



## **ISSUES OF SMALL BUSINESS DEVELOPMENT BASED ON PUBLIC-PRIVATE PARTNERSHIP**

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### **Abstract**

This article discusses about the characteristics of small business and public-private partnership, directions of cooperation between the state and business entities, the advantages of small business organization based on public-private partnership, and given scientific recommendations and proposals.

**Keywords:** Small business, business entities, functions and tasks of the state, state partner, private partner, public-private partnership.

### **Introduction**

Nowdays, developed and developing countries of the world cannot be imagined without the private sector, including small business and private entrepreneurship. Small business and entrepreneurship today make a significant contribution to such important areas as increasing the volume of gross domestic product, providing employment, and economic growth. Small business differs from big business in its adaptability to the environment and conditions, and does not require large amounts of capital to start its activities. It has a number of advantages in terms of equally effective operation in any industry and sector, efficient use of resources, increasing labor productivity, solving unemployment, forming a category of small and medium-sized owners, and filling the market with consumer goods and services.

### **Literature Review**

Small business and entrepreneurship, its organization and development based on public-private partnerships have been studied by a number of foreign and domestic scholars. In particular:



Dutch researchers Stefan Verweij and Ingmar van Meerkerk emphasize the participation of public-private partnerships in transport infrastructure, emphasizing that it is a relationship in the organization and management of roads, railways, and waterways [1].

Chinese scholars C. Cui, Y. Liu, and others, based on worldwide scientific research on public-private partnerships, have studied that it is an approach aimed at increasing the value of infrastructure sectors and covers a wide range of public infrastructure [2].

Uzbek scholar and researcher N. Shavkatov defined it as: "Public-private partnership is a form of strategic, institutional, and economic-financial cooperation between the state and the private sector aimed at implementing socially significant infrastructure projects and providing services" [3].

International financial organizations also often turn to PPP mechanisms in the implementation of their projects. In particular:

The International Monetary Fund assesses that "PPS is an agreement aimed at providing infrastructure facilities and services traditionally provided by the state by the private sector" [4].

The formation of economic relations between the state and the private sector, the meaning, significance, purpose and tasks of the term "public-private partnership", structure, models, the main directions of activity between the state and small business entities, its advantages, There are a number of unsolved scientific problems regarding the main forms and factors of public-private partnership in the service sector.

### **Research Methodology**

In the course of the research, the classification of small business entities, the system of economic relations between the state and the private sector, the implementation of public-private partnership projects, the study of the economic system and ratios in terms of the main forms and characteristics of public-private partnership in economic fields methods such as dialectical, systematic and scientific approach, comparative and comparative analysis, statistical analysis were used.

## Analysis and results

It is difficult to imagine developed and developing economies in the world without the private sector, including small businesses and entrepreneurship. Today, they make a worthy contribution to ensuring employment, increasing the volume of gross domestic product, and economic growth in such important areas as small businesses.

Small and medium-sized businesses in Uzbekistan have historical roots, and handicrafts have been developed in the regions since ancient times. There were workshops engaged in small businesses such as handicrafts, weaving, applied arts, pottery, crafts, and blacksmithing.

It is no secret that the diversity of forms of ownership and forms of business, which are the pillars of market relations, currently serves the well-being of the population, their employment, the existence of a healthy competitive environment, and an increase in state budget revenues. Therefore, many countries are paying attention to the development of small and medium-sized business forms (Table 1).

**Table 1 The share of small and medium-sized businesses in the countries of the world <sup>1</sup>**

Countries	Share of GDP (in percent)	Share of population in employment (in percent)	Share in the number of business entities (in percent)
China	60	80	99
Russia	19.8	18.8	27
Japan	55,3	69,7	99,7
Kazakhstan)	39,7	47,6	91,4
Uzbekistan	54,3	74	89,7
<b>The proportion of the world</b>	<b>50</b>	<b>70</b>	<b>90</b>

In the reports of influential international organizations and a number of countries, small businesses are recorded together with medium-sized businesses. In our opinion, there is a close economic and structural similarity between these business

<sup>1</sup> Author development based on statistical and internet data

forms. In particular, the term “Small and medium-sized enterprises” (SMEs) is used on the official websites of the UN, the International Monetary Fund, and the World Bank.

The World Trade Organization recognizes small and medium-sized businesses as businesses with 10 to 250 employees [5].

The classification of business entities in Uzbekistan is regulated by two legal documents. These are the Resolution of the Cabinet of Ministers No. 275 “On measures to transition to the international system of classification of types of economic activity” (dated 08/24/2016) and the Decree of the President of the Republic of Uzbekistan No. PF-21 “On criteria for classifying business entities and measures to further improve tax policy and tax administration” (dated 02/10/2023). Resolution of the Cabinet of Ministers No. 275 uses the average annual number of employees as an indicator for classifying small business entities. According to it, small business entities with 1-20 employees are recognized as micro-firms, and small enterprises with 21-200 employees are recognized as small enterprises [6].

In the above-mentioned Decree No. PF-21, business entities in Uzbekistan are divided into categories according to Table 2:

**Classifications of business entities in Uzbekistan (Table 2)**

<b>№</b>	<b>Classification of business entities</b>	<b>Revenue for one year (billion soums)</b>
1	<b>Small business entities</b>	
	individual entrepreneurs	
	micro-firms	Turnover up to 1 billion soums
	small businesses	Turnover from 1 billion soums to 10 billion soums
2	<b>Medium business entities</b>	Turnover from 10 billion soums to 100 billion soums
3	<b>Large business entities</b>	Turnover over 100 billion soums

The rules of this classification based on the decree emphasize the annual turnover of enterprises and entrepreneurs in the classification of enterprises and entrepreneurs [7].

In our opinion, while the above-mentioned classification of the Cabinet of Ministers is used to form statistical indicators, the classification based on the decree



is widely used in tax administration (keeping financial and tax reports, applying preferences) and taxation.

In recent years, our country has been paying attention to ensuring the well-being of small business, entrepreneurship, and thereby society. Currently, small business and entrepreneurship entities make a significant contribution to the economy of Uzbekistan. According to the results of 2024, more than half of the country's GDP, that is, 54.3 percent, falls on these entities. The number of small and medium-sized business entities covers 89.7 percent of the total and 74 percent of the population employed in the sectors of the economy [8].

PPP has the following advantages in the development of small businesses:

- supporting the entry of the public sector of the economy;
- having the opportunity to use the experience of foreign countries more widely.
- based on the “win-win” principle (the interests of all parties), both the state, entrepreneurs, and ultimately society benefit;
- the opportunity for small businesses to receive support from the state.

### **Conclusion and Recommendations**

In conclusion, it can be noted that there is an effective and transparent policy, legal and institutional framework that encourages the participation of the private sector in the implementation of small business projects based on public-private partnership. State institutions have created legal and regulatory frameworks in this regard.

I would also like to make the following proposals regarding the area under study:

- 1) In the republic, various classification systems are being implemented based on the 2 separate legal documents mentioned above for the categorization of business entities. In order to prevent various uncertainties and obtain uniform statistical and international indicators, it is necessary to unify the above two classification systems based on international standards, adopt a single regulatory and legal document (for example, the Entrepreneurship Code) in the field of small business and entrepreneurship and put it into practice;
- 2) Establishing close cooperation between the state and small business in implementing the necessary infrastructure and social projects and monitoring them through the use of public-private partnership mechanisms is one of the urgent issues of today.



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