



CHALLENGES IN INNOVATION AND INVESTMENT IN SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

RO'ZIYEVA DILOBAR ISOMJONOVNA

DILOBAR.R@MAIL.RU

TASHKENT STATE UNIVERSITY OF ECONOMICS

PHD OF THE DEPARTMENT OF

"ECONOMICS OF INDUSTRIES", TASHKENT

ABSTRACT

The given article discusses the role of innovation-investment in the development of small business and private entrepreneurship, ways to increase the innovative potential of entrepreneurship, as well as the role of venture entrepreneurship in supporting small businesses and entrepreneurship, as a source of commercialization of high-tech research.

ARTICLE INFO

Article history:

Received 28 April 2021

Received in revised form

16 May 2021

Accepted 21 May 2021

Keywords: Venture, venture fund, venture entrepreneurship, venture investment, venture companies, financial innovation, innovation potential, idea, developments, financing, innovative ideas, high technology, risk, innovation centers, research institutions.

© 2021 Hosting by Research Parks. All rights reserved.

I. Introduction

In the context of market economy relations, the development of production activities of small businesses depends on a certain extent on the level of provision of investment and innovation funds.

Entrepreneurs do not always receive sufficient investment and innovative means in their activities. Because the circular movement of the production process constantly does not go on in the same row.

Investment and innovation funds can be in their round-robin movement at the stages of means of production, production goods, finished products or unfinished production and money. To ensure continuous production, entrepreneurs will not always have sufficient funding to conduct production.

The totality of generalized financial means is investment and innovative means. Investment and

innovation funds will be at a limited level. It must therefore be used effectively.

It should be emphasized that the country's economy is undergoing profound structural changes, creating conditions that ensure development, economic independence, stability, strength, the ability to constantly renew and improve in various sectors and sectors of the economy. At the same time, the role of small businesses and private entrepreneurship remains unchanged.

As President of the Republic of Uzbekistan Shavkat Mirziyoyev noted in his Address to the Oliy Majlis: "As an active entrepreneur, we understand business people who are able to produce competitive products, and most importantly, create new jobs, take care of themselves and their family, and also benefit the whole society. Our primary task is to expand the ranks of such entrepreneurs, including creating decent conditions for the import and introduction into our country of technology and equipment based on high technologies, the latest achievements of science "[1].

In addition, the State Program for the Implementation of the Action Strategy in the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Support for Active Entrepreneurship, Innovative Ideas and Technologies" implemented and is being implemented a number of completely new projects.

Indeed, one of the urgent tasks of today is to expand the number of entrepreneurs engaged in active entrepreneurship, including the import and introduction of technology and equipment based on high technologies, the latest achievements of science.

II. The main part

The analysis of the role and influence of venture entrepreneurship in the study of elements aimed at innovative investment of small businesses and private entrepreneurship in ensuring the macroeconomic stability of the country's economy, increasing the innovation and investment potential of small businesses is one of the current issues.

As we know, along with the analysis of the role and significance of investment, innovation and investment, venture capital fund, venture capital entrepreneurship in foreign countries, from sources of foreign scientists-economists and in studying the position of venture entrepreneurship in the economy of the country, in the development of the innovative potential of small businesses, great importance is paid to venture entrepreneurship. Of these, V. G. In the scientific work of Basareva [2] the development of the territorial policy of the state to support small businesses, U. V. Gafurov [4] State regulation, support, investment in the activities of small businesses and private entrepreneurs [5]. Pigou noted that based on a scientific analysis of the level of risk of investment and income to it can be determined "the basis of investment social stability," the level of issue of securities based on determining the level of its optimal and investment, taking into account a certain degree of security of income from the formation of the investment folder of G. Schroeder, as well as a number of other economists J.W. Fenini, N.N. Prauz, P.D. Johnsons explained innovative venture capital-small business enterprises with equity financing [6], some economists see "investments as intellectual value of property in its expenditure in order to generate income for various labour activities [12]. "Investment is a condition for any entrepreneur, being in cash, to acquire the resources necessary to organize a new job" [13], Matveev V.T. "Investments are funds spent on long-term work. This reflects the costs of fixed assets, fixed assets

"[14], Lawrence D.S. Gitman and Michael Jonlard" are weapons that should ensure the placement of funds, the preservation or increase of their value and the necessary income. Free cash is not an investment, it can be consumed as a result of inflation and provide no income, since investments guarantee a certain income. "[15] R.A. Sadikova described process of financing on a venture basis, specified sources of financing of innovative projects of small business, stages of formation and functioning of the venture company [10], N.I. Lapin used activity in which venture business is required and risky, he said [11] that venture business is very big threat for innovative activity [6].

One of the priority directions of innovative development of economy and support of small business and private business is innovative investment of the industry.

Increase in innovative potential in the country is connected with activity and development of subjects of small business and private business that will lead to growth of innovative activity of the industry and ensuring their competitiveness.

Therefore, the innovative activity of small businesses in developed countries is supported by the state. If we consider this situation on the example of foreign countries, then in Germany there is a state program aimed at implementing innovative projects of small businesses, stimulating their scientific and technical developments. Under this program, small businesses are provided with a soft loan for up to 10 years in the amount of up to 1 million euros, while the amount of the subsidy is from 3 to 10 percent of the loan amount [8]. In addition, as in a number of developed countries, Germany uses programs that promote the development of small businesses. At the same time, priority support for knowledge-intensive industries is mainly provided.

In Germany, programmes such as the Concept for the Development of Science and Technology Policies for Small and Medium-Sized Businesses and the Promotion of Funds for Starting a Business directly stimulate this area and provide practical assistance for the further development of activities.

In China, this will more comply with the rule "Redirection of resource-intensive industries towards high-tech industries" and actively participate in the development of innovative technologies and create new jobs.

Singapore has created a favorable investment climate for the active development of the activities of small businesses, strengthened the legal framework for the development of the field and employment to 70-80% of the country's population.

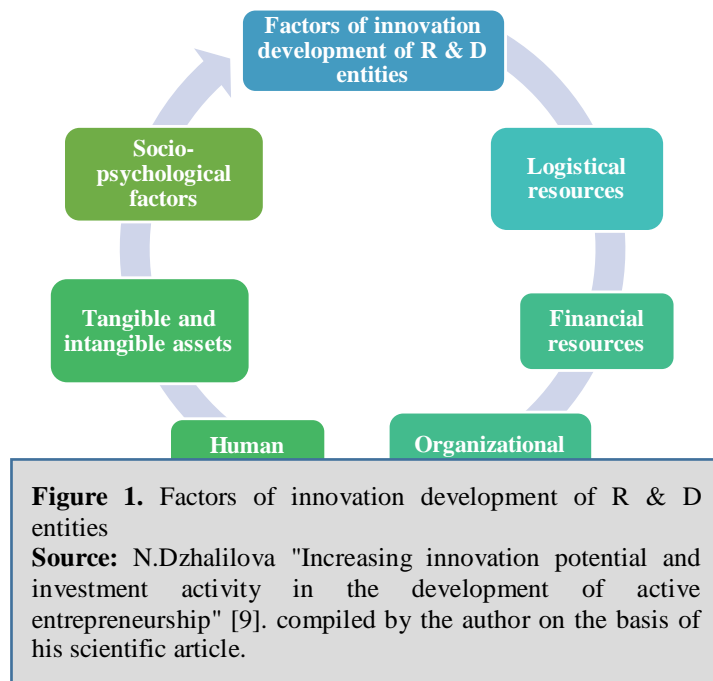
Therefore, today Singapore ranks 5th in business development and as

World experience shows that small enterprises create 4 times more innovations, ideas than large enterprises, or for every dollar spent on research, create 2.5 times more products than large enterprises.

An important factor in increasing their innovative potential is the expansion of opportunities for effective use in the modernization of the economy of small businesses and private enterprises - loans, raw materials, as well as state preferential systems.

We know that in developing the innovative potential of the activities of small businesses and private entrepreneurs, it is necessary to take into account such aspects as material and technical, financial resources, organizational resources and personnel resources, material and intangible assets and socio-psychological factors [9]. (see figure 1) .and take into account such aspects as intangible assets and socio-psychological factors [9]. (see Figure 1).

Sufficient money to finance ideas and developments at their disposal to So that business actors can organize innovative processes in their activities, Appropriate logistics for the creation and mass



production of new products, appropriate time for the implementation and introduction of innovations, together with the availability of capable employees, they should be able to develop innovative ideas at the level of the requirements of the innovative development of today's economy. Increasing the innovative potential of entrepreneurship is of great importance in the development of industry and the economy of the country. That is, if active entrepreneurs carry out practical work on the introduction of technologies to create innovations, their improvement, innovative and investment development will accelerate. It is necessary to continue practical measures to further improve the mechanisms for the allocation of long-term loans for investment

purposes and increase their volume, the formation of initial capital, and the expansion of microcredit.

Currently, the main directions are being developed for the comprehensive support of small businesses and private entrepreneurship, the elimination of barriers that negatively affect the dynamic and sustainable development of business entities.

In addition, in the context of global integration and globalization, it is planned to develop the activities of business entities in the country, create a small business sector based on innovative and modern approaches, advanced technologies and management methods.

That is, in order to improve the mechanisms for financing promising projects in the field of entrepreneurship and innovation, the development of relevant regulatory legal acts is planned. At the same time, it is planned to provide for the legal status of venture funds and the procedure for their organization, regulation of the activities of venture companies and funds, companies engaged in the management of venture funds, as well as innovative enterprises, the training of qualified managerial and expert personnel for venture companies and funds, insurance of venture projects.

It should be noted that the modern economy has a set of mechanisms that ensure the effectiveness of innovation, one of which is venture capital entrepreneurship. Venture capital and venture capital

investments are a financial mechanism and a high source of income.

A venture word means that risk. For example, it is no secret that there are financial, market, technical, price risks when implementing any new, innovative production. Risks such as lack of financial resources, insufficient market demand for a product or service, inconsistencies in technical support, inability to cover their costs from established prices are relatively likely to arise in a venture. As a result, not all entrepreneurs want to engage in such activities.

However, a special side of venture capital is that, despite the huge risks, successful implementation can bring very great benefits to other business assets. This will allow the creation of venture entrepreneurs and venture funds that are ready to take risks.

Venture capital investment is a source of financing and alternative forms of entrepreneurship innovation. It first appeared in the United States in the mid-50s of the XX century and spread widely throughout Europe.

Venture capital investments, although dangerous as a financial instrument, usually generate high profits. The US results over the past 20 years show that these investments are the most effective. Its average yield is 19%.

Between 1996 and 2004, 35,531 innovative projects were implemented in the United States with a

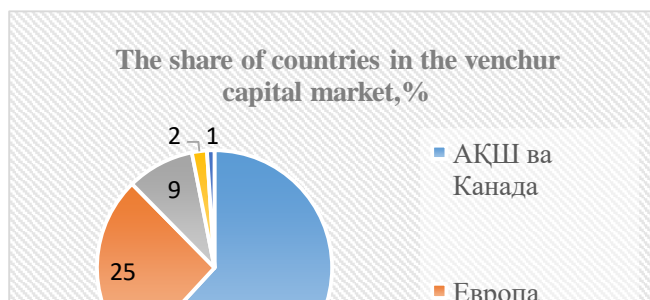


Figure 2. The share of countries in the venture capital market

Source:Shibzuhova LZ in the journal "Economics and Business" based on the article "Venture entrepreneurship as a financial instrument to support innovation activity."

total investment of \$307.24 billion, and, based on the fact that average investments reached \$8.65 million, the attraction of venture capital investments in small innovative projects in Europe began to grow rapidly.

To date, the analysis of the share of countries in the venture capital market is given in the following range.

A number of countries, such as the United States, Japan, Finland, India, have shown that this type of activity can radically change the quality of the innovative model of economic development, provide it with investment, ultimately lead to economic growth and

eliminate the investment deficit.

In addition, small firms engaged in venture capital entrepreneurship are one of the organizational forms of innovation, which occupies a special place among small businesses. They contribute to the creation and development of high-tech enterprises.

Scientist-economist N.I. According to Lapin, "since venture capital entrepreneurship uses sought-after and risky activities, it poses a great danger to innovation."

Venture entrepreneurship is also characteristic of the commercialization of research work on high technologies, the effect of the high-tech industry is not guaranteed and the risk is very high.

So, venture capital entrepreneurship refers not only to investing in the activities of small businesses, based directly on scientific and technical commercialization, but also to the fact that the

equity fund spends new products and new technologies based on the risk of obtaining uncertain income.

In international experience, venture capital entrepreneurship has high risks from the first stages, and after the final results of the invested processes are realized, it is possible to separate from the funded funds.

Financing the results of research in the field of science is more suitable for this type of business.

Especially, funds will be needed for novice entrepreneurs, scientific researchers, inventors to independently implement their ideas and promising developments. At the same time, the venture fund is the only investor ready to invest in new developments.

We know that commercial banks turn to small businesses with specific business plans and accurate expected returns or results for their implementation as part of their activities.

It is difficult for the project to get credit and borrowed funds from commercial banks. In this case, venture investors will come to the entrepreneur as an assistant and sponsor. From an economic point of view, the main goal of investors is to obtain high profits, and not to help the entrepreneur. However, there are cases where the invention does not justify itself. In this direction, a number of works are also being carried out in the economy of the Republic of Uzbekistan.

According to the Decree of the President of the Republic of Uzbekistan No. PD-5308 dated January 22, 2018, the legal status of venture funds and the order of their organization, venture companies and funds, venture fund management companies to implement promising projects in the field of entrepreneurship and innovation until April 1, 2018 and a number of measures have been taken to regulate the activities of innovative enterprises, to train qualified management and expert staff for venture companies and funds, to insure venture projects.

In addition, until January 1, 2023, venture funds jointly financed from venture funds, high-tech startup projects, research institutions, innovation centers, design and development bureaus organized to co-finance high-tech entrepreneurial startup projects, from the sale to entrepreneurs of their new technologies of the Organization, transferring new technologies to local entrepreneurship, are exempt from all types of taxes and mandatory

In addition, in order to develop venture capital financing, in accordance with the Decree of the President of the Republic of Uzbekistan of November 24, 2019 "On measures to fundamentally improve financing mechanisms for projects in the field of entrepreneurship and innovation," a draft Regulation "On Investment and Management Companies" was developed and Cabinet of Ministers Decision dated May 17, 2019 No. 414

Conclusion

To date, 3 Uzbek-Emirati investment companies, the investment company Venture Capital Invest and the investment company Vodiy Investments, 1 venture fund Astron and 1 management company Vodiy Investments Management have been created [16].

At the same time, in recent years, about 20 organizations have created funds to support innovative ideas of development and innovation in our country, including \$45.46 billion in funds. In order to introduce venture capital financing and widely attract financial resources of business entities to innovative projects in our country, the adopted decree introduced a fundamentally new system of financing innovation activities. At the same time, in order to realize the scientific and creative potential

of scientists, entrepreneurs and initiative youth and comprehensively support and stimulate generators of ideas, startups, business representatives and future academics, a Youth Academy is being created.

Based on the above data, we can note that in our country there are a number of problems in the effective development of financing mechanisms for promising projects in the field of entrepreneurship and innovation.

These include:

- The inadequate legal status of the venture fund and the effective functioning of venture ventures in the country;
- The mechanism for regulating the activities of companies and innovative enterprises engaged in venture capital and venture fund management is not sufficiently organized;
- There is a shortage of qualified personnel who manage venture capital companies and funds at the level of modern requirements;
- There is no insurance mechanism for venture capital projects;
- The existence in our country of some complex business procedures, as a result of which access to venture funds is limited;
- Venture ventures have a high risk and a system of State or fund guarantees has not been sufficiently developed;
 - creation of structures of higher professional scientific organizational economy;
 - finding effective ways to tax innovative stages of economic development of small businesses and private enterprises.

References

1. Shavkat Mirziyoyev Message to the Oliy Majlis January 22, 2018
2. Decree of the President of the Republic of Uzbekistan of January 22, 2018 "On the PF-5308 of the State Program for the Implementation of the Action Strategy for the Five Priority Areas of Development of the Republic of Uzbekistan for 2017-2021 in the" Year of Support for Active Entrepreneurship, Innovative Ideas and Technologies. "
3. Basareva V.G. Small business of Russia: theoretical developments, modeling, the concept of state regulation/ed. A.S. Novoselova. - Novosibirsk: IEOPP SB RAS, 213-296 s.
4. Abdurakhmonova M.M. Improving state support for the activities of small businesses and private entrepreneurship. Dees. Science. nomz. - F., 2012.
5. Gafurov U. V. Improvement of economic mechanisms of state regulation of small businesses. Monograph. - T.: Finance, 2016. - 208 p.
6. Strategic development of small business and forms of support for individual entrepreneurship [Electronic resource]: monograph. - Nizhny Novgorod: NGO Professional Science, 2018 - Access mode: <http://scipro. Ru/Conf/monographbusiness>.
7. Shibzukhova L.Z. Venture entrepreneurship in the field of financing and financing, innovation of the journal "Economics and Business."

8. Ruzieva D.I. Choral experience and features of small business investment. <https://cyberleninka.ru/article/n/kichik-biznesni-investitsiyalash-b-yicha-horizh-tazhribasi-va-uning-ziga-hos-hususiyatlari>.
9. Ruzieva D.I. "Ways to increase the efficiency of indicators of the rating" Doing business "
10. Dzhalilova, N. Increasing innovation potential and investment activity in the development of active entrepreneurship 2018 No. 4 "BUSINESS - EXPERT."
11. Sadikova R.A. Development of Venture Business in Uzbekistan as a Source of Financing of Innovative Small Business Projects Economics and Finance № 5, 2011
12. Lapin N.I. Theory and innovation of practice: Text.posobi. M.: University Kna; Logos, 2008-328 s. (New University Library).
13. Economic theory of Minsk. 1996 g.129s
14. Bogatin Yu.V., Shender V.A., Valukinsky efficient business and investment. M.: 1999, 14-15 pages.
15. Matveev V.T. Basis of economic field. T.: 1998, 448. 299s
16. 5. Lawrence D.S. and Michael Jorik Fundamentals Investing M.: 1997. 10s
17. Ruzieva D.I. Scientific electronic journal "Economics and Innovative Technologies." No. 2, March-April, 2020.