in the field of small business and private entrepreneurship are still considered:

- lack of own and borrowed funds, as a result of which small businesses are unable to purchase modern and high-tech equipment;

- problems and difficulties in obtaining land plots for the implementation of entrepreneurial activities, as well as in connecting to engineering and communication networks;

- lack of liquid security or this security is not enough for a bank loan at the start of its activities, which reduces the possibility of obtaining a loan;

- difficulties in obtaining long-term loans that stimulate the formation and development of small innovative industrial production;

- ineffective mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the external market in certain sectors of the economy and the problem of entering foreign markets;

- insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting centers, business centers, business incubators;

- insufficient development of sales markets, as well as markets for raw materials and materials;

- poor preparation of the professional and qualification level of those employed in small business;

- a large number of regulatory authorities.

Low equipment of small enterprises with modern technological equipment, ensuring the release of competitive products.

At the same time, there are unresolved problems in the banking sector, many entrepreneurs point to high lending rates and commissions on bank operations, in particular, an additional fee is charged for the consideration of the submitted documents by the credit commission.

In addition, when obtaining a loan, entrepreneurs need to cover the costs of insurance and assessment of collateral, notarization of loan documents, etc. Along with this, banks have established subscription fees and other commission percentages for converting funds, opening a letter of credit, transferring converted funds to the accounts of banks of foreign partners and other services, which is a significant financial burden for entrepreneurs who have applied to commercial banks for financial support.

To prevent this situation, it is proposed to resume the activities of credit unions and microcredit organizations, which could become real competitors for commercial banks, which would reduce the rates. Also, it is necessary

for commercial banks to recognize the valuation of collateral carried out by independent valuation organizations. At present, the appraisal organization is indicated by the bank itself, and the value of the appraised collateral may be underestimated.

Proposed measures to stimulate the development of small business and private entrepreneurship:

- 1) Subsequent easing of interest rates on loans, which will allow small businesses to reduce costs and ensure financial stability, because in world practice, the lower the loan rate, the more stimulated the growth of production and consumer demand;
- 2) Organize training of personnel with entrepreneurial skills, which is a catalyst for the development of small business and individual entrepreneurship for self-employment through the introduction of vocational education "Vocational education" for grades 10-11 of secondary schools based on the experience of Austria and Germany.
- 3) Continuing and strengthening the development of cooperation ties between large enterprises and small businesses, as well as holding cooperation fairs;
- 4) Cardinal simplification of the processes of agreeing on land issues, registering buildings when transferring them for use or into the ownership of entrepreneurs;
- 5) Development and implementation of a criterion for assessing the activities of government and local government bodies for the development of entrepreneurship and the business environment in general;
- 6) Development of public-private partnerships aimed at reducing entrepreneurial and investment risks in the areas of research and development, the spread of new technologies;
- 7) The introduction of a mechanism for transferring shares of state-owned enterprises to the management of its employees who have been working in them for more than 5 years, which could give an additional incentive to these employees to think like an entrepreneur and work on the development of the enterprise.

Recently, in the theory and practice of personnel management, more and more attention is paid to the intangible component of business, which is largely due to the growing role of intellectual capital in creating a company's value, increasing competitive advantages. Moreover, with the acceleration of technological progress, the development of globalization and communication processes, whole industries are emerging, the business of which is organized out of the "air", without any material resources. Many well-known, now Internet projects with huge capitalization have grown by accident, simply as a result of the implementation of someone's idea. At a minimum, this suggests that value can be created not only as a result of the use of material and financial resources, but also as a result of the use of intellectual resources, or the so-called intellectual potential (capital), which confirms the extremely high degree of relevance of this topic.

Currently, the concept of intellectual potential is well developed and is used by many successful companies in the world. The most famous classification of methods for assessing intellectual potential is the classification of Karl-Eric Sveibi, which subdivides all methods of assessing intellectual potential into methods of direct measurement, market capitalization, return on assets and scoring [1].

Apart from all, there are methods for assessing intellectual potential by building an intellectual balance, where intellectual assets and liabilities are on opposite sides of the balance, thereby forming assets and the sources of their formation - capital.

The complexity, ambiguity of terminology, a high proportion of subjectivity in the identification and assessment of intellectual assets lead to a wide variety of assessment methods and complicate the choice of the optimal method for the management system of companies. Analysis of existing assessment methods showed the following problems:

- synthetic valuation methods are based only on aggregated indicators, without taking into account the properties of specific assets;
- methods based on a system of indicators, firstly, more often give only a qualitative assessment of an asset, and not a monetary one, and secondly, most often they provide only indicators, not assets, and thirdly, they are as subjective as possible;

Methods of building an intellectual balance, on the one hand, are difficult to apply, because each asset is classified and accounted for, while others have a monetary value of assets, have a clear output form (balance sheet), and also establish a rigid connection between assets and their sources of formation, capital.

Let's try to look at the concept of an intangible asset from another, accounting side. In the International Valuation Standards, the standards of the Russian Society of Appraisers, it is mentioned that the accounting principles limit the concept of intangible assets only to those assets that are generally recognized, are reflected in the company's balance sheet in accordance with the law, have a residual life established by law or contract, and / or must admit the possibility of transferring them individually and separating them from the business.

More information on this source. For more information, enter the source

To accept an object for accounting as an intangible asset, the following conditions must be met:

- the object is able to bring the organization economic benefits in the future;

- the possibility of separation or separation (identification) of an object from other assets;
- the object is intended to be used for a long time, i.e. useful life exceeding 12 months or normal operating cycle if it exceeds 12 months;
- the organization does not intend to sell the object within 12 months or the normal operating cycle if it exceeds 12 months;
- the actual (initial) cost of the object can be reliably determined;
- the object has no material form [2].

Based on the above, it is obvious that not all resources can be reflected in the balance sheet - knowledge and qualifications of personnel, management experience, client relationships, etc., which cannot be reflected in accounting, but have an impact on the value of the company. Accordingly, we can talk about at least 2 approaches to understanding intangible assets:

- accounting, strictly adhering to all legal requirements and accounting regulations;
- cost, taking into account all factors that create the value of the company, incl. not documented.

Further, the concepts of intellectual property (IP) and intangible assets (IA) will be referred to 1 approach, and the concept of intellectual capital (IC) or intellectual assets - to 2.

We propose the following approach to identifying the role of the intellectual potential of its components in creating a company's value, presented in Figure 1.

Figure 1 - Influence of the components of intellectual potential on the values of the company

Intellectual potential allows you to look at the company's resources from different angles, take into account not only financial, but also human and structural factors in the formation of value, see an integral image, and not only the legal and accounting structure of the company, as is the case with intangible assets [3] ... Thus, under the general name "intellectual capital", phenomena that are essentially different and not directly related to intelligence are united - the system of employee values, brands, customer loyalty, etc.

In our opinion, intellectual capital has a number of distinctive properties:

- information asymmetry;
- partial non-competitiveness;
- intangibility;
- partial non-exclusion;
- non-commodity;
- the presence of increasing returns and network effects;
- vague property rights;
- non-additivity.

Information asymmetry appears due to the intangibility and inability to evaluate the resource; due to its sale, there is a failure in judging the quality of the purchased resource, the assessment of which is possible only after its use.

Partial non-exclusion means the possibility of illegal use of an intellectual resource by other market participants due to technical and legal difficulties in protecting it. This leads to the fact that the enterprise cannot exercise full control over the use of the intellectual resource and part of the economic benefits will be gained by a competitor or a consumer who has not paid for its use.

Intangibility means the absence of the possibility of demonstration, assessment of the resource with the help of various senses.

Fuzzy property rights, for example, when an employee is fired, his experience, skills and knowledge, which were part of the company's intellectual capital, are removed from the company.

Non-commodity is a consequence of partial non-exclusion, because the possibility of illegal (free) use of an intellectual resource negatively affects the formation of market mechanisms in the market for these resources.

Partial non-competitiveness is explained by the possibility of the simultaneous use of this type of resources. An example would be an organization's website that customers use to get the information they need at the same time.

Increasing returns implies a synergistic effect of increasing or pooling resources. For example, when solving a complex issue in a company, employees can unite into a team and arrange a brainstorming session, while ideas generated by one person can be picked up and developed by another, as a result, the team can get the most correct and effective solution than each of the team members individually. [2].

The non-additivity of an intellectual resource means that when transferring or selling a resource, the seller does not lose anything, just as when buying a similar resource he will not gain anything new [2].

To create a management balance in accordance with the above-described methodology, the actual balance of a company that develops and sells computer games was taken. At the same time, the company has significant costs to meet the needs of employees, players, and also creates its own software products, which can be classified as investments in intellectual capital.

## **V. CONCLUSIONS**

First of all, you need to take the balance sheet and income statement from the moment the company was established. It is then necessary to isolate and categorize all costs that potentially increase intellectual capital since the inception of the company.

Identify the intellectual assets to be created, group them according to a standard classification, and determine how the intellectual capital is created. If an expense in tax accounting is taken to reduce the tax base when calculating income tax, then this method of creating an IC is through expenses, if not accepted - from profit:

It should be noted that some of the assets, for example, software, are written off to expenses not all at once, but only in terms of depreciation throughout the depreciation period, respectively, an intellectual asset is created by capitalizing only the depreciated portion.

The next stage is the revaluation of intellectual assets and, as a consequence, intellectual capital. It is about accounting for the company's fair value of the asset and capital in the balance sheet, which is determined by the company's management, taking into account the specific properties of each individual asset.

The loyalty of personnel, which is ensured by comfortable working conditions, is also not depreciated by itself, this is possible only in the event of drastic changes in personnel policy.

The competence of personnel tends to decrease in connection with the emergence of new knowledge, therefore, the capitalized expenses for personnel training are amortized in accordance with the management's idea of the acquired knowledge and the terms of its use, which in our case amounted to 3 years.

Staff efficiency is ensured by the cost of fitness and medical care. Taking into account the validity period of subscriptions and VHI policies, these expenses are completely depreciated in 2 years. A friendly working atmosphere is ensured by expenses for corporate events and teambuilding, this asset is also not depreciated, as well as the loyalty of the staff.

Brand awareness is ensured by the costs of various exhibitions and conferences where the manufactured product was presented.

The reputation of the company is understood as the social responsibility of the company, costs to charity on an ongoing basis, which is not an impaired asset.

After analyzing the costs of intellectual capital, it is necessary to evaluate the intellectual assets created by the directly available intellectual capital, for example, the experience, competence, and abilities of the company's employees.

Assessment of the value of such assets is carried out on an expert basis, taking into account all available information on the costs of creating an asset, potential income from it, or cost reduction, as well as the market value of similar products.

The next stage is the formation of a modified balance sheet and profit and loss statement, taking into account the formed intellectual assets and capital.

Thus, intellectual capital plays a very important role in the company's activities, although it is often invisible and difficult to identify. The properties of intellectual capital described above show how complex and subjective this topic is, in this regard, there are a large number of methods for assessing intellectual capital.

## **REFERENCES**

- [1]. Odilov Rakhmonjon Zokirjon ugli, & Tursunov Bobir Ortikmirzaevich. (2021). Statistics of competition of small business and private entrepreneurs assessment methods. Euro-Asia Conferences, 3(1), 210–212. Retrieved from <http://papers.euroasiacconference.com/index.php/eac/article/view/420>
- [2]. Mustafakulov, S. I., Tursunov, B. O., & Tursunov, U. A. (2019). The empirical research on causal relationship between export and foreign investments in the economy of Uzbekistan based on granger test. *International Journal of Engineering and Advanced Technology*, 9(1), 4631–4635.
- [3]. Ortikmirzaevich, T. B. (2019). Econometric model of production capacity usage of textile enterprises in Namangan region. *Advance and Innovative Research*, 86.
- [4]. Tursunov, B. O. (2020). Ways to improve of financial security management at textile enterprises in Uzbekistan. *Central Asian Problems of Modern Science and Education*, 2020(4), 19–32.
- [5]. Yuldashev, N. K., Nabokov, V. I., Nekrasov, K. V., & Tursunov, B. O. (2020). Modernization and intensification of agriculture in the republic of Uzbekistan. In *E3S Web of Conferences* (Vol. 222, p. 06033). EDP Sciences.
- [6]. Yuldashev, N., Nabokov, V., Nekrasov, K., & Tursunov, B. (2019, June). Innovative development of Uzbekistan agro industrial complex. In *International Scientific and Practical Conference “Digital agriculture-development strategy” (ISPC 2019)* (pp. 334–337). Atlantis Press.
- [7]. Ergashxodjaeva, S. J., Kyvyakin, K. S., Tursunov, B. O., & Ahmadovich, H. Z. (2018). Evaluation of textile and clothing industry clustering capabilities in Uzbekistan: based on model of M. Porter. *Int J Econ Manag Sci*, 7(439), 2.
- [8]. Tursunov, B. (2017). Role of Managing Industrial Stocks in Increasing of Textile Enterprises Capacity. *Journal of Applied Management and Investments*, 6(4), 260–266.
- [9]. Aktam, B., & Bobir, T. (2019). Features of Investment in Mutual Fund: In Case of Russia (No. 2019-29-12).

- [10]. Burkhanov, A. U., Hudoykulov, H. H., & Tursunov, B. O. (2019). The factors effecting net actives of investment funds. *Economics and Innovative Technologies*, 2019(2), 6.
- [11]. Tursunov, B. O. (2018). Modern methods of production capacity usage management in textile enterprises. *Economics and Innovative Technologies*, 2018(3), 32.
- [12]. Zarova E.V., Tursunov, B. O. (2019). Regional features of industrial production dynamics in the research of textile enterprises financial security in Uzbekistan. *Vlakna a textile*, 28(1), 108-115.