

# Ways for Regulating of Financing Entrepreneurship in Mahallas

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**Abstract.** This article covers the main aspects of small business financing in neighborhoods. In particular, small business and private business entities operating in the neighborhoods of Khanabad city of Andijan region were studied.

**Keywords:** Neighborhood, small business, finance, private business entities, credit, investment, privilege.

## 1. INTRODUCTION

A unique self-governing social organization in the form of a neighborhood has existed in Uzbekistan for a long time. For centuries, our people have formed their own methods of determining public opinion and showing solidarity through the neighborhood, preserving and enriching their national identity, great spiritual wealth and values. During the years of independence, serious attention was paid to the development of the neighborhood institution, to the expansion of its role and powers, and the necessary conditions and opportunities were created for it to become a self-governing body of citizens in the literal sense.

Small and medium-sized enterprises account for 90% of business in the developing world, and they generate more than 50% of jobs and economic development. Formally established small business enterprises contribute up to 40% of the country's GDP. In informal business enterprises, these indicators are much higher. The World Bank estimates that by 2030, 600 million jobs will be needed to keep up with the growing workforce. This, in turn, requires making business development a priority in each country. [4]

When performing a statistical analysis of business development processes, which are becoming one of the important links of the economy, it is necessary to consider the types of activities that are part of it by sectors and regions, and to develop a model of the development process of the business sector, to develop its underdeveloped aspects, and to answer the questions of how to develop its influencing factors. search, determination of expected economic results in the future is the general description of this article. [1]

## 2. ANALYSIS AND RESULTS

As a result of the further development and liberalization of the economy in our country, a number of positive results have been achieved by the economic reforms. This is reflected, first of all, in the formation of a multi-level economy and the class of owners, in the provision of macroeconomic stability, and on this basis, in the preparation of a solid ground for sustainable economic growth, in the creation of a favorable socio-economic environment for the development of private entrepreneurship, especially small business. [2]

Based on this goal, many positive trends can be observed in our country. Small business and private entrepreneurship is defined as the priority direction of our country. In the last five years, about 2,000 laws, decrees and decisions aimed at the development of this sector have been adopted.

In April of this year, the decision of the Cabinet of Ministers "On measures to organize the activities of the Agency for the Development of Neighborhood Work and Entrepreneurship under the Ministry of Economic Development and Poverty Alleviation" was adopted.

In accordance with the presidential decree, the Neighborhood Work and Entrepreneurship Development Agency, its territorial offices of the Republic of Karakalpakstan, regions and Tashkent city, community work and entrepreneurship development centers in districts (cities) were established.

In addition, in each town, village, village, as well as in each neighborhood of cities, towns, villages, and villages, the position of assistant to the district (city) mayor was established on the issues of development of entrepreneurship, provision of employment and reduction of poverty.

In accordance with the President's decision, the Fund for Attracting the Population to Entrepreneurship was established.

The document approved the statute on the Agency for the Development of Neighborhood Work and Entrepreneurship, which stipulates the following: the status of the agency; duties and functions; rights and responsibilities; organization of agency activities; functional duties of agency heads.

The decision confirmed the following:

Model regulation on the Center for the Development of Neighborhood Work and Entrepreneurship;

- a model regulation on organizing the activities of the district (city) mayor's assistant on issues of entrepreneurship development in the neighborhood;
- Regulations on the Fund for Involvement of the Population in Entrepreneurship;
- List of state bodies and organizations whose database will be integrated into the electronic platform "Online Mahalla" and which can use this integrated system in real time. [5]

In the half-year of 2022, a number of positive works on the development of small business and private entrepreneurship were carried out in Andijan region. As of October 1 of this year, the number of small business entities reached 723, an increase of 117 or 16.1% compared to the beginning of the year.

The 9-month plan for establishing small business entities in the city was 125, and in practice 126 or 100.8 percent were fulfilled.

In particular, the number of enterprises in the field of service in Khanabad has increased by 10% compared to the previous period to 331, and the volume of services has increased by 1.2 times compared to the same period last year.

In order to increase the number of 48 types of service stations necessary for the city, it is planned to implement 268 projects with a total value of 238.2 billion soums and create 612 new jobs by the end of this year.

In the reporting period of this year, 278 (100%) large and small branches were launched in the service direction, and 797 new jobs were created.

It is planned to place 50 project initiators with a total cost of 20 billion soums, including a bank loan of 10 billion soums, and 100 new jobs, on the 2 km long section of Istiklal MFY "Ankhor" street in Khanabad city. Based on the "growth points" of our city, on the basis of our socio-economic programs, 25 projects worth 401.5 billion soums will be implemented in 2021-2022. [3]

Small businesses also help to stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations. Small businesses tend to attract talent who invent new products or implement new solutions for existing ideas. In other words, they provide to the people opportunities to achieve financial independence, encourage innovation, and create employment opportunities. So The Government of Uzbekistan is trying to develop small business by simplifying and increasing the transparency of licenses and permits, and the provision of public services. Also it is strengthened measures of legal protection of business entities, their financial support. As a result, in 9 months 2018, 38.1 thousand new small enterprises and micro firms (without farm enterprises) were created, which is 23.6 % more compare to same period of 2017. In addition, the largest shares of small enterprises and microfirms were created in the sphere of trade (23.1 %), industries (22.4 %), construction (12.9 %), agriculture, forestry and fisheries (11.8 %), hospitality and food services (7.6 %), transportation and storage (4.0 %).



Source: stat.uz

According to the State Committee of Uzbekistan On Statistics, the share of small businesses in GDP decreased from 55.2% to 50.2% the reason of by the increase in the share of large enterprises in the structure of GDP. Nevertheless, the share is much greater than in the most of neighboring countries such as Kazakhstan 25,6% and Russia 20%. In January-September 2018. In the regional context, the largest share of small business in the GRP is accounted for by Jizzakh (77.2%), Surkhandarya (74.1%), Bukhara (71.1%), Samarkand (70.7%) and Namangan (69, 7%) of the area. In the Navoi region, this indicator remains low at 32.6% and in the Republic of Karakalpakstan - 48.3%. Also the largest share of small business in industrial production is in Tashkent (71.6%), Namangan (69.7%) and Jizzakh (60.8%) regions. In construction - in Samarkand (98.3%), Jizzakh (97.0%), Andijan (96.5%) and Syrdarin (95.4%) regions. In the services sector - in Tashkent (74.3%), Samarkand (74.1%), Fergana (73.5%), Bukhara (73.2%), Surkhandarya (73.1%), Andijan (72.4 %) areas.

**Structure of the share of small entrepreneurship in sectors of the economy for January - September 2018, %**



The abovementioned data shows that small business in Uzbekistan backbones of the economy and at the same time the important source of income for significant numbers of citizens. Small businesses do not always stay small. Large corporations, such as Nike, Ben and Jerry's, began with small businesses and became major players in the international markets. Many of the leaders in the computer industry started their business from their garages. Microsoft and Amazon are prime examples of how a small business idea can change the world. [6]

In January-September of this year, 14 projects worth 38.1 billion soms were launched, and 251 new jobs were created. Investments worth 2.2 billion soums were absorbed by "Dolina invest" LLC located in Khanabad, production of 2,000,000 knitted products per year was launched, and 150 city residents were provided with employment.

Small business and private entrepreneurship is one of the important drivers of economic development, increasing employment and incomes of the population. In order to support the subjects of this sphere, more than 50 decrees and resolutions of the President of the Republic of Uzbekistan have been adopted in recent years.

The development of small business is one of the main directions of structural transformations in the economy of Uzbekistan. This sector creates the necessary atmosphere of competition, contributes to the creation of additional jobs and the growth of incomes of the population.

In order to implement a wide range of targeted measures to create the most favorable conditions for the further development of small business and private entrepreneurship as the most important factor in the formation of the middle class of owners, an active driving force on the path of the country's progress, filling the domestic market with competitive and high-quality products, creating new jobs and providing on this basis, increasing incomes, improving

the welfare of the population, as well as in connection with the proclamation in the Republic of Uzbekistan of 2019 of the Year of Small Business and Private Entrepreneurship, the state program “Year of Small Business and Private Entrepreneurship” was approved, aimed at:

- creation of the most favorable business environment in the country and regions of the republic as a whole, further improvement of legislation aimed at strengthening the priority of private property, providing it with reliable guarantees, providing greater freedom to entrepreneurship, reducing state management functions and permitting norms, eliminating bureaucratic barriers and obstacles, introduction of market instruments and mechanisms that provide wide access for small businesses to credit financial and raw material resources, government orders for their products;
- a large-scale reduction in the interference of state and regulatory bodies in the financial and economic activities of business entities;
- further simplification of procedures for the creation and registration of small enterprises and entrepreneurs, the adoption of specific measures to address issues of construction and connection of small businesses to engineering and communication networks, the allocation of non-residential premises and the necessary land plots;
- creation of maximum favorable conditions, benefits and preferences for tax and other payments for small business and private entrepreneurship, improvement and unification of the reporting system and the mechanism for submitting reports to financial, tax and statistical authorities;
- further improvement of the mechanism and increase in the volume of lending to small businesses and private entrepreneurship, primarily loans for investment purposes, the formation of start-up capital, medium-term and long-term loans for the modernization and technological renewal of production;
- wide attraction and direction for the development of small business of foreign investments, first of all, soft loans from international financial institutions and direct investments;
- creation of broad opportunities for the development of small businesses and private entrepreneurship in industries and the organization of modern high-tech industries, stimulating the introduction of innovative technologies into production by small businesses and private entrepreneurship;
- cardinal solution of issues to expand the participation of small businesses and private entrepreneurship in foreign economic activity, assistance in increasing their export potential, promoting export products to regional and world markets;
- further development of the system of information support and advisory assistance to small businesses and private entrepreneurship, as well as in matters of training, retraining and advanced training of personnel.

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

- lack of own and borrowed financial resources, as a result of which small enterprises are not able 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 collateral or this collateral is not enough for a bank loan at the start of its activity, 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;
- inefficient mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the foreign market in certain sectors of the economy and the problems of entering foreign markets;
- insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting offices, business centers, business incubators;
- insufficient development of sales markets, as well as markets for raw materials and materials;
- poor training of the professional and qualification level of those employed in small business;
- a large number of regulatory bodies.

Proposed measures to stimulate the development of small businesses 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 production growth and consumer demand;

- 2) Organize training of personnel with entrepreneurial skills, which is a catalyst for the development of small businesses and individual entrepreneurship for self-employment through the introduction of vocational education;
- 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 coordinating land issues, registering buildings when transferred to the use or ownership of entrepreneurs;
- 5) Development and implementation of criteria for evaluating the activities of state authorities and local authorities for the development of entrepreneurship and the business environment as a whole;
- 6) Development of public-private partnership aimed at reducing business and investment risks in the areas of research and development, dissemination of new technologies.
- 7) Introduction of a mechanism for the transfer of 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.

The main tasks for state bodies should be the development of various forms of self-employment, stimulation of labor activity. The state needs to create economic, social and legal conditions. At the same time, special emphasis should be placed on supporting and developing small and medium-sized businesses. As small and medium-sized businesses develop, optimal conditions are being created that contribute to the more efficient functioning of a progressive economy. In turn, a progressive economy creates a competitive environment, leads to the creation of additional jobs, and this will reduce unemployment, expand the consumer sector, and reduce social tension at all levels. Thus, the full and proper functioning of the country's economy without the development, maintenance and strengthening of the activities of small businesses is impossible. For the decent functioning of market mechanisms, the improvement of small business is one of the most important areas of the state's economic policy. Consequently, the main goal of the policy of the executive and state authorities is the creation of mandatory conditions for this.

### **3. CONCLUSIONS**

However, at the same time, there is a lack of working capital in some small business entities operating in the neighborhoods.

- The following can be suggested to solve this problem:
- introduction of a mechanism for investing residents' idle funds in entrepreneurs in neighborhoods;
- to continue the practice of granting preferential loans to small business entities in certain industries;
- attraction of foreign investments to small business entities operating in neighborhoods by the authorities.

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