

MATTERS CONCERNING THE ENHANCEMENT OF ENTREPRENEURSHIP IN THE PROGRESSION OF THE COUNTRY'S ECONOMY

Annotation: The article seeks solutions to pressing challenges that Uzbekistan currently faces. It delves into both theoretical and hands-on strategies for fostering "Entrepreneurship amid the digital transformation of our nation's economy." The study also explores how to leverage these approaches in innovative endeavors and integrate novel economic development pathways inspired by international experiences. It concludes with advice and guidelines for improvements.

Key words: Digital entrepreneurship, Innovation, Virtual environment, Digital technologies, Digital service, Innovative entrepreneurship, Business entities.

Introduction

Entrepreneurship is critical to the growth and development of any modern economy. Entrepreneurship is the engine of economic growth and a driving force behind decentralisation, economic restructuring, and the transition to a market economy. Entrepreneurship is defined as the practice of capitalizing on previously undetected profit opportunities to create a new process or output. Entrepreneurs incur the risk involved with economic development because they pursue new ideas and devote resources to new business ventures, the results of which are expected to be large, both immediately and soon. The link between entrepreneurship and economic growth is demonstrated when entrepreneurs act on profit opportunities, making the economy more productive by establishing additional economic activities, which in turn produce employment opportunities and enhance the GDP.

In today's digital economic landscape in our nation, fostering entrepreneurship and evolving the population's way of life is gaining prominence on the priority list. Small businesses and private entrepreneurial endeavors play a pivotal role in shaping a modern Uzbekistan that meets contemporary demands. As highlighted by our country's President, Shavkat Mirziyoyev: "It's crucial to emphasize supporting entrepreneurial actions that address community social issues, especially those initiated by the youth and women. To facilitate this, broader access to microfinance services, financial assets, and public procurement will be made available to the public and entrepreneurs. With these initiatives, the enthusiasm and trust of our citizens in embracing entrepreneurship will flourish, motivating them to seek higher earnings."¹

Literature review

Although entrepreneurship is a relatively unstudied topic in economics, there is a significant and rising literature on the relationship between entrepreneurship and economic growth. Much of the empirical analysis is based on cross-section regressions that employ indexes of entrepreneurial activity provided annually in the GEM (Global Entrepreneurship Monitor)² for each economy. Overall, empirical data indicates that economies with higher levels of entrepreneurial activity grow quicker. The evidence, however, is not conclusive because some research finds no substantial beneficial association between entrepreneurship and economic growth. Furthermore, given the variability of entrepreneurship, blanket conclusions should be avoided because different strands of entrepreneurship are likely to effect growth in different ways. Furthermore, given the variability of entrepreneurship, blanket conclusions should be avoided because different strands of

¹ Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. 2020 year

² <https://www.gemconsortium.org/reports/latest-global-report>

entrepreneurship are likely to effect growth in different ways. Furthermore, the relationship between entrepreneurship and growth may fluctuate in nations with varying levels of affluence and development.

A substantial part of literature emphasizes the relevance of new business formation in economic prosperity. According to Ribeiro-Soriano (2017), new small firms play an important role in raising competition in emerging areas and improving an economy's overall inventive ability. While aggregate-level connections between entrepreneurship and economic development are intriguing and important, entrepreneurship is primarily a firm-level phenomena. Individual entrepreneurs' actions and decisions have an impact on their own businesses as well as the businesses with which they deal. Small enterprises' entrepreneurial activity acts as agents of change and innovation in the economy [see, for example, Acs (1992) and Carree and Thurik (2010)]. Carree and Thurik (1998) investigated the link between an industry's percentage of small enterprises, a crude indicator of entrepreneurship, and aggregate industry production growth. The authors discovered that a larger percentage of small businesses in the beginning of the 1990s led to better aggregate production growth in the subsequent 3-4 years after analyzing a sample of 14 manufacturing industries in 13 European nations.

Since its independence in 1991, Uzbekistan has grappled with transforming its economy from a Soviet model to one that encourages free enterprise. As deduced from the World Bank's series of reports, by the 2010s, the Uzbek government started emphasizing the significance of entrepreneurship as a means to diversify the economy, spur job creation, and foster innovation (World Bank, 2019).

The Asian Development Bank (ADB) in its 2020 report highlighted that one of the primary constraints entrepreneurs face in Uzbekistan is the intricate web of bureaucratic processes. They emphasized the need for transparent and streamlined regulations to foster a conducive business environment.

Gaining access to capital remains a significant challenge for Uzbek startups. A detailed case study by Ruziev & Webber (2017) underscored the gaps in the current financial system, which often favors large, established entities over fledgling enterprises.

As per the OECD's "SME Policy Index: Eurasia 2020", while there's an increasing emphasis on entrepreneurship in the country, there remains a substantial skill gap. This is particularly true in terms of understanding global market dynamics, technological advancements, and modern business methodologies.

Educational Reforms: The role of education in fostering entrepreneurial skills is gaining traction. Universities, as indicated by Vakulchuk et al. (2019), have begun to integrate entrepreneurship courses and programs into their curricula.

As noted by an IMF report (2018), Uzbekistan has been investing in bolstering its technological infrastructure. This is evident in the growth of digital payment platforms, e-commerce, and tech startups in Tashkent, the capital city.

According to a USAID fact sheet (2020), Uzbekistan has launched various initiatives to boost entrepreneurship. This includes creating 'Free Economic Zones', offering tax incentives, and providing training and resources for budding entrepreneurs.

Many scientists around the world have conducted research in the field of entrepreneurship. Here are some famous scientists who have made a significant contribution to entrepreneurship research.

Joseph Schumpeter (1910s-1940s) defined entrepreneurship as a process of "creative destruction" in which entrepreneurs introduce new ideas, technologies and methods into the economy, which contributes to its growth and development. Israel Kirzner (1970) focused on the entrepreneurial information aspect and defined entrepreneurship as the process of discovering and exploiting market opportunities that others have not noticed. William Baumol (1980) proposed the concept of "entrepreneurial activity," emphasizing the role of entrepreneurs in bridging the gap between resource and opportunity mismatches. Peter Drucker (1950s-2000s) defined entrepreneurship as the process of creating new value for customers, which requires innovation and effective management. Saras Sarasvathy (2000s) proposed the concept of the "line effect" and defined entrepreneurship as a decision-making process under conditions of uncertainty, where the

entrepreneur considers many alternative paths and strives to achieve the desired goal. Shane A. Corstjens (2000s-present) defined entrepreneurship as the process of creating and developing new businesses, taking into account strategic management and innovation. Herminia Ibarra (2003) focused on transformational leaders and defined entrepreneurship as the ability of an individual to change an organization and create new opportunities. Julian Birkinshaw (2010) focused on entrepreneurship within large corporations and defined it as an organization's ability to innovate and adapt to changing market conditions. Also, opinions about the concept of entrepreneurship were expressed by economists and economists of our country. For example, in the educational manual "Entrepreneurship and Small Business" by the famous economist S.S. Gulomov, a brief idea is given about entrepreneurship, the influence of internal and external factors on it, and their variability. Economists such as B. Yu. Khodiev, M. S. Kasimova, and A. N. Samadov note that "a certain working environment must exist for effective business activity."

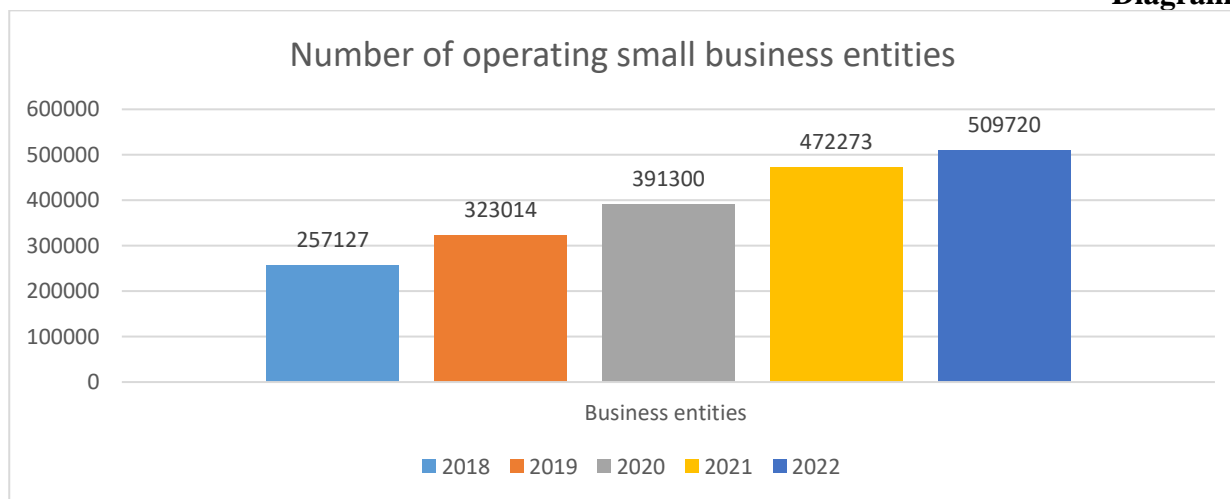
Research Methodology

In the current digital economic environment of our nation, the progress of entrepreneurship and the enhancement of small business and private enterprise efficiency are paramount. Digital technologies don't just elevate product and service quality but also play a vital role in cost reduction. Particularly notable is the President's observation that digitization not only facilitates economic efficiency but stands as a robust mechanism against corruption. In this digital age, as we focus on entrepreneurship's growth, we can anticipate the resolution of issues without the interference of corruption, ushering in new opportunities for entrepreneurs. The President of Uzbekistan demonstrated this commitment by enacting about 20 mandates during the pandemic to bolster entrepreneurship, thereby laying the groundwork for legal, economic, and financial support. This includes notable decrees like the development strategy of Uzbekistan from February 7, 2017, and the "Every family-entrepreneur" initiative from June 7, 2018, as well as the Central Bank's subsequent approval of the program. These initiatives, among others, underscore the timeliness of the topic and emphasize the simplification of business operations, such as registrations and obtaining permits. This effort is further enhanced by the establishment of the State Services Agency, its regional centers, and the introduction of a business ombudsman role.

Discussions of the results

Offices dedicated to the Prime Minister's affairs were set up across all regions, providing a platform for business professionals to voice their concerns and seek resolutions. The State Fund for Entrepreneurship Development was initiated under the Cabinet of Ministers, with an allocation of 200 billion sums and an additional 50 million dollars. From January to June 2022, the GDP per capita was recorded at 10,994.9 thousand sums (equivalent to 995.3 US dollars), marking a 3.3% increase from the same period in 2021. Lately, due to reforms introduced in our republic, there's been a noticeable rise in the number of small business entities, excluding farms and peasant farms (as shown in diagram 1¹).

Diagram 1



¹ Statistics agency Under the president of the republic of Uzbekistan

The data illustrated in the diagram above reveals that the number of small business entities, excluding farmers and peasant farms, was 257,127 in 2018, 323,014 in 2019, 391,300 in 2020, 472,273 in 2021, and increased to 509,720 by 2022. This shows a twofold increase compared to the same period in 2018. Furthermore, we can examine the evolution of small business and private entrepreneurship's contribution in our nation from 2019 up to the third quarter of 2022, as presented in **Table 1**. Namely:

Share of small business and private entrepreneurship, in% to the total volume¹

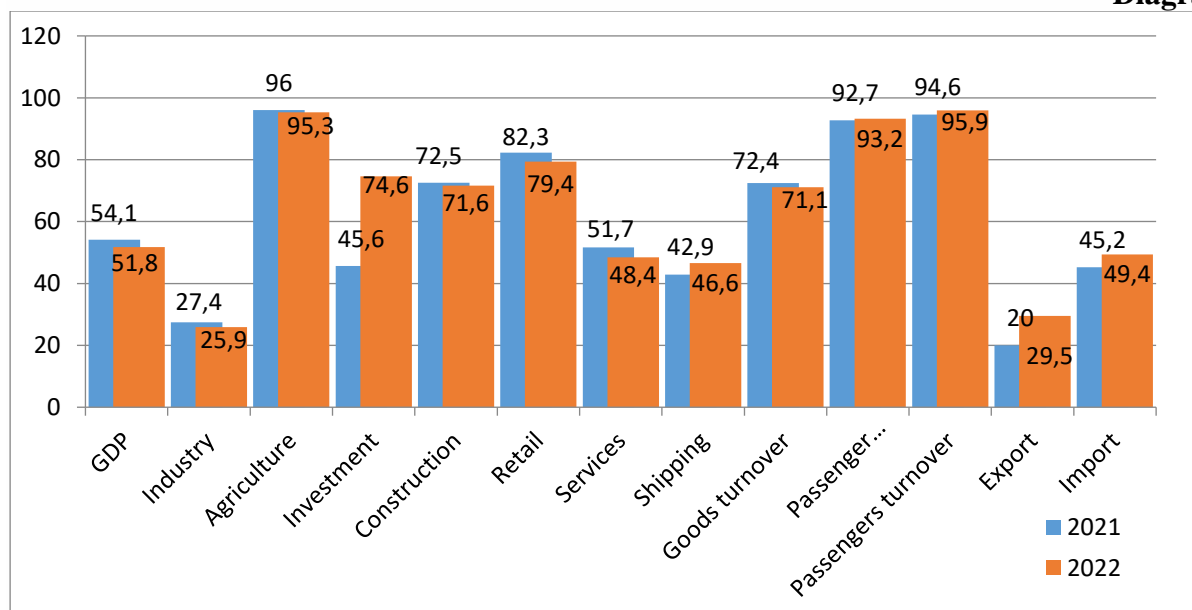
Table 1

Statistics	2019	2020	2021	2022	2023Q1	2023Q2	2023Q3
GDP	56.0	55.7	54.9	51.8	43.7	48.6	51.2
Industry	25.8	27.9	27.0	26.0	28.4	26.0	25.9
Construction	75.8	72.5	72.4	71.5	76.6	77.1	74.2
Employment	76.2	74.5	74.4	73.9	74.1	74.1	-
Export	27.0	20.5	22.3	29.6	25.3	27.6	30.1
Import	61.6	51.7	48.7	49.4	48.4	47.6	49.8

From the table provided, we observe a slight decline in the business segment of the GDP compared to 2019. Four major sectors (GDP, Construction, Employment and Import) saw a considerable decrease during 4 ears from 2019 to 2020, while Industry and Export rose in the same period. The import sector, by the third quarter of 2023, has leveled off after a reduction of nearly 21% in 2021, holding 80% of the total. It is clear from the table that GDP has been decreasing slowly throughout the whole period; the same tendency is followed in the employment sector. In contrast, exports have risen in the country. The other sectors have maintained their proportions relatively stable compared to 2019.

Following is the diagram demonstrating the key indicators of small business (**Diagram 2**): **Key indicators of small business for January-December, 2022 y %²**

Diagram 2



It is evident from Diagram 2 that Agriculture, Passenger transportation and Passenger turnover have a lion's share in the small businesses with the highest percentage. Meanwhile, small businesses are involved in the Industry and Export sectors the least. Furthermore, Diagram 2 sheds light on the slight changes in figures of both ears. It is worth to mention that the changes are minor

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Main economic indicators of small businesses¹

Diagram 3

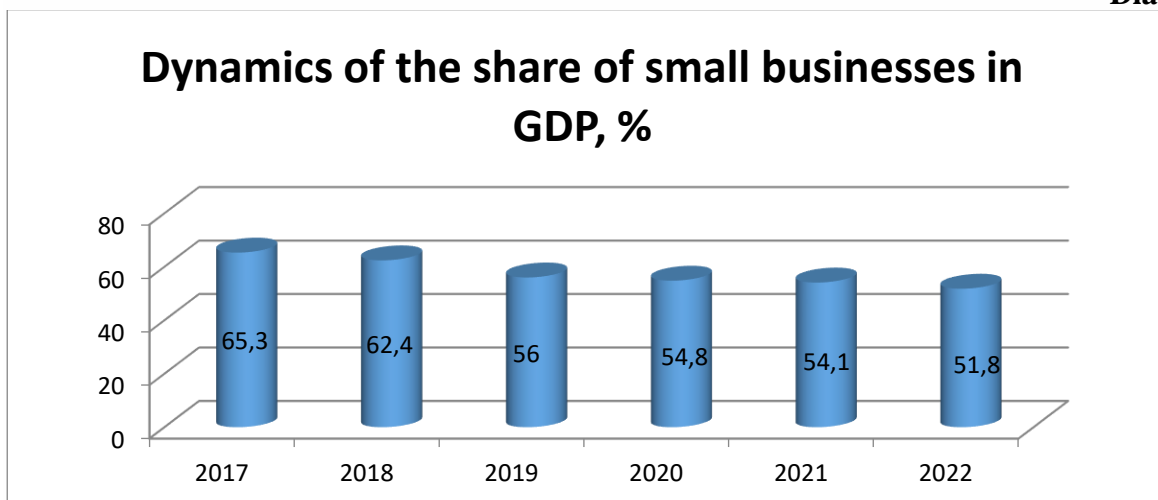
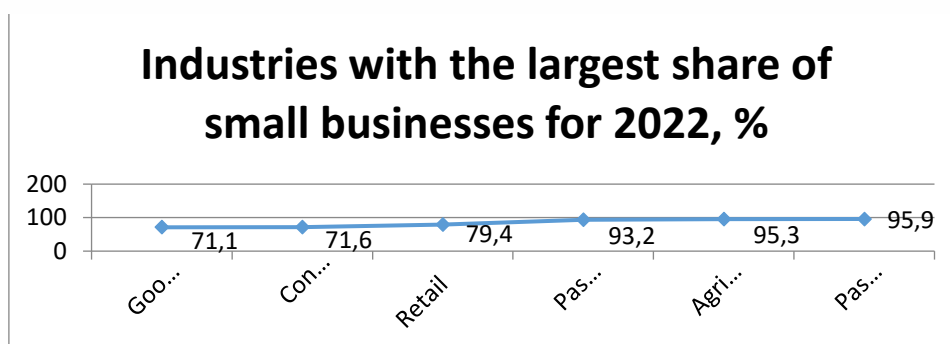


Diagram 4²



In 2022, the share of small businesses in GDP amounted to 51.8% and, compared to 2021, decreased by 2.3 points. The main reason for this decrease was the increase in the volume of added value in large business entities.

In 2022, the largest share of small businesses was recorded in passenger turnover - 95.9%, agriculture - 95.3%, passenger transportation - 93.2%, retail trade - 79.4%, and construction - 71.6%. (Diagram 2,3,4)

The number of business entities by ears³

Table 2

Years	Total	Difference -/+	Difference /%
2018	250503	20081	108,7
2019	314489	63986	125,5
2020	376982	62493	119,9
2021	454975	77993	120,7
2022	517500	62525	113,7

As can be seen from the data in the table (Table 2) above, it can be seen that the number of business entities has increased ear by ear, that is, in 2018, the number of business entities was 250,503, and in 2019, it was 314,489 and increased by 63,986. It can be seen that the number of business entities has increased ear by ear in the scale of the remaining ears, i.e. 376,982 in 2020, 454,975 in 2021, and 517,500 in 2022. It would not be wrong to say that the reason why these indicators have been

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increasing ear by ear is that the attention paid to entrepreneurship in our country is high, and the opportunities created are high.

During the ears of independence, a solid legal framework was created that protects the rights and legal interests of private owners, the priority of the rights of entrepreneurs in interactions with the state, law enforcement, and control bodies, in particular, reliable legal guarantees against unreasonable interference in the activities of business entities. Today, more than 525,000 business entities are operating in our country. More than 56 percent of the gross domestic product in our country is produced by small and private business entities, which employ more than 78 percent of the working-age population of our republic.

Share of small business and private entrepreneurship¹

Table 3

Field types	2019	2020	2021
Industry (billion sums)	83344,2	103020,8	121719,2
Trade (billion sums)	138920,7	164106,1	204787,4
Exports (million US dollars)	4714,8	3100,9	3711,2
Import (million US dollars)	14972,2	10943,3	12389
Services (billion sums)	103106,6	114052,7	144812,7

Growth rates in the inter-sectoral development of entrepreneurship in 2019-2021 are somewhat observed. (Table 3) Differences in industries are in the location of production forces, in the existence of significant differences in the level of their socio-economic development, as well as in the different opportunities and incentives created for them. We can see in the table above that the share of exports has decreased. Therefore, it is necessary to take necessary measures to eliminate obstacles and pitfalls in the way of rapid and stable development of business entities. It should be noted that the expansion of business activities plays an important role in raising the standard of living of the population. Development of entrepreneurship as an important factor of economic growth and prospective development of the middle class of owners not only helps to increase the national and spiritual potential of the society but also increases the national wealth, ensures integration of the economy into the world system, and socio-political stability. Although sufficient opportunities and conditions have been created for the development of entrepreneurship in Uzbekistan, its share in the economy is still lower than that of the developed countries of the world, and many organizational, economic, legal, and social problems in this area are waiting to be solved. Therefore, it is appropriate to create opportunities for expanding entrepreneurship based on the development of each region. For this purpose, laws, decrees, and decisions aimed at wide involvement of business activities were developed. Systematic measures are being implemented in such directions as supporting business activity, ensuring its sustainable development, increasing its share in production and employment of the population, and meeting the need for credit resources. The following recommendations have been developed for the development of entrepreneurship in our country: exemption or reduction of income tax for entrepreneurs who have just started their activities; providing opportunities to entrepreneurs depending on the location of the regions; giving vacant buildings and plots of land to entrepreneurs at reduced prices; state assistance to entrepreneurs in exporting products; organization of entrepreneurship courses and involvement of the population.

CONCLUSION

In essence, by consistently refining the organizational economic mechanisms of small business and private entrepreneurship, several objectives can be achieved. A primary task set by the President of the Republic of Uzbekistan, Sh. Mirziyoyev is the digital management and growth of various economic sectors, including private entrepreneurship. The development of entrepreneurship in our nation plays a crucial role in enhancing the quality of life, reducing poverty, and propelling economic growth. In the world's developed nations, population income primarily grows due to the systematic organization of innovative processes in entrepreneurship

¹ Statistics agency Under the president of the republic of Uzbekistan

and the constant evolution of digital business practices. One of our republic's significant challenges in the digital economy era is to boost the production of globally competitive products and services. Currently, a key objective is to foster healthy competition among entrepreneurs, which can lead to price reduction and the expansion of export-quality products competitive on the global stage. By studying global best practices, we should further open up monopoly sectors to the private domain, foster "digital entrepreneurship", and thereby establish a competitive landscape.

To summarize, while there is no statistically significant relationship between overall entrepreneurship and economic development, there are substantial correlations between growth and the interplay of sectoral shares and different forms of entrepreneurship. Our findings show that such impacts can be large enough to be economically relevant. For example, a 0.41% increase in annual GDP per capita from the mean level of developing economies to the mean level of advanced economies, combined with a standard deviation increase in the share of manufacturing's value-added in GDP, is associated with a 4.1% increase in a decade.

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