

Business Efficiency Ratio in Uzbekistan According To Doing Business

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Abstract: *This article examines the role of small business and private entrepreneurship, analyzed in all sectors and regions. Analyzed the underdeveloped performance indicator "Doing Business", as well as proposals for their improvement.*

Key words: small business and private enterprise, business entities, efficiency ratio, "One-Stop", export, import.

World economy best practices show small businesses and private enterprises discharge an essential function in the economy of different countries. Particularly small businesses and private enterprises make 63,0-67,0% of GDP of European Union member-states, 57,0-60,0% in Italy, 50,0-53,0% in Great Britain, 50,0-52,0% in USA, and 56-60% in Uzbekistan.[2]

Developed Economies around the world have special insitutions to boost the business and entrepreneurship in their countries. Take France as an example where the Ministry of Finances, Economy and Industry has Department of Small and Medium Business and the Bank of Small and Medium Business, USA employs Small Business Administration, whereas Israeli small and medium businesses receive institutional, legal and financial assistance from the Administration of Small and Medium-sized Business.

Our government has also made some arrangements to render economic, financial, institutional and legal support to businesses. Сонли On May 15, 2015 the President passed a Decree No 4725 "On ensuring solid security of private property, small business and private enterprise, and elimination of obstacles impeding continuous progress thereof" which states that in order to elevate the role of private property in the economy of the Republic, to

remove the barriers and constraints impeding progress of private entrepreneurship, to loosen government's involvement in the economy, and increase the share of private property and foreign investments in GDP, we:

- are working on solidification of private property protection and liberalization of all acts and statutes that govern entrepreneurial activity;

- have simplified the procedure of registration, licensing and authorization, and other formalities incidental to starting foreign economic activity;

- have propped up private sector to ensure faster development of private entrepreneurship by creating requisite conditions and opportunities, and making financial and credit [loan] resources more accessible and available.

All the measures taken to build a modern, diversified and competitive economy by promotion of small business and private entrepreneurship in our country are ensuring fast economic development. Uzbek business entities are carrying on their activities holding out against external impacts and competition and they owe their tenacity to the Chamber of Commerce and Industry.

Table 1

Number of small business entities (except farming enterprises) [2]

Item	year 2010	2011	2012	2013	2014	2015
Registered companies	231 717	246 441	206 589	213 643	221 140	225 998
Re-established companies	35 050	35 036	21 078	26 334	26 037	26 896
Liquidated companies	23 187	20 432	19 260	20 342	18 740	22 646

As per the results of analyses, over 2014-2015 only 8-10% of registered companies were wound up which is 5 times less than in developed countries. Competitiveness of business entities is growing due to organizational and administrative activities of the Chamber of Commerce and Industry.

The above table displays the ratio of registered [incorporated], re-established and liquidated companies within 2010-2015.

In 2010 registered small businesses amounted to 231 717 while in 2015 they proliferated to equal 225 998.

Table 2 **Number of registered Body Corporates [2]**

Economic sectors	2012	2013	2014	2015
In aggregate	301 613	266 397	273 627	278 452
<i>including</i>				
Industry	40 769	44 337	47 425	48 886
Building	22 072	22 904	24 373	25 048
Agriculture and forestry	64 124	22 632	22 596	22 559
Transport	10 231	10 435	11 008	11 661
Other manufacturing sectors	21 573	22 436	22 664	23 674
Commerce and Food service	75 566	75 467	76 959	76 578
Non-production consumer-services	4 034	3 939	3 859	4 346
Public health, physical education, social security	10 701	11 094	11 111	11 616
Schooling, culture, educational services	21 541	21 637	21 868	21 970
Other non-production spheres	31 002	31 516	31 764	32 114

As we consider the Table 2, the following inferences may be drawn:

- commerce and food service [dining establishments] account for a bulk of registered legal entities, that is 27.5%;

- we can also conclude that the number of agriculture and forestry entities in 2015 is nearly one third of what we could see in 2012;

- over the past three years industrial and construction [civil works] companies were the most frequent to be liquidated (the main reason is lack of awareness of market requirements and competitors' position);

- and over the past five years industrial and construction companies make up the main portion of registered small businesses;

- it is great to know that industrial sector increases its share in GDP and the number of industrial enterprises is growing either. It is noteworthy that multiplication of food production and consumer goods industry entities parallels the growth in the amount of commodities to be exported.

All the measures taken to shape a conducive business atmosphere, to improve and incentivize small business and private entrepreneurship gave a decent growth to the number of small business entities over the first half of current year, which is over 16,4 thousand businesses main bulk whereof is industrial and construction enterprises (31,4%), and the share of small business in Gross Domestic Product increased from 44,7% in 2015 first half to 46% now, from 35,5% to 41,9 in industrial sector, from 33,5% to 37,7% in investments, from 77,3 to 77,7 for employment rate.

Table 3

Business Efficiency Ratio in Uzbekistan according to Doing Business, world businesses ranking, in 2015 and 2016 [3]

Aspects	Doing Business Rating 2015	Doing Business Rating 2016	Efficiency ratio difference
Incorporation of a business	64	42	22
Authorization to start civil works	149	151	-2
Connection to power lines	108	112	-4
Registration of private property	113	87	26
Loan take-outs	105	42	63
Protection of investors' rights	87	88	-1
Tax and taxation	117	115	2
International trading	158	159	-1
Enforcement of agreements	32	32	unchanged
Permission to declaration of insolvency	75	75	unchanged

The information in the Table 5 shows that over 2015-2016 incorporation of businesses has increased by 22, while registration of private property had grown by 26, loan taking by 63 and taxation index has risen by 2, authorization to launching civil works has increased by 2, connection to power lines by 4, protection of investors' rights and international trading efficiency ratio in Uzbekistan lowered by one.

We can go further into international trading ratio in Uzbekistan in 2015 and 2016 with the help of the table below:

Table 4 Time consumption and values for international trading [4]

Indicator	Uzbekistan	Europe and Central Asia
Export time: border and customs clearance (hours)	112	28
Export value, border and customs clearance (US Dollar)	278	219
Exportation time consumption: documents processing (hours)	174	31
Export value: documents processing (hours)	292	144
Importation time consumption: border and customs clearance (hours)	111	23
Import value, border and customs clearance (US Dollar)	278	202
Importation time consumption: documents processing (hours)	174	27
Import value: documents processing (hours)	292	108

As seen from the table above, border and customs clearance of export in Uzbekistan take 112 hours, while in Europe and Central Asia only 28 hours. Exportation time consumption: execution and processing of documents in Uzbekistan takes 174 hours, where in Europe and Central Asia only 31 hours spent on such formalities. Thus, the main issue is long paperwork procedures. While carrying out their liabilities border posts and custom services cause some goods and produces to stay for a long period which may affect commodities' quality. Now, to bring Uzbekistan's business efficiency ratio up, we should consider how to address and prevent such inhibition.

Conclusion

However, there are some other changes to be effected by the Chamber of Commerce and Industry in our country that will create new opportunities for business entities:

- sophisticating the media and information system in favour of entrepreneurs, and launching a

single data portal for entrepreneur-members of the Chamber;

- the help we render to entrepreneurs shall not be restricted to legal assistance, the businesses would be better off getting more consulting services;

- developing local information and consulting services in district, cities, etc.

- Improvement of the quality and variety of services delivered to entrepreneurs;

- Institutional and financial backing of legal entities and individuals willing to start innovative business (showing the procedure of obtaining patents and licences during seminars and conferences);

- Involving entrepreneurs in projects implemented by the Chamber and engaging them in big projects;

- Posting informative banners in "One Stop" centers with information on the Chamber, its powers, authorities and services the Chamber renders.

Over historical 25 years of Sovereignty Uzbekistan has utilized local communities' efforts and economic potential to legitimate ways of doing business based on state-run programs for development of small business and private entrepreneurship, and raised legal, institutional and economic awareness of local people.

Bibliography

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- [5] http://lex.uz/pages/getpage.aspx?lact_id=2647219