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MECHANISMS FOR IMPROVING PROJECTS OF BUSINESS INCUBATORS WITHIN THE FRAMEWORK OF THE SMALL BUSINESS SUPPORT PROGRAM

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Abstract
In this article, the role of business incubators within the framework of the small business support program, its historical development periods, the formation of business ideas, "Incubation" of business projects of new enterprises, the use of improved mechanisms in the implementation of the project through methods and techniques are put forward. Also, economic evaluation of business incubator projects, calculation methods of partnership projects, financial and economic indicators, results, data in the form of tables are presented. In this case, attention is paid to the initial funds for the implementation of the project, whether the investments will pay off or vice versa, and the effectiveness of the use of investment funds.

Keywords: Small business, business incubator, modeling, startup, innovation, idea, development, business, schedule, service, incubation, project, economic evaluation, partnership, financing.

Introduction

Within the framework of the Small Business Support Program, business incubators play a crucial role, as the development of small businesses is one of the most important issues for our country's economy. It is well known that over nearly 33 years of independence, small business and private entrepreneurship have become key sectors contributing significantly to the socio-economic development of our nation. [1,2].

On August 20, 2021, during an open dialogue with entrepreneurs, the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, expressed his support for the idea of business incubators. He emphasized the importance of providing financial assistance, allocating buildings in different regions, and exempting them from rental payments as a form of support [3].

In Uzbekistan, significant attention is being paid to creating the necessary conditions and factors that accelerate the processes and increase the efficiency of small business development. As a result, the number of newly established enterprises is increasing considerably. In addition, to support and encourage the entrepreneurial initiatives of these new businesses, it is important to explore and apply various historically developed methods of “incubating” their business projects.

Thus, if we divide the historical development of business incubators into three stages, it includes the following periods:

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The first stage lasted from the 1950s to the 1980s. This period can be conditionally defined as the formation phase of business incubators [4]. During this time, incubated enterprises (firms) were provided with affordable workspaces and a variety of support services such as secretarial assistance, reception services, meeting and conference organization, parking, cafeterias, and more. In addition, they were given access to necessary resources and equipment, including office facilities. Business incubators were typically established in vacant buildings that had previously been used as schools or factories. Such incubators served the purpose of creating new jobs and were specialized in operating low-tech enterprises.

The second stage (from the 1980s to the mid-1990s) was marked by the realization of the need to provide broader services to incubated companies. This stage was distinguished by the introduction of a research-based approach to their activities. A number of economic challenges in the United States and Europe – such as widespread unemployment in industries like automotive manufacturing – led to a growing recognition of the importance of innovation and entrepreneurship. As a result, the range of business incubator services expanded to include workforce training, mentorship, scientific expertise in management, and other forms of support.

The third stage began in the mid-1990s and continues to the present day. Some incubators lease offices and buildings on preferential terms, resolve administrative issues when necessary, while others analyze and provide recommendations on accounting and financial reporting. The scope of activities has also expanded to include employee recruitment and support services [4].

Moreover, in the process of improving small business and private entrepreneurship, business incubators now play a vital role in several key areas. These include organizing production based on local resources, taking into account the resource potential of specific regions, manufacturing market-oriented products within small industrial zones, connecting to engineering and communication networks, expanding the assortment of goods offered, filling the domestic market with consumer goods, developing new and modern types of services, and enhancing export potential. Expanding the capabilities of business incubators in these directions remains one of the most pressing issues today.

Literature Review

Before delving deeper into the process, types, and practices of business incubation, it is recommended to clarify the concept, meaning, and essence of the term “business incubator,” as interpreted by scholars from various countries.

For example, Mark Rizzo defines it literally as a “production-based business support system” [5].

Similarly, Rosa Grimaldi and Alessandro Grandi describe the concept of “business incubation” as “an effective method for combining innovation, technology, capital, and know-how to realize entrepreneurial potential, accelerate the development of new companies, and increase their utilization speed” [6].

According to the National Business Incubation Association (NBIA), an incubator is an organization engaged in “the process of business support that accelerates the growth of startups by providing them with a range of specialized resources and services” [7].

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Thus, by summarizing the viewpoints of the aforementioned researchers, we may define business incubators as follows:

A business incubator is an organization involved in the process of providing resources and professional services to support the formation, development, and maturation of startup companies until they reach operational sustainability.

Additionally, several business incubator associations are currently active around the world, including:

– the National Business Incubation Association (NBIA) in the United States,
– the National Association of Business Incubators (NSBI) in Russia, and
– the Association of Business and Innovation Centers in Poland.Tadqiqot metodologiyasi.

Nowadays, scientific research on the regulation and application of various types of business incubators is being actively studied. In this process, comparative analysis of incubation development, the study and comparison of economic data, as well as the application of logical reasoning, scientific abstraction, classification, induction, and deduction methods have been utilized.

Analysis and Results

The main objective of business incubators is to develop a successful company (business project) that becomes financially stable and independent [8].

One of the most critical stages in implementing a business project is assessing its economic feasibility.

At this stage, attention must be paid to the availability of initial capital, the justification of the investments made, and, more importantly, whether these investments will yield a return. The effectiveness of utilizing investment funds should be thoroughly evaluated (see Table 1).

Table 1 Methods for Calculating Economic Evaluation Indicators of Business Incubator Projects

№	Ko`rsatgichlar	Ko`rsatgichlarning mazmuni	Hisoblash usullari
1	PP (Payback period)	Payback Period – The number of years required to recover the initial investment.	$PP = \frac{1}{Ps}$
2	ARR (Accounting Rate of return)	Return on Investment (ROI) – The percentage representation of annual returns relative to the initial investment.	$ARR = \frac{Ps}{1} \times 100\%$
3	NPV (Net Present Value)	The difference between the present value of cash flows over a certain period and the initial investment	$NPV = -Po + \frac{P1}{(1+r)} = \frac{P1}{(1+r)} + \ldots + \frac{P1}{(1+r)}$
4	IRR (Internal rate of retum)	The interest rate at which the present value of all cash flows of the investment project equals zero	$0 = \sum_{t=1}^{1} \frac{Pt}{(1+IRR)^{t}} - Po$
5	PI (profitability index)	The Relationship Between the Costs and Benefits of the Proposed Investment Project	$P1 = \frac{(\sum_{t=1}^{n} \frac{CFt}{(1-d)t})}{Io}$
6	DPP (Discounted Payback period)	Discounted Payback Period of Investments	$DPP = \sum_{t=1}^{n} \frac{Pt}{(1+r)} \geq 1$

As seen in Table 1, these indicators are used to evaluate the economic efficiency of projects and are among the most widely applied metrics for assessing project performance on a global scale. They are also considered important criteria by foreign investors.

In Table 2, using the above-mentioned formulas, the economic efficiency indicators of interactions between business incubators and five selected projects in the social sector have been calculated.

2-jadval Turli sohalarda biznes inkubatorlar bilan sheriklik loyihalari

№	Public-Private Partnership	Project Network	Project Objective	Project Implement ation Period	Revenue Source of the Project
1.	“BIZNESGA XIZMAT KO`RSATISH” LLC	Service Center	Design, Financing, and Service Delivery	10 years	Usage free
2.	“DOKTOR MALIKA” PC	Healthcare	Idea Design, Financing, and Service Delivery	15 years	
3.	“AMIRJON” LLC	Sport	Project Design, Financial Structuring, and Service Provision	20 years	Usage free
4.	“MAQSAD” LLC	Employment	Building and Providing Services for Restaurants, Kitchens, and Dormitories	10 years	Usage free
5.	“DEKLARASIYA” LLC	Provision of Logistics Services	Project Design, Financial Support, Education, Training, Mentorship, and Service Provision	15 years	Usage free

According to the data presented in Table 2, business incubator projects in the country are being implemented in various sectors such as healthcare, employment, sports, and service delivery. Based on their operational periods, these projects typically cover a duration ranging from 10 to 20 years.

In all of the listed projects, usage fees are identified as the main source of revenue.

The financial and economic indicators of these projects (in million UZS) are provided in Table 3 below.

Table 3 Financial and Economic Indicators of the Business Incubator Project (in million UZS)

№	Indicators	1.1	1.2	1.3	1.4	1.5
1	**Total investment costs**	**1994.29**	**3164.92**	**9175**	**960**	**6500**
	Including:					
1.1	Capital Investment and other Expenses	1802.77	3129.67	8650	920	6351.7
1.2	Operating costs	191.53	35.25	525	40	148.3
2	Expected Annual Revenue from the Project (Usage free)	1500	1900	9795	803	3900

Using the data and formulas provided, we can determine the economic efficiency of business incubator partnerships. In this analysis, we assume a profitability rate of 35%.

According to research, projects with a profitability indicator exceeding 30% are considered promising and viable. In our opinion, the profitability of business incubator projects is significantly higher due to government tax incentives and other forms of support.
Moreover, we believe that the project's rate of return should exceed the deposit interest rate to be considered economically justified.

Table 4 Results of Economic Evaluation Indicators of the Projects

№	Ko`rsatgichlar	1.1	1.2	1.3	1.4	1.5
1.	PP	4 yil	5 yil	3 yil	4 yil	5 yil
2.	ARR	26.3%	21.01%	37.4%	29.3%	21%
3.	NPV	798.45	1023.89	15657.13	534.78	1884.06
4.	IRR	23%	19.57%	37.36%	26.48%	19.56%
5.	PI	1.4	1.32	2.71	1.56	1.29
6.	DPP	6 yil	8 yil	4 yil	5 yil	7 yil

An examination of the data in Table 4 shows that, for all projects, the payback periods are shorter than their respective operational lifespans. This is a positive sign, as it guarantees investors that the expected returns will be achieved within the project's lifetime. In addition, the NPV indicators are positive, confirming that each project is economically viable. Another important metric is the Profitability Index (PI); a value greater than 1 is considered favorable. Here, the PI exceeds 1.3–higher than in the other projects–indicating strong investment appeal.
During our review, we found that partnership agreements with business incubators rarely include detailed economic indicators. This suggests that the partners often lack sufficient financial-economic expertise and that collaboration frameworks with business incubators remain under-developed. Therefore, it is essential for business incubators to provide project partners with training, advisory services, and explanatory sessions on financial and economic arrangements.
Furthermore, it is essential to define the target project recommendations of business incubators, which include the following objectives:

- providing comprehensive support for newly established small business entities;
- facilitating cooperation between large, medium, and small enterprises;
- contributing to the economic development of cities and districts;
- ensuring participation in the development of high-tech and innovative technologies;
- creating additional employment opportunities;
- ensuring the availability and accessibility of resources, trainings, and industry-specific mentors for project authors, as well as simplifying other support services;
- creating favorable conditions for the successful operation of small enterprises;
- and other similar project-related goals.

In addition, business incubators provide advisory and support services to address various challenges that may arise during their operations. When a young entrepreneur approaches a business incubator with an idea, consultants and specialists collaborate to help transform that idea into a viable project.

Once the project is formed, a business plan is developed, followed by submission for expert review. If the expert evaluation results in a positive conclusion, the enterprise may commence its operations based on market mechanisms.

Conclusion and Recommendations

At present, there are several challenges in establishing (or re-establishing) business incubators and ensuring the free and effective operation of small business entities. One of the most significant challenges lies in the incubation of projects, with key problems summarized as follows:

–allocating available spaces (e.g., laboratories, modern training and design rooms, basements, workshops, garages, vacant land, etc.) within enterprises to project authors for use as small business entities on a rental basis.

–equipping enterprises with modern tools and technology. This includes supporting young entrepreneurs who are just starting their business journeys by providing access to vacant premises, work tools, desks, chairs, necessary devices, equipment, and raw materials required for project implementation.

–commercializing the projects developed within business incubators and expanding incentives for those who launch new entrepreneurial activities and are affiliated with incubators.

–developing a “platform-based model” of business incubators to systematize and digitalize incubation processes.

–adapting international best practices by creating and applying a localized concept of business incubation based on the successful models used in foreign countries [9].

–furthermore, if the government actively supports the implementation of young entrepreneurs’ projects within business incubators, it will result in the emergence of new tax-paying entities in the real sector of small and medium-sized businesses that generate added value. This, in turn, would significantly contribute to reducing unemployment in the country. At the same time, the government would be creating a more inclusive legal and institutional environment for all capable individuals in society to bring their ideas to life.

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