

EXPANSION OF THE BUSINESS SECTOR

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Abstract

This article covers the expansion of the business sector on the basis of issues of development of small and medium-sized businesses in Uzbekistan, as a result of measures aimed at creating economic reforms and a favorable business environment in the country, new opportunities for business activities are being opened.

Keywords: Business, expansion, investment, convenient business environment, small and medium-sized businesses, innovation, technology, export.

Introduction

Expansion of the business sphere is understood as such processes as increasing the scope and scope of existing business activities, entering new markets, expanding the range of products or services. This, in turn, will be an important basis for increasing the company's income, strengthening its position in the market and long-term development.

The main reasons for expanding business:

Growth: any business tends to grow. By expanding, the company can take its activities to a new level.

Competition: with increased competition in the market, the company must seek new opportunities to maintain its position.

Technological changes: the rapid development of technologies forces the transformation of business models.

Customer needs: customer needs and requirements are constantly changing. The company needs to expand its operations to adapt to these changes.

The main ways to expand the business:

Entering new markets: entering new markets geographically or targeting new segments in an existing market.

Expanding the range of products or services: adding new features to existing products, creating new products, or providing new services.

Vertical integration: penetration into the previous or subsequent stages in the supply chain.

Horizontal integration: buying or attaching other companies that produce the same or similar products.

Franchising: licensing the brand and business model to other entrepreneurs.



Main Part

Today, comprehensive measures are taken to develop small and medium-sized businesses in our country, eliminate the problems and obstacles that arise in their activities, and all the necessary organizational and legal mechanisms are being created for the development of the industry and ensuring its legal protection.

In particular, a comprehensive program of continuous support of small businesses was adopted by the decision of the president of the Republic of Uzbekistan on September 14, 2023 “on measures for financial and institutional support of Small Business Development” on the development of this sphere.

The program sets out the following measures for the financial and consultative support of small business entities:

- 1) obtaining preferential loans for the organization or expansion of entrepreneurial activity in the amount of up to 1.5 billion soums for a period of 7 years (4 percent above the basic rate);
- 2) purchase of fixed assets with a value of up to 1.5 billion soums in installments of up to 7 years;
- 3) in the form of vacant state objects and land, tools, buildings and structures, and other types of material goods share input;
- 4) obtaining information and advice on licensing, permits and certificates, Customs and tax administration, export-import operations and contract clearance.

In addition, JSC “Entrepreneurship Development Company” provides assistance to small business entities in the form of financial assistance, bail and compensation to small business entities through the Information System “entrepreneur:

- 1) commercial banks provide bail for loans up to 50% of the loan amount (including 50%), but the total cost does not exceed 2.5 billion rubles;
- 2) up to 75% (75% also included) of loans allocated to remote and difficult to go by January 1, 2025, as well as to “leading” small business entities attached to small businesses and neighborhoods on the basis of labor resources surplus areas and cooperation, as well as projects for the development of industry, but not exceeding 2.5 billion rubles;
- 3) projects of small business entities are provided with compensation of up to three years (based on the principle of “2+1”) to cover the part of commercial banks allocated in national currency, with a total value of 5 billion rubles, with an interest rate exceeding its basic rate on loans and leases not exceeding 1.5 times the basic rate of the central bank.

The agency analyzes the problems in supporting small and medium-sized businesses and summarizes the proposals on the solution. In particular, a number of problems in this area have been identified as relevant today.

Below we will cite some of them:

1. There is no institutional approach to the development of small and medium-sized businesses. There is a need to systematically introduce the organizational and legal mechanisms necessary to improve the economic condition of the regions, support small and medium-sized businesses. A system for assessing the consequentiality of state-mandated benefits and preferences, subsidies and other support mechanisms has not been implemented.



In most countries where small and medium-sized businesses have developed, a separate public body is designated responsible for this area.

Despite the annual decision on privatization and the adoption of programs, the state share in the economy still remains at a high level. They have a dominant position in competition with the private sector due to the presence of state support.

Currently, due to the lack of credit resources and high interest rates, the chances of obtaining loans for small and medium-sized businesses are limited, their share in the total loan portfolio does not reach 20%, 40% of credit resources are allocated to state-owned enterprises.

In developing countries, wholesale and retail trade is one of the driver areas of the economy. The informal economy in the industry remains at a high level of share, and as a result, Uzbekistan ranks among the lowest among the CIS countries in terms of wholesale and retail sales indicators.

It was 12 years (passed on April 26, 2012) before the adoption of the family Entrepreneurship Act. But this organizational and legal form of small business has not become popular.

73.7% of business entities (298,338) are organized in the form of limited liability company, 14.5% (58,533) in the form of private enterprise, 10.7% (43,327) in the form of Family Enterprise, 1.1% (4,478) in other organizational and legal forms.

At the same time, the experience of a number of countries in support of small and medium-sized businesses was studied.

Malaysia Experiment

Malaysia has over 668,000 registered SMEs and accounts for 98.5 percent of all business entities in the country.

42.8% of GDP is generated by small and medium-sized business entities, employing 79.3% of the total workforce (8.3 million people).

Malaysia classifies small and medium-sized businesses based on two main criteria (annual sales turnover and number of employees:

- a) micro-enterprises: annual sales turnover less than \$ 68,000 and less than 5 employees;
- b) small enterprises: annual sales turnover from 68,000 dollars to 3.4 million dollars and less than 50 employees;
- C) medium-sized enterprises: annual sales turnover from \$ 3.4 million to \$ 11.3 million and less than 200 employees.

Kazakhstan Experiment

In Kazakhstan, under the Unified complex program of support of small and medium-sized business entities, subsidizing and guaranteeing tools are provided by the Dam-u Foundation in mono, small towns and villages. According to this direction, entrepreneurs can receive loans regardless of which area they operate in. To participate in the program, entrepreneurs must apply to bang with a financing application.

The maximum amount is not more than 1.5 billion tenge (\$3.3 million), on the condition of targeted investment, the loans provided are subsidized, up to 500 million tenge (\$1.1 million) are provided to replenish the working capital.

In the event of an industrial production project, the annual loan rate is 7 percent, and in the field of trade and service-10 percent.

The maximum loan amount under the guarantor is as follows:

- a) for entrepreneurs operating at the same time not more than 1.5 billion tenge (\$3.3 million) for investment purposes and 500mln tenge (\$1.1 million) to supplement their working capital. The size of the guarantee is up to 50% of the loan amount.
- b) for entrepreneurs who are just starting their activities, 360mln tenge (\$800,000), the size of the guarantees is up to 85foiz of the loan amount.

As a result of the studies, the following additional proposals were developed to support small and medium-sized businesses:

To establish a single state body responsible for the consistent development of the sphere of small and medium-sized business in the regions.

To study the experience of small and medium-sized business development of Malaysia and Turkey and to establish cooperation with small and medium-sized business development agencies of these countries.

The transfer of tax deductions from the inventory and the abolition of individual, non-social benefits.

To study the experience of Malaysia, Turkey in the provision of benefits and preferences, subsidies to small and medium-sized businesses and to introduce the provision on the basis of certain conditions and criteria.

Activate the privatization process, study the feasibility of the activities of each state enterprise and sell them in areas where the private sector exists.

Development and implementation of a comprehensive plan of measures for the transition to a non-cash economy.

Studying the problems of bringing the PayPal (or Stripe) payment system into our country (central bank), conducting negotiations on the involvement of international payment systems in our country.

In order to further improve the mechanisms of pre-trial settlement of disputes:

- inclusion of mediative agreements reached in the mediation procedure and approved by a notary in the list of documents in which, based on the executive letters of notaries, debt collection is carried out unconditionally;
- development of a propaganda program in cross-sectional areas by the Ministry of Justice in cooperation with the business ombudsman and the Chamber of Commerce and industry for the widespread popularization of the advantages and attractiveness of the mediation Institute among business representatives.

To create an information platform that works on the principle of “online business creation guide”, which allows citizens who want to start their own business based on the experience of the US SCORE system to provide business advice by business representatives who have achieved business success in a remote and interactive form. To introduce the practice of giving



away knowledge of the skills of starting and running a business in a remote way to citizens who want to start their own business.

Further improvement of current legislative acts to reduce bankruptcy with the involvement of financial and technical support of international financial institutions, revision of the activities of court managers, development of influential mechanisms for the recovery of business entities in a state of insolvency.

The formation of a staff of the business ombudsman, Competition Committee, prosecutor general's office, revision of authorization procedures in the Ministry of Justice in the composition of the staff of the Ministry of digitization.

In this case, the following is carried out in the headquarters:

full revision of the current authorization procedures with the involvement of representatives of the relevant ministries and departments, including their digitization, simplification, introduction of a risk analysis system, creation of remote monitoring capabilities over compliance with requirements and conditions, and the development of proposals for the introduction of new procedures;

conduct meetings of business entities in each area, study problems and develop proposals for their elimination.

Conclusion

Problems and risks in business expansion:

- lack of financial resources: large amounts of investment are required to expand.
- market analysis is wrong: a new market or product may fail.
- increased competition: competition can increase with access to new markets.
- Imperfection of the internal control system: in the process of expansion, problems may arise with the internal control system.

What to do to expand the business?

Carefully analyze the market: make sure there is a demand for a new market or product.

Develop a financial plan: calculate how much you need an expansion CHIP and determine the sources of financing.

Form a strong team: have experienced and skilled staff to manage the expansion process.

Assess the risks and take steps to reduce them: there are risks in any business project. Take steps to reduce them by evaluating them in advance.

Constantly Learn:

constantly update the information about market savers and competitors and be ready to change your strategies.

Expanding the business sector is a complex and responsible process. Overall success largely depends on accurate planning, in-depth market analysis, and risk management.



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