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# **REPORT**

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PRIVATE ENTERPRISE”**

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## INTRODUCTION

On joint meeting of the Legislative Chamber and Senate Oliy Majlis of the Republic of Uzbekistan President I.Karimov, has emphasized "... We, and in the first place cost (stand)s on guard of the law, necessary to abandon to old heritage of the soviet times and revise its attitude to enterprise, business and quotient sector. Has Come the time to create for businessmen such legal field that they could goal-directed to toil for its and on good of the economy of the country".

Privatization enterprise became the leading section of the economic reform in the Republic of Uzbekistan. As a result of privatization was created layer quotient owner, forming social base democratic society, are created condition of market economies, interest to efficient development production.

Regrettably, process of privatization is very complex. In our Republic there are few powerful international corporations and companies, which could use the system of franchising relations to support beginning businessmen.

In accordance with legislative base of the Republic of Uzbekistan for development of the small business is created priority conditions, directed on stimulation of the class owner and businessmen, provision motivation to their activity, competitive sphere and infrastructures.

In these conditions of the producers and merchants, feeling purchase requirement, by itself solve that, how much, when, and for who produce and

sell. They themselves define also, what him for this need the facility (the premises, raw material, material, equipment, personnel, syllables, transport, capital investments etc.). They carry connected with this expenses, take care of reception income and profit to indemnify the made expenses, pay the state and local budget due to tax, pay with attracted by personnel, technically and economic to develop its deal further.

Not secret that development of the small business and quotient enterprise is a life base to stabilities state and economic prosperity.

The Primary task of the second stage of the economic reforms - attraction of the population to small and medium business, shaping the class of the businessmen and owners and by means of this provide the economic growth and employment of the population.

Indeed role small and quotient enterprise in decision the problem of employment is enormous.

One of the most important ways increasing the employment of the population is to support and development of the small business and quotient enterprise.

On the market as a result of masses exchange, are balanced demand, offers and purposes, and thereby are fixed the proportions public production and consumptions, are defined public necessary expenses of the labor, occurs the redistribution of the profit. The Market, thereby, to some extent itself is a regulator public production, distribution and consumptions.

But, of course, the market possible and it is necessary to control, as do the state - in interest society and business structures - in interest of the development of its business and receptions of the profit. The State uses tax, credit, customs, license and administrative methods of the influence. The Business structures rest in mechanism of the interaction of the prices, offers and demand, form the purchase requirement on their own market products and facilities.

For normal operation market following main conditions are necessary;

- a) produce not that can, but that it is necessary buyer, having solvent demand;
- b) possess personal, share, cooperative or the other property, which владеет, orders and naturally risks;
- c) have a relative liberty production and commercial activity for all participant market, possibility honestly to compete with each other.

The Development of the technology and technologies, round-robin development economic, also influences on employment of the labor.

Today organization or creation different organizations, building small and private enterprise, farming facilities, companies in sphere of the services, quick on requirements market, capable to cover the expenses, releasing competitive products, expect creation new worker places and improvements of the work.

If introducing the progressive new technology and technologies in enterprises requires the greater expenses then for the matter of that possibility to small organizations are considered more preferred. (The Table 1.)

The Table 1.

## New worker of the place and their cost in SB

<b>№</b>	<b>Main branches of the economy</b>	<b>Reforms happening to on 1000 enterprises</b>	<b>Cost 1 reforms in branches SB thous. sum</b>
1.	Industry	497	872,7
2.	Agriculture.	143	645,7
3.	Construction	394	308,9
4.	Trade and public feeding	189	485,5
5.	Commercial activity	257	591,2
6.	Science and scientific activity	194	362,8
7.	Other	247	577,8

Today in agricultures, in production of the food product, production knitted and sewing product possibility developments of the small business do not use in the other branch and quotient enterprise.

If in these branch will too use the possibility of the small business and quotient enterprise, that they not only create new worker of the place, but also will satisfy existing need on consumer goods.

The Small business and quotient enterprise:

first, brings about development частых owner;

secondly, creates the broad possibilities in growing enterprise to activity.

## IMPROVEMENT OF DEVELOPMENT OF THE SMALL BUSINESS AND QUOTIENT ENTERPRISE IN OUR AREA

In our Republic, for development of the small business and quotient enterprise was created strong legal basis. So President of our country I.A.Karimov were accepted several edicts. The Main of them Edicts "About measure of the stimulation of the taking the participation in development small and average enterprise of the commercial banks" with 2000 March 19, "About measure on reduction and taming to reporting quotient and small business and other", "About measure on speedup of the realization of the priority directions in sphere of the deepening the market reforms further liberalization of economy" and "About measure on the further improvement of the system of legal protection subject enterprise" since June 14 2005 "About additional measure on stimulation of the development microforms and small enterprise", Resolutions of the President "About improvement of the system to reporting, presented subject enterprise, and reinforcement to responsibility for her(its) illegal истребовании" since June 15 2005.

In Namangan region in 2004-2005 some branches of the economy obtained the significant shift.

The Main attention was spared ensuring the deepening the economic reforms, improvement level of populations living, introduction in life edict and legal laws.

In purpose of the creation favorable economic and legal conditions for development of the realization to efficient activity of the small business and quotient enterprise, in 2004-2005 was designed legal program of the development of the small business and support enterprise. In this program on 2004 was determined legal status 1600 on organization subject small business.

In this program in 2004 for organization subject MB, was determined legal status -1600, actually was created 2050 organizations MB and farming facilities and annual plan was run for 122,3 % -that.

Credit was issued At period of reporting subject small business for amount of 9041,6 mln. bags, of them: 8416 mln. bags from bankrolls of the bank, 87,4 mln. bags from facilities business fund, 33,3 mln. bags with count agriculture and farming facilities and 604,8 mln. bags with count of the fund to employment.

In Namangan area, on condition 01.04.05, juridical persons consist 20046, of them 1148 - a small organizations, 16299 – microforms . However, regrettably, 4750 juridical persons do not realize activity.

455 subjects of the small business not realizing its activity (are) have a legal status subject.

In 2002г. was created 2376 micro, small and average organization, their number выросло before 15748.



The Good effect gave creation under town and regional department division to registrations and provision their technical equipment for amount of 20 mln. bags.

In 2003 their number has formed 16142, in 2004г. (on condition 1 January) their number has formed 17038. As it was created earlier in 2005 y. - 17447. These factors could rise above. However in 1996-2000 y. 400-500 subjects of the small business have suspended its activity. This certainly renders its attention, but in current 2000-2004 number subject small business stopping its activity decreased. However problems connected with their activity exist and today.

If conduct the analysis of the demographic factors subject small enterprise on area then in city Namangan, chaste number registered greatly much. However follows to note that in city Namangan 4205 registered subject small enterprise, only 45,5 % realize its activity.

In 2004 existing in the field of subjects of the small business have brought the share of the gross national product before 42,6%.

From it, share small organization and microform - 18,2%, share agriculture facilities 6,6%, share quotient businessmen - 17,8%. In contrast with 2003 on 2,8% rising.

Product was made In 2004 subject of the small business for amount of 30715,3 mln. bags. This in contrast with past by year has formed 192,4%, in the total amount of mad goods in branch 13,9%.

On condition 1 January of the current year amount external amount of business subject SB has formed 66,3 mln. US dollar. The Volume of export in contrast with 2003 has formed 154,2 %, thereof share subject SB - 64,0% In regional program issue credit was installed in 2004 by commercial banks on development of activity MB for amount of 7072,0 mln. bags, actually were a chosen credits for amount of 8416,0 mln. bags and program was run for 119%.

Except this, amount investment subject of the small business has formed 3514,0 mln. US dollars and are practically realized financing 8 projects for amount of 5460,0 Euro.

The Development small and average business not only provides in region, but also in city by new workers by places, but also executes the important social task in decision of the problem of the unemployment amongst youth. Else, it is necessary to have in view of that creation work places in SB dispenses much more cheaply, than in major concerns.

In the following diagram is brought track record to employment of the population in small and average enterprise in our area.

For present-day 2198 thousand people live in Namangan region The Half of them form the youth. If at January 2004 number run able population area formed 1057,0 mln. people then at January 2005 this factor rose over 1097,5 mln. people. The Known that problem of the unemployment and employment of the population in our area is one of the most actual for present day. This is

because in term of market economies moving the labor from one branch in another, exists the growing to one branches and reduction another.

This is a natural event in term of the connecting period.

Except this, level to high birth rate in 1970 - 1980 requires sparing a person attention. In current following 10 years number run able population will not change.

D our area share occupied population in small business and private enterprise at the end 2003 if has formed 59,8% then in 2004 he has formed 63%.

On base brought data and analysis possible to do the following output increasing dug MB in economy, process to their organizations, requires deep, scientifically-motivated approach.

In turn provision of such approach is a main warranty of increasing to economic stability.

## SHAPING THE DEVELOPMENT OF THE SMALL BUSINESS AND QUOTIENT ENTERPRISE DECISION TO EMPLOYMENT IN REGION

Realized in republic of the reform give the broad possibilities for development different types of property. Particularly, inwardly type of property having emphases of the small business and quotient enterprise and processes connected with them is realized quick rate.

Also in edict of the President to Republic Uzbekistan "Share quotient sector in economy Uzbekistan and about increasing of value action".

Is it Here spoken about the most further development quotient enterprise, shaping basis of control of their activity, cessations interference in their activity overhand.

Together with efficient use the created terms and possibilities for occupation SB in Uzbekistan, is Introduced making the mechanism, providing creation household, by means of founders and for count of the other sources and in recently emphases is spared on conduct household facilities in this branches.

The Main purpose for present day - enlarge the number processing industry, provided new technology. Since for development industrial enterprise, having importance in development of the economy of the Republic, there are all possibility and enough resource. Particularly in intercropping the small business and quotient enterprise with major concerns possible to create much workers of the places.

As can be seen from example of the economic developed countries that around one major concern can create as auxiliary and a hundreds small, and from this (that in turn) conducts to development of the economy of the country. One of the known Italian car companies "Fiat", in purpose of the improvement and prevalence's competitive characteristic to its product uses the service 1000 small companies. They with then conduct the economic relations with provision for alike interest.

Such condition is organized with provision for that or the other interest in Japan, France, Germany and USA. And exactly this way is state support small organization.

Not only in the field of, but also in Republic for governing the small business and quotient enterprise and the further improvement, necessary to pay attention following:

First, statement legal oчHOB, providing development of the small business and quotient enterprise and creation term and possibilities to realization to free activity of the persons concerning with this.

Secondly, making the terms for shaping around greater enterprise.

third, extension of the possibilities of the ensuring the persons of the interested persons concerns with the small quotient by enterprise in sufficient degree factor, and other normative document.

One of the primary tasks a creation new worker places and provision to employment. Full employment of the labor - an important moment efficient

development of economy, however and reach not always possible. The Development of the technology and technologies, change turnover of personnel conducts to cycled systematic development economy that in turn influences upon employment of the labour.

Today in Namangan area able-bodied population in contrast with 70-80 much above.

If in 2003 their number reached 1054,4 thous. people then in 2004-1087,6 thous. people. The Degree of the growing has formed 103,2 %. If in 2002 at December number occupied in the field of the whole was - 627,7 thous. people, of them 346,2 occupied in SB this forms 55,2% from the total employment. This factor in 2001 has formed 51,2%. In 2004r at December number occupied in economy was 673,2 thous. people. Of them 400,1 thous. occupied in small business and private enterprise. The Number occupied in small business has formed in contrast with the total employment in economy 59,4%. In the field of was scheduled on 2001-2005y. by means of development of the small business and quotient enterprise to provide employment of the able-bodied population in amount 95579 foreheads. This factor formed 62,7 % in count calculate list all created worker of the places in the field of. Actually this program was over fulfilled. As a whole, development of the small business and quotient enterprise creates the good possibilities of the provision by workers by places of the following persons:

An Able-bodied, but not having sufficient educational level or production experience population.

Personalities temporarily lost functioning because of halt or bankruptcy of the major concern enormous amount able-bodied people, living in кишлаках and not having possibility for migration in city.

- On our opinion, the creation new worker places in the following directions possible:

- Creation new object, possessing modern large powered technology and technology, high export potential.

- Accomodations new object in region and кишлаках possessing spare labour that will provide the satisfaction of the supply and demand on the market of the labour.

- Creations not quite greater enterprise adapting to change market situation.

In this sphere government Uzbekistan, the Ministry of the labour and social protection of the population, organizational areas in program practically applicable on support of the small business and quotient enterprise, for stimulation of the making the small business and quotient enterprise, corresponding to market economies of the social infrastructure in кишлаках of the country, serious attention spare provision full and efficient employment of the labour.

For instance, extension of the system small enterprise is spared in developed country emphases.

In USA created in recently worker of the place 60% form the enterprises of the small business and quotient enterprise, and their number exceeds 22 mln. and produce 50% internal gross output.

In the other country with developed production possible to observe such a picture.

The Share of the small business and quotient enterprise in Germany, Italia's, Japan forms 60-80%. In country of the Asia number worker occupied in public facilities of the small business and quotient enterprise forms 60-70%.

In economy of the Italians 99% all companies by number worker less 100 persons, employment forms 69%. In Europe under 95% small enterprise employments is 75%.

As a result conducted action in republic in this branches, level to employment of the able-bodied population in small business and private enterprise greatly grows. The Share occupied in small business and private enterprise in the total amount of the occupied functioning is 49,7% , of them at the average 2%, in small and private- 6,1%. V2003g. in Republic Uzbekistan enterprises of the small business and quotient enterprise has produced the most VVP and 13,4% production product. Their role in construction forms -35,4%, in amounts of business 0-46,1.

As a result of realization of the designed programs of state support of the small business and quotient enterprise Republics in current 2005 was provided by functioning 1300 thous. people.



Consequently, development of the small business and quotient enterprise solves the following social tasks such as creation new worker places in кишлаках and decision of the problem to employment amongst youth. Else, it is necessary to have a type that creation new worker places in small business, in contrast with big production much more cheaply.

## FINDINGS AND OFFERS

The Development of the small business and quotient enterprise in Uzbekistan has important social economic importance in shaping the class owner. In this connection, in term of the deepening the economic reforms, development SB quick rates execute the important task.

Regrettably, in this branches else exists the row not solved problems.

First, not it is enough are did business on introduction, provision internal and external financial source, for development enterprise.

Secondly, problems of the provision subject small business and quotient enterprise materially - a technical resource.

third, at registrations of the businessmen.

For decision of these problems, reasonable realize following:

- A Share of the provision to organizations of state support enterprise, necessary clearly to define the authorities between central and local municipals ;
- create the stimulating term for increase the number business- incubator, attraction new subject enterprise and realization to independent activity;
- simplify the process to state registration subject enterprise, as well as for reduction of time of the change or transition production on another, regularize the row of the rules and requirements.

- for increasing legal and economic world outlook subject enterprise, organize the rates, in agriculture and farming facilities upon their education refresher course and increasing to qualifications;
- intensify contractual discipline, in purpose of attraction to liability and increasing subject, broken agreement, contribute the correspondence to a change to existing law.
- in purpose ensuring the businessman's materially- technical and financial resource, accelerate the process to organizations or creation in rural terrain manual and production infrastructure.

After decision of these problems, will possible raise the role MB and CHP in ensuring the population economic growing country, as well as filling market different type of goods and services.

the population living today in Uzbekistan concerned with from ages. So enterprise- coming from national ministry- is made for one party and her(its) necessary to develop;

for small business and quotient enterprise not obligatory leading technology, and they can work at base local cheese. This simplifies provision by functioning(working) the powers and does not require the greater financial resource;

the small business and quotient enterprise - a most successive type for organization introduction organization it is founded on household labor so in him degree of the risk very low;

the development of the small business and quotient enterprise in practice means shaping an *многоукладной* to economy that helps shaping the average class owner, development to competitions, developments of the small business and quotient enterprise possible to attract in process production broad layer of the population.

This turns for population in the source of the profit and increasing their living standard, helps to solve as far as possible problem of the poverty.

But, in spite of competitive advantage, small business and quotient enterprise has not yet conquered its own role in economy of the country. If in developed country on 1000 people happens to 35 (in France), 75 (in USA) small and average companies then in Uzbekistan- 5,1.

Else necessary to have in view of that from all enterprise of the small business in Uzbekistan more than 51% and in these enterprise from all occupied more half's account for the total feeding and trade.

before present-day day not it is enough use the possibility small and average enterprise in conversion of the agricultural product, production to food product, production to knitted sewing product, the building materials.

The Predicament is bound with the number not only, as well as with structure created worker of the places, and not meeting the demands populations. Therefore that main part worker places in small business and private enterprise in trade.

For conclusion possible to bring the word of the President Karimov I., which sounds so: "It is impossible develop the economy, not developing small business and quotient enterprise. Exactly small business is a main mechanism of the development of the economy, growing VVP".

## INDEPENDENT EXISTENCE OF THE SMALL BUSINESS:

For independent analysis of the small business it is important to find the method of the subdivision enterprise on small and large. Exists much ways. Often select the notion to monopolies, but all that does not approach under this determination, refer to small enterprise. Understanding that this it is not enough, compare the turns of the facilities, amounts of the profit and sale. In present time of the enterprise classify on amount occupied person in them. To small business refer, as a rule, enterprises with number occupied from 1 before 500, where:

from 1 before 20 - craft;

from 20 before 100 - small;

from 100 before 500 - an average enterprises.

But often, depending on importance of the small business in economy of the country, he by itself divides on different groups.

In Germany, for instance, exists 4 categories:

from 20 before 49;

from 50 before 99;

from 100 do 199;

from 200 before 499.

In Germany that company has acknowledged small, her(its) annual turn must form from 3,5 before 11,5 mln.DM, in USA - 3-12 mln.\$.

But in any event system to gradations of the companies and their referring to category small or average is it is enough problematic, more so that small businesses to be an выгоднее, since for he is realized practice of state support by means of soft credits and orders for government account.

Efficiency small enterprise in Germany several above, than in USA and in Japan. Here on share 12,3% major concerns and 34% occupied on them workman happens to only 52,6% national income. Besides, 2/3 workers of the places s to account small enterprise. So number small enterprise grows.

The Most influence upon development small enterprise render the following factors:

- in development of the infrastructure and meanness of communication have occurred the jump;
- increased the general level of the people with simultaneous accumulation of the experience in large company;
- a reduction size, cost and simplification of the use the information systems;
- small company to decision on a matter of the unemployment;
- in creation small enterprise by additional stimulus turned out to be the reduction a worker change;
- big competitive ability to account of the smaller costs, conditioned absence of the spare bureaucratic device, reduction of the additional expenses and smaller fluctuations of the salary;
- an expansion of the sphere of the services, basing on small enterprise.

On measure of the development small enterprise are formed different forms to organizations quotient companies. On given moment known three main legal forms: individual, partnership and corporations.

The Company, residing in individual possession the most simple form for small business. Usually for opening of such enterprise it is enough only to get the license from local administrations and register the trade name. Business partnership represent itself organization from two and more persons, between which is concluded contract on dual ownership enterprise. Partnership can be full and limited. The Third type - a corporations. This is an organizing form the most typical of large and average business though from the total number all corporation, in USA for instance, 98% - a small household companies. And though formally management corporation must be wrought from her(its) holdings, quite often be the events, when corporation владеет and manages one owner at dummies, which real do not invest in it facility and unable the participations in management her.

But, certainly, small businesses what appear, so and disintegrate on many reason. For instance, in Germany v1990 year more than 14500 enterprises from number small have came to nothing moreover 40% of them existed not more than 5 years. The Share bankrupt amongst enterprise of the small business always above, going on risk, businessman solves the complex problem to competitive ability produced to product. After all, the initial cost puts the founders of the company in disadvantage in contrast with acting company. The



Beginner it is necessary in most begin to conduct its work under more high costs, than businessman acting company. So beginning company always has a more high prime cost to product. The частые reason bankruptcy small enterprise - a failures in sphere of the marketing to product, as well as insufficient competency and absence of the experience.

But all, dispute that, amount newly created companies exceeds the number liquidated that speaks of absolute increase the number enterprise small and average business in economy.

Moreover it is enough it is important that often small businesses go bankrupt not completely, but is only ransomed by more large company or itself becomes such.

Thence possible speak of three models of the development small enterprise:

- a preservation scale to activity with the following conservation of the status;
- a slow expansion to business activity;
- a quick development small enterprise and conversion them in average, but then and in large companies.

As of questioning owner small enterprise in Germany 55% do not plan the expansion, 35% develop the plans of the slow firm growing, and only 10% - a quick development to account production to new product or entering on new market that speaks of longing to conservation its status quo, see satisfying their own owner.

In previous chapter we see that in 80-h year was marked trend to increase the number small enterprise in Germany. So lawfully confirm that in these years, simultaneously with fortification position tops of the monopolistic capital (given statement nor beside who does not cause the doubts) in economy of the countries of the West was marked process of the growth of importance small and average companies in row of the areas as material, so and нематериальной of the sphere production.

For conditions to industry to Germany, wanted bring the following numerals. The Share 10 leading concern in general industrial turn with the second half 70-h years before medium 80-h did not increase, but on export even several fell. Most demonstrative this trend was in USA. According to official given with 1980 on 1989 share of the companies small enterprise increased with 18% do 37%.

In general, in 70-e - 80-e years were first marked, but then else obvious became to reveal itself trend, under which share of the most largest companies in production output, investment, turn and the other factor of the many branches remained stable or even several fell. Was fixed the balanced condition between small and average business. This is a temporary period possible to consider the starry hour of the small business since for enterprise all more important becomes quick, flexible, innovation adapting the internal ambience and external intercropping the companies to increasing uncertainties of the economic ambience. The Businessman's all more often

realize need to use not only advantage to specialization, special atmosphere creative activity and interests, traditionally reigning in small company, but also possibility, which are opened under production of corporation: economy on scale, joint research developments, division of the risk.

The Big plus small enterprise consists in that that many of them turned out to be more adapting, than large companies, to term of the development at crisis periods for economy of the West. The Large companies not so sensitive and quickly on some fluctuations or changes to economy. Not accidentally in politician government to Germany, USA and many other developed capitalistic of the countries help small business occupies the special place. The Small enterprises become своеобразным by indicator of the total state of affairs in economy. The Small enterprises most closely on change the economic conjuncture, fall or increasing rate of return in branch of the economy. The Wave of the ravaging or forming the new companies arises first of all in not monopolized sector and only later, having taken power, докатывается before more large companies, reflecting on their activity.

In term of the deterioration reproduction to large companies find "vent" in the manner of export of the capital. The Small companies, as a rule, have not such possibility.

This compels them for survival intensive to revise its production and realizing activity. That of them, who in situation 70-h begin 80-h years were able to adapt - have survived, other - were simply ravaged. However, in turn, development

small enterprise under преодоления this crisis has served the important facility of recovery of the economy. And is explained this first of all that role and function, which small business executes.

First, as was it already noted, he provides necessary transportability in term market, creates deep specialization and corporation , without which impossible his(its) high efficiency. Secondly, he capable not only quickly to fill the niches, forming in consumer sphere, but also relatively be quickly dipped third, - create atmosphere to competitions.

fourth (and this, probably, most main), he creates that ambience and spirit enterprise, without which market economies impossible.

From brought tables absolutely clear that small business in all quotient sector economy USA доминирует on amount created by him worker of the places. Relative value of the small companies, vastly differs these enterprise between profile.

Small and average enterprises play the observable role in employment, production separate goods, exploratory and research-and-production development.

About that that small businesses capable in greater scale to provide work незанятые labor facility speaks that in USA in small company in 1990 was сосредоточено 40%, but in Germany 49% whole labour. Social role enterprise small enterprise is concluded In this.

In spite of the fact that big part of scientific potential concentrated on large company, small and average companies on broad circle of the product more often begin the commercialization new goods. The Study 500 significant technological innovations and inventions, registered on length last two decades in Germany and USA, has found the important role of the small companies even in entailment in life of the essential technological innovations.

Share of the technological innovations in USA and Germany in 80-h year in %  
small average large companies of the company of the company

USA 35% 15% 50%

Germany 26% 11% 63%

The Success of the small business is in this area possible to explain the following reason. Deepening to specialization in scientific development has brought about that that in many events small companies go on more asking or risky way, work in unpromising branch. The Small companies also willingly r the original innovations for mastering since at issue in principal new product falls importance large laboratories with settled directions of the studies.

Additionally, the small companies strive at earliest convenience to adjust the mass production. Hereunder, importance of the developments, conducted

small enterprise it is enough it is important, first of all with standpoint of the expansion market proposed goods and services that in turn actively стимулирует the process a production for the reason the most quick satisfaction (newly given birth) of the demand, motivated development, conducted company small and average enterprise.

The Attitude of the innovations to expenses on scientific studies and development small enterprise in 3-4 times above, than in large. If track the way of the invention, used large monopoly, that quite often it turns out to be the result of the work separate scientist or small companies. However following introduction is realized by companies, possessing required for this financial and material resource.

Generalizing all aforesaid, wanted point to the fact, small enterprise acts upon structure market and expansion of the market relations as a result of change amount subject market first of all, increasing to qualifications and degree all more and more broad layers of the population to system enterprise and business administration

The Development to specialization and кооперации involves small and average businessman's in sphere of the influence of the large associations.

Practically they lose its independence and change in separate section more large monopoly though official statistics takes into account their as independent units. The Major concerns attract the small companies, producing for them separate details and nodes. Around monopoly, in branch of machine building

particularly, electronic industry, are grouped on several groups of ten of a thousands small enterprise usually, which use financial and technical help monopoly. For хозяев monopolistic associations also small subcontractors suitable and profitable: they deliver its product on it is enough low prices. Their production, social and the other problems little care the leaders a monopoly. At periods of the disadvantage conjuncture and the other complications, monopolies tear the relationship with their own small supplier, throwing them on arbitrariness of the fate. In the last decennial event trend increased in many country to association small enterprise on base of specialization and кооперации production, in large branch structures, which presently produce the greater amounts to varied product, including high technical and technological level, and enough successfully конкурируют on the market with large companies and monopoly.

Importance small enterprise else and in that that leading hardened competitive fight for survival, they have to constantly develop and be adapted to the current term market, after all to exist it is necessary to get the living, but signifies to be better others that profit was got exactly imp. Mass issue industrial product long consumption (the cars, refrigerator, television set and t. p.) by major concerns causes need for corresponding to industrial service on repair and service, which often realize the small enterprises, since monopolies because of its crock hood have to spend much forces in this direction or create the furcated

network small branch that itself too it is enough high-priced occupation, serving for maintenance of the prestige of the large company basically.

Activity small enterprise in more developed region western Europe countries - a base whole their social and economic life and solving premises their further economic development.

In time, on small enterprise is noted more high efficiency of the labour, small companies with smaller expenses satisfy the need for deficit type goods and services on base of the development of the local sources (the cheese) and provides herewith greater employment. They en large the amounts of the arrivals in municipal budgets, stimulate, execute other important for facilities of the functions. The enterprise of the small business dug On modern stage increasing in economy of the Germany, USA and other developed country - not accident, but necessary regularity, caused by move itself to histories, and need, which appeared in progress production power and technology.

In recently in Russia has ripened it is enough serious question: who will occupy the place now disintegrating large monopolistic enterprise, referring both to heavy, and to other not more important branch to industry? The Answer seems simple only at first thought: fill the freed space a structure, newly formed to account of the large embedding in disfigured disintegrated relationship state enterprises. But indeed all much сложнее. The Money are put, time goes, but result is a zero. But deal all in that that leaders enterprise, pampered not self-supporting life in country, where nobody no way answers, at all can not find that



flexibility in decision making, which him so comes short. The State enterprises in our country, regrettably until will die to work in ambience of the development to competitions, research progress, normalizations of the processes of the pricing, gradual waiver of trend to decay and etc. So necessary to give the liberty for development enterprise small business. They can give the Russia necessary saturation market, trend to stability of the prices, ambience to competitions, which so came short large monopolist-giant, because of what suffered the quality, but process of the introduction new technology always was dullard. But to avoid as large as possible mistake, which inevitable when forming the new current in economy of the Russia, first follows be taught on flights and falls of the other countries in this area and understand, what condition required for development small enterprise in our country.

For begin little statistics. The Active growing of the share small enterprise in structure of the economy of the west countries began to come of mediums 70-h, begin 90-h years. For present-day day 70-90% form in the most developed country of the West small companies from the total number enterprise. For comparison possible to take, for instance, USA - where in small enterprise occupied 53% whole populations, Japan - with her(its) 71,7% and country ES, where on similar enterprise toils approximately half working populations. Only, these numerals speak of enormous importance enterprise small business for economy of these countries. In favor of efficiency of these companies speaks that fact that on 1\$ expenses they introduce in 17paz more

innovations and developments, than major concerns, which give the life only 10% new technology, rest 90% introduce small businesses and independent inventors.

Finally, development small enterprise necessary only therefore that they give the life old large-scale enterprise and in alliance with they get the significant advantage as for itself, so and for market economies as a whole About this speak the following numerals: in USA on small business happens to 34,9% net income, but in Japan 56,6% whole product in processing industry produce the enterprises of the small business.

### **A. Reasons for undertaking research.**

At the times of Soviet Union, there wasn't not only small or middle business, there was not *any business* at all, everything was public and there was no owners; so all countries of ex-Soviet Union have to develop their small enterprises intensively. For Uzbekistan, it was very difficult, mainly because Uzbekistan had more mineral industry and a little of agriculture, for the most part - grain. Processing industry was very weak. When USSR broke up and young Uzbekistan had to care about itself, enterprises needed huge amounts of money to buy necessary equipment, employ qualified workers to work in mineral industry and to develop processing industry, which demand, by the way, more expenses. However, firstly, government and banks did not have enough money to give credits to the enterprises and secondly, it was much easier to create monopoly. Thus, our system of supporting small business was not correct from the very beginning. But still, 10 years later when it seems that Uzbekistan had grown roots and almost everything going rather well, our system of supporting small business in a bad condition (see Appendix 1).

There are several reasons why our small business develops very slowly. **Firstly**, there was not any optimal government strategy it support small business. Government did not reveal the appropriate branch and regional

priorities for small business. **Secondly**, another problem is corruption. As we know, officials can build huge barriers before entrepreneurs, for example, different checks, problems with registration, and others. **Thirdly**, a high taxes on enterprises.

Small enterprises pay more taxes than big ones. This system of taxation should be more fair, because for small enterprises there is no stimulus not to develop, but even to conduct their own business. **Lastly**, in our country there is no appropriate lending system. Banks do not want to credit small business, because there is more probability that business won't go well, also there is big problems arises with preparing necessary documents in order to receive a credit, another problem is liquid enough pledge. So we can see, that enterprises collide with many problems when they are trying to receive a credit.

What for our country should support small business? Small business creates new workplaces, form middle class, develop trade and production. If we would not develop small business, there will be no competitive market, thus there will be no improvements in our market, in products and services. So, we should develop small business in Kazakhstan to build up our economy, particularly we should improve our crediting system of small enterprises, because small firms have to develop themselves, but they can not do that

without money. Thus, our research problem is with which problems small business meets, when it is trying to receive a credit.

## **B. Research structure.**

Our research structure:

1. Necessity to credit small business. In this chapter, we will tell you about needfulness of developing small business and some ways to realize financing and investing support.
2. Goals for receiving a credit. In this chapter, you will read about aims of entrepreneurs who are trying to receive a loan and on what kind of goals banks lend money.
3. Terms for receiving a credit. You will read about necessary documents, required in banks and difficulties with preparing these documents, about meeting with representative of credit department, about pledge and interest rates.
4. Interest rates and repayment. In the chapter we will tell you about one of the most important things, with which each entrepreneur meets when he receives a loan – interest rates. Another important thing you will read in this chapter is a day or period of repayment.

### **C. Research methodology.**

We conducted our research on case study and survey. We reviewed literature, Internet, publishing information, periodical, science magazines, and reports of different banks. We conducted an interview with respondent Mr Ahmedov R, who is working as a chief of management department.

### **Necessity to credit small business.**

First of all, let us define the notion of small business. According to the existing law, to small business refer new and working enterprises, in which number of employee not more than 50 and total cost of assets not more than 60 000 calculation indexes ( Law of Republic of Uzbekistan from 19 July 1997 N 131-1 O (with amendments to this law in 10.07.98 № 283-1; in 26.07.99 № 458-1; in 29.11.99 № 488-1)). Thus, for today maximum amount for assets of small enterprises cannot exceed 46 500 000 tenge. Small and middle business – the basis of market economy, it overcomes monopoly, provide employment (see Appendix 2), provide revenues from its activity to government, provide more innovations than other forms of business.

It is important to credit small business. Most of small enterprises had to limit their activity because of lack or inaccessibility of credits. Thus, now the weakened business cannot carry out its functions, which is create new workplaces, form middle class, develop trade and production, and which is effective especially in sphere of agriculture, tourism, rendering of services to the population, etc. Therefore, financing and investing support is the most important for effective development of small business.

Finance and investing support for small business can be realized in the following ways:

- Crediting by second tier banks priority projects by tender system on the preferential conditions;
- Creating and development of guarantee credit system in a second tier banks, on a basis of forming pledge funds in regions;
- Promotion of stimulation of second tier banks;
- Continuation of budget and second tier banks financing of projects;
- Development of venture financing;
- Encouragement of credit partnerships creation, mutual insurance societies

## **Summary.**

Thus, we can see, that it is very important to develop investing and financial support of small business in Kazakhstan. Small business needs money to expand their business, buy equipment, employ more workers, that is why the key in developing small business is investment in it.

### **Goals for receiving a loan.**

There are many goals pursued by entrepreneur when he is asking for credit, but not for all purposes it is given. For example, EBRR gives credit for increase in working capital, investments like purchase of real estate, etc. offer credit for increasing turnover, increasing working capital for further growth, expansion of production or volume of services, purchase of machinery, equipment, raw materials, improvement of manufacture, purchase, construction and maintenance of real estate, and other capital investments

In our survey, we conducted an interview with chief accountant of “Oasis” company. This firm was organized in 1997 and busy in selling wholesale trade of medicines, the authorized capital was formed from personal savings, and number of employees is equal to 12. This company took a credit from Centercredit Bank in year 2000. They took a credit in Centercredit Bank



because firstly, they have served in this bank and secondly, there was program on supporting small business, which were conducted by EBRR. The goal of receiving a credit was increasing turnover. With this credit, the company gained 30% income - they made 3 contracts on the total amount of \$19,000. Thus, the company got profit from receiving a credit (Sahaueva, 2001).

### **Summary.**

Thus, we can conclude, that there are many reasons for the enterprises to give an application to the bank in order to receive a credit, and one of the main reason is investing, i.e. buying an equipment, building. However, banks give credit mainly in order to increase turnover. In our case, the company took credit exactly for this purposes (increasing turnover), and gained a profit.

### **III. Terms for receiving a loan.**

#### **A. Necessary documents**

There are several documents, which are required in order to receive a credit, they are:

- Application
- Constituent documents
- Registration certificate
- Statistical card
- Confirmation of RNN by RNI
- Borrower form and chiefs biographical data
- Financial reporting for the past 3 years
- Contracts
- Cards with a sample of signs
- Documents establishing right for an object of pledge
- Certificate about number of employee with chief's and accountant's signs with seal
- Marketable securities prospectus

- Marketable securities registration certificate
- Certificate from tax inspection and from extra-budget fund about absence (or presence) of debts
- These are the main documents, demanded by banks, but representative of credit department of the bank may require extra documents, depending upon financed project (Sahaueva, 2001).

## **B. Difficulties with preparing documents for receiving a loan.**

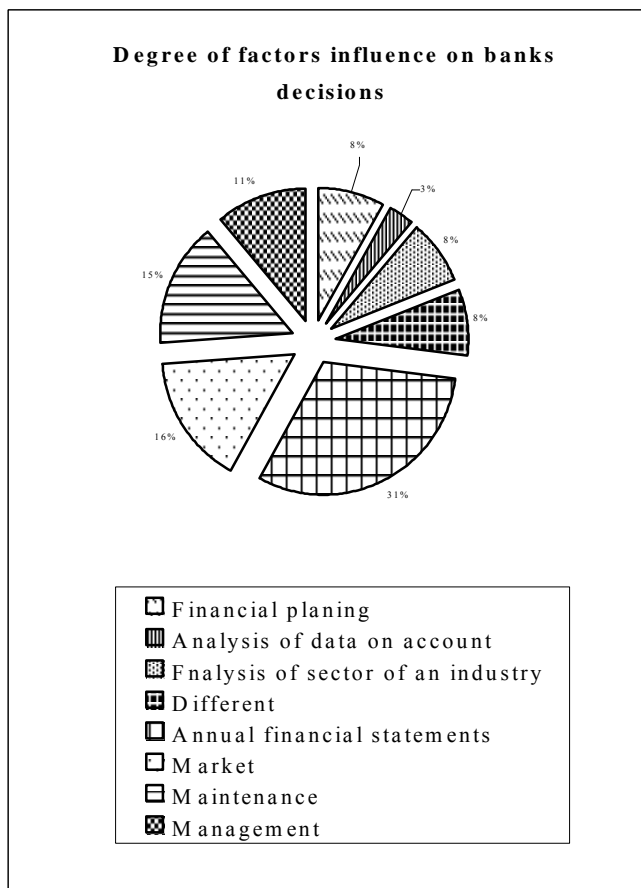
Since half of the year 2000 banks simplified scheme for giving credits. Until year 2000 the main problem in preparing documents in order to receive a credit was business-plan, but now, after simplifying scheme, the main problem became – preparing annual financial statements, because banks intensify requirements for financial position and accounting documents. Why did they intensify? Now the majority of small enterprises and not only small conducts double accounting - one accounting for tax purposes and another for presentation to banks and investors. In financial statement for tax purposes, for example, the company decreases its revenue or has losses, in order to pay fewer

taxes, and if this company will bring the same financial statements to the bank to borrow money, most probably the bank will deny for the loan.

Nowadays there are many organizations, which helps entrepreneurs to make up different kinds of documents like financial statements, pledge documents, which are demanded in banks, but there is absolute no guaranty that with this financial statements you will receive a credit, simultaneously services of these firms rather high.

In our interview, our respondent – Sahaueva Zhanar, chief accountant of “Oasis”, said, that there was more difficulties with annual financial statements, than with other documents. Representative of the credit department of Bank Centercredit demanded annual financial statement for the last two years, which was given to the Tax Committee of Republic of Uzbekistan. As was written before, some small companies conduct double-accounting, and banks know about this, that is why Bank Centercredit have demanded financial statements for tax purposes. By the way, “Oasis” company did not addressed to the companies that help enterprises to prepare necessary documents to gain a credit, but they received a credit. (op.cit).

**Graph #1**



This diagram shows in what level each factor influence on decision of the bank, when it is giving a credit to the enterprise. As we can see, the most important is financial report – 31%, that is why it is very important for the enterprise to prepare it in a best way. After financial statement of the company, follow market,

which takes 16%, this means information about customers, suppliers and enterprises' borrowers, and lenders. The next is pledge –15%, we will consider it in more details later.

Another problem is getting sanction for realization a project. This is due to difficulties with receiving confirmation in different state organizations. There are several supervising organs whose corroboration you have to receive, but they are varying depending on the project itself.

- Ministry of Ecology and Natural Resources regional representations
- Sanitary-epidemical services
- State Supervision of architecture and construction
- Standardization and certification organs
- Fire services
- Custom services (Dauanov I., 2000)

Mainly, because of imperfectness of our organs, and especially due to corruption, getting through the expertise takes 6 or more months.

### **C. Meeting with representative of credit department.**

No credit can be given until a meeting of banker and entrepreneur. During this meeting borrower should show and tell about his business, how it works, in short, he should do the best to present his business. Banker will ask him questions about financial statements of the company, about revenues and losses, so borrower should be prepared for questions like this. Credit interview is often held in bank or in enterprise office. By the way, entrepreneur should always offer to visit his office, and not only because owner is proud to present his business, but also to present additional information about his business like first appearance of the office, other rooms and buildings; site, neatness of the office;

show employees, equipment. This information will improve impression of representative about business (Sahaueva, 2001). Representative in his turn has to be in connection with borrower, keep abreast with the needs of the company, should offer bank in order to solve financial problems of the enterprise, and should offer to submit application for a loan. Thus the representative has to understand how business works, risks connected with making deals with this company, keep up that everything is legal, and look after how borrower spend credit

From the interview with Sahaueva Zhanar we learned that “Oasis” company also prepared to the meeting with representative of credit department. Executor looked through office rooms, presence of the basic, and turnaround means, in general he was satisfied with total condition of the business

### **1. Required pledge.**

Banks have to ensure their credits, which are given to entrepreneurs in case of bankruptcy. Thus, all banks demand pledge maintenance from borrowers. Banks accept as a pledge property, guaranties of other legal persons, and other types of pledges. For instance, European Bank of Reconstruction and Development accept real estate, motor vehicles, personal property, enterprises’

property and goods, which are in business. In our considered “Oasis” company, the pledges were real estate of the founders and commodity stocks. Estimated value of the commodity stocks was equal to 20 mln. tenge.

## **2. Difficulties of enterprises with providing a pledge.**

It is very difficult to receive a credit on ordinary terms, offered by banks. This is due to most enterprises are not able to provide a pledge required by banks or their pledge is not liquid enough.

There are several problems, which are arising with providing a pledge to bank. The most important is illiquidity of the pledge that is offered by enterprises. Banks accept movable and immovable property, which is owned either by enterprise or entrepreneur, guarantees of other legal persons, marketable securities. Another important thing is that banks usually underestimate cost of the pledge. And the last thing is registration of documents confirming your ownership of the pledge. Banks, when they are giving out a credit, demand these last two items. Thus, if the estimation of the pledge that is carried out by experts of the bank is free of charge, then confirmation of ownership is carried out at the expense of the businessman. (Dauranov I., 2000).



As we already mentioned, the pledge of “Oasis” company to the bank were real estate and commodity stocks. But firstly, “Oasis” company offered only real estate as a pledge, but in bank said that this is not enough, and then company added commodity stocks (Sahauyeva, 2001). Most probably, that bank underestimated the cost of real estate, and then demanded more property in order to ensure its money in a best way. It is well, that “Oasis” company could offer commodity stocks, but if there were another company with not very big amount of assets, we think, that bank would deny in borrowing money, because there are so many companies that needs money to increase their turnover or to buy some equipment, that banks could just choose the biggest company with a big amount of assets. This is support the idea that banks are more pleased to work with big companies and with big money, rather than with small enterprises.

Thus, it is very difficult to receive a credit. You may have problems with providing a liquid pledge, demanding by banks. Even if your business goes well and profitable, your company could just have not enough assets to offer it to the banks, moreover, you are asking a loan to buy an equipment, to increase your assets, but bank gives loans only to those, who already developed. Thus, there is a situation that rich become richer and poor become poorer.

## **E. Interest Rates and Repayment.**

Now, let us consider interest rates, which enterprises have to pay as a payment to the banks for lending money. For example, interest rates of NSBK are determined in dependence with concrete case and project:

- On credits in national currency – from 24%
- On credits in national currency with fixation of currency equivalent – from 17 %
- On credits in foreign currency – from 17%

These interest rates looks pretty high, but there are a lot of programs on supporting small business, and many banks support this policies and offer credits to enterprise on less interest rates. For instance, Bank offer 1% on foreign currency credits. For example, our case company “Oasis” took credit under program of supporting small business and took a credit in Bank Centercredit in national currency under 10%.

The scheme of repayment of the credit and interest is usually in most banks on personal scheme. “Oasis” company’s payment schedule also was personally scheduled. They took credit on 9 months and made monthly payments: part of the credit itself and part of interest rate. In first months

repayments interests charged on low rate, but closer to the 9<sup>th</sup> month interest grew.

### **Summary.**

Thus, we can conclude, that entrepreneur has to prepare many documents, prepare to meeting with executive of credit department of the bank, have a liquid pledge, and have enough assets to give it as a pledge in order to be able to satisfy the bank's requirements. There are so high interest rates, but still there are many programs on supporting small business lending and enterprises have to discover first, which bank is more suitable and then go and find out its personal specific terms.

## **v. Data Analysis.**

Now we will summarize all research paper.

It is very necessary to develop lending system in Kazakhstan. There are many reasons for this: small business creates new workplaces, form middle class, develop trade and production, and it was notices that mainly small business develops and invents new goods and services, because in that way small business has a chance to be marked and successfully manage the business. In order to carry out these functions, enterprises needs money to increase its turnover, employ more workers for development, buy new equipment, buildings, to make capital investments in other companies, etc. For these purposes enterprises are usually demanding money, but most banks most likely to give loans to increase turnover, this is connected with assurance of the loan. For example, our considered “Oasis” company took loan in order to increase working capital, may be bank was fulfilled by this purpose of the company and may be this was one of the reasons of receiving a credit.

There are many documents, demanded in banks from companies, which are trying to receive a loan. But the most important for decision-making is financial statements of the prospective borrowers. Many firms conduct double-

accounting, this means, that they give one variant of the financial statements to tax commission and another to investors and banks. It is easy to understand why enterprises do so, they are trying to survive and cheat, and there are many reasons to do this, and one of them high taxes. But, banks know that enterprises conduct separate accounting for them and try to prevent it. For instance, Bank Centercredit, which lent money to “Oasis” company, demanded annual financial statements of the company, which were given up to the tax commission. It is difficult to run a business so, that its financial statements would satisfy banks and enterprises tax aversion.

Another important thing is meeting with representative of credit department of the bank. And it is necessary that your business left a good impression. You will have to show your business, show how it works, your equipment, employees, offices. Each enterprise have to meet with representative if company really wants to receive a loan.

A huge problems arises when enterprise have to assure a loan by giving a pledge to the bank. Two main problems are: that bank underestimates the cost of the pledge and difficulties with preparing documents confirming your ownership of the pledge. Banks prefer real estate as a pledge, but small

enterprises do not have any buildings, because they are limited in money. Thus, our banks want more, than enterprises are able to allow themselves.

Important item in receiving a loan both for enterprises and banks is interest rates. As it is expected banks demand too high payment for lending money. Interest rates are too high and most enterprises do not asking for a loan because there will come a day and you will have to pay everything back with high payment for the banks services. Nevertheless, not everything is so bad, there are special programs of supporting small business, which offer lower interest rates, and this is a real chance for enterprises. However, arises another problem: there are too many firms, desiring to receive a loan on lower interest rate. Thus, increase control over maintenance, financial situation of the company, etc. Repayment date is also important, but banks usually make a personal schedule for repayment. Usually there are monthly payments with increasing interest rate.

We can see, that there is many difficulties arise with receiving a loan. Many problems due to banks want to ensure their loans, they want more safe, but enterprises are not able to suit banks' requirements, thus there are problems with documents, providing liquid enough pledge, meeting with representative of credit department and many-many others.

## **VI. Conclusion.**

From the conducted research we can conclude, that enterprises meet with a very many problems, when they are trying to receive a credit. Our lending system needs to be improved. First of all, banks should be more indulgent to small enterprises, which are not able to meet some requirements of the banks, especially about pledge.

Secondly, there should be more programs on supporting small business, like decreasing interest rates, give credits for a more long periods of time, etc.

Thirdly, banks should stop working only with “big people” with “big money”, but also help small enterprises to enter into market and freely functionate.

There some measures, which were applied in order to improve our lending system, and they are works, but there should be more support to small business, because it is so weak in Uzbekistan. Some enterprises, which are pretty big, rather than others, are gain on these programs, but there should be some support to the beginners.

# Dictionary

Small enterprises	Маленькие предприятия
monopoly	Монополия
financial statement	Финансовое утверждение(заявление)
credit department	Отдел кредита
Statistical card	Статистическая карта
employ qualified	Наймите квалифицированный
Contract	Контракт
industry	Промышленность
business	Бизнес
payment	Оплата
interest rates	Нормы(разряды) интереса(процента)
representative	Представитель
loan	Ссуда
ensure	Гарантировать
quotient enterprise	Предприятие фактора
businessmen	Бизнесмены
Privatization	Приватизация
reform	Реформа
owner	Владелец
market economies	Рыночные экономики(экономия)



franchising	Франшизинг
Infrastructure	Инфраструктура
Income	Доход
prosperity	Процветание
production	Производство
labor	Рабочая сила
extent	Степень
consumption	Потребление
tax	Налог
mechanism	Механизм
price	Цена
commercial	Коммерческое
organization	Организация
companies	Компании
requirement	Требование
improvement	Усовершенствование
Agriculture	Сельское хозяйство
activity	Деятельность
small business	Малый бизнес
consumer	Потребитель

liberalization	Либерализация
microform	Микроформа
population	Население
legal	Юридическое(законный)
support	Поддержка
amount	Количество
realizing	Понимание
arise	Возникнуть
provision	Условие
factor	Фактор
share	Доля
branch	Отрасль(отделение)
external	Внешнее
Volume	Объем(издание)
realize	Понять
average	Среднее число
process	Процесс

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