



## THE MAIN TRENDS IN ATTRACTING INVESTMENTS IN SMALL BUSINESS IN UZBEKISTAN

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### Annotation

The article describes the tendencies of attracting investments in Small Business Activity in Uzbekistan. The scientific and practical foundations of the importance of investment in small business in the development of the country's economy in the regions have been substantiated and predicted. It reflects the state of investments in fixed assets, loans issued by commercial banks, the creation of free economic zones, the improvement of the socio-economic situation of the regions, the creation of favorable conditions for employment of the population, the organization of modern industries, as well as the creation of favorable conditions for attracting foreign and domestic investment.

**Keywords** The creation of free economic zones, the improvement of the socio-economic situation of the regions, the creation of favorable conditions for employment, the organization of modern production, as well as the creation of favorable conditions for attracting foreign and domestic investments are reflected

### Introduction

Section 3.1 of the State Program of Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, defined by the Decree of the President of the Republic of Uzbekistan "On the Action Strategy for further development of the Republic of Uzbekistan" "Further Strengthening Macroeconomic Stability and Maintaining High Economic Growth" emphasizes the need to focus on "... promising investment projects and further expansion of lending to small businesses and private entrepreneurship" [1].

Very important work is being done in our country to systematize the legislation governing investment activities. In particular, the Law of the Republic of Uzbekistan "On Investments and Investment Activities" was adopted in accordance with international standards. This law is an important change in further improving national legislation and bringing it in line with international standards, strengthening the position of Uzbekistan in the global financial market and having a positive impact on investment attractiveness.

### Literature review

U.V. Gafurov, one of the leading economists in the country, in his research work, said that "in determining the criteria for small business in terms of the number of employees, in many cases, its theoretical foundations are ignored. As a result, he argued that the criteria used in different countries were "dry" and could not reflect the economic nature of the small business sector, and suggested three main approaches in determining the criteria for small business in terms of the number of employees.



These are the recommended approaches:

- determination of the labor force based on the last added product;
- determination of the number of employees according to the concept of the "minimum effective scale of the enterprise";
- determining the number of employees according to the concept of "functional staffing". [2]

A.M. Kolesnikov, a Russian economist, in his research said that "at the current stage of development of small business and private entrepreneurship, lack of own funds and difficulties in attracting borrowed funds lead to a decrease in the efficiency of their activities" [3]. Based on the opinion of this scientist, we can point out a number of problems of small business lending:

- insufficient development of entrepreneurs' demand for the purpose and availability of credit financing;
- low level of transparency of bank requirements for borrowers and problems with liquidity, the need to develop special lending technologies;
- imperfect legal framework;
- the existence of two types of accounting reporting to minimize tax payments in small business.

## Research Methodology

In research used induction, deduction, statistical nablyudenie, statistical tables and graphs, as well as methods of statistical and comparative analysis. Statistical data of the Committee on Statistics of the Republic of Uzbekistan were received for statistical analysis.

## Analysis and Results

As a result of the measures taken in the Republic of Uzbekistan, in 2019 the share of small businesses in GDP amounted to 56.5%, in 2018 this number was 59.4%. We believe that the main reason for the decrease in the share of small businesses in GDP in 2019 compared to 2018 is an increase in the share of large enterprises in GDP (Figure 1).

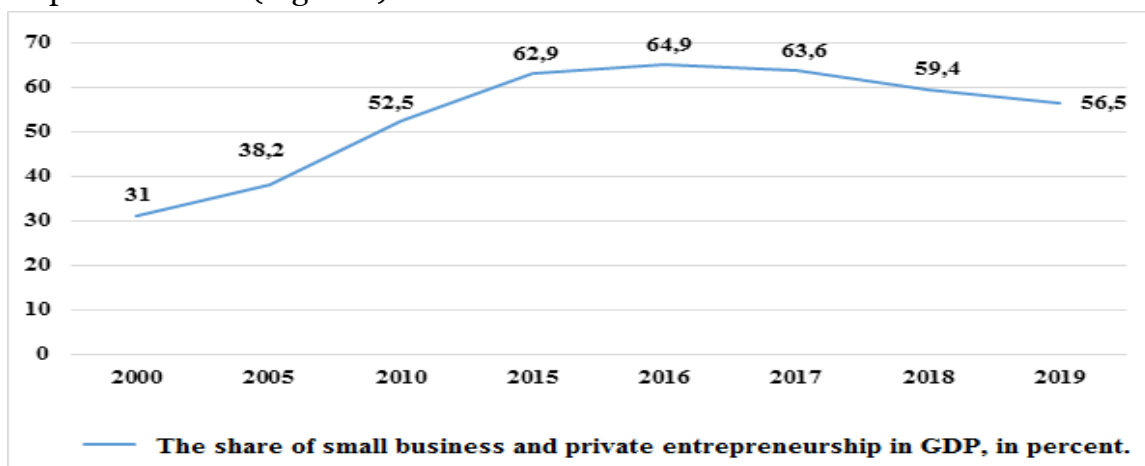


Figure 1. Share of small business and private entrepreneurship in GDP (%) [4].



Further development of small business and entrepreneurship is characterized by a significant share in all sectors of the economy and industries. The results of small business and private entrepreneurship as an important factor in creating new jobs, increasing the income of the population and the welfare of society in the country are growing. In particular, in 2019, more than 92.9 thousand small enterprises and micro-firms (excluding farms and dehkan farms) were established, which is 1.9 times more than in the same period last year.

As can be seen from the table, the share of small business and entrepreneurship in the production of industrial products decreased by 2.5%. We believe that the reason for the decline in the share of industrial production is a sharp decline in the production of cotton fiber and vegetable oil. We can see that the share of exports increased by 1.5% compared to 2018.

Table 1. Key indicators of small business and entrepreneurship in 2017-2019 [4].

Areas	Unit of measurement	2017	2018	2019	2018-2019 (+/-)
Industry	%	41,2	37,4	34,9	-2,5
Agriculture, forestry and fisheries	%	98,5	98,3	98,3	0,0
Investment	%	38,1	38,0	47,0	9,0
Construction	%	64,8	73,25	75,4	2,2
Trade	%	88,4	86,3	84,3	-2,0
Services	%	58,3	56,0	52,1	-3,9
Export	%	22,0	27,2	28,7	1,5
Import	%	53,6	56,2	54,2	-2,0

Investment is an important driver of the economy, that is, the more investment is attracted to various sectors of the economy, the more it will stimulate the development of industries, create new jobs and increase incomes. In 2019, 189.9 trillion sums (in dollar equivalent is 21.5 billion US dollars), or 133.9% more than in 2018, were invested in fixed assets from the total sources of funding for the development of economic and social spheres.

Financial support for small businesses, investment attraction, and the provision of soft loans by commercial banks serve as the main support for the development of this sector.

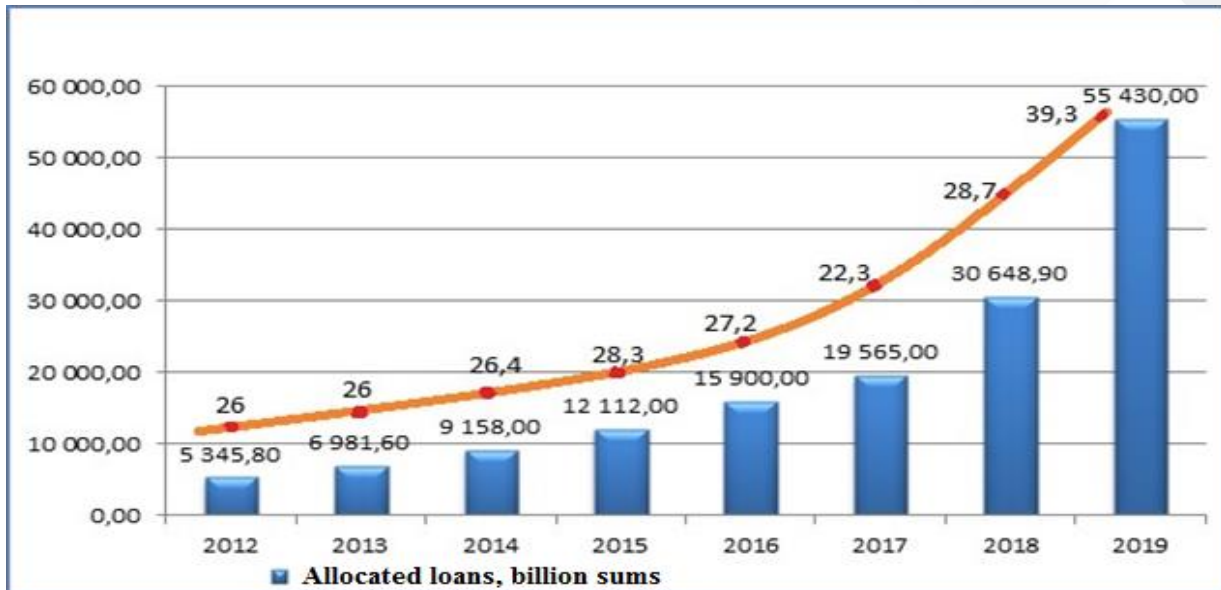


Figure 2. Loans to small businesses in 2012-2019 and their share in total loans (trillion sums) [5]. As a result of the provision of various benefits to small businesses in the country in recent years, in 2019, significant work has been done in the banking system to financially support small business and private entrepreneurship. From the diagram we can see that the loans provided by commercial banks to small businesses have been growing from year to year.

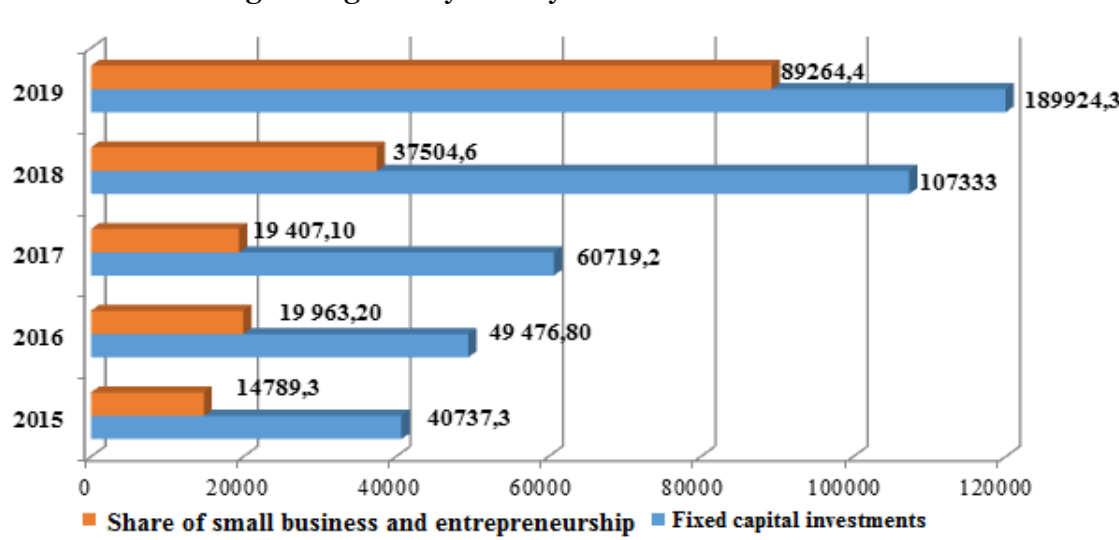


Figure 3. Investments in fixed assets and the share of small business and entrepreneurship in them in 2015-2019 (billion sums) [4].

We can see that small business and entrepreneurship have significantly changed compared to last year in the development of fixed capital investments. That is, in 2017, investments in small businesses amounted to 21,130.28 billion sums, in 2018 - 37,459.22 billion sums, and in 2019 - 89,264.4 billion sums (Figure 3).



If we look at the dynamics of investment in fixed assets over the years it should be noted that the growth rate in 2015 was 14.7 trillion sums, in 2017 - increased by 19.1 trillion sums or 9.0%, in 2018 - 37.6 trillion sums, in 2019 was the highest growth rate equaled 89.2 trillion sums or 47.0%.

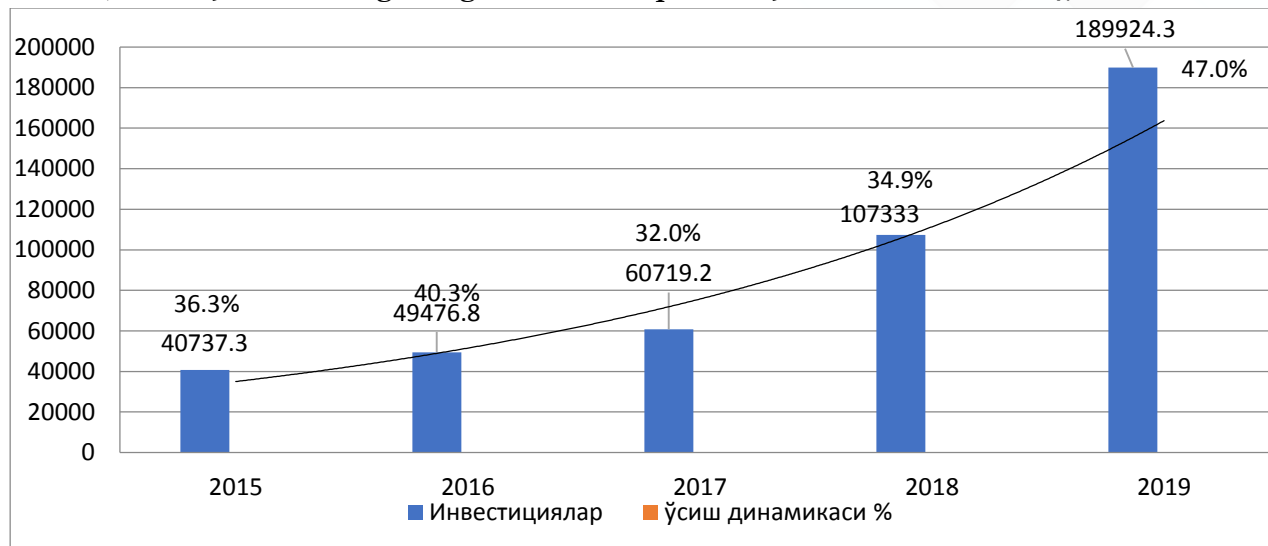


Figure 4. Share of small business and private entrepreneurship at the expense of total investments in fixed assets (billion sums, in %) [4].

The diagram shows that the share of small business and private entrepreneurship is growing from year to year due to investments in fixed assets. This indicates a high need for small business and entrepreneurship financing.

The table 2 shows that during the analysis period, the company's own funds as a source of financing investments in fixed assets decreased by almost 2.8 times, bank loans - by 1.7 times. On the contrary, the volume of foreign investments, including reinvestments, increased by 9.3 times, and foreign loans by 1.9 times. In other words, due to the growing share of foreign investment and loans in the industry, the share of the company in the use of own funds and loans from commercial banks is declining. On the plus side, foreign investors regularly and fully monitor the effective use of their funds. This is one of the incentives for the effective use of investment in small business in general.

Table 2. The share of investments of small enterprises and micro-firms in fixed assets by sources of financing (excluding farms and dehqan farms; in percent)

Indicators	2015	2016	2017	2018	2019
<b>Fixed capital investments</b>	100,0	100,0	100,0	100,0	100,0
Including:					
Own funds of the enterprise	55,6	55,7	52,5	42,7	19,9
Funds of foreign investors, including their reinvestments	5,1	10,2	6,3	11,9	47,6
Foreign loans	7,8	2,2	3,5	5,0	15,1
Bank loans	26,2	25,6	33,4	37,4	15,8
Others	5,3	6,3	4,5	3,1	1,6



## Conclusion/Recommendations

In short, financial support for small business in our country will stimulate its comprehensive development. Through the development of small business, a number of positive factors can be achieved, such as employment of the unemployed, increasing incomes, contributing to the development of the regions, the development of exports. By improving the investment and business environment, we can attract investors, including small businesses to the country.

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