
Improving the Efficiency of Using Foreign Investments in Small Businesses

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Annotation: The article examines the experience of developed countries and the opinions of expert scientists on the effective use of foreign investments in small business in the regions, based on which, attracting investments to small business entities increases the efficiency of its use, and the author's dissertation works on the impact of risks on the economy and the system of measures to eliminate them improved mechanisms for attracting investments to small business entities are proposed.

Key words: small business, investment, competitiveness, strategy, human capital, high-risk projects.

Introduction

In the 20th century, the increase in social orientation in the economic development of the world's leading countries led to an increase in the importance of the small business sector, which can contribute not only to the economic needs of society, but also to the solution of social problems. Accordingly, in the experience of developed countries, it is evident that the small business sector has a significant and positive impact on solving issues such as increasing the competitiveness of the economy, introducing the achievements of scientific and technical development into production, creating new jobs and continuously increasing the income of the population.

It is noted in the studies that if the 80s of the 20th century in the USA, 1.5 mln. if small enterprises were operating, their number reached 7 million by 2010. During the implementation of structural changes related to the globalization of economic processes in the United States, the development of small business has become the main factor in the restructuring of the economy. Small businesses accounted for more than 55% of all innovation in the country, with twice as much productivity per employee employed as that of large enterprises[2]. The expansion of the scope of small business activities and the increase in efficiency is showing itself as an important and very relevant direction in carrying out modern structural changes in all countries of the world.

In the conditions of modernization, liberalization and globalization of the economy in Uzbekistan, the need to accelerate the integration of national economy branches and sectors into the world economy, and to fully satisfy the growing needs of the population, the need to form small business entities that can quickly launch the production of marketable products and services based on modern technologies is an important direction that cannot be delayed. is recognized as In this regard, in the decree on the development strategy of New Uzbekistan for 2022-2026:

- to further improve the investment climate in the country and increase its attractiveness, to take measures to attract 120 billion US dollars, including 70 billion dollars of foreign investments, in the next five years;
- establishment of a new system based on the "bottom-up" principle of effective use of investments and increase of export volumes;
- Implementation of the strategy of attracting foreign and domestic investments until 2026;

- to reduce the tax burden on business entities from 27.5% to 25% of the gross domestic product by 2026;
- important tasks for improving the activity of existing structures for supporting entrepreneurship, reducing unemployment and poverty in the regions[1] have been defined. For their full implementation, the question of attracting foreign investments, including foreign direct investments, is of great importance based on the possibilities of the existing level of technological and financial development in our country. Also, there is a need to carry out scientific research on the inter-sectoral directions, conditions and effectiveness of foreign investments in selected regions of our country.

Literature review

Attracting foreign investments to the economy and small business, which is a component of it, and various aspects of the activities of enterprises established with their participation have been reflected in the scientific works of a number of foreign and domestic economists. Theoretical foundations of attracting foreign investments and their effective use R. Vernon[3], A. Akamatsu[4], K. Kojima[5], E. Porter[6], K. Meyer[7], L. Krkosa[8]], H. Thomann[9], J. Dunning, R. Narulo[10] and other leading foreign scientists were researched.

The issues of formation and development of foreign investments in the field of small business in developing countries were discussed by Russian scientists A.A. Agafonov [11], V.K. Bugaev [12], F.S. Tumusov [13], L.V. Davydova, S.V. It is based on the scientific works of Ilminkaya[14], E. Kocherin[15], M.S. Ilyasov[16], O.V. Fadeeva[17], V.K. Spilnichenko and L.A. Sarkisyan[18]. Attracting foreign investments to the economy of Uzbekistan and its regions, theoretical and practical aspects of its effective use A.V. Vakhobov[19], Sh.G'.Yuldashev[20], R.Z.Yuldashev[21], B.T.Baykhanov[22], N.G.Karimov[23], D.D.Rustamova[24], E.A. Makhmudov[25] and others.

Most of the research work is focused on the content, nature of foreign investment and its involvement in the small business sector of the national economy. However, in the conditions of modernization of the economy, the lack of special research on the specific aspects of small business in attracting foreign investments to the regions served as the basis for choosing the topic of this dissertation, defining its goals and objectives.

Research methodology

Scientific abstraction, comparative analysis, analysis and synthesis, sampling, economic-statistical analysis, econometric modeling and forecasting using the determined model, survey and SWOT-analysis methods were used in the research process.

Analysis and discussion of results (main part)

Relying on the theories of attraction of foreign direct investment (FDI) to the economy in the scientific research of attracting foreign investment to small business helps to clarify the directions of effective economic development through foreign investment. In our opinion, the theoretical concepts of TTXI allow to justify the international investment activities of transnational corporations and their impact on the development of the national economy. The practical significance of the theories about TTXI lies in the fact that they allow us to get reasonable answers to questions such as why potential foreign investors chose a certain country or region for investment and made one or another form of investment.

In recent years, the systematic work carried out in our country to create a favorable investment and business environment, to open a wide path for foreign investments, to ensure the stability of legislation, to develop small business and private entrepreneurship, to fundamentally improve the investment environment, to deepen the structural change, modernization and diversification of the republic's industrial and other sectors, modern State programs aimed at the formation of infrastructure are an important factor in increasing the volume of investments. In the dissertation

work, the author proposed improved mechanisms for attracting investments to small business entities in the system of risk impact on the economy and measures to eliminate it. (Figure 1).

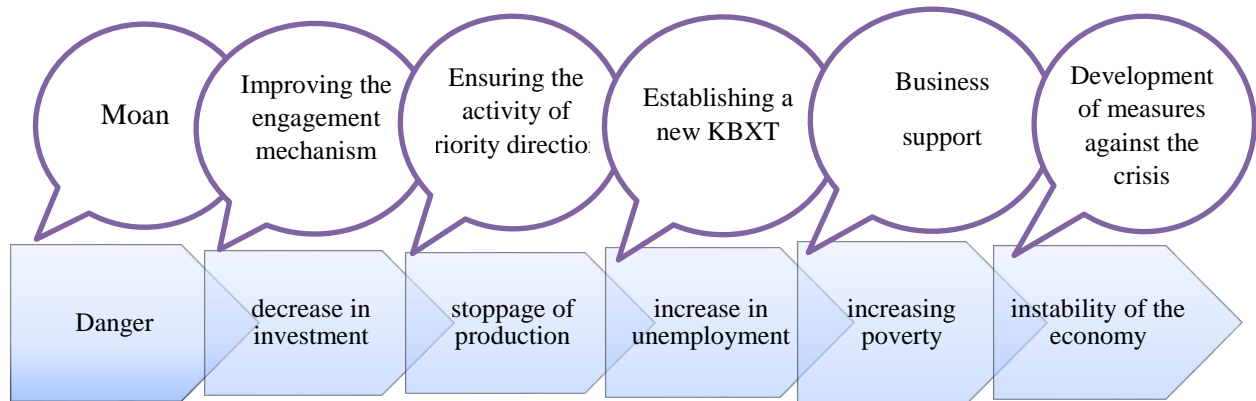


Figure 1. Impact of risk on the economy and its elimination measures¹

Based on the results of the conducted research, a number of proposals and recommendations were developed to break this chain in time. In this regard, in order to attract foreign investments, especially in the field of small business, very effective mechanisms have been created in our country, it is stated that they open the way for various forms of investments, and it is justified that these mechanisms consist of a set of measures, actions, rules, systems, structures that ensure the flow of various forms of investments. This mechanism is primarily manifested in the implementation of investment attraction programs developed by the state authorities.

(Figure 2).

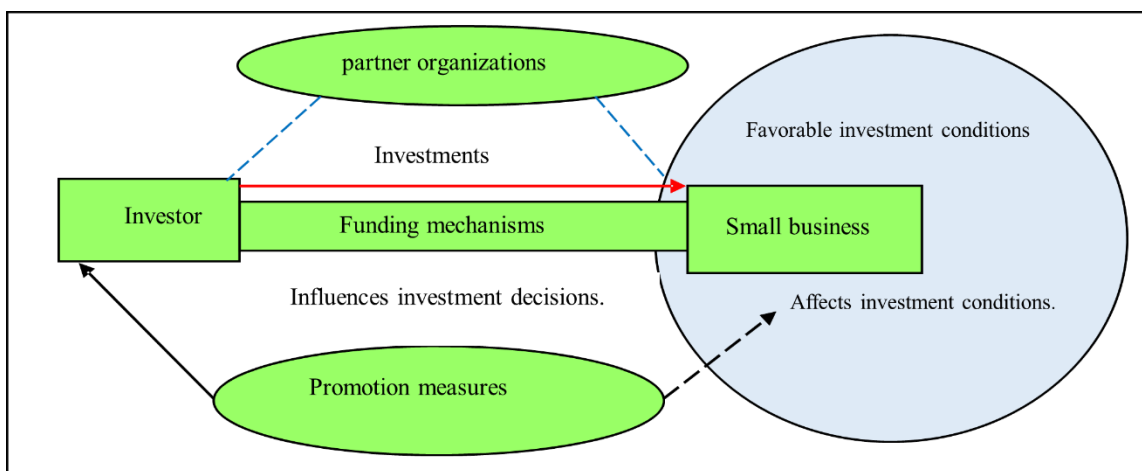


Figure 2. Investments in small business entities engagement mechanisms²

In our opinion, it is necessary to distinguish between three directions in the mechanisms of attracting foreign investments to small business:

1. Financing mechanisms.
2. Infrastructural partner organizations facilitating the investment flow.
3. Incentive measures, benefits and guarantees implemented by the state that attract investors to certain regions and industries.

Financing mechanisms. Equitization to them (granting the right to issue securities by small business entities, obtaining a loan or pledging the value of intangible assets at their disposal),

¹ Developed by the author.

² Developed by the author.

project financing (direct financing of a part of the investment projects of small business entities by the state on the basis of public-private partnership), venture financing (establishment of national and regional venture companies, today there are very few such structures) and financing from the state budget.

Infrastructural partner organizations facilitating investment flows. These include commercial banks and non-bank credit institutions, investment funds, trust funds, non-profit organizations and associations (Chamber of Commerce, "Entrepreneurial Woman", "Hunarmand" association, associations of product manufacturers in various industries, etc.), consulting firms, etc. can be entered. Also, the fact that the Ministries of Foreign Affairs and Investments and Foreign Trade, embassies and representative offices of our country in foreign countries are entrusted with the obligation to work with foreign investors is of great importance in attracting foreign investors to the small business sector, which has a limited geography and scope of foreign relations.

Investments in the purchase of machinery, equipment, and inventory in the republic increased from 37.8 percent in 2010 to 53.4 percent by 2022, while in the region it increased from 21.4 percent to 71.7 percent, or more than 3 times the analyzed indicator. This increase occurred due to a decrease in the weight of construction and assembly works in the region from 73.0 percent to 25.0 percent. This situation is a positive situation from the point of view of modernization, technical and technological re-equipment of enterprises in the real sector of the regional economy. At the same time, we found it appropriate to make the following suggestions for increasing the efficiency of attracting foreign investments to small businesses:

- creating an opportunity to improve the financial situation of small business entities implementing risky technological changes and organizing innovative activities by setting a low level of taxation and giving tax holidays;
- creation of a special system of tax incentives aimed at supporting high-risk projects;
- in order to accelerate the structural and technological restructuring of production, focus on the financing of investment projects that quickly cover a part of the centralized credit resources, including directing them to small business objects;
- to ensure the participation of representatives of economic entities in international trade fairs in order to adapt technological equipment to modern requirements, to choose cost-effective technologies and to determine the sources of their financing. According to the conducted analysis, the liberalization of the regulatory regime, the reduction of tariffs, the removal of restrictions on investments in telecommunications, insurance, banking services, trade, logistics and other sectors of the economy opened the way not only to large enterprises, but also to small businesses and private entrepreneurs, and directly ensured the expansion of the flow of direct foreign investments.

Conclusions and suggestions.

Based on the results of the research, it was determined that the territories of the Republic of Uzbekistan have a great opportunity and high potential for the establishment of enterprises with foreign investment in the enterprises specializing in the production of agricultural products, construction materials, textile products. In our opinion, it is necessary to distinguish three directions in the mechanisms of attracting foreign investments to small business:

- financing mechanisms. They include equity, bond, project financing, venture financing and financing from the state budget;
- systems and organizations supporting the flow of investments. The Chamber of Commerce and various commercial and non-commercial organizations are among them;
- state programs, measures, benefits, guarantees and facilities that attract investors to particular regions and sectors. Also, it is necessary to implement certain changes in the financing of investment activities of joint ventures in the regions of the republic. They are:

First of all, it is necessary to speed up the participation of the population in investing in joint ventures, making good use of free funds. This leads to solving several interrelated problems at the same time. In particular, residents will receive additional dividends or interest to the main source of income based on the purchase of shares and bonds of enterprises, and will further improve their well-being. Kopkhanas, having additional financial resources with a minimum level of risk, will be able to further increase their investment activity;

secondly, it is desirable to increase the share of commercial banks' resources in the investment activities of enterprises. For this, it is necessary to develop a mechanism for providing preferential loans for crediting long-term strategic investment projects. This event will also have a number of socio-economic priorities.

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