
INCREASING INNOVATION POTENTIAL AND INVESTMENT ACTIVITY IN THE DEVELOPMENT OF EFFECTIVE ENTREPRENEURSHIP

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Abstract: From the experience of forming the economic system based on market relations, it is known that innovation potential and investment are one of the mechanisms that move the system. Particularly, foreign investment is characterized by the fact that the country has a considerable source of capital in the country's economy, the problem of financing, the problem of material security in the process of launching new investment projects in some sectors of the economy and solving other key issues.

In order to address the aforementioned issues in the article, it is necessary to involve foreign capital as much as possible, especially in the region's economy, to make new proposals for investing in foreign investors and to attract the investments based on new innovative projects. This article analyzes the factors influencing the development of entrepreneurial activity, and develops scientifically grounded recommendations and recommendations for raising their innovative potential and investment activity under competitive conditions.

Key words: active entrepreneurship, small business, innovation, investment, service, sustainable, competitive.

JEL: L26, P00, O10, F21

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Introduction

The economic development, the economic independence of each country, the living standards of the country's population, as well as the employment rate of the population depend on the small business and

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development of private entrepreneurship. This situation is characterized by developing the level of stimulating the economic freedom of entrepreneurs.

The object of the article is small business and private entrepreneurship. **The subject** of the article is innovative assets and investments. **The aim** is to present and discuss the main problems and extensive activities that are carried out in Uzbekistan in order to create business environment, support and further stimulate the active entrepreneurship.

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As a result of the Uzbekistan governance measures taken until 2017, more than 38.2 thousand small businesses were created or increased by 122.0% compared to 2016. The largest share of these small businesses was in the industrial sector (27 percent), trade (21 percent), agriculture, forestry and fisheries (13 percent) and construction (10 percent).

The use of the opportunities created by active entrepreneurs in the Republic of Uzbekistan in order to ensure the growth of production of finished goods has led to success. According to the analysis, the share of small businesses and private entrepreneurship in the country's GDP in 2017 amounted to 53.3%, while this figure rose to 56.2% in 2016. The annual growth of production of small enterprises was carried out only at the rate of 2.5% (Sh.Mirziyoyev, The Decree of the President of the Republic of Uzbekistan dated January 17, 2017 "On Measures to Accelerate the Sale of State-Owned Objects for Entrepreneurship Use and Further Simplification of its Procedures"., 2017).

The share of small business and private entrepreneurship in the sectors of economy in 2017 will reach 27.0% in exports (26% in 2016), industry - by 39.6% (45.3%), services - 58.4% (61.4%), construction - 65.1% (66.9%) and employment - 78.3% (78.2%) (Sh.Mirziyoyev, The Decree of the President of the Republic of Uzbekistan dated January 17, 2017 "On Measures to Accelerate the Sale of State-Owned Objects for Entrepreneurship Use and Further Simplification of its Procedures"., 2017).

There have been problems with entrepreneurship in terms of achievements in the field. The role of innovation potential and investment activity in the accelerated and sustainable development of business entities in the country is immense. Expected results in the long term are largely due to the rapid development of small businesses and private entrepreneurship. This ensures the dynamics of production growth.

The Law of the Republic of Uzbekistan "On investment activity" gives the definition of "investments as tangible and intangible assets and rights included in economic and other activities" and "investment activity – invest-

ments of the subjects of investment activity" (The Law of the Republic of Uzbekistan on Investment Activity, 1990).

Growth in fixed capital, which is an important factor in maintaining its sustainable development in the economy, is largely due to the fact that it is currently attracting investments in terms of its length and the form of investment.

From the same point of view, "it is a monetary form of expenditure on capital investments and the expansion of production capacities. It describes the essence of cash flows, bank loans, equity shares and other securities in terms of direct investment expenditure" (Shodmonov, 2002, 277).

In our opinion, it is important to increase the investment activity of the sector in order to improve the technical development of the economy, to increase its production efficiency, rational use of existing potentials and increase of competitive products. In this context, it is argued that all the factors of investment, including capital, are primarily improved by investment, and as a result, it is an important factor in the development of agriculture. The use of investment incentives to increase investment activity in the sectors of economy should avoid the sharp discrepancies between domestic and foreign investors in attracting private and foreign investors to this process, as this affects negatively their material interests and the full satisfaction of the privileges by the participants in the economic process.

Increasing the investment processes and activism is directly related to the state of the national economy and the impact of the global community. These trends, theoretically and practically based on the factors influencing the investment activity, the impact and disadvantages of each factor in Uzbekistan should be taken into consideration. (See Table 1).

Table 1.

Factors for increasing investment activity in the economy

Internal factors	External factors
Production and financial activities	Legal - regulatory framework
Economic Socio - Technological Situation	Dynamics of economic development and competitiveness
Investment activity	Science and Technology Development
Marketing and management activities	Competitiveness between investment funds directors and suppliers of agricultural machinery and equipment.
Foreign economic activity	Stock Market Lending System
	International Economic Relations

Source: Developments based on research data.

In developed countries, a number of precautionary measures are being implemented and regulated by the state in order to increase investment activity. They consider their activities as a priority in these areas. These measures include:

- Encouraging the provision of capital, sectoral and separate enterprises through credit and tax incentives;
- Administrative support of investment processes and so on for complete commissioning of production capacities.

It is possible to see that each of these events differs depending on their economic relations. In the case of the main directions and scales of investment processes in Agsh, in Western European countries this process is explained by macroeconomic regulation and high government intervention.

At present, the number of consulting and engineering companies specialized in preparing the investment projects in the Republic of Uzbekistan, as well as all necessary documentation, is very small. Many of them are government-owned offshore companies. The services provided by these companies are not at the required level.

They do not comply with the requirements of foreign financial institutions, and their expertise has undermined the weaknesses of the project. It is a fact that the draft documents are not substantiated and that there is a lack of estimates in the calculations. Obligatory enforcement of a particular company's services will undermine the conditions of the market relations, the competition environment, and, most important, reduce the quality of services provided. In this area, increasing the share of non-governmental organizations - private sector will not only solve the above-mentioned problems, but also create new opportunities for entrepreneurs to find advanced technologies, go out to the foreign markets, and establish mutually beneficial relationships with foreign investors.

There is a serious problem in the market of products, the pricing policy of prestigious competitors, the ability to access raw materials, and the assessment of the environmental situation that may have arisen as a result of new production. The level of economic literacy of the population is insufficient and the lack of adequacy of the society to foreign investors contributes to the fact that local entrepreneurs do not have a serious attitude to foreign investors.

In addition, there are cases of non-fulfillment of obligations by foreign investors, who are carrying out their activities in Uzbekistan. There are cases when foreign investors fail to meet their obligations, including failure to pay fees to the entity's charter, to provide guarantees for the supply and installation of equipment, and to make mistakes in assembling the equipment.

Of course, there are problems with funding the projects implemented by foreign investors in the country. Successful implementation of all the investment projects involves the prospects of attracting foreign investments to the economy and mutual beneficial cooperation with the foreign investors. Further strengthening of the work on forming a favourable investment climate in the country has long been a strategic task.

The President of our country Sh.Mirziyoyev is paying attention to the issues of the further development of international economic cooperation, including the expansion of relations with the leading international and foreign financial institutions, the continuation of a well-thought-out foreign debt policy, the effective use of attracted foreign investments and loans (Sh. Mirziyoyev, 2017).

In order to ensure the growth of production by active entrepreneurs, it is necessary to:

- create favourable innovative potential and investment environment on the basis of the financial support of active entrepreneurship, enhancement of existing mechanisms and activation of new financing sources;
- improve the financial support of production organization in the field of active entrepreneurship;
- improve the mechanisms of foreign economic activity of entrepreneurship;
- automate the project monitoring;
- increase the number of advisory engineering firms producing investment projects;
- train qualified competitive personnel for the active business, etc.

Active entrepreneurial business is an innovation that is based on modern approaches, advanced technology and management. When we say an active entrepreneur, we can create competitive jobs and, most importantly, create new jobs and understand not only those who feed themselves and their families but also benefit the whole community (Sh.Mirziyoyev, 22.12.2017).

Indeed, the issue of expanding the ranks of entrepreneurs engaged in active entrepreneurship is one of the most urgent tasks today: introduction of high technologies, techniques and equipment based on the latest achievements of science. For this reason, it is necessary to ensure the continuity of the development of innovative activity.

Innovative capacities are related to the development of small businesses. World experience shows that small businesses produce more than 4 times more innovations and ideas than large enterprises, or smaller innovation enterprises cost \$ 2.5 times more than large enterprises for every dollar spent on research. In the conditions of modernization of the economy, active

businessmen, in terms of expansion of their access to credit, raw materials, as well as access to government preferential systems, are an important factor in raising the innovative capacities.

The following aspects must be taken into account in the development of innovative entrepreneurship:

- Material and technical resources;
- Tangible and intangible assets;
- Financial resources;
- Organizational resources;
- Personnel resources;
- Socio-psychological factors.

Based on the above, in order to establish innovative business processes of active entrepreneurship, at its discretion there should be:

- Sufficient funds for financing the ideas and developments;
- Material and technical base for creation and mass production of new products;
- Capability of making and implementing innovations;
- Abilities to develop original (formal) ideas based on any innovative process.

Increasing the innovative capacities of entrepreneurship is crucial for the growth of the country's industry and economy. Thus, active entrepreneurs develop innovation and investment in the implementation of technologies to create innovations and implement their own business. One of the most important indicators of the active economic activity of small businesses in the sectors of economy is the volume of investments.

It is necessary to continue the practical measures to further improve the mechanism of long-term lending for investment purposes and to increase their volumes, to create their starting capital and to expand the scope of microcrediting. It is desirable to set up a fund for the preparation of project documentation on investment projects, which will allow active business entities to reduce the costs of preparing business plans, improve their quality and reduce credit terms. Together with the accomplishments in this area, it is necessary to improve the practice of financing investment expenditures in the further development of business entities and increasing their economic activity.

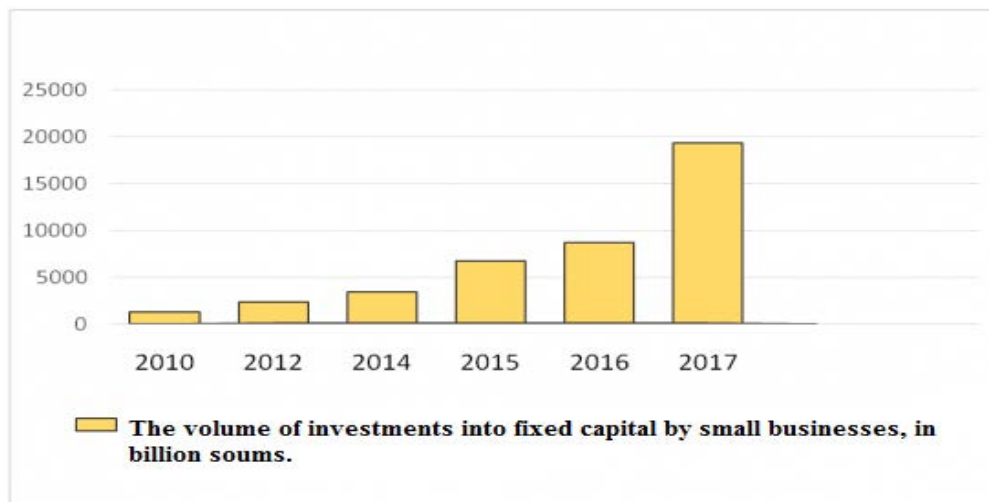


Figure 1. Characteristics of Small Business Investments

Source: The author is based on the data from the State Statistics Committee of the Republic of Uzbekistan.

If we analyze trends characterizing the small business investment trend for 2010-2017 (see Fig. 1), the current prices of fixed capital investments made by them have a high rate of growth (15,0 times).

In addition, the amount of products worth 1 billion soums has increased over this period by 6.6 times. While this is a significant growth rate, it can be seen that this figure has dropped significantly compared to 2010 – 2017. This decline was due to the fact that during this period, the growth rate of investments in fixed capital by small businesses exceeded the rate of growth of their output (Mirziyoyev, 2017).

At the same time, the increase in the volume of foreign direct investment and loans attracted to the economy of the country shows that the stimulating factors of investment policy in Uzbekistan are favourable to foreign investors and the attractiveness of enterprises is economically substantial.

The legislation of Uzbekistan establishes the principles of organization and activity of various enterprises with direct foreign capital. The following categories of businesses are listed below:

- a) JOINT ventures with direct foreign investments;
- b) 100% owned by foreign companies or enterprises;
- c) Privatized enterprises with a share of foreign investors in their property;
- d) Subsidiaries and affiliates of large foreign transnational companies;

e) Enterprises with a "zero" value of the investment obligation, which are privatized by a foreign investor (Economy of Uzbekistan, 2016, p. 87).

Looking at the international environment, it can be conditionally divided into the following periods: 1979 – 1981, 1987 – 1990, and third stage 1996 – 2005. As a key factor for investment and as a result of the above analysis, the investment capital included in the oil and oil refining industry is the first stage; secondly, is the production of technological equipment imported to the countries of the transitional economy (Mirziyoyev, 2017), funds invested in the formation of industry, telecommunication, tourism and the funds invested in the construction industry.

The main objective of transition economies, and in particular, the entrepreneurs in Uzbekistan, is to deal with foreign capital and the ability to pre-determine the reality; the need to initiate a joint venture on the basis of which the short-term foreign capital is based on the formation of primary business, and secondly, to contribute to the development of the country's economy.

When we look at the experience of investing in the world, we can establish that the investment does not require the recipient (the investing country) to be unique to the socio-economic mentality of the country. The current state of the economies, in which investment is being made in today's integration process, shows that foreign investment and enterprises founded on foreign capital have their own strategic development plans and perspectives. At the same time, it is important for the enterprise to be in the process of stabilizing the financial standing of the foreign capital.

While the country attracts foreign capital, another factor is positive, i.e. foreign investment in the country's economy serves to improve the social and economic environment of the country through the human factor. This is evidenced by the fact that foreign investors invest in the economy as a result of the fact that developed countries are also interfering with the direct management of the recipient country's economy and, as a result, to the same extent as the negative effects of corruption in all Transitional States (corruption, self-employed, abusive) .

Conclusion

This, in turn, will result in the emergence of a new mechanism for the formation of national economies. Along with positive achievements in the field of small business investment, there are some problems in the development of active entrepreneurship.

Including:

- insufficient technical and economic based investment projects in some areas of active business;

- low level of use of long-term investment loans as a result of shortage of highly liquid mortgage facilities;
- absence of the practice of the state granting of loans to small businesses that produce and export goods in the priority sectors.

For this purpose, in our opinion, a comprehensive expertise of the proposed investment projects, the introduction of a mechanism of lending under the guarantee of third parties with high solvency, based on the fact that at least 50 percent of interest rates of banks' loans are refinanced at the refinancing rate of the Central Bank, it is desirable to introduce a mechanism of charging at the expense of funds.

At the same time, it is necessary to create a permanent and extensive database of international business and entrepreneurship information for local entrepreneurs, who are interested in cooperating with foreign investors and lawyers.

The main focus of investment policy in Uzbekistan is the liberalization of the economy, improving the infrastructure, improving the living standards of the population and welfare of the people.

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