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DIRECTIONS OF STATE SUPPORT OF BUSINESS ACTIVITIES IN UZBEKISTAN AND THEIR LEGAL BASES

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Abstract: For any country that chooses the direction of market economy, it is important to set up business activities correctly and its sustainable growth. Because today, the basis of the economy of many developed and developing countries of the world lies in properly organized business activities. State support is important for sustainable growth of business activity. This research paper examines the directions of state support of entrepreneurship and its legal basis in Uzbekistan.

Keywords: SMEs, regulatory burden, tax benefits, entrepreneurial activity, financial support, mentoring, personnel training, business entities.

INTRODUCTION

The financial support of the government is crucial for the development and stability of any small and medium-sized enterprises [1][2]. An important resource for economic development, value creation, and employment, SMEs are often faced with limited business planning, capital deficits, and unfavourable business conditions for their growth [3]. Many countries around the world are implementing a number of initiatives and measures to support small and medium-sized enterprises in order to prevent or solve situations similar to the mentioned problems.

It can be concluded from the existing studies that financial and other types of business support measures can have a positive effect on the ecosystem of small and medium-sized enterprises if they are implemented separately. Data collected at the firm level show that market and institutional failures can have a negative impact on SME development and call for government intervention to improve SMEs' access to finance. Moreover, based on the conducted research, if small and medium business entities are supported by the state, it is important to increase their stable competitive indicators. Because the financial support of the state serves to eliminate the situations in which the lack of capital and financing of small and medium-sized businesses may hinder growth [2]. Furthermore, according to the U.S. Bureau of Labor Statistics (BLS), 20 % of newly established business entities go bankrupt in the first two years, 45 % of them in the first five years and 65% of them in a ten year period [4]. The main reason behind their crisis is as following: Financing Hurds, Ineffective Business Planning, Inadequate Management, Marketing Mishaps and etc. In this condition, the importance of the government is fairly indispensable. With the government's support it is highly likely to prevent the newly

organised business entities from being unsuccessful. In this piece of research paper a number of governmental support methods aimed at business entities are examined thoroughly.

LITERATURE REVIEW AND METHODOLOGY

There is a diverse list of literature on the importance of government financial support in promoting small business and entrepreneurship, which substantiates various aspects of this direction. Researchers have justified the importance of SMEs in reducing poverty, creating new jobs, and ensuring economic growth. An example is a study conducted in Perlis, Malaysia. According to the results of this research, the financial support of the government plays an important role in improving the efficiency of SMEs [5]. In addition, there are factors such as market access, well-defined property rights, and effective execution of contracts for the development of small and medium-sized businesses [2].

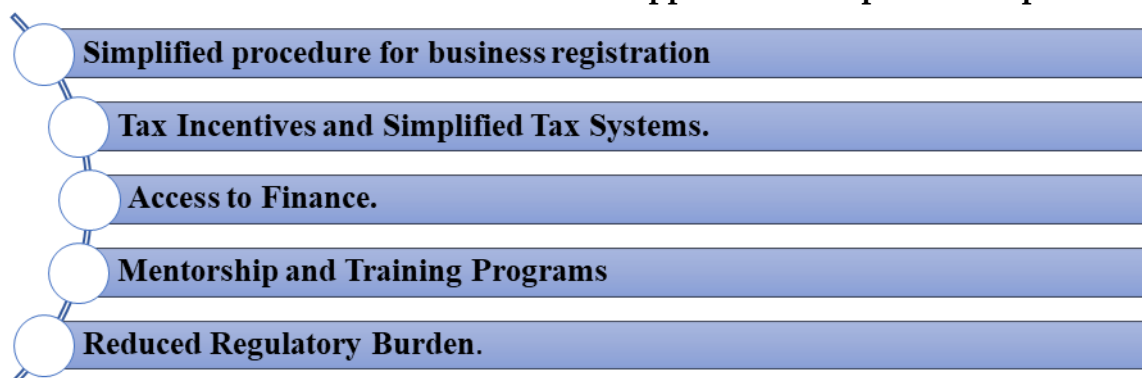
This research work includes a comprehensive list of literature on financial support of entrepreneurship by the state. The review in this study is focused on the analysis of the main ideas and comments in the selected sources and the identification of gaps and contradictions in the literature.

RESULTS AND DISCUSSION

According to the analysis of the literature, the financial support of the state can have a significant positive effect on the activity and development of SMEs. State financial support has an effective effect on avoiding situations where the lack of capital and financing of small and medium-sized businesses can hinder growth [5]. Small and medium-sized enterprises are very important in reducing poverty, and many countries around the world are implementing a number of support measures in order to develop small and medium-sized business activity.

Picture 1

Several directions of state support for entrepreneurship



Simplified procedure for business registration. Currently, many countries in the world are implementing many initiatives in order to introduce systems that simplify business registration and reduce bureaucracy and time. An example of this is the online portals and one-stop systems that are currently in use, and the registration process in the regions is facilitated by searching for the relevant resource or government web pages [5]. In this direction, a number of legal documents have been adopted in Uzbekistan to improve business activity or simplify its organization, among them Decision No. 158 of the Cabinet of Ministers of the Republic of Uzbekistan *“On improving and simplifying the procedures for obtaining permits in the implementation of business activities”* adopted on June

10, 2009 [6], Resolution No. 2646 of the President of the Republic of Uzbekistan “*On improving the system of state registration and accounting of business entities*” adopted on October 28, 2016 [7] and Resolution No. 4742 of the President of the Republic of Uzbekistan “*On Measures to Simplify State Regulation of Entrepreneurial Activity and Self-Employment*” adopted on June 8, 2020 [8] are important in accordance with the implementation of these decisions, the government has been making a number of changes. Among them are the cancellation of entry visas for tourism, the unification and liberalisation of the exchange rate, and the implementation of time-saving online portals for registering business activities [9].

Tax Incentives and Simplified Tax Systems. Tax incentives, preferential loans, or simplified tax systems can significantly reduce the financial burden of small and medium-sized enterprises and allow them to have more resources for their development [5]. Lower taxes make it attractive for both local and foreign investors to start and run a business in the country. Taking into account the tax benefits and their importance, the Parliament of the Republic of Uzbekistan adopted the law “*On Free Economic Zones*” on April 25, 1996 [10]. Investors are offered a number of tax incentives. Also, in order to continue the tax reforms aimed at creating favourable conditions for the implementation of business activities, on February 10, 2023, the President of the Republic of Uzbekistan, “*Criteria for categorising business entities and measures to further improve tax policy and tax administration,*” Decree No. 21 was adopted [11].

Access to Finance: The lack of capital is the main obstacle for any business entity, and preferential loans provided by the state, macro-finance initiatives, and venture capital funds allow for the elimination of the gap in financing and can even prevent the business entity from facing a crisis. During the 2008-2009 financial crisis, the General Motors Company in the United States received a total of \$49.5 billion in financial assistance under the Troubled Asset Relief Program [12, 93]. Otherwise, the US auto industry and the country's economy could face negative consequences. Today, General Motors, the largest automobile company in the United States, accounts for an average of 25% of the share of the country's GDP from the automobile industry in the United States and was equal to 39.2 billion dollars in 2023 [13].

In recent years, many initiatives have been implemented in the Republic of Uzbekistan in order to financially support business activities. One of these initiatives is the decision of the President of the Republic of Uzbekistan No.150, dated June 9, 2022, “*On additional measures to further improve the activities of the State Fund for the Support of Entrepreneurial Activities,*” in the amount of more than 15 trillion soums, which was planned to provide financial assistance to more than 46 thousand projects of business entities by the State Fund for the Support of Entrepreneurial Activities [14]. Also, in addition to measures implemented by the state, especially in the context of developing economies, academic research being carried out to study the importance of entrepreneurial finance and government support in supporting venture success can have a significant positive impact on the success of new businesses [15].

Mentorship and Training Programs. Before discussing the importance of mentoring and training programs, let's take a look at what the word “mentor” means. It is used in the sense of “a person who gives help and advice over time,” and the activity that a mentor is

engaged in is called "mentorship" [16]. Today, mentorship and personnel training are very important for the proper and sustainable growth and competitiveness of entrepreneurship. State-sponsored programs help entrepreneurs develop critical business skills by providing effective guidance and resources. Therefore, a number of measures are being implemented in the Republic of Uzbekistan in order to increase the efficiency of the activities of entrepreneurs. Decree No.5087 of the President of the Republic of Uzbekistan dated June 19, 2017, *"On measures to fundamentally improve the system of state protection of business interests and further development of entrepreneurship,"* was adopted, and its D-paragraph is dedicated to the field of education and personnel training of business entities, and a number of other measures are defined in it [17].

Reduced Regulatory Burden: A simplified system for the purpose of regulating business entities is significantly inclined to reduce the administrative burden and costs and requires simplification of licensing, reporting, and provision of available information. In state support of business entities, it is necessary to pay more attention to innovative development, and often it is necessary to reduce regulatory burdens in certain sectors [18]. At the same time, the adoption of legal and regulatory documents on the development of small and medium-sized businesses is also important. In recent years, a number of legislative reforms aimed at the unhindered development of business entities and reducing their regulatory burden have been implemented in Uzbekistan too. Decree No. 8 of the President of the Republic of Uzbekistan of January 09, 2024, *"On measures to reduce mandatory requirements in the field of entrepreneurship and simplify licensing and permitting procedures,"* has been simplified. Starting from March 1, 2024, 16 types of licenses and permits have been cancelled or combined. Also, in the decree, tasks such as the cancellation of permits for the transportation of goods and the unification of export/import licenses for special goods are specified in the register of customs carriers [19].

CONCLUSION

For the development of any business entity, the simplified procedure for business registration provided by the state, tax benefits and a simplified tax system, the possibility of receiving financial assistance, the mentoring and personnel training program, and the reduced regulatory burden are very important. At this point, it should be noted that in recent years, many efforts have been made for the development of business entities in Uzbekistan. As a result of these measures, Uzbekistan was 118 in the World Bank's Doing Business index in 2008, and by 2019 it is 69 [20]. From these indicators, it can be concluded that the entrepreneurial ecosystem has grown significantly in Uzbekistan in recent years, and the importance of the attention given by the state to it is incomparable.

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