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Title: **SMALL AND MEDIUM-SIZED ENTERPRISES IN THE REPUBLIC OF UZBEKISTAN**

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SMALL AND MEDIUM-SIZED ENTERPRISES IN THE REPUBLIC OF UZBEKISTAN

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Abstract: This article deals with the role of SMEs in Uzbekistan and analyzes the current state of this sector in the Republic, several proposals have been made for the improvements in this sphere

Keywords: SMEs, business, finance, pandemic

Introduction

SMEs are having been developed in our Republic for more than five years by clearly understanding the huge role of that sector in the development of national economy. In fact, many facilities are being given to entrepreneurs during the pandemic period. On April 3, 2020, president of Uzbekistan signed a decree on additional measures to support the population, sectors of economy and business entities during the coronavirus pandemic [1]. According to the document, during the quarantine period small businesses, the revenue which has decreased by 50 percent compared to the previous month, are granted the right to defer payment of turnover taxes, land tax, property tax, social and water taxes until October 1, 2020.

It is undeniable that the coronavirus outbreak is causing a global health emergency, and a global economic slowdown. Trade, investment, business, growth are all affected and the crisis also has impact on SMEs. This article analyses effects of pandemic on SMEs in Uzbekistan and provides some relevant solutions to tackle problems of financing SMEs during lockdown and after.

Materials

It should be stated as information that entrepreneurship is risky business because entrepreneurs starts a business and is willing to risk loss in order to make profit. Most of scientists of economy say that entrepreneur is an entity which has the ability to find and act upon opportunities to translate innovations or technologies into products and services.

Steve Blank professor of entrepreneurship says[2] that there are four distinct types of entrepreneurial organizations: small businesses, scalable startups, large companies and social entrepreneurs. It is said that innovation is the specific tool of entrepreneur, the means by which they exploit change as an opportunity for a different business or a different service.

Lee A.Swanson[3] stresses in his textbook "entrepreneurship and innovation toolkit" that innovation is important in entrepreneurship. In the highly competitive world that we live in, innovative ideas are what will separate us from the rest.

Shodmonov Sh .Sh. and Mamarakhimov B.E. note[4]that entrepreneurship is an integral part of national economy of our Republic. They say that entrepreneurship is an economic activity

aimed at making a profit and using it more efficiently, regardless of its form and scope.

It is noted in the book of Practical knowledge Management Guide for SME Owners and Managers[5] that our lives rely hugely on small and medium enterprises. If someone is doing his business in SMEs he should be good at identifying, creating, competing and stabilizing SMEs for further developments. Additionally, it is said in that book that owner/manager of the SMEs should be considerate and decision maker for tackling problems in business.

Methodology of the research

The role of SMEs and their significant role in the national economy of Uzbekistan have been analyzed in depth by using “statistical modeling”, “eco-statistic”, and “questionnaire” methods. Statistics have been made by the help of official statistic sites of Uzbekistan and official international statistics about Uzbekistan.

Results

Conducted researches revealed that currently, the Republic of Uzbekistan pays considerable attention to the development of small and medium sized entrepreneurship. Today, special attention is paid for improving the position of Uzbekistan in various prestigious world rating in the sphere of economy. For example, the government and the Head of state have adopted relevant regulatory documents aimed to increase the rating of the state in the annual report “doing Business”, published by the World Bank. That rating consists of 11 estimation indicators. The very first and key indicator for the business sphere is an indicator “Starting a business”. The first step into the world entrepreneurship begins with the Public Service Centers – this is the place where the business registration takes place. Therefore,

the task of improving positions on this indicator is assigned to Public Services Agency under the Ministry of Justice. According to the results of the Doing – Business -2018 report, Uzbekistan ranks 12 out of 190 positions of economic systems in the terms of registration of the entrepreneurs. Due to the creation of a special automated system, it is possible to register a business in the Public Services Centers in just 15-20 minutes. In addition, this procedure can be performed remotely-online. Research showed that for stimulating and encouraging citizens to use electronic public services various benefits and discounts were introduced to the public. For example, when entity is trying to register a business online 90% of the established state fee amount is paid.

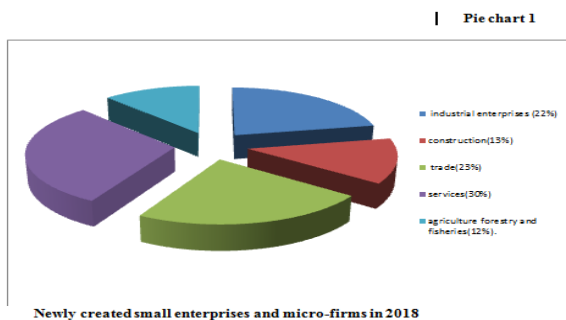
As a result of created facilities in entrepreneurship in Uzbekistan, new entrepreneurship are being created in the Republic. According to the statistics, in January-September 2018, 38.1 thousand new small enterprises and micro-firms were created again, which is 23.6 % more than in the same period in 2017[6]. The largest number of small enterprises and micro-firms were created in the sphere of trade, industries, construction, agriculture, forestry and fisheries, accommodation and nutrition services, transportation and storage and the share of percentage of those sectors are provided below chart1:

Chart 1



The share of newly created small enterprises and micro-firms by economic activity in January-September 2018

Following the results of the third quarter of 2018, a sample survey of the activities of the newly created small enterprises and micro-firms by economic activity was conducted, in which more than 996 respondents took part. Of these, industrial enterprises-224 (22%), construction -127(13%), trade-234(23%), services-296(30%), agriculture forestry and fisheries-115(12%), and these indicators are given in the below pie chart 1[7]:



Newly created small enterprises and micro-firms in 2018

Many researches which were conducted for defining the basis of SMEs in Uzbekistan revealed that they are defined based on the number of employees, and

include individual entrepreneurs and micro and small enterprises. The thresholds differ by sector:

Table1.
Basis of SMEs[8]

Medium-sized	<100: Mining and manufacturing <50 Construction <30 Agriculture, wholesale, other production sectors <20 retail, services, and other non-production sectors
Small	<40 mining and manufacturing, <20 Construction, agriculture, and other production sectors <10 Scientific/academic sphere, retail, services and other non-production sectors
Micro	<10 Manufacturing, agriculture, other production sectors <5 Retail, services, and other non-production sectors, scientific/academic sphere

It is clear from the table, given above that in Uzbekistan medium-sized, small and micro entrepreneurship are differ from each other based on the numbers of workers of that entrepreneurship. For example, if the firm of mining or manufacturing has fewer than 100 employees it is medium- sized if it has fewer than 40 employees it is small entrepreneurship.

According to statistics of national and international organizations, there is a limited choice for SMEs in terms of variety of sources of finance. Sources for financing SMEs in Uzbekistan are classified as formal and informal. Personal savings, friends, relatives, business partners and unregistered moneylenders are informal sources of financing SMEs. A research which was conducted by OECD[9] revealed that despite double-digit credit growth over the last years, access to finance is an issue for SMEs. Uzbekistan's banking sector (179.7 trillion sum of assets as of 1 May 2017, according to CBU data or 72 per cent of 2017 GDP, 55 per cent of GDP credit penetration) is relatively large. However, the high concentration on the sector around state banks and state-directed lending constrains access to credit outside state programs.

SMEs are strongly constrained in accessing finance, according to survey results: only around one quarter of SMEs have bank loan and more than and pore than 80 per cent of SMEs finance their companies through informally.

A survey which was conducted for revealing the status of the SMEs during the lockdown in Uzbekistan showed that much work has been done to improve current situation of the national economy. First of all, it should be noted that the Asian Development Bank approved a \$500 million loan to help the government of Uzbekistan mitigate the adverse health and economic impacts of the pandemic. In fact, the sharp contraction in global economic activity due to the pandemic and wide-ranging containment measures in the Republic of Uzbekistan have caused growth projections to drop to 1.5% [6] this year from 6% forecast from the pandemic. Around 80% of SMEs suspended their activities following the lockdown, and unemployment is expected to jump to 16.5% this year from 9.4% in 2019. Therefore, the significant part of the fund of the government has been spending on mitigating negative effects of outbreak on the SMEs for improving national economy and reducing poverty in the country. Additionally, while placing constraints on the lives of all citizens, the quarantine restrictions have seriously impacted small businesses activities in Uzbekistan. For the Republic this is a particular concern, as SMEs make up 57% of national economy[8]. In May 2020, UNDP launched the business clinic program in Uzbekistan with the purpose of providing free legal and business advisory services to SMEs and to individual entrepreneurs both during and after the quarantine. That clinic

has proposed activities across three areas[10]:

- Undertaking rapid needs assessment, and finding ways of addressing those needs
- Implementing efficient anti-crisis management
- Supporting early recovery

A research showed that there are some challenges for thriving SMEs in the country and some important challenges are provided below:

- Unease of formal financing SMEs
- Lack of knowledge in exporting
- Inexperienced SMEs in the beginning of entrepreneurship
- Lack of legal knowledge of entrepreneurs and some other minor challenges.

Conclusion

Summing up, it can be stated based on the given information and carried researches above, SMEs have significant role in the national economy in Uzbekistan and this sector is being developed year by year. However, there are still some challenges in this sector in the Republic and some possible solutions will be provided below for further improving SMEs in Uzbekistan:

- Expanding advisory and training capacities and supporting preferential access for SMEs
- Attracting more foreign companies for cooperating SMEs in the country
- Expanding the export promotion network abroad
- Providing support of government to those who begins entrepreneurship in SMEs
- Improving legal knowledge of entrepreneurs

— Alleviating formal financing ways of SMEs and creating new funds for this sector

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