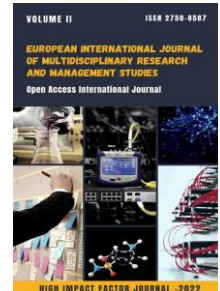


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### ISSUES OF SMALL BUSINESS DEVELOPMENT DURING THE DIGITALIZATION PROCESS IN UZBEKISTAN

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*Improving The Attraction Of Investment In Small Business And Private Entrepreneurship With The Digitalization Of The Economy, Uzbekistan*

#### ABOUT ARTICLE

**Key words:** Digitization, small business and entrepreneurship, modern technologies, development of digital economy.

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**Abstract:** Nowadays, the digital economy and a number of effective technologies related to it, including e-commerce and e-business, are rapidly entering our lives. For the same reason, in order to accelerate the development of the state and society, the leadership of our republic made several important decisions.

Based on global trends and events in foreign policy, Uzbekistan faces the issue of global competitiveness and national security, and the development of the digital economy in the country plays an important and decisive role in solving this issue. Some elements of the digital economy are already working successfully in our country. Nowadays, taking into account the mass transfer of documents and communications to digital means, authorization of electronic signatures and communication with the government are also transferred to electronic platforms.

#### INTRODUCTION

In his address to the Oliy Majlis on January 25, 2020, about the most important priority tasks for 2020, the President of the Republic of Uzbekistan expressed his views on the development of the digital economy in our country. In addition, regarding the implementation of the Decree of the President of the Republic of Uzbekistan dated February 19, 2018 No. PF-5349 "On measures to further develop the field of information technologies and communications"<sup>1</sup>, as well as for the implementation of the digital economy in the state management system in our republic in order to create conditions for the rapid development of modern information technologies, as well as to ensure information security, on August

31, 2018, the Cabinet of Ministers approved the "Additional regulation on the introduction and further development of the digital economy in the Republic of Uzbekistan" that defines the goals and objectives of the digital economy on measures" adopted a decision, and the decisions of the President of the Republic of Uzbekistan PQ-3832 dated 03.07.2018 "On measures to develop the digital economy in the Republic of Uzbekistan" can also be included in these measures .

According to this decision, the following are the most important tasks for the further development of the digital economy in Uzbekistan:

- In order to diversify investment and entrepreneurship, activities in the field of crypto-asset circulation, including mining, smart contract, consulting, emission, exchange, storage, distribution, management, insurance, crowd-funding (collective financing), as well as introduction of blockchain technologies and development. Training of qualified personnel with practical work skills in the production and use of blockchain technologies.
- Ensuring close cooperation of state bodies and business entities in the field of introducing innovative ideas, technologies and developments for the further development of the digital economy.
- Comprehensive development of cooperation with international and foreign organizations in the field of crypto-assets and blockchain technologies, and attracting highly qualified foreign experts working in the field of production.
- Creation of a legal framework for the introduction of blockchain technologies, taking into account foreign experience.

For the successful implementation of the above decrees and decisions, it is necessary to thoroughly understand the essence of the digital economy and its main concepts. Before starting our journey into this interesting and attractive area of the digital economy, we will try to familiarize ourselves with the information society and some basic concepts that are inextricably linked with it.

Because only then it will be possible to properly understand the issues, problems and concepts presented in this study guide. In short, digital economy is a science that studies the economic activity of a person, which envisages the widespread introduction of electronic and information communication technologies in the processes of production, distribution and consumption of society's goods. The term digital economy is used to represent two different concepts.

First, the digital economy is considered a modern stage of development, characterized by the priority of creative work and information benefits. Secondly, the digital economy is a unique theory, the object of its study is information society processes.

The theory of the digital economy is in the early stages of its development, because the transition of civilization to the digital information stage began only a few decades ago.

In 2017, the share of small business and private entrepreneurship in the gross domestic product was 53.3 percent or 119,301 billion soums. (In Japan - 55%, in Germany - 54%, in the USA - 52%, in Kazakhstan - 25.6%, in Russia - 20%).

78.3 percent of the employed population in the country is engaged in small business, while in 2000 this figure was 49.7 percent.

The share of small business in the production of industrial products was 12.9% in 2000, in 2017 this indicator was 39.6%, in agriculture - 99%, in construction - 65%, 1%, in retail turnover - 88.4%. The share of small business in the total export of the country was 27%, in import - 50%, and in investment - 32%.

According to the current legislation, the annual average number of employees in agriculture, forestry and fisheries - up to 50 people, depending on the type of activity in industry - from 100 to 270 people; in the trade and service sector - entities with 25 to 50 employees are classified as small enterprises.

The following conditions have been created for the development of small business and private entrepreneurship in our republic:

1. Registration time of small business entities is 30 minutes. Only one document is required for registration as an individual entrepreneur, and two documents are required for registration of a small enterprise as a legal entity.
2. The single tax payment rate, which is an important factor in creating favorable conditions for the development of small businesses in almost all industries, is 5% of the volume of goods and services sold. In addition, the current rate of the single social payment for small business entities is 15%.
3. Newly established production enterprises with participation of foreign investment are given the right to apply the rate of tax and compulsory payments on the day of their registration for five years. Starting

from 2018, it was established that small enterprises with a land area of more than 1 hectare will pay a single land tax.

4. Financial support of small businesses is implemented in the following ways: granting loans by banks at preferential rates; guarantee in the amount of 50% of the loan funds granted to the business activities of the state fund for business support and cover the interest costs calculated on loans from commercial banks.

5. Business interests are protected by the institution responsible for protecting the rights and legal interests of business entities. In Uzbekistan, the unscheduled inspection of the activities of small business entities has been canceled, and business entities have been exempted from all types of administrative fines for financial and economic offenses committed for the first time\*\*.

6. In all regions of the republic, entrepreneurship support centers have been established in centers operating under the principle of "one-stop shop" providing state services to business entities. "Business incubators" are established for entities that are just starting their business activities to prepare their business plans, provide legal and practical support, as well as receive the necessary information for their activities.

7. Clusters for young entrepreneurs were organized by training courses on business management for entrepreneurs across the republic, implementing projects on the basis of privatized facilities, and allocating land areas on the basis of zero rent for a period of 5 years.

As of April 1, 2018, the number of small business entities operating in the republic (excluding farmers and farms) was 238,500 (99,400 in 2001). Among them, 8.2% are small enterprises and the remaining 91.8% are micro-firms.

If we analyze this indicator by sector, 9.1 percent of small business entities are in agriculture, 20.9 percent in industry, 11 percent in construction, 34 percent in trade and catering, 5.2 percent in freight transportation, and 19 We can see that .7 percent are working in other fields.

If we look at the share of small business entities in the industry in the regions, it is 71.3% in Tashkent city, 68.4% in Namangan region, 61.3% in Jizzakh region and 55.5% in Samarkand region. The same indicator was 29.6% in Tashkent region, 23.1% in Kashkadarya region, 18.8% in Navoi region and 18% in the Republic of Karakalpakstan.

At the same time, we should highlight the problems that prevent small businesses from fully realizing their potential.

1. In small business, more than 62% of employees are employed in sole proprietorships, while only 16% are in small enterprises and micro-firms. Low levels of employment of small enterprises correspond to Navoi (11.3%), Kashkadarya (12.4%) and Tashkent region (13.2%).

In small business, 34.2% of employees are employed in agriculture, 12.7% in industry, 11.6% in construction, 13.4% in trade, and 28.1% in services.

As can be seen from the analysis of the above items in the section of sectors, we can see a relatively low level position of small business in the industrial sector, where the efficiency of job creation is high compared to other sectors. Maintaining this indicator at the current level of growth may cause problems related to the increase of the population's wages and real income from business activities in the future. This situation may lead to the restriction of social guarantees provided by the state to the population.

3. The share of the number of small business entities in trade remains at a high level (26.7% of the total number of small business entities or 63.7 thousand entities). In the retail turnover, we can see that the share of small businesses and micro-enterprises was 20.2%, while the share of individual entrepreneurs was 69.4%, which has a negative impact on the income of the banking sector. and creates inconsistencies in the taxable base of small businesses.

4. If we look at the number of small business entities in the cross-section of regions, the largest number of entities are in the city of Tashkent (22.6%), Tashkent (9.6%), Fergana (8.8%) and Andijan ( 8.7%) regions are conducting their activities. About 50% of the total number of small business entities are operating in these four regions. It can be seen that in other regions of our republic, such as Syrdaryo (3.2%), Navoi (3.3%) and Jizzakh (4.2%), it indicates that the existing potential of small business entities is not being used sufficiently.

In the development of small business in our country, construction and finishing materials, tools and equipment, machinery spare parts and equipment, electrical engineering, chemistry, pharmaceutical products, production of many types of consumer goods, etc., are areas with high potential.

Increasing the contribution of small business to the country's economy, creating small industrial zones, improving the investment environment and competitive environment, expanding the volume of public procurement within the framework of public-private partnership with small business, strengthening

mutually beneficial cooperation between large and small enterprises, innovation we can see by involving business entities in the processes.

It is also worth noting that it is important to provide financial support to successful and promising small enterprises that have sufficient export potential, but at the same time do not have enough capital for further development.

These measures help to create more jobs in the field of effective small business, increase access to the world market, increase the export potential of the country and increase the income of the population.

\* Decision of the President of the Republic of Uzbekistan dated August 17, 2017 on the establishment of the State Fund to Support the Development of Entrepreneurship.

\* Decree of the President of the Republic of Uzbekistan dated October 5, 2016 "On additional measures to ensure the rapid development of business activities, comprehensive protection of private property and qualitative improvement of the business environment".

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