



## ISSUES ON RECOVERY AND MODERNIZATION OF THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN AFTER THE CRISIS OF 2008

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<p><b>Received:</b> July, 20<sup>th</sup> 2021 <b>Accepted:</b> August 21<sup>th</sup> 2021 <b>Published:</b> September 29<sup>th</sup> 2021</p>	<p>This scientific publication examines the measures taken by the government in 1994-2007 to synchronize the functioning of the system of business entities, along with other economic mechanisms of the state and this article proves based on the official data that they were able to prevent certain negative consequences emanating from the global financial and economic crisis that broke out in 2008 on the macroeconomic and social situation in the country. It should be stressed that proper conclusions have been made on the reforms in the national economy based on the information and statistic data of official recourses of the Republic of Uzbekistan.</p>

**Keywords:** Synchronization, crisis, post-crisis period, development of small business, micro firms, macro situation, reforms, modernization.

### INTRODUCTION

The economic transformations carried out in the republic have fundamentally changed the economic and social relations of people in society. This, in turn, urgently required the development of a fundamentally new economic policy in society, which would take into account national, demographic and territorial characteristics, the economic situation and the mentality of the people. A well-known model of reforming the economy and social relations in Uzbekistan - the phased implementation of its implementation allowed achieving the main goal of the reforms - an approach to civilized market relations with the provision of the population with the opportunity to adapt more widely to new socio-economic conditions.

### MAIN PART

The development of the economy of the Republic of Uzbekistan in 2010 overturned gloomy forecasts about the persistence of high inflation rates and budget deficits and a further decline in industrial production in the next 2-3 years.

In 2010, our republic managed to prevent crisis factors that could have an impact on the economy and resume economic growth. For Uzbek producers, a favorable situation has developed in the external and internal markets. It was possible to use the opportunities provided by the growth of export and consumer-oriented industries for a slow improvement in the macro situation, which was the result of a coordinated fiscal, monetary and structural policy. In that year there was a higher level of real budget revenues compared to the previous year. Additional revenues received by the republican budget made it

possible to systematically work on social payments to the population; provide additional support to small businesses and private entrepreneurship.

It can be stated based on the above discussed statistics that the close attention to this area is far from accidental. An important role here is played by the traditional predisposition of the population to entrepreneurial activity, which has quite historical prerequisites. For many centuries, the most important trade and transport arteries of the Eurasian continent passed through Uzbekistan, its cities Samarkand, Bukhara, Khiva, Kokand - from ancient times were famous for their artisans and blacksmiths. Therefore, it is very important to create a full-fledged competitive environment, without which it is impossible to ensure the modern level of production efficiency and without the massive development of which genuine competition is impossible.

Fundamental laws, decrees and regulations governing the organization, management and development of small business and private entrepreneurship in the country, have been adopted in the first years of independence of Uzbekistan, in particular, the fundamental development of the private sector and entrepreneurship has become a Decree of the President of the Republic of Uzbekistan "On measures to further deepening economic reforms, ensuring the protection of private property and the development of entrepreneurship" (January 21, 1994). The next important document in this area was the Decree of the President of the Republic of Uzbekistan "On Initiation and Stimulation of Private Entrepreneurship" dated January 5, 1995, which approved the "Regulation on Private Entrepreneurship in the Republic of Uzbekistan". In 1995, the Law "On



Stimulating the Development of Small Business and Private Entrepreneurship" was adopted, on April 14, 1999, "On entrepreneurship and guarantees of entrepreneurship." For the year 's reforms had created serious legal and regulatory framework activities, provided full business law and provide reliable guarantees of their activities and generally having stimulatory.

Of particular importance was the fact that legislative protection was provided against the arbitrariness of officials, which entrepreneurs constantly face in almost all countries with economies in transition. November 19, 1998 was issued the Presidential Decree "On regulation of the organization of inspections of business entities" on 24 December - Law of the Republic of Uzbekistan "On state control over the activities of economic entities", strictly limiting the number of inspections and provide for the serious responsibility of officers for carrying out illegal checks, so and for illegal actions committed during inspections. To control the implementation of these normative acts, a "hot telephone line has been created, using which entrepreneurs can directly report to the supervisory authorities about all violations committed by officials.

On February 23, 2000 was accepted by the Cabinet of Ministers of the Republic of Uzbekistan "On measures to reduce and streamline reporting for small businesses and medium-sized businesses," which found that micro, small and medium-sized enterprises provide the report only two organizations- state statistics and tax authorities' inspection. Moreover, small enterprises and micro firms report on a quarterly basis, requesting monthly reports is not allowed and its forms are simplified as much as possible. Ministries and departments are prohibited from issuing documents providing for additional types of reporting for these types of economic entities, etc.

The measures, implemented by the Government for 1994-2007 years to synchronize the functioning of the system of business entities, along with other economic mechanisms of the state, they were able to prevent certain negative consequences emanating from the global financial and economic crisis that broke out back in 2008 on the macroeconomic and social situation in the country [2].

Even a slight decrease in macroeconomic indicators in 2009-2010, compared to the pre-crisis year, complicated the situation in the economic and social relations of people, did not cause additional troubles, but on the contrary, the post-crisis period significantly changed the role of the state in crisis conditions, and the proposed anti-crisis programs gave new impulses and new approaches to solving problems to prevent negative factors emanating from the

financial crisis, which could cause an increase in unemployment, inflation and budget deficit.

Uzbekistan was one of the first among the CIS countries to enter the phase of steady economic growth and in 2010 restored the pre-crisis level of growth in terms of the gross domestic product (GDP) indicator.

In fact, the report of the First President of the Republic of Uzbekistan I.A. Karimov at a meeting of the Cabinet of Ministers of the Republic of Uzbekistan was dedicated to the results of the socio-economic development of the republic in 2010 and the most important priorities of the economic program for 2011, it was emphasized that "... life itself again and again emphasizes the correctness and consistency our own model of economic development, which we have chosen at one time, and the implementation, based on its principles, of a deeply thought-out and balanced evolutionary program of reforming and modernizing the country, made it possible to significantly reduce the impact of the crisis, fluctuations of the world market on our economy, financial and banking systems.

The accelerated growth of the economy helped to ensure the sustainability of consistently high growth rates and macroeconomic balance. If the rate of GDP growth in 2008 amounted to 9.0, in 2009 -8.1, then in 2010 it was respectively -8.5% [6]. The stabilization and growth of its volumes predetermined the dynamism of development of almost all aspects of the economy and, according to the estimates of world financial institutions; the achieved result is one of the highest indicators in the world for 2000-2010 GDP grew by almost 2 times (in terms of purchasing power parity, GDP growth in this period was 2.6 times), and per capita by 1.7 times. [3] Growth of real incomes of the population in 2010 amounted to 123.5%, and the inflation rate was 7.3%, against 7.4% in 2009. This is the result of a balanced monetary policy in the adopted anti-crisis measures. At the same time, the surplus of state budget funds amounted to 0.3% of GDP.[4], the volume of exports increased by 10.8%, the foreign trade surplus increased 1.8 times and amounted to 4.2 billion dollars.[1]

If in 2000 the share of industry in the country's GDP was -14.2%, then in 2010 this figure was -24%, the share of transport and communications, respectively, 7.7 and 12.4%, the share of services increased from 37 to 49%.[6] The share of small business and private entrepreneurship in GDP increased by 31 and 52.5%, respectively.[6]

The stability of the country's financial and banking system was ensured. As noted in the report of the First President of the Republic of Uzbekistan I. A. Karimov, "The aggregate capital of commercial banks in 2010 increased by 36%, and the achieved capital



adequacy level of 23% is 3 times higher than generally accepted international standards. In 2010 alone, the volume of deposits increased by more than 1.5 times.[1]

To be fair, it should be noted that in those years 15 commercial banks of the republic had a "stable" rating from leading international rating agencies such as Fitch Ratings, Moody's and Standard & Poor's.[1]

In 2011, GDP growth rates were 108.3%, industry - 109.3%, agriculture - 105.8%. The inflation rate was in the range of 7-9%. The total tax burden was reduced by 1.2%, and the rate of the single tax payment for small businesses and micro firms was reduced from 7% in 2010 to 6% in 2011.[6]

It should also be noted that, since 2009, had been provided extensive additional tax and customs benefits also for the enterprises of light industry and food industry, specializing in the production of consumer goods, as well as companies involved in the production localization program. In particular, according to the decree of the President of the Republic of Uzbekistan dated January 27, 2009 under No. 1048, enterprises for the production of component parts and parts, finished products, materials and raw materials until January 1, 2011 were exempted from:

- customs payments for technological equipment imported from abroad and spare parts for them, as well as components not produced in the republic, used in the production of localized products (except for fees for customs clearance);
- tax on profits on products produced within the framework of localization projects, a single tax payment (for entities using the simplified taxation system);
- payment of property tax from fixed assets used for the production of localized products.

For a period of 5 years, newly created specialized contracting organizations for the construction and reconstruction of housing stock were exempted from all types of taxes. For the same period, dividends of the founders of enterprises directed to capitalization and investment were exempted from taxation.

In general, within the framework of the implementation of the Anti-Crisis Program through the provision of tax benefits and preferences at the disposal of economic entities in 2010, funds in the amount of over 500 billion soums remained. These funds were used to replenish circulating assets, technical re-equipment of production, mastering new types of products, material incentives for employees.

In 2011, a particularly important role is assigned to small business and private entrepreneurship. It is planned to bring the share of this sector of GDP to 54% and turn it into a reliable

source of job creation and income growth of the population.

Consequently, small business, especially those operating in the field of industry, construction, transport, agriculture, is a considerable reserve and an opportunity for activating the business itself, and achieved its higher efficiency and several scientists proved the theory of this reforms in their scientific works several years ago [3], [4], [5]. It can be said based on the above discussed information theory of the economy has vital role in the development of the whole country.

Furthermore, the State Program "Year of Small Business and Private Entrepreneurship" approved by the resolution of the President of the Republic of Uzbekistan provided a new impetus to the development of the sphere of small business and private entrepreneurship and their access to credit, financial and raw materials. In the same respect, one should consider the possibility of widely attracting foreign investment for the development of small business, primarily direct, as well as concessional loans from international financial institutions. In a word, the state opens up new horizons for the development of a small economy, strengthening the status and positions of its subjects.

It can be noted that paying great attention and creating the necessary conditions for the development of the small economy and the state as a whole, creates huge opportunities for the small economy so that small business becomes even more civilized for a long-life cycle, and most importantly, it contributes to the growth of GDP, which is an important indicator characterizing the state of the economy of any country. Conducted researches showed that during those years in market-developed countries, they accounted for 70-80%, and sometimes even more of the created domestic national product (GNP). For example, in South Korea, small and medium enterprises accounted for 99.8% of companies. These enterprises, had being an inseparable part of the economic structure and the main source of innovation and new technologies, make a huge contribution to the production, export and economic growth of the country. In America, entrepreneurs and businessmen are considered the "golden fund" of the nation and do a lot to keep the entrepreneurial spirit among the people. Small business is quite well developed in India, Japan, Italy and other countries.

It should be emphasized that the state supports and stimulates the activities of enterprises that are engaged in the production of goods and services intended for sale in the external market. Over the past year, the volume of loans allocated to small businesses amounted to 2.7 trillion soums, including



microcredits - over 485 billion soums, which is 1.4 and 1.5 times more than in 2009, respectively [6]. The loans received, supplemented, where necessary, by the enterprises' own resources, contribute to the introduction of modern technologies and equipment into production, improvement of management, and the production of competitive products. Consequently, such kind of enterprises were established in all regions of the country. These include, for example, the Andijan enterprises - the private enterprise Barchinoy, Nilyufar LLC, Khuzhaobod Fayz LLC, which produced textiles, the Namangan enterprise Turakurgon Shirinlik Agro, the Kashkadarya LLC Kitob Agrofirma. Among the enterprises of the capital region can be called the private enterprise "ETIKOD", which exported furniture abroad, the private company "Zamona Rano", which produced medicinal herbs. JV "Eurasia TAP" -Disk ", worked on the technologies of German, Italian and Dutch firms, was a major supplier of steel wheels for " GM Uzbekistan ".

In this area, there had been and are taking place not only quantitative, but also serious qualitative changes. Small business and private entrepreneurship became a real source of income growth and employment of the population. Young people were noticeably drawn to business, who wanted to start their own business, and therefore, even during their studies at universities and colleges, they carefully study business theory, develop business plans, business projects and present them. Confirmation of this is the recent form of young entrepreneurs held in the capital, organized by the Forum of Culture and Art of Uzbekistan Foundation, the "Kelajak Ovozi" Center for Youth Initiatives with the support of the Chamber of Commerce and Industry of Uzbekistan and other organizations.

The republican program, approved by the country's parliament, that year provides for the creation of over 950 thousand new jobs, mainly in rural areas, of which approximately 600 thousand jobs were opened in the field of small business and private entrepreneurship and over 73 thousand jobs were created as a result of the implementation of projects for the accelerated development of transport, engineering and communication infrastructure.[6] New opportunities were created for active family entrepreneurship, the development of home-based work under contracts with enterprises.

## CONCLUSION

As it can be seen, the leadership of the republic, not just in words, but in reality, developed not only the small, but also the entire national economy to a qualitatively new level, at the same time transferring it to the tracks of modernization and renewal. A business based on modern innovations

undoubtedly contributed not only to the development and increase in the level of industrialization of the economy, but also to the involvement of local raw materials in the economic turnover, the activation of import substitution and the growth of exports of domestic products. Consequently, small businesses and private entrepreneurship sold agricultural products abroad, carpets, paints and varnishes and textiles, building materials and other types of products that were previously exported mainly by large enterprises.

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