

## **The Need to the Strengthening Of the Role of State Financial Support for Small Businesses**

**Professor Boyev Habibullo Ismailovich**

**Professor Toshmatov Shuhrat Hamrayevich**

**Mirzohidova Malika Bakhtiyorovna**

**Radjabova Nargiza Shavkatovna**

**Tashkent State Economic University**

**Abstract.** This article deals with the problems of small business development and a special role of state financial support for small businesses in shaping the legal framework of competitive market relations.

**Key words.** Small business, innovation, investment fund, venture fund, financial mechanism, research centers.

Considering the problems of small business development, inevitably it is necessary to touch upon questions of relations between entrepreneurs and various power structures. Unfortunately, they are very far from perfect. In their activities, entrepreneurs constantly face various obstacles created by the authorities at the republican and local levels, which significantly impede the creation of new firms and prevent them from entering the market and successfully developing.

First of all, we are talking about the economic policy of the state as a whole. Support for the development of entrepreneurship, stimulation of the economic initiative of individuals has not yet become the basis of state economic policy, a guideline for the activities of all authorities both in the center and in the regions. The mismatch of economic policy leads to the fact that in the system of targets for state regulation of the economy, the interests of supporting entrepreneurship conflict with the objectives of achieving optimal macroeconomic

indicators, mechanisms for filling the budget, and costly methods for solving social problems. In such conditions, the effectiveness of measures for state support of entrepreneurship is reduced to zero as a result of the negative impact on the business climate of other areas of government regulation (tax, licensing, foreign trade).

On the one hand, the state provides financial support for small business entities at the expense of budget funds, on the other hand, it tightens the tax system as a whole, which reduces its own development resources for the same small businesses. Measures are being taken to promote the expansion of foreign economic activity of entrepreneurial entities and at the same time restrictions are imposed on the activities of “shuttle traders”, which, according to some data, ensure. About 1/3 of the republic's imports.

During the period of formation and development of market relations, a scientific forecast of possible options for the formation and strengthening of voluntary business structures of a qualitatively new type of activity is required.

Such contradictory state policy is inevitably projected onto the economic activity of the most entrepreneurial subjects. So, in the interest of minimizing taxation, they tend to underestimate profit margins in accounting documents. However, this significantly limits the possibility of attracting external sources of capital, since, according to official data, projects submitted to banks and other investors for financing are obviously purchased (which, of course, does not at all reflect the real financial situation of enterprises). Therefore, strengthening the business environment as an integral part of public policy is a continuous process taking place in relations with local authorities as a whole.

Increasing the activity of entrepreneurs to achieve success in their professional activities through the use of an entrepreneurial approach contributes to

alleviating social tensions, creating conditions for the growth of chial entrepreneurial entities.

The problem of the relationship between entrepreneurs and local authorities has one important aspect, as with the development of market relations, the executive authorities and local governments are increasingly freed from the need to interfere in economic activities. However, as long as they retain certain powers that make the companies operating in the market dependent on the authorities, there will be a danger of these authorities exceeding their economic rights, impairing the interests of business entities, creating barriers to the further development of market relations.

Local authorities are far from always able to find ways to improve relations with small businesses that are adequate to a transition economy. They compensate for their helplessness by taking under-law actions (acts) related to licensing issues, complicating the registration of enterprises, creating obstacles in assigning land plots, providing production and office space, etc. The so-called “indefinable barriers” can significantly limit the development of entrepreneurial activity.

The urgency of antitrust authorities testifies to the urgency of this problem. Legislative and normative acts on competition, restricting the monopolistic activity of subjects on commodity markets, on the actions of state executive bodies, local executive bodies of subjects and local governments aimed at restricting competition, and coordinated actions of republican bodies of executive power , executive authorities of subjects and local governments that limit competition It contributed to the establishment of a list of stringent restrictions on the actions of state and local governments aimed at restricting competition in the commodity markets, and have given them broad powers and authority to monitor compliance with these norms of antimonopoly legislation.

In accordance with the current legislation, state executive bodies and local governments were prohibited to adopt acts and take actions aimed at:

- the introduction of restrictions on the creation of new economic entities, as well as the establishment of bans on the implementation of certain socially significant activities;
- the establishment of prohibitions and other restrictions on the export and sale of goods from one region (district, city) to another;
- issuing instructions to economic entities on the priority conclusion of contracts or on the priority delivery of goods to a certain circle of buyers;
- granting unreasonable privileges to individual economic entities, which place them in an advantageous position in relation to other enterprises. Acting on this market, etc.

In addition, it is prohibited for them to combine the functions of executive bodies with the functions of economic entities, as well as the empowerment of economic entities with the functions and rights of the said authorities.

Along with this, it prohibits them in any form of agreement between the authorities with the functions of economic entities, aimed at raising or maintaining prices (tariffs), dividing the market on a territorial basis, by sales, by range, restricting market access or eliminating businesses from it.

It follows that consideration of the problems of entrepreneurship from the point of view of analyzing the environment in which they operate, allows us to move from a suddenly emerging entrepreneurial subject to a manageable process of advancement in all spheres of economic activity of the territory.

Entrepreneurial actors are able to develop and spread, creating conditions for the growth of the number of entrepreneurs and enterprises.

With the help of entrepreneurship and innovation, the economy of the territory is evolving. At the same time, business entities, interacting with other

entities, perform binding functions in the work of the business as a whole, this relationship forms the entrepreneurial microsphere, in which the main resource for the development of entrepreneurship is located.

Open a business without the desire of citizens is impossible. It is impossible to count on the growth of the number of small business entities even in the conditions of favorable tax and credit policies. Therefore, the work of local authorities in stimulating the development of entrepreneurship through mutual relations is of paramount importance, and this process forms the meso-level of the business environment, which makes it possible to more effectively consolidate efforts at the local level.

At present, to ensure such transparent work, it is required to develop the role of local authorities serving the entrepreneurial subject and promoting it along a certain technological chain from the moment the idea of its activity is developed to ensuring business activity that is able to be competitive and operate profitably, i.e. break even. To do this, business entities must be given the opportunity to receive quality services for a minimal fee. The main goal of such services is traditionally given to chambers of commerce and industry, which should play a priority coordinating role in the system of territorial support for business entities.

An analysis of the activities of antimonopoly authorities on the basis of 2003 reporting data shows that over the past year they accepted about a thousand applications for violations of the law by executive authorities of various levels and initiated 80 cases, which accounted for almost 30% of the total number of cases examined antitrust laws.

Over the past three years, there has been a tendency to increase both the number and proportion of cases of violations of competition conditions, which indicates the seriousness of the problems arising in the process of state regulation of business activities, especially at the local level.

Practice shows that at the local levels there are several types of violations of antitrust laws. Thus, the main type of violations of the law is unreasonable obstruction of the activities of business entities by the executive authorities.

As for the registration of small businesses, in general there are no complaints. Typical, for example 1996-2007. cases of refusal of registration on the grounds of inexpediency were practically not respected. At the same time, in a number of areas, business entities were obliged to conclude oral agreements with local administrations on the conditions of operation and cooperation in the field of economic and social development. These verbal agreements provide for various restrictive conditions of activity for entrepreneurs, such as: the obligation to sell a certain part of goods and services within a given area (district), to allocate funds to various funds (which is actually an additional taxation), and so on. If business entities refused to conclude such an oral agreement, they could be denied registration, the introduction of other activities.

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