

Criteria for Small and Medium Entrepreneurship and Characteristics of the Business Climate in the Service Sector

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Annotation: The article reveals the features of the development trends of small and medium-sized businesses in the framework of the financial activity of entrepreneurship, outlines the features of the revival taking place, in the context of the revival of the business climate, based on determining the strategy mechanism and the efficiency of use in the service sector.

Key words: capital investments, regularity, economic recovery, long-term credit, gross national product, service sector.

World and domestic experience shows that entrepreneurship is one of the key elements in a market economy. The nature and scale of entrepreneurial activity affects the rate of economic growth, the structure and quality of the gross national product, and solves the problem of employment.

In the scientific literature there is no single definition of the essence of entrepreneurship. Economists, sociologists, philosophers, lawyers and other representatives of science offer different interpretations of the meaning for this term, in accordance with the goal of the study and the accumulated knowledge. In the framework of this study, entrepreneurship will be considered as a mechanism for the implementation of risky production and economic activities, based on the manifestation of personal initiative and designed to systematically profit from the production and sale of goods/services/works.

We decompose entrepreneurial activity in the service sector into a number of features that characterize it (Fig. 1.)

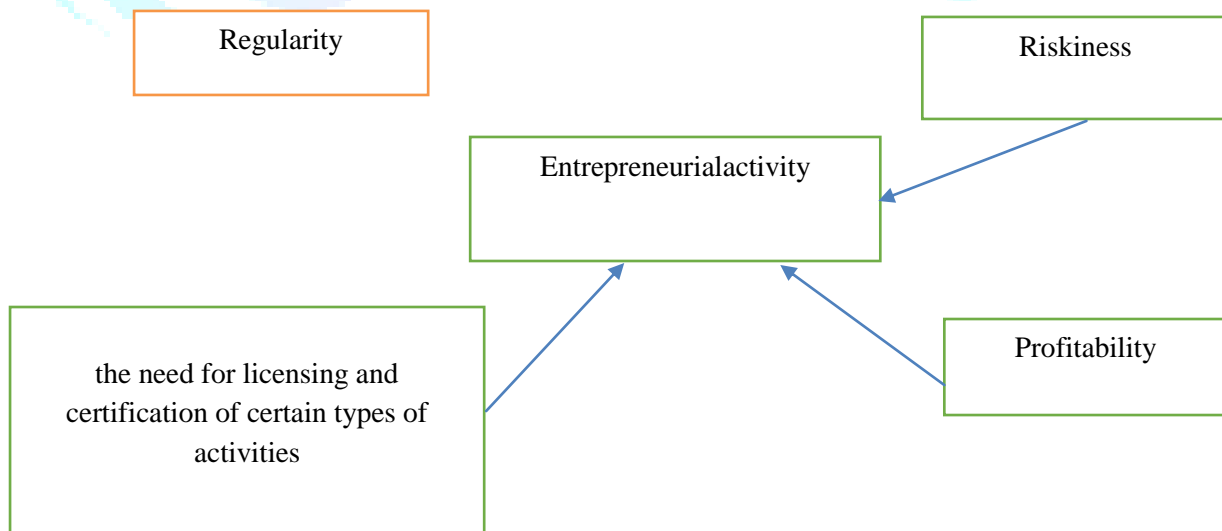


Figure 1. - Signs characterizing entrepreneurial activity

Today, the change in economic conditions modifies the main features of entrepreneurship, gives rise to a new assessment of the role and place of business in the socio-economic development of society, which is especially important for enterprises in the service sector.

Small business accounts for one sixth of all production capacities in the country, which was the result of automation and mechanization of existing production, the introduction of new production technologies, and the expansion of the product range. A quarter of investment flows aimed at replacing worn-out equipment and equipment was invested in small enterprises. In addition, 6% of new jobs were created at enterprises in this sector of the economy.

The role of small and medium-sized enterprises in creating new jobs is recognized, mainly in the service sector. These enterprises ensured the growth of employment in the last decades of the twentieth century.

They provide social and political stability, are able to mitigate the consequences of structural changes, quickly adapt to the needs of the market, make a significant contribution to regional development, design and use technical and organizational innovations.

At the current stage of economic development, the role of small and medium-sized businesses (SMEs) is increasing significantly. This is due to such features and functions of SMEs as:

- Functioning in the local market;
- Faster adaptability to local economic conditions, turnover of fixed capital and resources, as well as a smaller amount of initial investment required compared to large business;
- High speed of response to the state of the market and consumer preferences, the ability to quickly introduce changes in the course of production and the product itself, depending on internal and external factors;
- Direct communication with the consumer;
- Narrow specialization in certain segments of the goods and services market;
- Ensuring mobility and the ability to quickly adapt to technological deviations.

Small and medium-sized businesses make a huge contribution to the development of the country's sustainable competitiveness, in the face of ever-increasing competition with foreign companies due to the ability to quickly and adequately respond to changes in demand and consumer preferences, forming the necessary flexibility of the national economy.

Another significant factor in the development of the economy is the contribution of small and medium-sized businesses to the employment of the country. According to the statistics service, in 2019 the average share of the number of employees employed in small and medium-sized businesses was 40%, and taking into account external part-time workers, 75% (in the EU this figure ranges from 55% to 81%), such thus providing a fairly large share of jobs. Approximately 78.4% of workers are employed in small businesses in manufacturing, trade, real estate and agriculture.

Medium enterprises dominate more capital-intensive sectors such as insurance, banking and transport. As a result, we can conclude about the direction: SMEs dominate the manufacturing industry and trade, while large enterprises take on activities that require large capital investments.

Currently, the criteria for the development of a small business have been changed for the better since 2019: the status of a small business is now automatically assigned by the tax authorities on the basis of a declaration.

According to statistics, the marginal income for persons with a simplified taxation system will be 120 million soums. That is, all "simplifiers" are automatically equated to small enterprises (if the number of enterprises is up to 15 people - to micro-enterprises). Income is borrowed by the tax authorities from declarations for the previous year (see Table 1.).

Income limits for the previous year's tax return	Information about the average number of employees for the previous year
- micro-enterprises 120 millionsoums	- upto 15 people
- smallbusinesses 800 millionsoums	- 15-100 people
- medium-sized enterprises 2 billion soums	- 100-250 people

Table 1. - Criteria for a small business from August 1, 2017.

For most industrialized countries of the world, the main factors of sustainable and stable economic growth are the development and implementation of high technologies and the release of the latest high-tech products and services.

The dynamic functioning of small and medium, including innovative, entrepreneurship for many developed is what economic and prosperous development is based on.

Entrepreneurial activities are carried out by the listed economic entities with the aim of making a profit, which acts as an integral indicator of the effectiveness of these enterprises and their activities. Quantitative classification is convenient and simple, the indicators necessary for researchers, such as turnover and number of employees, are easily accessible, but it does not contain a theoretical basis for determining the choice of certain criteria, as well as measurement methods.

Taking into account the transition to a market economy, in which domestic business has to compete with high-quality imported products both in the foreign and domestic markets, the main economic task is to develop conditions for ensuring competitiveness. Technological re-equipment, optimization of the production process are becoming the main, most significant factors in ensuring competitiveness, the role of which is steadily growing every day. The constantly growing level of the economy forces us to think about the role of innovations on a large scale and shows the need for their use. Consequently, the innovative development of the economy is the only alternative.

The service market is the sphere of exchange of services that are the result of the work of enterprises. The development of commodity-money relations became a historical prerequisite for the emergence of a service market. The service market came in addition to the already existing commodity market, and for a long time these two types of markets were not differentiated.

Export and import of services is carried out through the opening of branches of enterprises - service providers in other countries. The service sector dominates in the industrialized countries of North America, Europe and Japan, and South Korea, mainly in the areas of financial, telecommunications, information and medical services, in the field of education. These countries account for more than 50% of world trade in services. The share of developing countries in world trade in services is much smaller, and they offer mainly transport, tourism and financial (offshore) services.

The service sector is heterogeneous: it includes services in material (repair services, etc.) and non-material (tourism, education, activities in financial institutions, etc.) production. According to the provision of services, they are divided into 2 groups, one is dominated by people, the other by machines (Figure 2).

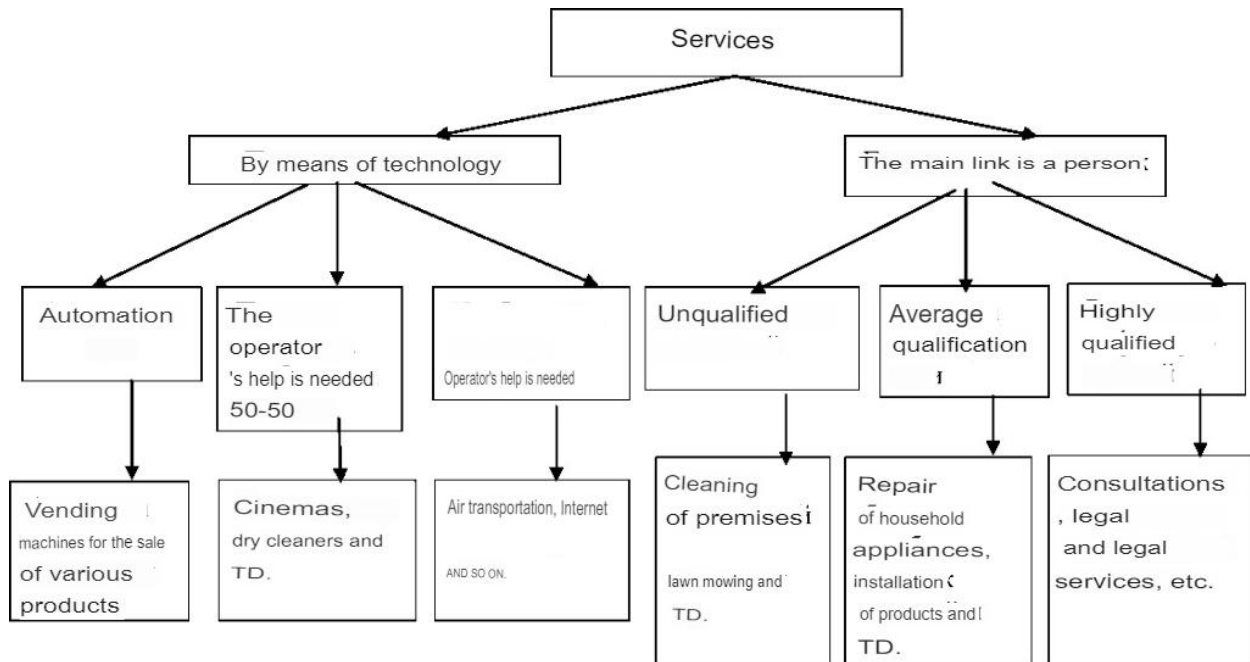


Figure 2 - Separation of services on the basis of "required person / required equipment"

Services dominated by technology - air travel, telecommunications services, ATMs - do not have problems associated with quality and marketing. Thus, the gaming machines provide an entertainment service, and there is no participation of the person - the service provider, except for the service. In those service areas where the presence of a person is extremely necessary - in such as providing consultations, conducting a learning process, health care - a person is a significant link in the quality of a service. At the current time, the importance of the service sector has increased due to the creation of certain socio-economic conditions that are being formed in connection with the specifics of the mechanism for meeting the various needs of modern society. Among other things, the formation of the service sector of the economy is also associated with the fact that there are sectors of the economy, the functional activity of which is carried out in the sphere of production and marketing of services. This, in turn, is due to the social division of labor. The demand for services and the renewal of their range are increasing and expanding in direct proportion to the increasing needs in general, the shift in social development priorities from meeting the interests of production to meeting the interests of the end user.

It is obvious that now the nature of the needs for services has been transformed, and economic and social interests have begun to coincide, which is the basis for the emergence of needs. In this case, we are talking about the fact that the institutional boundaries of the service sector have expanded significantly in connection with the adoption of the classifier of types of economic activity, products and services.

Now services began to be called those activities that were not previously such. For example, the concepts of "retail services", "educational services", "medical services", "government services", etc. In many respects, this was due to the commercialization of the social sphere, its transition to the principles of paid services for their final consumer.

In connection with the foregoing, it is necessary to create new and effective mechanisms for supporting small and medium-sized businesses, which will be able to form the basis for developing a theory, methodology for infrastructural support for small businesses; develop strategies for the development of small and medium-sized businesses, the practical implementation of which will create a mechanism for the development of the economy, which, in turn, will allow at different levels of its support to form a sustainable development of the service sector.

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