

NECESSARY CONDITIONS FOR THE SUCCESSFUL OPERATION OF ENTREPRENEURSHIP IN THE REPUBLIC OF UZBEKISTAN

(Based on the Example of the Data from Puremilky Works Llc)

Ishonkulova Feruza Asatovna

Senior Lecturer of SamIES

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Abstract

The article examines the state and prospects of entrepreneurial entities in Uzbekistan and identifies the main reasons that hinder the acceleration of the development of enterprises; the contribution to the development of the economy and the effective use of potential in the republic.

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Introduction. Uzbekistan is facing a difficult task - to develop the private sector, moving away from the legacy of the centrally planned economy. The only sustainable solution for the future is to make private enterprises the main form of business and the economic future of the country. Entrepreneurship fulfils not only economic functions, it is closely linked to all spheres of society. Knowledge of the state and trends in the development of the small business sector, identifying its links and dependencies with other sectors of the economy, allows us to see more clearly and concretely the main problems on the way to the development of the digital economy in Uzbekistan.

When analysing the economic system of any country, it is advisable to single out the real sector of the economy, which is characterised by the production of goods, performance of work and provision of services, including scientific and educational services. The real sector has specific features that depend on the current level of economic development and the structure of the economy.

Virtually all businesses existing in our country benefit from the presence of other businesses. The products or services of one enterprise are consumed by other enterprises, which facilitates the circulation of money between enterprises and in the state as a whole. The more money in circulation, the more prosperous the country. Mutually beneficial co-operation of all enterprises in the Republic of Uzbekistan creates an environment with many opportunities for enterprising people, it is only necessary to see these opportunities and use them.

The enterprise "PUREMILKY WORKS" LLC was founded and registered in 2021 on 20 April in Samarkand region of Taylak district. The founder of this enterprise is a single individual. The main purpose of this enterprise with the help of introduction of innovative technologies to produce a diverse range of consumer goods to saturate the domestic market and the provision of a variety of commercial services for the founder of the profit.

Research methodology. The study used: general scientific methods of cognition, method of critical evaluation and analysis, PEST analysis, induction, deduction, expert method.

Literature review. A significant contribution to the development of entrepreneurship was made by scientists-economists in their scientific works as S.S.Gulyamov, B.Abdukarimov, M.M.Muhammedov, M.K.Pardaev, K.J.Mirzaev and others.

Analysis and results. There are many as yet untapped opportunities in our country that can take the enterprise system to a higher stage of development and co-operation, thus creating even more opportunities for all.

Today the company PUREMILKY WORKS Ltd. is successfully functioning.

Activity of the enterprise "PUREMILKY WORKS" Ltd. is of special importance for the economy of Samarkand region. It is engaged in all kinds of entrepreneurial activity and contributes a specific weight to the budget of the region. It provides not only Uzbekistan, but also neighbouring countries of Central Asia with its product.

The essential role of small business in the economic life of Uzbekistan is determined by the fact that the majority of the economically active population is concentrated in this sector.

The development of the country and society is based on the idea that small business should be the locomotive of economic development. For this purpose, systemic support for small business and private entrepreneurship has been created. In Uzbekistan, the entire chain of business organisation from registration, functioning, licensing to access to resources is considered as a whole. The absence of any elements in this chain would not allow the creation of an integral system.

Enterprises have rights and obligations, have property on the basis of which they conduct entrepreneurial activities, registered in accordance with the established procedure, and also carry out the management of such activities.

In accordance with the legislation of the Republic of Uzbekistan, in the territory of Uzbekistan, entrepreneurial activity is carried out after state registration.

Over the years of independence, Uzbekistan has created a solid legislative framework that enshrines the priority of private property as the basis of a market economy. A favourable business climate and reliable legal guarantees have been established for the accelerated development of the country's economy, the creation of new jobs and the growth of the population's income.

The decree of the President of the Republic of Uzbekistan "On additional measures to create the most favourable business environment for the further development of small business and private entrepreneurship" has significantly simplified and made more transparent the procedure for state registration of business entities. Measures have been taken to drastically reduce the interference of State and supervisory bodies in the financial and economic activities of enterprises and to significantly expand economic freedoms.

It should be noted that a significant advantage of an LLC is that members of the company are not liable for its obligations with their property and bear the risk of losses associated with the activities of the LLC only to the extent of the value of their contributions.

The main objectives of the Freedom of Entrepreneurial Activity (Safeguards) Act are to create guarantees and conditions for the free participation and interest of citizens in entrepreneurial activity, to increase business activity, and to protect the rights and legitimate interests of business entities.

Management of the company PUREMILKY WORKS Ltd. is about dealing with uncertainty in the internal and, especially, in the external environment of the company. However, decisions made at the top level should not be only intuitive, otherwise the probability of error is high. For more formalisation of decision-making and to help managers in strategic management of the company there is an effective tool - it is PEST-analysis.

PEST analysis is a tool for determining the company's strategy in the long term. The forecasting period ranges from 3 to 10 years. The abbreviation PEST is made up of English words:

Politics - The political environment of the company.

Economics - the economic environment of the company.

Socio - Culture - socio-cultural environment.

Technology - The technological environment of the company.

Suppose the production of PUREMILKY WORKS Ltd. cannot do without a certain part, but its only supplier is located in a country that is currently under sanctions by your government. As such, it is worth considering how the loss of a supplier will affect your production. In the PEST analysis template, we will classify this issue as a political factor.

The result of the analysis of indicators of financial and economic activity (see table No.1) of the enterprise is that in 2022 the initial cost increased by 9408414.26 thousand UZS, and the amount of depreciation in the reporting period compared to 2021 increased by 1629785.71 thousand UZS as a result of which, the current accounts payable of the enterprise for the reporting period increased by 5151960.02 thousand UZS and amounted to 14595639.07 thousand UZS. From here we can conclude that in 2022 the enterprise worked satisfactorily in comparison with the last year.

Table 1 Key Financial And Economic Performance Indicators PUREMILKY WORKS Ltd. For The Years 2021-2022

				(thousand UZS)
No	Indicators	2021	2022	Deviation (+/-)
1	Initial (replacement) cost (0100, 0300)	4667451,21	14 075865,47	+9408414,26
2	Amount of depreciation (0200)	355193,19	1984978,90	+1629785,71
3	Net book value (pp.010-011)	4321258,02	12090886,57	+7769628,55
4	Current assets	20884283,99	26588908,97	+5704624,98
5	Cash, total(330+340+350+360)	3705508,39	4892865,43	+1187357,04
6	Sources of own funds	33334491,91	32459067,83	-875424,08
7	Current liabilities, total	9443679,05	71216032,70	+61772353,65
8	Current accounts payable	9443679,05	14595639,07	+5151960,02

The amount of assets of the enterprise as of 1 January 2022 was 38998355,62 thousand UZS 1,37% or 532 442,68 thousand UZS of total assets are long-term assets. It means that the main part of total assets of the enterprise is capitalised. 98,63% or 38998355,62 thousand of total assets are short-term assets.

Table 2 Composition of assets of LLC PUREMILKY WORKS as of 1 January 2022 (thousand UZS)

No	Name of asset group	Amount	Specific weight B %
1	Non-current assets	532 442,68	1.37
2	Current assets	38465912,94	98.63
	Total	38998355,62	100

PEST-analysis for LLC "PUREMILKY WORKS" for the production of

P (Policy) Policy

Pros: peaceful environment; availability of legislative and regulatory documents in 2 languages;

Cons: possible changes in the political environment, sanctions, Bureaucracy.

E (Economy) Economy

Pros: Small business benefits Tax benefits (in terms of exports) Production of local products, low cost of production. New jobs. Local raw materials.

Cons: Conversion quotas. Frequently changing legislation. Growing competition. Some raw materials are imported. Seasonal demand for the product. Perishable product

S (Society) Society, society

Pros: Constant population growth. Constant demand for the product, PUREMILKY WORKS Ltd. is widely demanded for all age categories.

Cons: The technology is known. The equipment is available on the market.

T (Technology) Technology

Pros: Technology and equipment are foreign

Cons: Technology is fickle. The leaven is imported.

PEST-analysis for PUREMILKY WORKS Ltd. by production shows that for all four fields there are more positive aspects than negative ones. However, two aspects of the economic environment - "currency conversion quotas" and "part of raw materials is imported" may complicate business, because the company will tend to make a large reserve stock of raw materials, and this will lead to freezing of working capital and storage costs. All fields of the PEST matrix describe the external environment of the business.

The above factors should be analysed for a deep understanding of the current state of the macro environment and risks in future periods. By understanding the risks, it is possible to rearrange or adapt the firm's activities in advance in order not to lose competitiveness, to stay in its niche and to be able to develop in the chosen direction.

The basis for the development of the enterprise LLC "PUREMILKY WORKS" in the market economy is the provision of competitive advantages. However, depending on the peculiarities of a particular market, strategies for the formation of competitive advantages differ. In this case, small and medium-sized enterprises should form their special advantages, which allow them to ensure victory in competition with large businesses, to occupy and maintain their niche in the market. But the achieved competitive advantages, providing a firm position in the market, are not permanent: they are won and retained only with the constant improvement of all spheres of activity (production, marketing, sales, etc.), which, in turn, for a small enterprise is a labour-intensive and expensive process.

The third of the seven directions of the New Uzbekistan Development Strategy for 2022-2026 envisages accelerated development of the national economy and high growth rates.

Among the most important challenges are the following:

- increasing production, increasing the export potential of the republic through active support of the activities of exporting enterprises;
- implementation of modern standards in the production of products that meet the requirements of foreign and international markets;
- bringing the share of the private sector in exports to 60 per cent;
- improving the system of organisational and financial assistance to exporting enterprises.

For successful operation and further development of the enterprise, the following ways of improvement should be paid attention to:

1. Financial support of small and medium-sized businesses by providing entrepreneurs with subsidies to reimburse part of the costs of developing business plans, providing guarantees to small businesses at the expense of the guarantee fund, providing subjects with small and medium-sized enterprises of fixed assets on leasing terms, and subsidies for reimbursement of part of interest rates on loans.

Conclusion and suggestions. The real element of an effective regional financial mechanism is the observance of equality of participation of small businesses in bidding and tenders for public contracts. It is necessary to create an infrastructure of support for small businesses to ensure the functioning of the regional order system by organising centres for purchasing products from small businesses, providing consultations on interaction with government customers.

1. The second group of improvement mechanisms consists of measures to prevent corruption in order to reduce administrative barriers.
2. Property support of small and medium-sized businesses. It is necessary to provide small businesses with land plots, non-residential premises and equipment on favourable terms.
3. Formation of an effective system of information support for small and medium-sized enterprises through educational work in the field of financial literacy of novice and existing entrepreneurs (round tables, conferences, participation in mass media) and regular replenishment of information databanks on unused areas of state property (vacant, leased, offered for sale, etc.).

In a period of rapid technological progress, PUREMILKY WORKS Ltd. needs investments to implement new technologies emerging in the industry. Without investments in, for example, new highly efficient production lines, robotics and automation, modern companies can no longer compete in most international markets. Every new or improved product that a company intends to launch on the market will also require capital expenditure and sound financial decisions.

In order for Uzbekistan to achieve its 2030 development goals and improve the quality of life for the entire population, it is essential to fully utilise the potential of the private sector and entrepreneurship. Therefore, in the emerging Partnership Programme with Uzbekistan, private sector development will be one of the main areas of work for the next five years.

Effective implementation in practice of the laws that promote further development of entrepreneurship in the country determines the solution of such a socially important task as creation of new jobs, increase in employment and welfare of the country's population.

As a result of all the measures taken in the country, private entrepreneurship and small business are playing an increasingly important role in ensuring economic growth, creating jobs and solving problems of employment, income growth and the well-being of the population of Uzbekistan. Today, small businesses produce about half of Uzbekistan's gross domestic product.

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