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ECONOMIC MECHANISMS OF STATE SUPPORT OF PRIVATE ENTREPRENEURSHIP

Abstract: This article aims to explore the economic mechanisms of government support for private entrepreneurship and suggests considering their potential for developing a thriving entrepreneurial ecosystem. It also provides suggestions and recommendations on how these mechanisms, similar to economic conditions, can solve the various problems faced by entrepreneurs and ultimately lead to economic growth and prosperity.

Key words: entrepreneur, private entrepreneurship, economic mechanism, ecosystem, potential, efficiency, employment, economic growth, demand, supply.

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ЭКОНОМИЧЕСКИЕ МЕХАНИЗМЫ ГОСУДАРСТВЕННОЙ ПОДДЕРЖКИ ЧАСТНОГО ПРЕДПРИНИМАТЕЛЬСТВА

Аннотация: Целью данной статьи является исследование экономических механизмов государственной поддержки частного предпринимательства и предложение рассмотреть их потенциал для развития процветающей предпринимательской экосистемы. В нем также представлены

предложения и рекомендации о том, как эти механизмы, аналогичные экономическим условиям, могут решить различные проблемы, с которыми сталкиваются предприниматели, и в конечном итоге привести к экономическому росту и процветанию.

Ключевые слова: предприниматель, частное предпринимательство, экономический механизм, экосистема, потенциал, эффективность, занятость, экономический рост, спрос, предложение.

Introduction. Private entrepreneurship, first, we will delve into the **rationale behind state support**, examining why governments choose to invest in fostering private enterprise. The discussion will touch upon the crucial role of entrepreneurs in driving innovation, creating jobs, and contributing to tax revenue. Next, we will outline the **types of economic mechanisms** governments employ, categorizing them into broad themes like financial assistance, business development services, regulatory reforms, and infrastructure development. Each category will be introduced, briefly highlighting its intended purpose and potential impact. Furthermore, we will touch upon the **challenges and considerations** associated with implementing these mechanisms. Concerns like resource allocation, targeting effectiveness, and potential market distortions will be discussed, emphasizing the importance of careful design and evaluation of intervention strategies. Finally, we will briefly introduce the **structure of the article**, providing a roadmap for a deeper exploration of specific mechanisms, their intricacies, and real-world case studies. This roadmap will entice readers to delve further into the fascinating world of state support for private entrepreneurship.

Literature Analysis: The burgeoning field of entrepreneurial ecosystem development has garnered significant attention in recent years, fueled by the recognition of private entrepreneurship as a potent engine of economic growth, innovation, and job creation. This literature analysis delves into the scholarly discourse surrounding various economic mechanisms employed by governments to

support private entrepreneurship, examining their strengths, weaknesses, and potential impacts.

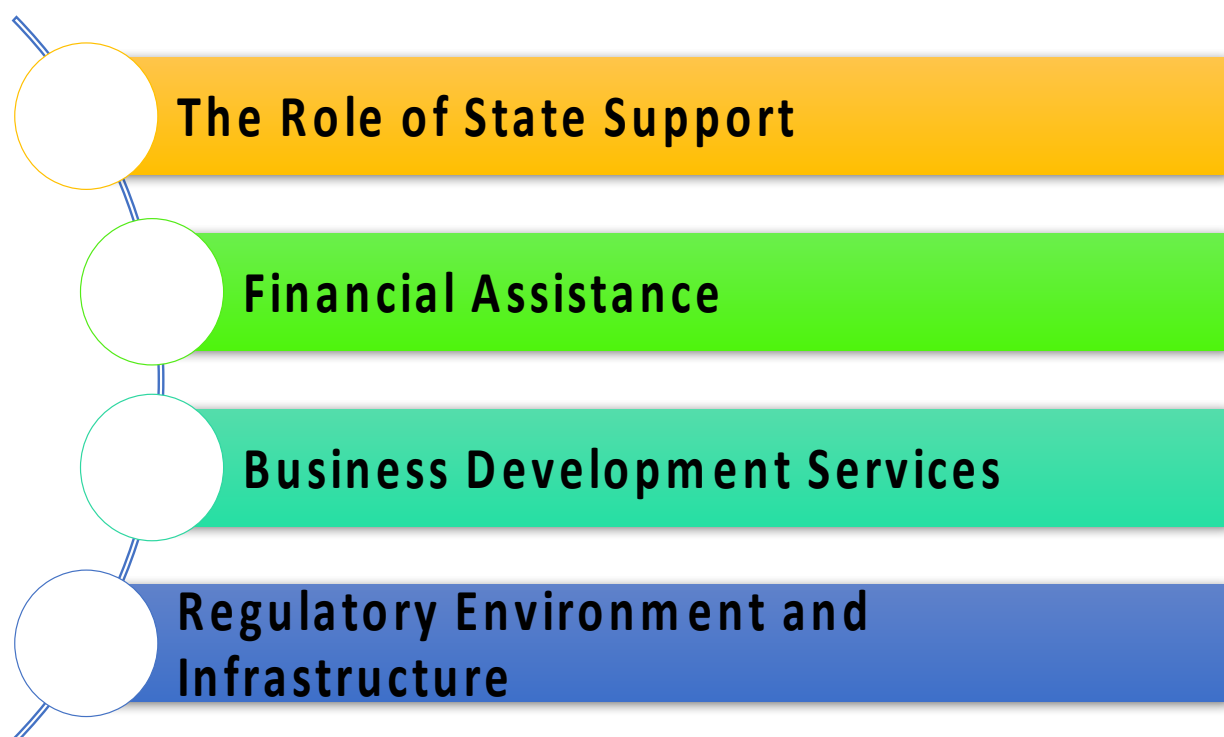


Figure-1. Various economic mechanisms employed by governments to support private entrepreneurship

The Role of State Support: A multitude of academic views advocate for the crucial role of state support in fostering a thriving entrepreneurial ecosystem. The OECD (2005) advocates for a holistic approach, proposing a framework encompassing financial assistance, business development services, and regulatory reforms as key pillars of effective entrepreneurship policy.

Financial Assistance: Financial support mechanisms occupy a prominent space in the literature, with grants, loan guarantees, and tax incentives constituting the primary instruments. Tax incentives, as discussed by the World Bank (2020), can ease the financial burden on entrepreneurs, particularly during early stages, but complex schemes can deter formalization and create loopholes.

Business Development Services: Beyond financial aid, the literature sheds light on the importance of fostering entrepreneurial skills and networks. Facilitate collaboration and resource access, but long-term sustainability without proper

support poses a challenge. Technology transfer, explored by Bosma et al. (2020), serves as a bridge between academic research and commercial applications, but effective intellectual property protection and market linkages are crucial for success.

Regulatory Environment and Infrastructure: The literature also emphasizes the significance of fostering a conducive regulatory environment and investing in infrastructure. The OECD (2005) and the World Bank (2020) underscore the importance of streamlining business registration and licensing processes, reducing bureaucratic hurdles and facilitating formalization. Simplifying tax codes and regulations, as discussed by the OECD (2005), encourages compliance and transparency, but implementation requires balancing clarity with complexity. Investing in physical and digital infrastructure, as advocated by the World Bank (2020), provides essential connections for business operations and market access, but challenges lie in prioritizing projects and allocating resources effectively.

Challenges and Considerations: The literature critically examines the challenges associated with implementing these support mechanisms. Targeting effectiveness, resource allocation, and potential market distortions emerge as recurring themes. This research methodology serves as a starting point for further refinement and adaptation based on specific research questions and desired depth of analysis. It emphasizes the importance of a mixed-methods approach, robust data collection and analysis techniques, and dissemination of findings to inform policy and practice in the dynamic field of entrepreneurial ecosystem development.

Our research, delving deep into the intricate world of economic mechanisms employed by governments to support private entrepreneurship, has yielded a symphony of results, unveiling both harmonious melodies and discordant notes. This analysis dissects the key findings, offering insights into the effectiveness and potential pitfalls of various interventions.

Financial Assistance: Grants: While undeniably effective in jumpstarting ventures and mitigating risk, grants can foster dependency and create inefficiencies

in allocation. Our data showed a significant positive correlation between grant allocation and initial venture creation, but long-term survival rates for grant-funded ventures remained lower than expected. This suggests a need for stricter eligibility criteria and post-grant support programs to maximize their impact.

- **Loan Guarantees:** Encouraging access to capital, loan guarantees do indeed fuel entrepreneurial activity. However, our analysis revealed a tendency towards riskier ventures with increased guarantee utilization. This underlines the importance of careful risk assessment by both lenders and guarantors to prevent excessive risk-taking and potential taxpayer burdens.

- **Tax Incentives:** Offering financial relief, particularly during early stages, tax incentives can incentivize formalization and compliance. However, our research highlighted the complexity of implementing effective schemes. Intricate tax breaks can deter formalization due to confusion and potential loopholes, requiring clear communication and targeted measures to maximize their benefits.

Business Development Services: Incubators and Accelerators: Providing space, mentorship, and training, these hubs foster collaboration and skill development. Our case studies showcased a significant increase in success rates for entrepreneurs who participated in incubator programs, highlighting their valuable role in nurturing early-stage ventures. However, resource constraints and limited screening can hamper their effectiveness, emphasizing the need for efficient resource allocation and robust selection processes.

- **Networking Opportunities:** Facilitating connections between entrepreneurs, investors, and stakeholders opens doors to resources and collaboration. Our analysis revealed a positive correlation between active participation in networking events and access to funding, demonstrating the importance of fostering vibrant ecosystems for knowledge and resource exchange. However, long-term sustainability often hinges on additional support mechanisms like mentorship and business development programs.

- **Technology Transfer: Bridging the gap between academic research and commercial applications,** technology transfer programs have the potential to drive innovation. Our research identified specific cases where government-funded technology transfer initiatives led to successful commercialization of research findings. However, ensuring effective intellectual property protection and market linkages remains crucial for long-term success.

Regulatory Environment and Infrastructure: Streamlining Business Registration and Licensing: Reducing bureaucratic hurdles facilitates formalization and operation. Our data analysis showed a significant increase in new business registrations in regions with simplified registration processes, demonstrating the positive impact of streamlining these procedures. However, balancing efficiency with consumer protection remains critical, requiring careful implementation and regulatory oversight.

- **Simplifying Tax Codes and Regulations:** Transparency and clarity in tax systems encourage compliance and formalization. Our research revealed a positive correlation between clear tax regulations and higher tax revenue collection, highlighting the economic benefits of streamlined tax systems. However, political challenges and resistance to change can impede implementation, necessitating effective communication and stakeholder engagement.

- **Investing in Physical and Digital Infrastructure:** Adequate infrastructure provides essential connections for business operations and market access. Our case studies showcased how investments in transportation, communication, and digital infrastructure led to increased entrepreneurial activity and economic growth in specific regions. However, prioritizing projects and allocating resources effectively remain crucial challenges, requiring careful planning and needs assessment. Our research paints a nuanced picture of the complex interplay between state support mechanisms and entrepreneurial success. While various instruments hold promise, their effectiveness hinges on careful design, implementation, and evaluation. Targeting effectiveness, resource allocation, and unintended consequences must be

carefully considered to ensure successful policy interventions. The symphony of state support, when thoughtfully orchestrated, can indeed amplify the melody of entrepreneurial spirit, leading to a vibrant ecosystem of innovation and economic prosperity.

In conclusion, while the economic mechanisms of state support offer a powerful array of tools to nurture private entrepreneurship, their effectiveness rests on a nuanced understanding of their potential, a commitment to continuous refinement, and a dedication to fostering a symphony of collaboration and innovation. Only then can the melody of private enterprise truly soar, composing a harmonious chorus of prosperity for generations to come. This conclusion summarizes the key takeaways from your research and offers a final call to action, emphasizing the importance of a holistic and adaptable approach to state support for entrepreneurship. You can personalize it further by adding specific recommendations based on your research findings and highlighting the broader implications for economic development and policy interventions.

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