
Investment directions and principles of entrepreneurial activity development in the regions

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Abstract: The evolutionary development trends of small business and private entrepreneurship has been examined in this article. The directions of theoretical analysis of scientists on the category of entrepreneurship are indicated. Assessment of the conditions created for entrepreneurship and indicators of organizational and economic development are analyzed. The mechanism of ensuring economic and financial balance of entrepreneurship in the regions and regions has been studied. The role of business entities and their activities in investment policy is also studied. The directions of solving the existing problems in the field of entrepreneurship through direct and foreign investments are indicated. The principles are proposed on the basis of investment directions for entrepreneurship.

Keywords: investment, investment activity, foreign trade turnover, export, import, joint ventures, entrepreneurship.

INTRODUCTION

The activities of economic entities of various forms of property in the conditions of finding a decision of market relations are guided by the principles of supply and demand, value laws, which are aimed at achieving high economic efficiency, and this situation dictates that consumers and production economic entities in the market have full economic freedom. In the evolutionary development of the market economy, entrepreneurship has ensured the balance of economic relations between consumers and production entities. The limits of state intervention in the activities of business entities should be regulated by legislation, the level of taxation, the system of benefits for small business, which allows to interact with economic partners on the basis of mutual interest. The need to increase the role of competition in the socio-economic development of the republic is an objective and legal process. Competition expands the level of economic freedom of producers and consumers, increases the total solvent demand, strengthens the tendency of capital to grow spontaneously. In a market economy, the state's function of regulating small and private enterprises must be preserved. This will be achieved, first of all, by restoring the scientific, technical and economic potential of the country, supporting them through legislation, recognizing the significant role of small businesses in creating a favorable investment climate, the main condition of which is not to interfere in small business and pursue appropriate tax policy.

MATERIALS AND METHODS

The first expression of the category of "entrepreneurship" is associated with R.Cantillon, K. Bodo, J.H. Thünen and F.H.Knights. "Entrepreneurship" was first introduced as a scientific term by R.Cantillon, who defined the difference between market demand and supply, the possibility of buying cheaply and selling at a high price. The people who took advantage of these opportunities to make a profit were known as entrepreneurs. R.Cantillon understands "entrepreneurship" as a person acting in a risky environment, and believes that he does it by seeing the market opportunities, taking risks in order to make a profit. K.Bodo (physiocrat) in his conclusions surpassed his contemporaries. He emphasizes that the "entrepreneur" must have a certain intellect, i.e. a variety of information and knowledge.

Analyzing the essence of entrepreneurship on the basis of research of modern economists on the problem of entrepreneurship can be divided into the following areas:

The first direction - entrepreneurship - is an independent economic activity aimed at profit.

The second direction is that the purpose of entrepreneurial activity is not to deny profit, but as a determinant of the essence of entrepreneurship, to achieve high efficiency of production based on the sum of relations in the implementation of new combinations of resources[3].

The third direction is that creativity is necessary in managing the movement of resources of entrepreneurial activity. These include D.V.Busygin, V.D.Kamayev, I.N.Gerchikova, F.M.Rusinov [4] and others. In the research of these scientists, entrepreneurship is reflected not as a simple labor activity, but as a creative activity.

The combination of factors of production as the main essence of entrepreneurial activity is developed in the works of A. Marshall. Entrepreneurs or businessmen take on the whole economic risk in the performance of these tasks, “combine capital and labor required for production, draw up and design a general plan of production, control over its components” [5].

As management becomes more complex, people begin to separate from the production of organizational tasks in order to increase its efficiency and fully meet the needs of the people, and a special layer is divided into a circle of intermediary-entrepreneurs. According to A. Marshall, an entrepreneur is a manager in the broadest sense. The separation of managerial responsibilities is due to the fact that the “laborforce” does not specialize in high-level commercialization. Having made a great contribution to the development of business theory, J.Schumpeter expanded the ideas of J.B.Sey and A.Marshall within the framework of his concept of economic development. In fact, he was one of the first in Western economic theory to view the economic system as a dynamic and evolving force.

Based on the above ideas and considerations, it can be said that entrepreneurship is a production, service activity that involves the process of pooling and mobilizing resources, management, based on innovation and risk for profit [7]. It is also important for the entrepreneur to know the principles of using investments in the process of pooling resources for large projects.

One of the priorities in liberalizing the economy and deepening reforms during the transition to a market economy is to properly organize investment policy and clearly define the directions. First of all, the attraction of foreign investment should be focused on small business, private entrepreneurship and leading industries. It is possible to carry out structural changes in the economy with the participation of foreign investment, to launch the production of competitive products on the basis of re-equipment of small businesses with modern equipment[9]. All this is an in-depth scientific study of the problems of attracting domestic investment sources and foreign investment in the economy of our country and the development of measures to address them, as well as the definition of key areas. At this stage, the most important task in Uzbekistan is to link the policy of economic stabilization with the policy of economic growth, which requires strengthening investment activity. The solution of this problem will help to overcome financial and economic difficulties, to carry out large-scale structural restructuring of the country's economy, to solve the problem of creating a favorable production environment in primary management structures, to improve living standards.

RESULT AND DISCUSSION

In order to achieve the goals that form the basis of comprehensive economic reforms in 2019 – “The Year of Active Investment and Social Development”, we need to consistently pursue an active investment policy, which is one of the 10 priorities and an important condition for the development of our economy. It is planned to absorb about 138 trillion soums, or 16% more than in 2018, from all sources. In this regard, the volume of foreign direct investment will increase almost 1.5 times compared to this year, reaching \$ 4.2 billion. As a result, 142 modern enterprises will be launched[1]. However, despite the fact that we are achieving an increase in the volume of foreign direct investment in the economy, the demand for them in practice is not at the level of their acceptance potential, which requires more active and consistent policy on a new level. This is confirmed by the assessments of BCG experts. The authors of BCG’s “Investing in Central Asia: One Region, Many Opportunities” report believe that Central Asia could be a new home for investors in the face of growing global depression. They estimate the potential for foreign direct investment in the region's non-oil sector at \$ 40-70 billion. According to BCG estimates, Kazakhstan could increase its foreign direct investment in the non-oil sector by \$ 32-52 billion. Uzbekistan (\$ 7-13 billion) and Kyrgyzstan (\$ 1.3-2 billion) are also in the top three in Central Asia in terms of investment potential [13]. The following figure shows the volume and dynamics of investments in the economy as a result of active investment policy in the Republic of Uzbekistan (Figure 1).

In 2019, investments in the economy of Kashkadarya region amounted to 189924.3 billion soums, an increase of 124 times compared to 2002, 7.7 times compared to 2012 and 1.5 times compared to 2018. As a result, foreign economic activity has become more active. In particular, a positive balance of foreign trade turnover was provided. In particular, the share of small business and private entrepreneurship in the foreign trade turnover of Kashkadarya in 2019 amounted to 29.4%, which has more than doubled over the past five years. As a result of investment, the volume of production in small business and private entrepreneurship has increased, and its share in GDP has increased by 10% over the past five years.

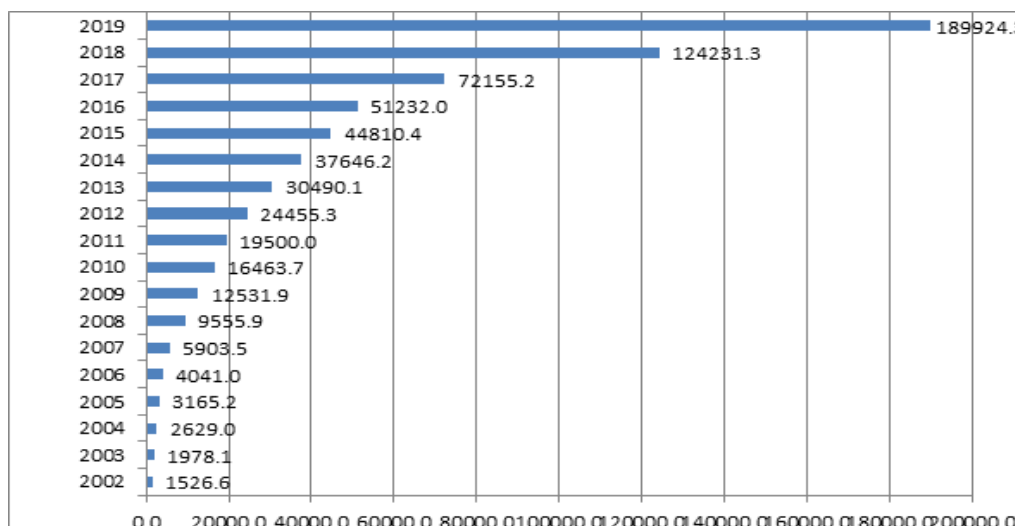


Fig.1: Investments attracted to the economy of Kashkadarya region (billion soums).

The task of activating investment processes is to form appropriate regulatory instruments, without which it is impossible to make a natural move towards the development of market relations. Investment policy will yield its expected results only if it is consistent with the development of the national economy, sectors and regions. Creating a favorable organizational and legal environment for investors to invest in the development of the regions is a very important issue today.

However, it should be noted that from January till December in 2019 in Kashkadarya region, the share of investments in the economy by small business and private entrepreneurship amounted to 12%, a decrease of 2.1% compared to 2015. This means a lack of financial and economic base in business entities. But we can see that the share of small business and private entrepreneurship in the gross regional product has increased by 12.7% over the last five years. Exports and imports also increased. This shows that the volume of large industrial enterprises and foreign investment is growing [14].

Table 1: The share of small business and private entrepreneurship in the economy of Kashkadarya region (in percent)

Sectors of the economy	Years					The change in 2019 compared to 2015,(+;-)
	2015	2016	2017	2018	2019	
The share of small business in the gross regional product	51,6	54,1	65,1	64,3	61,4	9,8
Investments	14,1	16,8	11,6	11,3	12	-2,1
Foreign trade turnover	11,1	30,9	25,7	28,4	29,4	18,3
Export	17,4	41,5	32,7	37,2	37,4	20
Import	7,3	22,3	18,9	23,6	64,5	57,2

In recent years, a number of large industrial complexes have been financed by the state budget. In particular, in a market economy, the state finances facilities that produce products necessary for our national economy. With the expansion of privatization and the development of the private sector, investment from the state budget will decrease. In such cases, in countries transitioning to a market economy, including Uzbekistan, the state budget finances projects in the fields of medicine, science, culture, education and other social spheres, and this is appropriate. Examples of this are the large-scale construction and commissioning of medical facilities, educational institutions, housing and others in our country. In particular, in 2018, investments in fixed assets in Kashkadarya region amounted to 15321.1 billion soums, which is 3 times more than in 2015. Of this, non-manufacturing investment accounted for 30% of total investment, more than doubling compared to 2015. In Kashkadarya region, about 70% of investments have been made in the production and services sector.

The source of funds listed above can be used to build the production of enterprises in the modernization or technical and technological renewal of large industrial enterprises, to increase working capital in small enterprises. At present, the state allocates subsidies and other assistance to financially support many enterprises. It is also important to provide tax incentives to enterprises, especially to foreign-invested or other types of small and medium-sized enterprises that have just started operations, on the basis of government support policies. Enterprises do not pay taxes during this grace period and use these sums to expand their production.

In addition, businesses should be able to raise additional funds through the sale or lease of fixed assets and other assets that they do not need. Bank loans play a special role in financing investment projects from various sources. In this regard, great attention is paid to the development of the banking system in our country.

In the economies of developed countries, public funds are a necessary source of funding for investment projects. The development of the stock market in developed and developing countries serves as a basis for directing public funds to direct investment.

Table 2: Number of business entities with foreign capital operating in Kashkadarya region

Sectors	2017	2018	2019	2020	The change in 2020 compared to 2017,%
In the Kashkadarya region	46	54	85	192	417,4
Agriculture, forestry and fisheries	3	3	9	28	933,3
Industry	31	37	51	102	329,0
Construction	1	1	3	10	1000,0
Trade	7	9	12	27	385,7
Logistics and storage	1	1	2	4	400,0
Accommodation and catering services	0	0	4	10	
Information and communication	1	1	1	3	300,0
Healthcare and social services	0	0	0	3	
Others	2	2	3	5	250,0

The securities market is also developing in the region, the accumulation of free funds of the population is carried out in commercial banks, and these funds are directed to more short-term lending. It should be noted that the number of enterprises with foreign investment in the region in 2020 amounted to 192 units, an increase of 4.2 times compared to 2015. The number of enterprises with foreign capital in Kashkadarya region in 2020 compared to 2015 increased in agriculture (9 times), in industry (3.2 times), in construction (10 times), in construction (3.8 times), in logistics and storage (4 times)[3].

CONCLUSION

The task of activating investment processes in the development of entrepreneurship is the formation of appropriate regulatory instruments, without which it is impossible to make a natural move towards the development of entrepreneurship. Investment policy will yield its expected results only if it is consistent with the development of entrepreneurship in the national economy, industries and regions. Creating a favorable organizational and legal environment for investors to invest in the development of the regions is a very important issue today. In this regard, the analysis and implementation of investment processes should focus on investment areas that will form the basis of future economic development.

In our opinion, investment should be understood as a multifaceted activity, and it means the use of vacant financial resources to businesses that will create material and financial wealth in the future. Therefore, it is necessary to form a multifaceted activity of commercial banks and the state related to regional investment, the formation of financial resources of entrepreneurs' own funds, the funds of the population spent on facilities that create material and financial wealth.

The directions of attracting investments to business entities in the regions are:

- ❖ distribution of foreign capital;
- ❖ attractive opportunity for foreign businessmen;
- ❖ projects and cooperation;
- ❖ the need to improve the mechanism;
- ❖ increasing financial flow.

Based on the above directions, the principles of implementation of regional investment policy should include:

- promoting the deepening of economic reforms, the formation of a multi-sectoral economy in the regions, including small business, the formation of national and regional markets for goods, labor and capital, as well as institutional and market infrastructure;
- reduction of significant differences in the process of socio-economic development of the regions, as well as the gradual creation of conditions for strengthening their economic base to increase the welfare of the population.

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