

**THE NEED FOR STATE SUPPORT AND REGULATION OF
ENTREPRENEURSHIP**

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Аннотация. Актуальность данной статьи объясняется значением малого бизнеса и частного предпринимательства в социально-экономическом развитии страны и необходимостью регулирования и поддержки деятельности субъектов предпринимательства со стороны государства. Целью научно-исследовательской работы является анализ теоретических и практических основ в области государственного регулирования и поддержки предпринимательства. Для достижения поставленной цели в статье используются методы экономико-статистического и теоретического анализа, в которых систематизированы цели и задачи государственного регулирования предпринимательской деятельности, определены его основные направления, на научной основе оценена необходимость государственной поддержки малого предпринимательства, разработаны предложения и рекомендации.

Ключевые слова: государственное регулирование предпринимательской деятельности, факторы развития предпринимательской деятельности, государственная поддержка, малый бизнес

Annotatsiya. The relevance of this article is explained by the importance of small business and private entrepreneurship in the socio-economic development of the country and the need to regulate and support the activities of business entities by the state. The purpose of the research work is to analyze the theoretical and practical foundations in the field of government regulation and support for

entrepreneurship. To achieve this goal, the article uses methods of economic-statistical and theoretical analysis, which systematize the goals and objectives of state regulation of business activities, define its main directions, and scientifically assess the need for state support for small businesses. proposals and recommendations have been developed.

Key words: *state regulation of entrepreneurial activity, factors for the development of entrepreneurial activity, state support, small business*

Introduction. Given that entrepreneurship is a unique system, state support is a necessity. In our republic, special attention is paid to state support and development of entrepreneurship. Its development with clearly defined goals and objectives allows for effective means of state intervention in the entrepreneurial process. In economically developed countries, entrepreneurship mainly includes a large layer of economic entities that determine the socio-economic level of development of the country. High flexibility and mass coverage of almost all sectors of the country's domestic market ensure the stability of economic development. Entrepreneurship is the most flexible form of business life. In this sector of the economy, the bulk of the ideas that serve as the basis for increasing the competitiveness of goods in the domestic and foreign markets are being created.

On the other hand, entrepreneurship in its activities is more closely connected with the internal economic situation. Therefore, there is a need to equalize the objective opportunities of entrepreneurs through appropriate regulatory instruments. This determines the need to adequately conduct state economic policy and protect entrepreneurship in the domestic market by forming the necessary rules of conduct for business entities. The state, as a macro-institutional organizer, plays the role of an organizational structure that shapes the institutional conditions for the activities of business entities.

Foreign practice shows that today there is no highly developed country where the state does not regulate the main socio-economic processes to some extent, one of which is the development of entrepreneurial forms of management. State regulation in the field of entrepreneurship is a necessary tool of economic policy in countries with a market-based management system, where the market is self-governing and the state management mechanism is regulated. State policy is implemented in relation to business based on the theoretical positions of representatives of various economic schools.

Analysis of the literature on the topic. Many economists have paid special attention to the issue of state regulation in their scientific research, but there is no single view on the essence of state regulation of the economy. N.A. Mikhilchenkova and T.M. Smetanina offer the following definition of state regulation: this is a system of "standard measures of a legislative, executive and control nature, carried out by authorized state bodies and public organizations in order to stabilize the existing socio-economic system and adapt it to changing conditions." [1].

According to V.P. Oreshin, state regulation is "the activity of state bodies to influence the process of social reproduction in order to achieve socially beneficial results." [2].

Neopulo K.L. [3] in their works justify the need to change measures to support small businesses in order to increase business activity and develop incentive approaches that affect the increase in entrepreneurial activity. A. A. Kritskaya [4], E. A. Borkova [5] studies analyzed measures to support small businesses during the pandemic, as well as the problems of their implementation at the regional level.

Some scientific studies have based their work on the possibility of further stabilizing the activities of economic entities based on the scientific results obtained from modeling in regulating the activities of small businesses[6]. It is through modeling that countries' direct investments, energy consumption, level of

economic development, and opportunities for using renewable energy were considered[7].

Research methodology. The methodological basis of this research work is the analysis and assessment of theoretical and practical foundations in the field of state regulation and support of entrepreneurial activity. Within the framework of the research, empirical, experimental-theoretical and specific scientific methods such as comparison, analysis, synthesis, induction, deduction, statistical methods were used.

Proponents of various models of economic development express the views of various economic theoretical currents on the role of the state in a market economy. Based on the analysis of the development of the economy after the First World War, J. M. Keynes based his theory on the vital need to create centralized control over issues subject to private initiative. According to him, “the state should exert its influence on the propensity to consume partly through an appropriate tax system, partly by setting the interest rate, and perhaps in other ways”[8].

J. M. Keynes's ideas about the positive impact of government spending on the economic situation have been widely used in practice in a number of countries with a market economy. On this basis, there was an increase in spending on the development of social infrastructure, a number of construction, military and other programs. The development of the concept of the "multiplier" in the theory of J. M. Keynes, which determines the marginal propensity to consume, led to an increase in the factors regulating economic processes. They began to include the growth of taxes, indicators of public debt. The quantitative relationships between them, as well as the establishment of savings, consumption and employment funds, made it possible to develop macroeconomic models that are used in practice. The experience of the 1970s clearly revealed the serious shortcomings of the theory of aggregate demand. Stimulation of government spending led to an increase in budget deficits and public debt, which were the generators of inflationary processes in the economy. Therefore, by the late 1970s and early 1980s, a shift

away from Keynesian methods of regulation began. Instead, the concept of the influence of supply-side factors on economic growth and stability was widely developed.

The neoclassical school and the neoconservative trend that emerged from it in the early 1970s (B. Bosworth, A. Laffer, R. Musgrave, M. Weidenbaum) are based on the ideas of minimizing state intervention and changing its forms. The factors that play a key role in the formation of a competitive environment and a self-regulating economy are, first of all, the monetary mechanism and market prices.

Supporters of institutionalism (D.J. Galbraith), promoting a mixed economy, propose the idea of control over entrepreneurial activity by society[9]. Consequently, although representatives of all schools have significant differences in ideas about the boundaries, forms and methods of state regulation, they recognize the need to combine the market mechanism and the state regulation system for the stable functioning of the market system of economic activity.

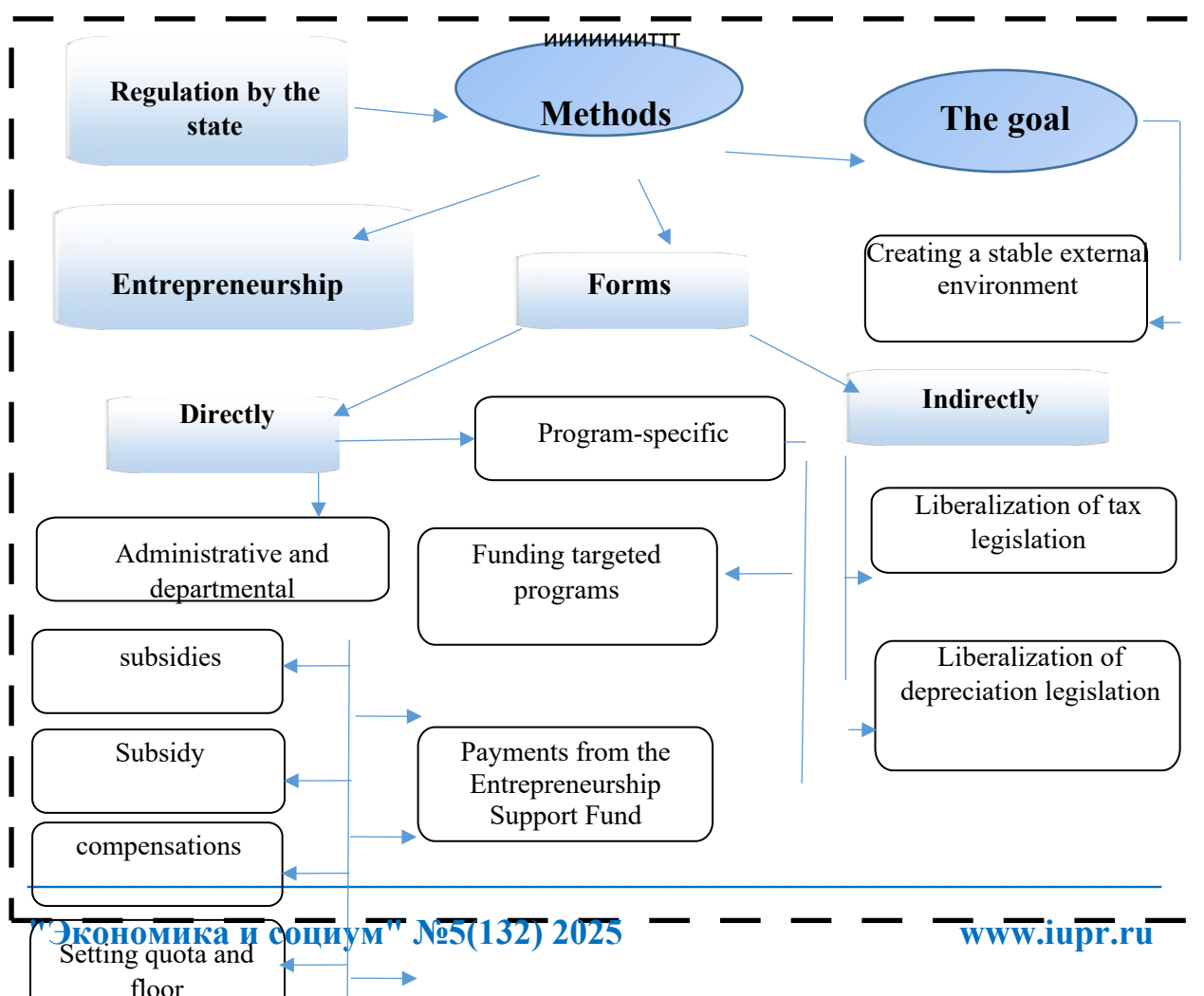
Analysis and results. State regulation of the economy is carried out by economic and administrative methods, as well as by one or another combination of them. At the same time, administrative methods are used when economic methods are not effective enough or the country's economy is in crisis. From the point of view of the classical theory of establishing economic equilibrium based on the use of the market mechanism of supply and demand, administrative regulation has a number of disadvantages.

Firstly, it restricts competition, that is, producers and consumers cannot freely accept prices set by state bodies, which leads some producers to preferential conditions in relation to the market and can lead to investment and trade policies of economic entities that are disconnected from the real situation in world and domestic markets; secondly, administrative regulation leads to a significant redistribution of income and taxes between the links of the budget system.

Economic methods of regulation do not violate the conditions of the market mechanism. They affect the economy by increasing production costs, profits, wages, the development of investment activities of small enterprises, increasing the volume of production and sales of products by various business entities, and stimulating consumption.

Methods of economic regulation, ultimately, are aimed at the factors that determine the ratio of supply and demand. This can stimulate an increase (decrease) in the volume of resources in the market or an increase (decrease) in effective demand. State administration bodies have the ability to regulate the amount of money issued, change accounting rates, taxes, duties.

The state, playing a regulatory role in the formation of the business environment, should provide a set of organizational, legal, socio-psychological and economic measures that will contribute to the development of the most promising areas of entrepreneurial activity, and help business entities adapt to changing environmental conditions (Figure 1).



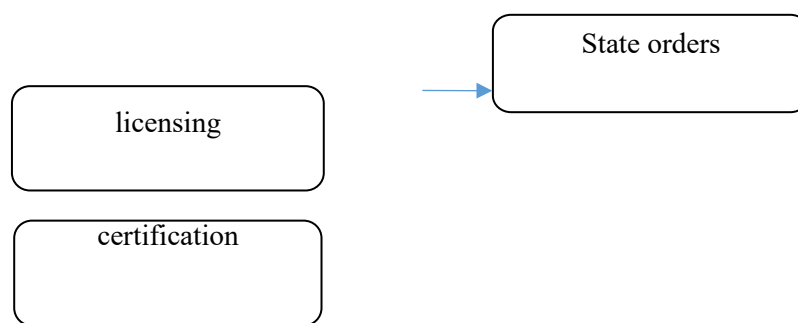


Figure 1. State regulation of entrepreneurship

In accordance with the principles of public administration, the regulation of the process of supporting and developing entrepreneurship should be justified and ensure the harmony of the interests of society and the entrepreneur. For this, state structures can use direct and indirect methods of supporting entrepreneurship.

Direct methods of state regulation of entrepreneurship are mainly implemented in two forms:

- 1) administrative and departmental - in the form of direct subsidized financing in accordance with special laws adopted to directly stimulate business development, which include: subsidies; grants; compensations; payments from entrepreneurship support funds; licensing; certification; setting quotas and duties;
- 2) consists in financing program-targeted programs, in which the state acts as a customer.

Indirect methods of state regulation are aimed at stimulating the process of entrepreneurship development, creating a favorable external environment for the activities of this sector of the economy. These include the liberalization of tax and depreciation legislation, etc.

The ratio of direct and indirect methods depends on the economic situation in the country and the concept of state regulation of entrepreneurship support and development chosen in this regard, that is, market mechanisms or state regulation.

In recent years, state regulation of entrepreneurship in the West has become increasingly generalized and has taken on an indirect character. As J. D. Saks and F. B. Larren emphasize, modern state policy in relation to the business sphere includes the creation and implementation of laws that define the foundations of private entrepreneurship, including commercial codes of private contracts, laws on the creation of new firms[10].

From these approaches, it is important to consider the system of support for entrepreneurship (Figure 2).

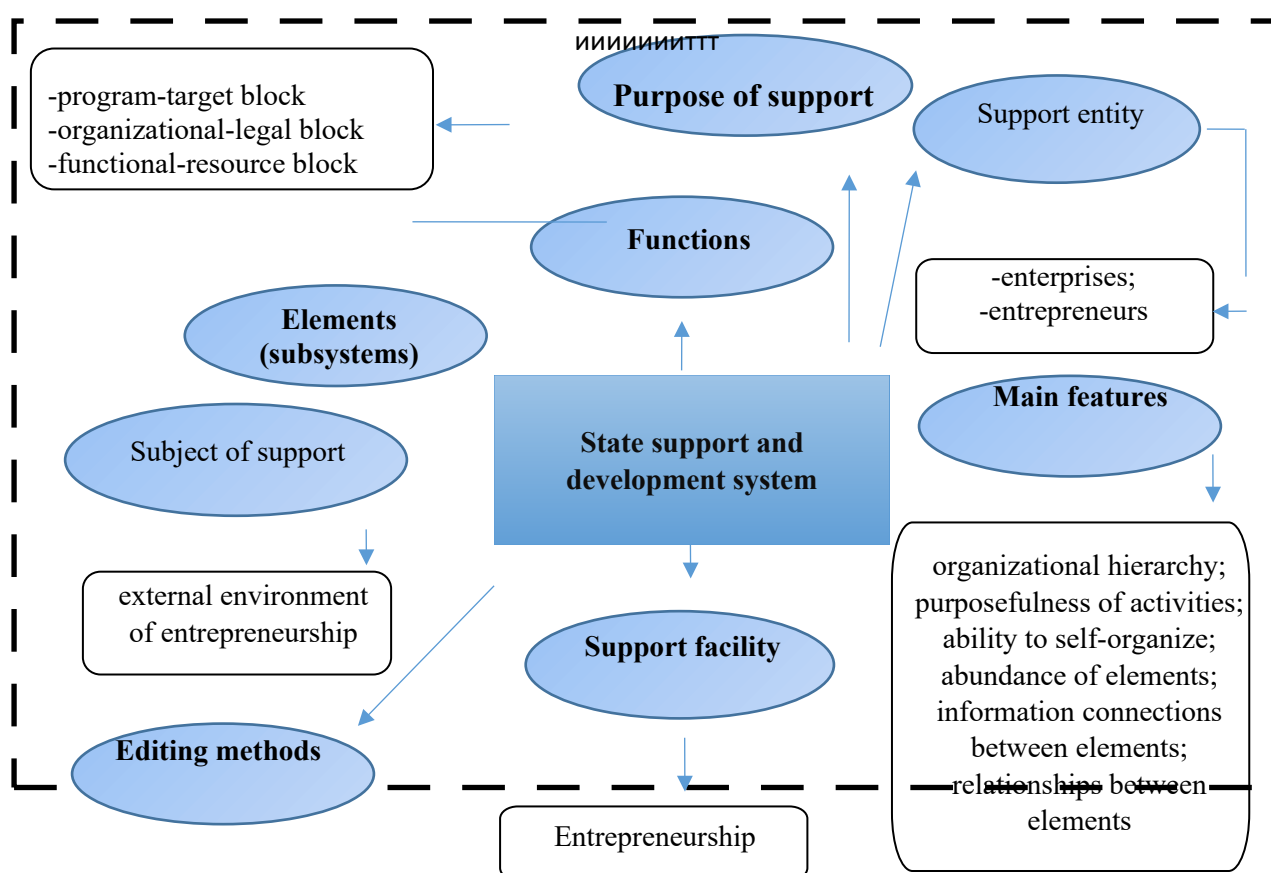


Figure 2. Structure of the system of state support and development of entrepreneurship

The formation of a favorable external environment implies controlled processes. Management methods cannot be exclusively administrative or directive

Figure 3. Formation of the external environment of entrepreneurship

At the same time, the principle of feedback is important, which, through the appropriate channels of the system, provides information to the management subsystem about the achievement of planned goals. Detected deviations regulate the behavior of the control system in accordance with the established goals.

The external environment of the enterprise system includes many objects that are not part of the system (with important properties), the change in which can change the state of the system. Environmental objects can include those that affect the behavior of the system and are affected by the system itself. External objects that do not affect the important properties of the system and do not affect the system do not belong to the environment. The external environment of a small business covers a very wide range of variables that in one way or another affect all entities of the business system ("general environment") or mainly individual enterprises or individual private entrepreneurs ("local environment") [11].

A. Hosking notes: "counterparties (seller/buyer, employer/employee, lender/borrower) do not operate in isolation, they operate in a certain environment that determines their position" [12] and identifies seven elements of the external environment: economic situation, political situation, legal environment, social environment - cultural environment, technological environment, institutional organizational and technical environment.

I. Ansoff [13] and other foreign economists include in the external environment all the forces that a small business encounters in its strategic activities.

A. Shulus defines the external environment of entrepreneurship as follows: "a set of elements (markets, market institutions, relationship processes) that

directly affect the formation and functioning of the external environment of business.

Such elements are characterized by a number of properties (parameters), the specific state of which includes external environmental factors" [14] and divides the elements of the external environment into five groups (Figure 4):

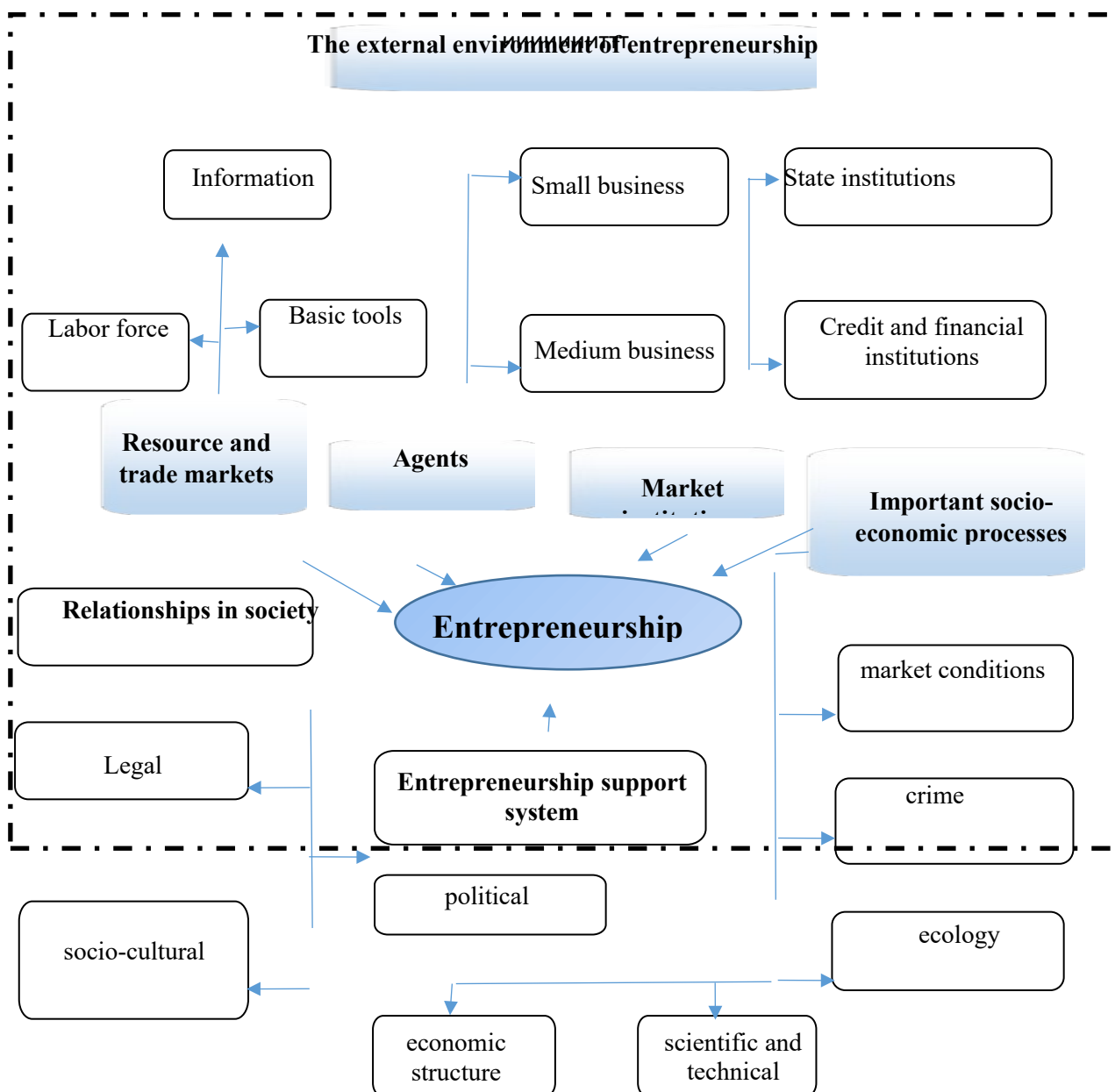


Figure 4. Environmental factors

Psychological perception
of reality

socio-cultural
factors

Figure 5. Classification of external business environment factors and their impact on the entrepreneurial system

Indirect influencing factors may not directly affect entrepreneurial activity at once, but lead to its change. These are: the political situation, international events, changes in the world market situation, economic instability in the country, psychological perception of reality, socio-cultural factors, scientific and technical progress, the economic situation in the field of activity, natural disasters. The sustainable development of the national economy, the interdependence of its structural structures give a multidimensional description of the external environment, the elements of which often have a multifaceted impact on economic entities.

Conclusions and proposals. In the modern conditions of the republic's economy, it is important to study the problems of entrepreneurship and the forms of its state support from the perspective of a systematic approach. The systems approach is considered as a methodology for studying and solving complex problems based on the general theory of systems, understood as a set of general methodological principles for the formation of knowledge about system objects. The most important features of complex systems are: organizational hierarchy, purposeful activity, a large number of elements, the presence of information communication between elements, the presence of interaction between them.

The ability to self-organize is added to the properties of complex systems, which is understood as the ability to purposefully constantly change the structure or values of its parameters of the system based on information about the external environment.

Thus, the systematic approach is aimed at studying a system as a whole, when the principles of organizing elements into a single system are studied, and the functioning of each subsystem and individual elements is considered from the point of view of the main goal of the system, while the systematic approach is aimed at studying the system as a whole, when the principles of organizing elements are studied, the functioning of each subsystem and individual elements is considered from the point of view of the main goal of the system. With the help of a systematic approach, it is possible to get a complete picture of the processes of operation of complex systems.

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