



## LEGAL MECHANISMS OF SMALL BUSINESS FORMATION AND DEVELOPMENT IN UZBEKISTAN

Saypullaev Ithomjon Abdurahmonovich  
 Namangan Engineering Construction Institute  
 e-mail: [IthomjonSA1505@gmail.com](mailto:IthomjonSA1505@gmail.com)

**Abstract:** This article highlights the importance of creating an internal and external environment necessary for the development of small and medium-sized businesses. The development of the legal basis of efforts to support entrepreneurship in the country, the problems that are obstacles to entrepreneurship, and the implementation of the proposals made by the head of the country to solve these problems in open dialogues with entrepreneurs have been studied.

**Keywords:** Small business enterprises, innovation, enterprise deformation, small business and private entrepreneurship, prerequisites for financial lending and motivation, microbusiness, small business, medium business, entrepreneurship support mechanism.

From world experience we see that the civilization of small and medium-sized businesses is of great importance not only for the national economy, but also for the radical improvement of the social life of our country. Just as the largest rivers on earth originate from small tributaries, large concerns and industrial enterprises, which are the source of income for economically developed countries, were initially formed on the basis of small businesses. Small enterprises, with their creativity, entrepreneurship and initiative, create a competitive environment in the country's market, which, in turn, helps improve the quality of goods and services and reduce their prices. Increasing the number of small enterprises, regardless of their form of ownership, eliminates the shortage of products by increasing the type and range of products.

Therefore, it is important to regularly increase the flow of small businesses, to create both external and internal favorable environments for their development and transformation into giant enterprises.

The external environment is formed by the country's reforms in the economic sphere and the legal basis for supporting entrepreneurship, and the internal environment is the company's human resources, rational management, innovative and creative approach, and one of the most important is proper marketing.

If you look at the external environment created to support small businesses, then at present the process of forming small businesses in various spheres of public life in our country still remains very difficult and painful. In cases where the development of enterprises is necessary, deformation processes encounter bureaucratic or financial obstacles.

Although in recent years the head of state has carried out powerful social reforms to support small businesses and private entrepreneurship, it cannot be said that the legal mechanism for the formation and development of small businesses during the period of market changes has received ideal development. our national economy. There is still no favorable financial, credit and motivational base for entrepreneurship, as in the advanced countries of the world. A system for introducing new technologies and innovations, scientific support, consulting, training and advanced training of

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personnel has not been created. In general, the mechanism for solving theoretical and practical problems that arise in the system of regulating relations in the field of small business and private entrepreneurship is still in its formation stage.

In an open dialogue with entrepreneurs held by the President of our country on August 22, 2022, 5 initiatives to support entrepreneurship were mentioned. In the first direction, enterprises are divided into categories and a special approach to their support is defined, that is, enterprises with a turnover of up to 1 billion soums are micro-enterprises, enterprises with a turnover of up to 10 billion soums are small businesses; It was said that enterprises with a turnover of up to 100 billion soums will be divided into categories of medium-sized businesses and special tax rates will be introduced for them. It was noted that enterprises of the second category will pay 2 times less than the annual income tax; enterprises that moved from the 2nd to the 3rd category will have a benefit in paying 50% of the tax for two years.

In addition, according to the second initiative, it was planned to allocate funds in the amount of 20 trillion soums for projects aimed at developing small businesses and introducing special approaches for business, taking into account the characteristics of regions and cities.

In connection with the implementation of these initiatives, Decree of the President of the Republic of Uzbekistan dated February 10, 2023 No. PF-21 “On the criteria for categorizing business entities and measures to further improve tax policy and tax administration” was adopted. In this decree, the main goal is the consistent continuation of tax reforms aimed at creating favorable conditions for business activities, further improving tax administration, as well as ensuring the implementation of the priorities set in an open dialogue with entrepreneurs, held on August 22, 2022, as well as develop a legal framework for the above initiatives.

Small business occupies an important place in the economy of Uzbekistan and occupies a significant share in total production. However, there are a number of problems that hinder the development of small businesses, such as lack of investment, low competitiveness, difficulties in obtaining credit, etc. In general, small businesses in Uzbekistan have the potential for growth and development, but need support from the state and investors.

In his address at the next open dialogue with entrepreneurs on August 18, 2023, the President of our country emphasized that due to the current political situation in the world, entrepreneurs are forced to deal with factors such as disruptions in logistics and supply chains, high global inflation, and devaluation of currencies in countries -partners and rising prices for financial resources.

At the same time, it was stated that the proposals and opinions expressed by business representatives in an open dialogue between the head of the country and businessmen will become a factor determining further steps in business development.

As the president said, medium-sized businesses play an important role in the economy of Uzbekistan, but current conditions are insufficient for them. Therefore, new approaches will be implemented to support entrepreneurs seeking to move from small to medium-sized businesses.

This year, the President of Uzbekistan put forward a number of initiatives aimed at improving the business environment in the country, developed on the basis of proposals received during an open dialogue with entrepreneurs. It was decided to significantly revise the operating methods of business support funds.



In the near future, the Entrepreneurship Fund will be responsible for financial support for service, environmental and energy-saving projects, and the Industrial Development Fund will be responsible for overseeing industrial projects.

With these resources, funds are projected to be able to raise an additional \$1 billion to finance mid-market businesses next year. At least three new industrial zones will be created in each region. An industrial mortgage system will be introduced, and production facilities will be created for entrepreneurs in the form of “ready-made enterprises.” Privatization of land plots will begin after the establishment of production in industrial zones and the fulfillment of investment obligations.

In order to create a comprehensive ecosystem for supporting and developing small and medium-sized businesses in Uzbekistan, it is planned to transform Qishloqqurilish Bank into a Business Development Bank. It was noted that the bank's activities and methods of operation, including financing mechanisms, will undergo major changes. They offer self-study, selection of necessary specialists, accounting, tax, auditing, marketing, legal and other consulting services for entrepreneurs seeking to implement new projects. It was reported that the centers help new enterprises introduce modern technologies, improve the skills of employees, and effectively launch their products.

In addition, the head of state noted that the fund has been given the right to independently attract investments, and these funds intend to attract an additional \$1 billion of investment for medium-sized businesses next year.

Another important opportunity to expand exports for our country is to attract prestigious foreign brands to Uzbekistan. In particular, negotiations have now begun with major brands in Spain, Germany, Poland and Turkey.

In order to make it easier for local enterprises to invest and place orders, it is necessary to resolve three important issues that concern them, namely: the introduction of international production standards, environmental and certification requirements, the creation of appropriate working conditions, the introduction of a convenient customs regime for the import and export of well-known products brands.

As a result of the dialogues, in order to eliminate existing problems and strengthen the mechanism for further support of small businesses, Resolution of the President of the Republic of Uzbekistan No. PQ-292 dated September 4, 2023 was adopted.

This decision noted that many systemic problems in the field of entrepreneurship have been resolved as a result of open dialogues with business representatives over the past two years. It was also noted that in the near future the tax burden will be reduced in order to simplify doing business, and a convenient financing system and infrastructure will be created for the implementation of new projects. Having divided business entities into micro, small, medium and large categories, and districts and cities into 5 categories, it was decided to create a system of targeted support for entrepreneurship.

As part of the dialogue, a number of decisions were made in order to implement priority tasks for the implementation of proposals and initiatives aimed at solving systemic problems raised in almost 6 thousand requests received from entrepreneurs. In particular, a road map was approved for the implementation of the tasks identified in the open dialogue. It identified such priority areas as creating new opportunities for small businesses, transforming medium-sized businesses into a

guarantor of sustainable economic growth, entering new markets with high-quality and competitive products, increasing enterprises with high incomes, and introducing a simple taxation system.

On the basis of the joint-stock commercial bank “Qishloqkurilish Bank”, a joint-stock commercial bank “Business Development Bank” was created, which is focused on financing projects of small businesses and providing them with comprehensive services. At the bank, it was decided to create a limited liability company “Small Business Development Fund”, which will implement promising small business projects by attracting funds from international financial institutions and private investments. Also, 14 small business support centers will be created in the Republic of Karakalpakstan, regions and the city of Tashkent, which will be responsible for assisting small businesses in the development, financing and launch of business projects, as well as providing them with consulting services.

Based on the above, along with improving the external environment for the development of small businesses in Uzbekistan, the mechanism that helps solve socio-economic problems of entrepreneurship is being improved.

Below we will try to study how marketing is implemented, which is one of the main factors in the internal environment for the development of small businesses in Uzbekistan.

There are cases when large-scale projects created during the transition to a market economy in Uzbekistan remained unrealized, and production facilities created through foreign investment or with the participation of foreign partners did not bring the expected economic results. One of the main reasons for this is the lack of marketing. In history, we may see cases of great economic loss because simple marketing calculations, such as the impact of transportation costs on production costs, available inventories of raw materials, market competitiveness of manufactured goods, incompatibility of local raw materials with foreign production technologies and market size, were not properly analyzed .

Currently, in the small business sector, you can find many enterprises that cannot develop due to lack of proper marketing or have ceased operations.

Among our people there is a large group of people who do not understand what marketing is and its essence. However, entrepreneurs come from the people.

Although marketing courses began to be taught in economic universities in our country back in the 1980s, basic concepts began to penetrate into Uzbekistan in the 1990s.

Even after 30-40 years, many members of the public still use the term “marketing” as an analogue to the word “sales”.

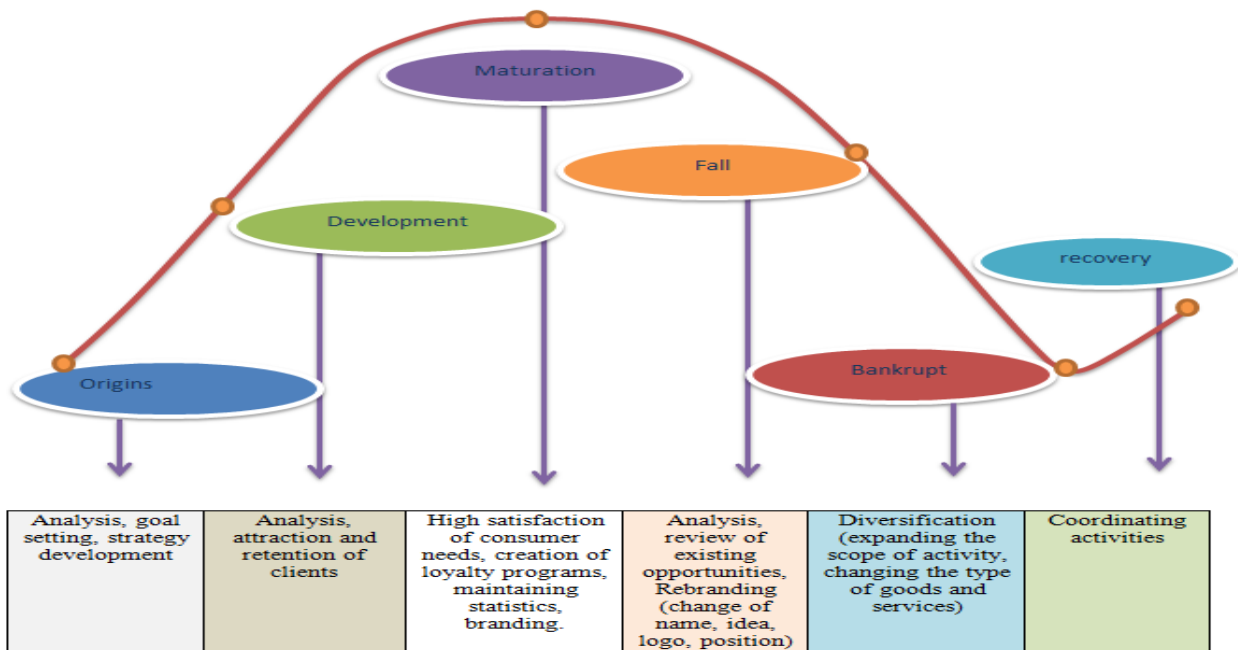
People's misconceptions about marketers can be divided into 7 groups;

First, people think of marketers as “advertisers.” It refers to the activities of promoting and advertising goods and services. Selling or advertising is part of the marketing process, but marketing has a broader meaning. The second mistake is to think of marketers as “Saviors,” believing that marketers will only come to the rescue when a business fails. The third misconception is that people think they are “sales promoters” and only understand those who attend events to sell products and services. The fourth misconception is that people think that marketing is “just a part-time job in a company” and that it is a job that provides temporary employment to laid-off employees or people they know. The fifth misconception is “Spies”. That is, they think that marketers spy on what, how and at what prices competitors sell. The sixth misconception is that marketers are called “Ideas”. Energetic, enterprising people with new ideas. They think that they are the ones who can come to an

entrepreneur and show him ways to make a profit. The seventh erroneous idea is “Balogardon”. They believe that marketers should be blamed for the failure of a business, for the fact that a product does not sell.

In essence, Marketing is a set of important strategic activities used throughout the entire life cycle of the Company, based on specific indicators and numbers and aimed at developing business, increasing competitiveness, attracting and retaining customers.

**MARKETING THROUGH THE ENTIRE LIFE CYCLE OF A COMPANY**



The topic of small business marketing is relevant as more and more companies seek to expand their business and increase their income. A small business can only succeed if it uses the right marketing tools to attract and retain customers. One of the main points to consider when working with a small business is that competition in this market segment is very high. Therefore, in order to stand out among competitors and attract the attention of customers, it is necessary to use effective marketing strategies that correspond to the conditions of the regions and the mentality of the population. Small businesses usually have a limited marketing budget, so it's important to choose tools that are as effective as possible without breaking the bank. Marketing in a small business is of great importance in creating a company's image and increasing its reputation among competitors. If a company chooses the right marketing strategy, it will lead to an increase in the number of customers, increased loyalty and improved financial performance.

The relevance of marketing for medium-sized businesses in Uzbekistan can be considered based on several factors:

- First of all, as in many countries with developing economies, the number of medium and small businesses is rapidly growing in Uzbekistan.
- secondly, competition in the market for goods and services is increasing. In Uzbekistan, the experience of many medium and small companies competing with each other for customers and markets is also increasing, and marketing is becoming an increasingly important tool for attracting and retaining customer attention.
- Internet marketing is becoming increasingly popular for medium and small businesses in Uzbekistan. For this reason, effective Internet marketing through the development of Internet technologies allows companies to quickly and effectively promote their products and services, as well as improve their activities by receiving feedback from customers.
- fourthly, the changing needs and demands of consumers. In Uzbekistan, consumers are becoming more demanding, their attitude towards the quality of goods entering the market, as well as the level of service, is changing. Therefore, marketing should be aimed at exploring these needs and wants and fully satisfying them.

Based on the above analysis, we can say that in the conditions of Uzbekistan, marketing is a relevant and important area for the development of medium-sized businesses and meeting customer needs and at the same time ensuring a successful future of the enterprise. For this reason, companies that plan to operate in a chosen market for a long time and with a high share should actively use marketing tools and strategies to sell their products and services in the Uzbekistan market.

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