



IMPROVEMENT OF LENDING MECHANISMS FOR BUSINESS AND ENTREPRENEURIAL ENTITIES

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Article history:	Abstract:
Received: 7 th November 2023 Accepted: 6 th December 2023 Published: 11 th January 2024	This article analyzes the most effective way of developing the country's innovative activity in regulating the activities of business entities in the conditions of modernization of the economy. In addition, the practice of innovation in the industry and in the Republic of Karakalpakstan was studied. Investment funds and venture funds are proposed as a financial mechanism for the regulation of business entities.
Keywords: Business entities, innovation, investment fund, venture fund, financial mechanism, research centers	

INTRODUCTION

Capital gaps also exist for companies undertaking important transitions in their activities, such as ownership and control changes, as well as for SMEs seeking to de-leverage and improve their capital structures. The long-standing need to strengthen capital structures and to decrease dependence on borrowing has become more urgent, as many firms were obliged to increase leverage in order to survive the recent economic and financial crisis. Indeed, the problem of SME over-leveraging may have been exacerbated by policy responses to the crisis, which tended to focus on mechanisms that enabled firms to increase their debt (e.g. direct lending, loan guarantees). At the same time, banks in many OECD countries have been contracting their balance sheets in order to meet more rigorous prudential rules.

The country is implementing large-scale reforms aimed at ensuring the smooth implementation of business entities, creating favorable conditions for doing business and increasing the investment attractiveness of the country, financial and organizational support for their activities. For this purpose, all types of alternative inspections and unscheduled inspections have been canceled, a number of licensed activities and licensing procedures in the area of entrepreneurial activity have been cut down and simplified. These measures have a positive impact on the development of the business environment in the country and the international rating of the Republic of Uzbekistan. At the same time, there are some systemic problems in the area of entrepreneurial activity, their solution is to eliminate barriers to business development, to attract foreign investment into the country, to provide guaranteed protection of the rights and legitimate interests of entrepreneurs, to develop innovation activities through improving the financial mechanism of business entities gives. Specifically: First of all, the adoption of the

Concept of improvement of the tax policy of the Republic of Uzbekistan aimed at establishing reliable cooperation between controlling bodies and honest business entities requires a thorough revision of the current system of inspections, other types of state control, as well as tax and other mandatory payments; Secondly, due to the existence of some legal mechanisms that do not meet modern requirements, tax collections, taxes, other mandatory payments, penalties and financial penalties are artificially accumulated; thirdly, the ineffective and excessive control functions of government agencies that violate the rights and legitimate interests of business entities [1]; Fourth, the number of targeted government and non-state funds supporting business entities.

LITERATURE REVIEW

Content aspects of innovation are explored in many foreign and domestic works. As a process of innovation are considered in the writings of the classic of the theory of innovation process I. Schumpeter, foreign scientists - B. Twiss, D. Tiss, T. Jord, B. Santo[2], J. Bright, Kr. Freeman, X. Hartmann. Innovations as an object are considered in the works of foreign researchers S. Mendell, D. Ennis, F. Jansen. Daniyarov Quatbay Daurkhanovich IJSRE Volume 07 Issue 03 March 2019 Page 8146 The root causes of innovation, the factors and sources of their appearance are the work of the classics D. Ricardo[3], K. Marx[4], J. Schumpeter[5], modern domestic and foreign economists - S. Yu. Glazyev, Yu. V. Yakovets, A. A. Dynkin, G. Mensha, B. Santo, A. Barker and others. The role of innovations in the economy and in society, their functions, consequences were investigated by F. Jansen, E. Mansfield, L. Brown and others. Tendencies of modern NTP, the newest technologies are considered in the works of D. Bell devoted to postindustrial development; Yu.V. Yakovets, B.N. Kuzyka, V.I. Kushlin, who



identified the main innovative areas in the global economy; J1. Brown, who considers eco-innovation as the innovation of the future; B. Gates, who devoted his work to information technology. The contribution of innovation, NTP to economic growth began to be explored vigorously in the mid-20th century. This problem has been actively studied in the works of foreign researchers - R. Solow, E. Denison, J. Kendrick, S. Kuznets, M. Abramowitz, C. Griliches, D. Jorgenson, Soviet scientists - B. Mikhalevsky, S. Solovev. These researchers considered the NTP factor as exogenous, i.e. out of production process, a kind of "black box". P. Romer, R. Lucas - the creators of the new theory of economic growth, and their followers J. Grossman, E. Helpman, F. Aguiar, F. Howitt considered the innovation factor as endogenous. Studies have shown the significance of the contribution of the innovation factor to economic growth. RESEARCH METHODOLOGY Taking into account the extensive nature of the subject, research methods such as induction, deduction, analysis, synthesis, comparative analysis, and graphing have been widely and efficiently used.

Uzbekistan is the most densely populated country in the Central Asian region, with one third of the population under the age of 29 and half residing in rural areas. As 800,000 people under the age of 29 join the labor market every year, job generation is an urgent and challenging priority. The development of private micro and small enterprises (MSEs) and entrepreneurship has often been declared as a priority by the Uzbek president currently. It is recognized now that small business is a driving force for economic growth, an increase in GDP and the primary solution to acute social problems such as unemployment, poverty – especially among women and youth – and poor quality of life. A low growth of small enterprises during these years may indicate that SMEs face difficulties in terms of an unfavorable business environment and access to finance. In addition, a significant share of small businesses works under a simplified taxation scheme, which on the one hand facilitates business, but on the other discourages business growth (due to limits on the number of workers). Uzbekistan has a high rate of unemployment – around 7% in 2017 with an estimated one in ten people aged 20 to 24 not looking for a job because they do not believe they can find one. Unemployment rates for youth are about 18%, twice the overall rate.¹⁰ Low employment prospects have led to high levels of outmigration, with one in five males becoming an international migrant and this rate is even higher among young men. According to official data, SMEs are the biggest source of employment, as they now provide

78% of jobs, compared to 50% in 2000. Nearly three out of every four employed persons in Uzbekistan work in small businesses and more than 60% of those jobs are in rural areas. More than 62% of those employed are individual entrepreneurs, and small businesses and micro firms employ only about 16%. Uzbek migrants are included into sectoral employment data, mainly into the employment in agriculture and other sectors. Most of the migrants (around 70–75%) come from rural areas, and, in some cases, they are counted as employed in the agricultural sector and the migrants from urban areas are accounted in the statistics on "employment in other sectors." However, official statistics do not provide all necessary data to provide a more or less credible picture. Therefore, the official data should be assessed critically. For example, a number of individual entrepreneurs are not available, and the State Statistics Committee only collected data on SMEs with legal entity status. Analysis of the open sources did not reveal any data on the number of individual entrepreneurs.

ANALYSIS AND RESULTS

The development of innovation activity of entrepreneurship entities in the Republic of Uzbekistan goes to the process of regulating their financial mechanism. In particular, the presence of 10 types of tax and more than 20 reporting forms affects the financial status and organizational activity of the entrepreneur. Simplifying this process will improve the innovation of entrepreneurs. The innovation policy of the state should be directed to this end. Among the priority actions and priorities of the state innovation policy in the Republic of Uzbekistan should be the development and implementation of measures to compensate for "market losses" caused by the global financial and economic crisis, reduce the risk associated with conducting research and development and other factors of the innovation process. However, for practical realization three main schemes for overcoming the negative phenomena caused by the global financial and economic crisis can be used. In 2017, innovation in the Republic of Karakalpakstan was largely due to technological innovations, with 22 innovation companies introduced, and 29 innovation innovations. The first. Direct participation of the state in the production of knowledge through the organization of large research centers that are funded by the budget and provide free results to a wide range of potential users. Often, such institutions should deal with the problems of energy, health and agriculture. The second. The provision of grants for fundamental research to scientists outside government research institutes



(mainly in universities or institutes) is a condition for receiving subsidies to be a full account of the research progress, the open publication of the results, that is, the rejection of special rights to the knowledge gained . Third. Providing tax benefits to small and private businesses that invest in research and development. Referring to this, it should be emphasized that tax incentives through the establishment of benefits have a number of advantages over budget financing, because it increases the economic responsibility for choosing the direction of an innovative product or service, without linking innovative actors to the annual budget process with the need to approve estimates for allocations for product innovation, etc. In the first two cases, the volume and structure of research expenditures should be a direct result of state policy, in the third - economic responsibility for the development of research, their scope and priorities should be entirely on companies, and the state should not directly claim to these results. The system of development institutions created in the republic should be aimed at maximally satisfying the needs of innovatively active enterprises for financial benefits. It should also include: first, an investment fund that provides assistance in financing the non-primary sector of the economy; secondly, banks issuing medium and long-term loans at low interest rates to the private and public sectors; thirdly, an innovation fund that stimulates a venture business in high-tech industries; fourth, the insurance organization for the insurance of export credits and investments; Fifth, information centers that can provide service to innovators.

CONCLUSION

Consequently, the implementation of the innovation strategy is impossible without a mechanism of financial support for business entities, in particular, without targeted tax, depreciation, patent policy. At the same time, the financial support mechanism should provide for a system of tax incentives for creators and consumers of innovative products. High and existing for a long time various tax breaks can become not only an incentive for innovation activity of economic entities, but also a priority innovation policy. Depreciation policy should lead to the expansion of the scale and practice of applying accelerated depreciation methods for obsolete equipment in order to quickly accumulate the necessary funds for its renewal and replacement. The state patent policy is to create such a patent system that could really protect the right of individuals to invent an innovative product. In conclusion, it should be noted that a creative approach to the formation of an innovative product and state participation in the

financial support of innovation will accelerate the pace of development of an effective management mechanism and modernization of the economy.

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