

IMPROVING THE ECONOMIC MECHANISM FOR INCREASING THE EFFICIENCY OF INVESTMENT IN SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

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Abstract

The article explains the role of government programs in small business investment, the features of development and alternative scenarios to increase its efficiency. Through econometric models, the relationship between the volume of foreign loans attracted to fixed capital by small businesses and the number of small business and private entrepreneurs operating in sectors of national economy and the number of small companies and private entrepreneurs operating in sectors of the national economy is also highlighted.

Key words: Investments, government programs, investor, financial services, risk, investment relations.

Introduction. Small businesses and private entrepreneurship are considered important factors in ensuring sustainable economic growth due to global structural reforms, including in Uzbekistan. Recent years have seen the importance of small business and private entrepreneurship in assuring the sustainable development of various sectors of the economy, creating jobs, increasing employment, strengthening the income base, and enhancing the business and competitive environment in the country.

“An active entrepreneur is one who is capable of creating a competitive product, new jobs, and feeding his family as well as society as a whole, as President Shavkat Mirziyoyev said. Creating favorable conditions for the import and introduction of high-tech machinery and equipment into our country should be our top priority to expand the ranks of such entrepreneurs [1].

Literature review. As a result of the post-coronavirus pandemic, the President outlined eight key areas that will enable him to ensure the growth of the economy. Small businesses have been identified as a "growth point" of the economy in the development of these areas. A low share of small businesses is noted in the high-tech industry, and a mechanism for government incentives is to be developed, as well as the creation of regional small industrial zones [2].

In light of the above, it can be stated that the government has been prioritizing the development and implementation of government programs aimed at improving the attractiveness of small business and private entrepreneurship, including the effective growth of small businesses.

Research methodology. A major objective of socioeconomic reforms in the country is to stimulate employment in the small business sector and improve investment efficiency. Furthermore, great attention is paid to developing an active business environment in the country by implementing state programs that will create favorable business conditions.

“An active entrepreneur” is one who produces competitive products and, most importantly, creates

new jobs for himself, his family, and society as a whole, as noted by the President of the Republic of Uzbekistan. We should begin by expanding the ranks of such entrepreneurs and creating favorable conditions for the import and introduction of modern technology, machinery, and equipment based on the latest scientific achievement in our country [3]. As a means of achieving these goals, “as part of the Action Strategy for Uzbekistan’s further development between 2017 and 2021, consistent growth of entrepreneurship will be achieved through significantly simplifying business procedures, improving infrastructures, and expanding financial resources” [4].

Analysis and results. By making a comparative analysis of the experience of developed countries in improving economic mechanisms for increasing efficiency of small business investments in our country in recent years, it will be necessary to identify opportunities for creative use in the practice of our country. In most developed countries, government programs support small businesses through investments. Additionally, financial support for small businesses should be provided, including allocation of subsidies to this sector, the provision of raw materials, and the formation of government orders that include financial incentive measures. widely used.

The advantages of state support for the development of small business and private entrepreneurship through the method of government procurement over other methods are reflected in the following:

- partially protected from competition;
- full use of technical and technological capacity of the enterprise;
- there is an opportunity to use employee efficiently;
- high prices are guaranteed for products;
- production stability is ensured at the enterprise, etc.

In the United States, a mechanism has been developed to increase the efficiency of investment in small business and private entrepreneurship, which is saturated with components of a market economy. is guaranteed for up to 50-90 percent of the. This will reduce the risk level of investments in small business and increase the investment attractiveness of the industry. It should be noted that the

amount of collateral for loans is determined by how much of the loans received by small businesses are directed to innovative activities.

It is, if the borrowed funds are completely directed to innovative activities, then 90% of the borrowed money will be Guaranteed by the state, but only if some part or all of the borrowed funds are directed to innovation activities, then the total debt Guarantees are provided at 50-90 percent, depending on the size of fund. In addition, based on the total number of borrowings from banks, the amount of guarantees is determined in the order: [5]

Up to \$ 750,000, 75% guarantee;

- Up to \$ 100,000, 80% guarantee.

Also, in accordance with the programs of small business support provided by the state, the interest rate for loans to representatives of this sector is 2.75 for up to 10 years for working capital and up to 25 years for fixed capital. provided in an amount not exceeding one percent. In particular, the U.S. Small Business Administration will be able to increase subsidies for the following small businesses: [6]

- Veterans of the Armed Forces;

- enterprises representing the people and their owners;

- Enterprises located in areas with high unemployment.

The main sources of investment in small business in the UK are loans from commercial banks and savings funds. The country also has a large number of companies involved in financing small businesses. In the United Kingdom, there are mechanisms to provide financial assistance to small businesses on the basis of targeted government programs, which include: [7]

- "Grants program" - a program of financial assistance to local small businesses by local governments and small business support agencies

- The "Enterprise Establishment" program is a program aimed at providing employment to the unemployed through the establishment of small businesses to encourage employment

- The "Loan Guarantee" program is a program aimed at allocating state guarantees for the repayment of loans taken by small businesses for up to three years.

Commercial banks in the UK are also actively involved in investing in small businesses. In particular, the country's commercial bank Barclays Bank provides loans to small businesses for a period of 2 to 20 years at a rate of 5,000 to 500,000 thousand pounds at the refinancing rate of the Bank of England. [7]

East Asian countries are also among the countries in the world with unique experience in investing in small business. In particular, Japan is one of the first countries to develop and implement programs to support small business and private entrepreneurship.

There are special organizations investing in small and medium-sized business. The analysis showed that Japan has special institutions that invest in small companies. The State Corporation has been established to provide support for small and medium-sized companies that have difficulties with the fulfillment of credit requirements by state, which provides working capital and cash for small enterprises. During the long term, loans to increase are issued at interest rates below the refinancing rate. The company will guarantee small business loan payments, as well as reduce the level of risk. [9]

According to the research, the components of investment activity of small enterprises can be: investment activity, investment culture, investment information,

investment object, investment capital sources, investment resources, investment environment, investment sector and region, government government agencies, small business (SB) support organizations, investors, customers, etc. (Figure 1).

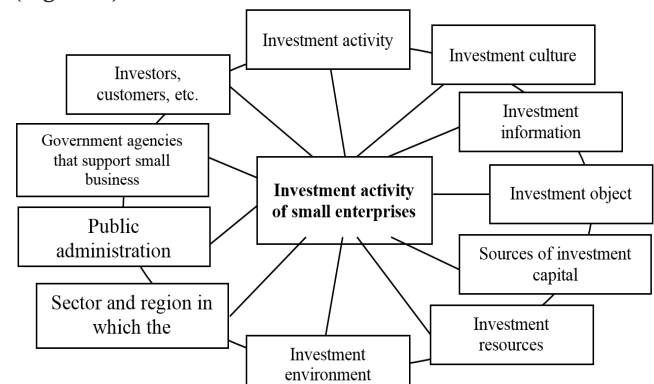


Figure 1. Investment activity of small enterprises and its components [9]

After an analysis of the facts, it is possible to invest in small business by creating social relations that emerge from components who make up the investment activities. The system of socio-economic relations that emerges with the components made up the investment activities mentioned above is also considered as mechanism for investing in Small Business. On the basis of a comparative analysis of the world practice of investing in small businesses, it was found that in these countries, state-guarantees are more important than investment. According to our opinion, in recent years, the improvement of the mechanism for investing in small businesses in our country can be used creatively:

- establishment of regional centers to support the investment activities of small businesses in the regions of the country. Reducing the level of risk by guaranteeing bank loans for small businesses in the regions through the establishment of these centers;

- starting from 2018, preferential loans are provided to small businesses in our country within the programs "Every family is an entrepreneur", "Development of handicrafts", "Our future of youth", "Businesswoman". Improving the effectiveness of financial support for small businesses by increasing the amount of these types of soft loans and their repayment terms;

- setting interest rates on loans based on the volume and direction of loans provided by commercial banks to small businesses. In particular, the introduction of state guarantees for investments to attract innovative activities of small businesses;

- encourage foreign investors to make foreign direct investment in small businesses. Priority should be given to ensuring the implementation of modern techniques and technologies;

- encouragement of small businesses through the use of government procurement (US) in the development of investment activities of small businesses, etc.

In addition, in improving the economic mechanism for investing in small business and private entrepreneurship in our country, the state will have to guarantee the investment of small businesses. At the same time, it is necessary to use the mechanism of investment in the activities of small enterprises in our country, saturated

with components of a market economy (Figure 2).

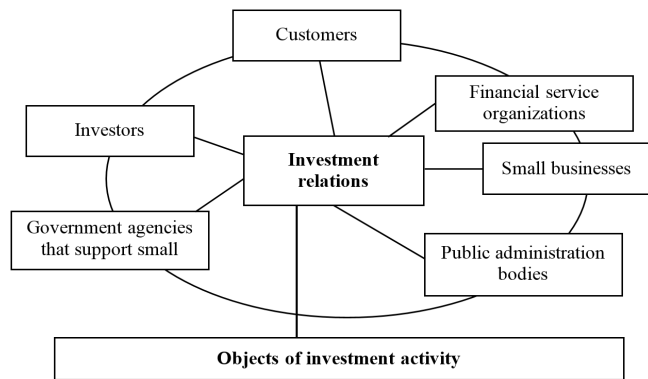


Figure 2. A mechanism for investing in the activities of small enterprises, saturated with components of a market economy [13].

At the same time, investments in small businesses are focused on the importance of the investment object. That is, if the object of investment corresponds to the priorities of the reforms implemented by the state at the time of investment, investment in a small enterprise on the basis of government intervention is encouraged. For example, the provision of state guarantees for borrowed funds, the provision of loans from commercial banks at preferential interest rates, or the allocation of subsidies from the budget, etc.

Conclusions and suggestions.

Within the framework of this project, by improving the mechanism for investing in small business companies at all times on long terms, there is an important need to improve it. The role of Small Businesses in the National Economic Development will be strengthened, the business environment will be improved, and investment attractiveness from small businesses can grow.

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