

Improvement of the financial mechanism for the development of small business and private entrepreneurship

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Annotation: Improvement of the financial mechanism for the development of small business and private entrepreneurship in the country was defined as one of the main goals of priority development in order to improve the national economy and ensure its stability, as well as to establish a socially oriented market economy. To realize this goal, economic reforms were carried out, and legal and regulatory frameworks were created to increase its essence and importance. These include the organization of business activities and legal and regulatory documents guaranteeing them, non-governmental organizations and enterprises that help entrepreneurs. The development of small business and private entrepreneurship plays an important role in the development of any country. This article contains information about small business and private entrepreneurship. There is also information about what factors play an important role in improving the financial mechanism of small business and private entrepreneurship development.

Key words: private entrepreneurship, clients and investors, social conditions, financial mechanism, constellation, commercial banks.

Nowadays, the population of many countries is increasing rapidly. As the population increases, the need for a place of work begins to increase. The government will have to create new jobs to provide employment to the population. By developing small businesses and private entrepreneurship, the government can create new jobs.

It is well known that the interconnectedness of the state and small business contributes to economic growth and stabilization. Through the development of small businesses, it is necessary to attract clients and investors to the country and build a common economic space.

One of the main factors of economic development in the conditions of market relations is the development of small business and entrepreneurial activity. The formation of entrepreneurship is closely related to economic and social conditions. Social conditions are close to economic conditions of entrepreneurship formation. Social conditions are primarily determined by the desire of customers to purchase goods that can meet the taste and fashion. This requirement may change at different stages. This is strongly influenced by the moral and religious norms that depend on the socio-cultural environment. These standards have a direct impact on the way of life of buyers and through it on the demand for goods. Social conditions affect a person's attitude to work, which, in turn, affects the amount of salary offered by the business, and the attitude to working conditions.

Any business is conducted in a certain area: on the scale of the country, region, city or village. In order to effectively conduct business activities, there must be a certain working environment.

Such an environment is embodied on the scale of some regions, embodying the implementation of business functions. In general, the business environment is created mainly as a result of the interdependence of the following four factors: legal, political, social and economic factors. They can be positive or encouraging. In this case, the existing conditions in the country or

region are suitable for conducting business activities. Because such an environment gives an entrepreneur ample opportunity to foresee what the results of his work will be. The entrepreneur's ability to predict the results of his work is expressed in contrast to the concept of risk. If an entrepreneur operates on the basis of risk in a certain environment, then it is characterized by variability, instability, and risk. Such an environment does not correspond to the above-mentioned positive environment. In practice, in many cases, it cannot be said that a certain factor of the business environment has the main effect on the business results of the entrepreneur. Because, the entrepreneur is more interested in the interdependence of the factors that determine the business environment.

In the financial mechanism of the development of small business and private entrepreneurship, the tax incentives set for this sector play a sufficient stimulating role. By reducing the single tax payment for small industrial enterprises, their financial potential can be increased.

In addition, preferential loans to small business entities play an important role in the financial mechanism for the development of small business and private entrepreneurship. As a result of this, the results of small business and private entrepreneurship as an important factor in creating new jobs in the country, increasing the income and well-being of the population will become significant.

To date, small business and private entrepreneurship entities are active in all aspects of the economy of many countries, in the production of machinery products, in the production of consumer goods, agricultural and food products, and in other areas.

The products produced by small enterprises are distinguished by the fact that they do not lag behind the products produced by state enterprises in terms of quality and, in some cases, are even higher than them.

It is also very important to increase the effectiveness of state support mechanisms in the financial mechanism of small business and private entrepreneurship development, and in this regard, it is very important to apply new mechanisms from the experience of foreign countries, adapting them to the existing conditions. In particular, according to statistics, the annual growth of the gross domestic product in Italy is 3-5 percent, and in terms of production indicators, it ranks 5th after the USA, Japan, Germany and France.¹ A special feature of small business in this country is that, along with working in large companies, there are also ample opportunities to work in small and craft enterprises. Also, one of the most important components of the production structure is the cooperative (company) sector. The corporate form is the "Italian model of industrialization" abroad. The efficiency of such industrial districts is that they can make effective use of local opportunities.

According to the studies of economists, in the Italian economy, the importance of "constellation"², the organizational form of technologically uniting enterprises operating in various fields, is particularly recognized. In this case, a limited number of enterprises work together in the production of complex finished products that are related to each other. If one of the enterprises united in such an organizational form performs the process of product preparation, some are responsible for the technological process, and some are engaged in sales. As a result, not only the problem of production and sale of products will be solved, but also the scale of production will be expanded. In such a process, the leadership is carried out by the enterprise that performs the last stage of work in the constellation. They buy all the necessary components from other companies and place orders for field work.

¹ Ministry of Foreign Economic Relations IB - 2005.

² "constellazione" – is a constellation of stars.

Therefore, coordination of activities in enterprises occurs. Cooperation in different constellations creates an environment of free competition and expansion of demand for a certain type of product in the market, while at the same time it leads to a decrease in the cost of the product and its price.

In order to carry out effective export activities, they need to be provided with the information of the marketing complex that fully meets the requirements of the foreign market. Export trade companies are the organizations that are able to keep in touch with the current information system regarding the unique potential of the markets and changes in the market situation, all the resources of the companies are directed directly to the sales activities, and they are able to establish constant contact with the main buyers. In world practice, the form of organizing export activities, opening trade houses abroad, is also widely used as a form of foreign labor productivity development of economic activity.

Financial institutions played an important role in the development of entrepreneurship. Banks especially commercial and specialized ever remain crucial to the growth and development of entrepreneurship, and their operations provide a solid backing capable of encouraging entrepreneurs in viable and profitable ventures. The sources of finance for the private sector are funding options for private companies are numerous, each choice comes with various stipulations. Money from personal savings, friends and family, bank loans, and private equity through angel investors and venture capitalists are all options for funding throughout the life cycle of a private company.

Provide financial literacy training to entrepreneurs and encourage responsible borrowing and lending:

1. Set up financial and accounting literacy training.
2. Undertake appropriate supervision of financial products offered to social and micro-entrepreneurs.
3. Expand private credit bureau and public credit registry coverage.

A financially literate business owner is more likely to be fully in control of their business. Gaining an understanding of what balance sheets and profit and loss statements mean provides a clear view of the financial state of your enterprise and subsequently facilitates smarter business decisions.

The financial sector provides the economy with medium of exchange by issuing notes, holding demand deposits and honoring checks drawn upon the latter. Without the financial sector, an economy would be confined to barter and specialization in production would be limited.

Commercial banks are the largest and most prominent financial intermediaries in the economy and offer the widest range of financial services to businesses.

Top 6 components of financial services

- Banking. The banking sector is the foundation of financial services and deals with direct savings and lending.
- Mortgages.
- Credit cards & digital payment services.
- Accounting & taxation.
- Insurance.
- Investments.

In conclusion, it should be said that improving the financial mechanism of small business and private entrepreneurship development, banks play an important role in improving the financial mechanism of small business and private entrepreneurship development.

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