

**SUPPORT MECHANISMS OF SMALL BUSINESS AND PRIVATE  
ENTREPRENEURSHIP AND THE RESULTS OF ITS IMPLEMENTATION**

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**Abstract:** This article presents ideas and considerations on the mechanisms of support for small business and private entrepreneurship and the results of its implementation, as well as the role of the state in forming a system of rules for the activities of scientific and technical market entities and monitoring their implementation through the formation of a favorable institutional environment and innovative infrastructure.

**Keywords:** Small business, market economy, small business development, preferential lending.

In almost all developed countries, the state actively participates in the formation and development of entrepreneurial activity. International and domestic practice shows that in countries with developed market economies there is a wide and well-established system of state support for small business, while in others such a system is in the process of formation or development.

There are two main forms of state support for small business in the world. One of them is broad state regulation of small business in combination with state protectionism. This is typical for the initial stage of small business development. Another form involves state regulation of small business and the creation of market conditions for competition and is characteristic of more mature market relations.

In order to improve cooperation between small business and the state, it is necessary to create a number of organizational structures with a clear hierarchy. It is advisable to reduce the tax burden on indirect economic incentives, simplify reporting, provide preferential lending, and implement and further improve the principle of a "single window" for starting a business. The current positive trends in the economy of the Republic of Uzbekistan are explained by the implementation of a number of state reforms to support small business. This is explained by expanding the market for products manufactured by small businesses in the country, as well as creating favorable conditions for the development of international business interests.

Among developed countries, we can draw attention to the experience of Italy, where a system of state financial support for small businesses has been developed through the provision of subsidies and preferential loans to individual small enterprises and consortia and cooperatives that unite small businesses. Local authorities also conduct video conferences to report on and explain current tax changes. As for other countries whose experience is noteworthy, it is worth noting Georgia, which adopted a new Tax Code in the fall of 2010, according to which small businesses with turnover of up to \$ 17 thousand are not subject to taxation. This, in turn, will allow the number of newly established small businesses to increase and develop. In France, small and medium-sized enterprises are subject to special (simplified) tax regimes depending on their turnover. Such enterprises do not submit a value added tax declaration, but pay income tax, the level of which depends on the field of activity (trade, services, etc.). In Germany, small business has been strongly supported by the state for more than 30 years, and its interests are always taken into account in the government's economic policy. In order to stimulate microfinancing of small businesses, the state provides financial resources to commercial credit organizations engaged in lending to small businesses. In this regard, Shepelev notes that the KFW Group financial group was created, 80% of which is owned by the German government. In addition to financial assistance, the German state also provides active information support to small business entities by organizing comprehensive consultations for entrepreneurs at all stages of business development.

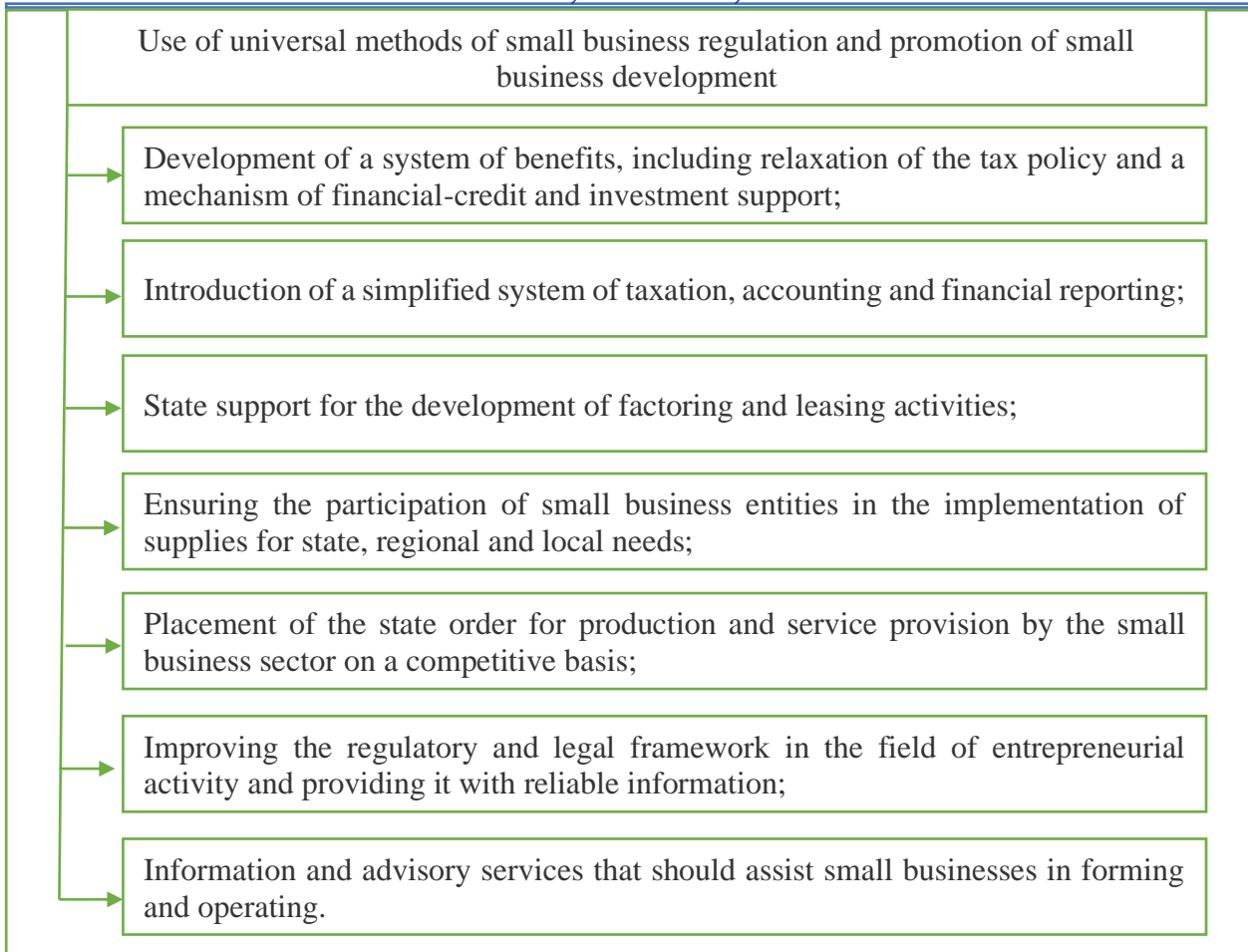
In the US, small business support is mainly carried out through grants and directly guaranteed loans. In addition, state programs to support small businesses are also implemented at the state level. State guarantees reduce the risk of the activities of credit and financial institutions and promote the interests of small business creditors. This, in turn, is why Small Business Support programs in the United States provide equal opportunities for all small businesses to grow and compete. In recent years, these programs have become the basis for private sector development models in many countries with changing economies.

The policy of developed countries is aimed at creating a favorable environment for scientific and technical development, and the state plays an important role in this process. The role of the state is to form a system of rules for the activities of scientific and technical market entities and monitor their implementation by creating a favorable institutional environment and innovative infrastructure.

There are significant differences in the goals and principles of supporting small and medium-sized enterprises for different countries of the European Union. However, the main goals of regulating and supporting small and medium-sized businesses in Europe are to strengthen the single internal market of the European Union, eliminate administrative barriers for small and medium-sized businesses, unify the legal framework and strengthen relations with other countries of the European Union for deeper economic cooperation. Studies show that recently interactive tools for supporting small businesses have become widespread in Europe, in particular, information portals, webinars, video conferences, etc. Thus, in developed countries, thanks to competent state support, small business operates stably and effectively. In turn, the effective development of small business leads to the development of the country's economy, strengthening its position in the world market. In Uzbekistan, state regulation and support for the development of small business is carried out by the relevant national, regional and local authorities in order to harmonize the interests of the state and small business, and in recent years, great attention has been paid at the government level to the formation of a system of state support for small business. As confirmation of this, a number of works have been carried out on the development of small business. In particular,

- the procedure for state registration is being regulated;
- a simplified system of taxation and reporting for small business entities has been introduced;
- the system of financial and economic activity inspection has been regulated.

Analyses show that constant changes in policy and legislation lead to instability in the economic environment and increase the risks of doing business, leading to the bankruptcy of many enterprises. To prevent this, in our opinion, the State should minimize current changes in regulations. Unlike large enterprises, small enterprises do not have enough funds, staff and time to monitor legislation. In order for small businesses to function effectively in the economy and bring positive results, as in developed countries, the State should use a number of universal methods of regulation and encourage the development of small businesses, including:



**Figure 1. Use of universal methods of small business regulation and promotion of small business development**

In developed countries of the world, the state is actively organizing information and consulting centers that unite state bodies, economic associations, chambers of commerce and industry, and banking institutions. In addition to these experiences, in our country, in order to improve the mechanism for supporting small business entities, in our opinion, it is advisable to provide them with assistance in the field of logistics, reduce the discount rate of the National Bank, stabilize the soum exchange rate, and facilitate the use of financial resources by improving and expanding credit guarantee mechanisms for small businesses.

It is necessary to implement additional forms of state support for small business entities, such as further simplifying the procedure for registering small business entities that do not require large budget funds, developing the institutional infrastructure of supporting small businesses, increasing the level of entrepreneurial and management skills, providing legal, information and marketing services, ensuring access to venture financing through franchising mechanisms, coordinating cooperation between small businesses by organizing various fairs, exhibitions, etc.

Small business, as an economic entity based on the activities of small firms that are not officially part of any economic association, is distinguished by independent management, equality and dynamism and plays an important role in ensuring employment in every developed country. This study on mandatory state support for small business entities is distinguished by its focus on a topical issue. However, the current state of the country's economy and the difficult path of its reform once again raise the issue of determining the economic and political expediency of state support for this

category of business entities, which confirms the relevance and practical importance of the research topic.

The purpose of the study is to determine the expediency of state support for small business in the Republic of Uzbekistan, as well as to find the best forms of such support. According to this goal, the state policy in the field of small business development and its goals are determined to be:

- creation of favorable conditions for small business development;
- ensuring the development of small businesses in order to create a competitive environment and increase their level of competitiveness;
- stimulation of investment and innovation activity of small business;
- implementation based on the principles of assisting small business entities in promoting their products and results of intellectual activity in domestic and foreign markets, as well as the effectiveness of small business support, the availability of state support, and the participation of small business entities and representatives of public organizations representing their interests in the formation and implementation of state policy in this area;
- create equal opportunities for small business entities that meet the requirements of national, regional and local development programs to participate in the implementation of such programs and receive state support;
- ensure the efficiency of using budget funds intended for the implementation of these programs and the openness and transparency of state support procedures;
- ensure the availability of small business support infrastructure facilities for all small business entities and their effective operation. It should be noted that there are arguments for and against state support for business entities.

In our opinion, despite the increase in the existing state debt of our country, the slowness of small business entities in attracting foreign investment, and their financial limitations, the Republic of Uzbekistan, taking into account the positive points made in the above area, should pay attention to supporting this sector of the economy. In this regard, in our opinion, the main areas of support should be:

- 1) state projects for training individuals wishing to establish a small business;
- 2) simplification of organization, business management, reporting;
- 3) preferential taxation, preferential lending and investment in certain areas;
- 4) business consulting and legal support. Of course, some of these areas have already been reflected in the main directions of state policy in the field of small business development by our government: in particular:
  - improvement and simplification of the procedure for accounting for tax purposes;
  - introduction of a simplified system of taxation, accounting and reporting for small business entities in accordance with the criteria established by tax legislation;
  - involvement of small business entities in the implementation of scientific, technical and socio-economic programs, in the provision of products (works, services) for state and regional needs;
  - financial state support for small businesses through the introduction of state credit programs, the provision of guarantees on loans, and partial coverage of interest rates on loans;
  - assistance in the development of small business support infrastructure and guaranteeing the rights of small business entities when exercising state control in the field of economic activity;
  - assistance in simplifying licensing procedures and state control procedures, reducing the time for small business entities to obtain permitting documents and implement such procedures;
  - organization of training, retraining and advanced training of personnel for small businesses and introduction of mechanisms to encourage the use of new technologies in the production of small business entities, as well as technologies that improve the quality of goods (works, services).

Analysis of the activities of small business entities shows that a significant part of newly established small business entities cannot start their activities due to the lack of sufficient authorized capital, raw materials, own area and equipment, practical skills in conducting entrepreneurial activities and a level of entrepreneurship. In this regard, they face production-related problems, difficulties in selling products, and in forming relevant customers. Due to the small volume of economic activity, some small enterprises are unable to attract qualified specialists, hire talented workers, and pay them high salaries.

The overall decline in local production, rising prices, inflation, low solvency of the population, corruption, and other limiting factors also have a negative impact on the development of small businesses. This requires the development of small businesses in such structural components as regulation, legislation, financial and credit, organizational, economic and institutional, and the development of an effective mechanism for state support.

Support for the development of small businesses should be regional in nature and take into account the level of development of entrepreneurship in individual regions and economic activities. If we analyze the main indicators of small businesses in the Namangan region, for some time there has been a trend towards increasing the number of small enterprises and improving their activities.

However, the quarantine implemented under the influence of the pandemic and the resulting crisis, as well as the unstable political situation in the world, are hindering the further development of small business entities. In order to improve the situation of small businesses and promote their further development, it is necessary to improve state and regional programs to support small businesses. When developing support programs, it is necessary to take into account the economic specialization of the region, the level of its production potential, the number of working-age population, the availability of raw materials, etc.

In this case, the duration of regional support programs should be at least 10-15 years. However, any regional program to support small businesses can be fully implemented if their financing is stable. Therefore, the most important element of the regional infrastructure to support small businesses are financial institutions aimed at ensuring the availability of financial resources for small businesses. However, their underdevelopment and extremely limited capabilities can be a major obstacle to the rapid development of small businesses. To solve this problem, small business entities certainly need the help of government agencies.

However, given the global economic and political situation, as well as the crisis in the economy, it is not always possible to allocate funds from the budget to support small businesses. Therefore, it is necessary to identify methods of state support that do not require large funds. Such methods should include indirect forms of support for small businesses through incentives in the system of lending, taxation, development of leasing operations, franchising, accelerated depreciation.

Also, financial support for regional programs to support small businesses can be carried out in other ways, including by paying low interest rates on loans issued by banking institutions, partially covering the risks of commercial banks on loans by providing financial guarantees. This is especially important in the context of the financial crisis, when interest on loans leads to the bankruptcy of small businesses. However, this support should be provided, first of all, to small businesses operating in priority sectors of the economy.

Thus, in the Namangan region, first of all, attention should be paid to the development of small businesses in such economic activities as fishing, fish farming; financial activities, education, healthcare, textile and clothing, and social assistance. These measures can only be used to mitigate the negative consequences of structural macroeconomic changes and should not exclude the responsibility of small businesses to determine their own fate. Also, for the more effective development of small businesses, we believe that it is necessary to create favorable conditions for the development of small business infrastructure:

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