



Formation of A Mechanism for Attracting Innovations to Increase the Competitiveness of Small Businesses

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Abstract: . Creating a favorable environment for the development of small business and private entrepreneurship is one of the main directions of the economic policy of the Republic of Uzbekistan, which has chosen the path of forming a socially oriented market economy. Because it is known from the development experience of developed countries in the world that small business is the basis of their economy; actively participates in structural changes and serves to increase the volume of the gross domestic product; provides employment for a significant part of the country's population.

Keywords: economic growth, new technologies, small enterprises, technological innovation, competitive markets, innovation sector, new investment projects.

Introduction.

Modern economic growth is determined by the measure of intellectualization of the main factor of technical progress and production. The share of innovations applied to production in technology, equipment, employees' knowledge and their incorporation in the organization of production corresponds to 80-95 percent growth of the gross domestic product of a developed country. When thinking about the innovation system, first of all, developed countries such as America, Europe and Asian countries, which have reached a high level of social production, are shown. The basis of their economy is the results of the development of science, without which advanced machinery, informatization and new branches of production would not have developed. It is innovation processes that are considered to be a tool that connects science, technology, economy, entrepreneurship and management. In this case, the role of the state in innovation policy depends on how correctly and effectively it manages this process.

The introduction of new technologies is one of the main factors of market competitiveness, and one of the main means of increasing production efficiency and improving the quality of products and services. An active innovation policy in the main directions of the formation of new technological procedures provides an opportunity to fully mobilize all the opportunities in the country's economic development. Small business occupies a special place in the development of the country's innovation potential.

It is known that the more efficient and competitive small enterprises in the field of industry, construction and innovation, the greater their contribution to the gross domestic product and the higher the level of economic growth. Thus, strengthening the economic and innovation potential of the state, starting from the existing local markets, serves to raise the standard of living of the population and increase the country's reputation on the world scale. The factors that make up the

innovation system provide an opportunity to determine the state of the competitive environment for small business development. Investing in innovation projects is a powerful factor in the development of entrepreneurship and the achievement of a new stage of this activity. First of all, before developing existing innovation ideas, it is necessary to invest in them to a certain extent, because in practice, high commercial results are expected from them.

It is known that innovation refers to the application of technical and technological innovations and scientific knowledge in economic activities. They are manifested in the introduction of innovations in product production, improvement of technological processes, organization of the production and management system.

There are rich scientific and technological developments and technical opportunities created in Uzbekistan over the past years, and various measures should be implemented to effectively use them and develop modern intellectual potential. At the same time, it is necessary to take into account that the world market is currently flooded with innovative works, and scientific and technical decisions are needed to encourage them to enter it. Small business innovation is just taking shape in Uzbekistan. Modern innovation systems capable of preparing commercial innovation projects should be created, economically stable developing companies should be attracted to finance them. Modern innovation systems capable of preparing commercial innovation projects should be created, economically stable developing companies should be attracted to finance them. Because, in the development of competitive markets, many countries include issues of production, innovation and acceleration of their activities in small business development programs. Solving this issue can lead to the establishment and development of small-scale markets (diversification of the local economy), the creation of a subcontracting market for small businesses (specialization and diversification, franchising), and the formation of innovative entrepreneurship (pioneer, venture business).

Innovation entrepreneurship is the direction by which Uzbekistan can ensure the competitiveness of local products and the strength of its position in the world market.

Currently, more than 25 fundamental, practical and innovative researches are being carried out in the country on scientific and technical developments aimed at the development of the economy, science and technology, modern industrial production, energy and agriculture.

The current conditions in Uzbekistan are not sufficient for the innovative activity of entrepreneurship. Currently, there are more than 350 small enterprises and micro-firms that perform scientific research work in our country. This is 25.7 percent of all academic organizations and 0.4 percent of all small business enterprises in practice, which is not enough.

During this period, less than 10 percent of the total industrial enterprises engaged in innovative processes, and the share of innovative developments (products) was 10-12 percent of the total volume of industrial products. This is significantly lower than the corresponding indicators in developed countries, where about 65 percent of enterprises are engaged in innovation and more than 30 percent of the total industrial production belongs to innovative developments (products)¹.

One of the unique features of innovative activity is the high risk of capital investments. The process of implementation of new inventions is usually related to the length of time between the initial investment of capital and the result obtained.

Small business should play the role of a unique locomotive in the implementation of projects on modernization, technical and technological updating of economic entities and revitalization of their application in the real sector of the economy.

¹ Lebedeva E.A. Innovative business in the USA. M.2000 p.53.

Development of entrepreneurship, including a small form of innovative entrepreneurship, is carried out on the basis of regulation of the stock market, improvement of the financial and credit and tax systems, implementation of national and foreign investments in scientific and technical research and modernization of production.

In the real economy, many enterprises are still physically and morally obsolete, operating on outdated technologies. More costs are spent on the operation of such enterprises than on the purchase of new modern equipment.

The modern state of the innovation sector is explained not only by the insufficient funding of research and development works from the state budget, but also by the low ability of the business sector to pay for scientific and technical products. The state of innovation activity in the country has a direct impact on the development of small innovation business. Based on the results of the survey, about 75 percent of the respondents indicated insufficient personal funds, 60 percent indicated high tax rates, and 25 percent indicated unfavorable conditions for investment and credit as one of the factors stopping innovation activities in small enterprises.

The state is trying to implement a number of measures to improve the situation in this system. In particular, state investment programs are implemented every year, which include projects incorporating new scientific and technical ideas. The introduction of a set of measures for the development of the information supply system, innovations in the form of advanced information and communication technologies, such as the Internet, corporate computer system and new software products, distance education, allow training highly qualified specialists.

Reforming the existing national innovation system in the country is an important step in the development of small business innovation entrepreneurship. This reform is also reflected in the institutional restructuring and implementation of approaches to financing new investment projects developed by research organizations worldwide.

In addition, in order to create favorable conditions for investment activities, to activate the participation of small business enterprises and organizations in innovations, it is appropriate to apply the following economic and budget policy measures:

- inclusion of costs for innovative production in the cost of small business products;
- application of a clearly targeted system of tax incentives, aimed at steadily increasing the rate of research expenditures in large corporations and attracting small businesses to innovative activities in the field of new technologies;
- creation of institutional conditions for preferential lending of scientific and technical productions, development of venture financing;
- providing state property or land for free or on preferential terms for the establishment of innovative enterprises in the field of small business, as well as scientific infrastructure in the regions.

In order to develop this field, many advanced countries have established the National Innovation System (NIS). In the last 20 years, national innovation systems have become widespread in many countries of the European Union, the United States and Japan. The national (state) innovation system (NIS) is the main institutional structure that ensures the implementation of innovation activities in the territory of one country. The experience of the formation of the national innovation system shows that this system corresponds to the development of society in economic relations and the level of development of productive forces operating in this area. Therefore, in some countries, the national innovation system is fundamentally different from each other.

The main factor in creating and developing the concept of the national innovation system for Uzbekistan is the result of scientific knowledge. In recent years, the tradition of organizing global systems in innovation activity has emerged, among which European business network (European

business network - EBN) and system of innovation centers (Innovation Relay Centers - IRC) have taken the leading places. It can be said that the development of small innovation business in the republic will motivate business entities of our country to join the activities of such international organizations.

The national innovation system should have legal and economic mechanisms for better communication between business enterprises, firms and investors at the state level. These mechanisms are implemented through firm shares, technological risk insurance, financing issues, etc. (Figure 1).

It should be noted that priority state support of small innovative entrepreneurship can be implemented only in large corporations that are operating stably. Small innovative entrepreneurship can be one of the main factors in the development of the economy, but it can fail in a country without a competitive industry and a strong economic base.

In the development of the country's economy, there should be participants of the innovation market - state and social funds. For this, it is appropriate to create funds that support the comprehensive development of small enterprises in the scientific and technical field. In this case, the main task of the state fund that supports the development of small enterprises of this type is the effective production and sale of products and services produced on the basis of intellectual property belonging to it. It will be necessary to develop mechanisms and implement them in practice. The unique feature of this fund is that it finances the implementation of scientific research and experimental design work even at the most fragile stage of the investment process.

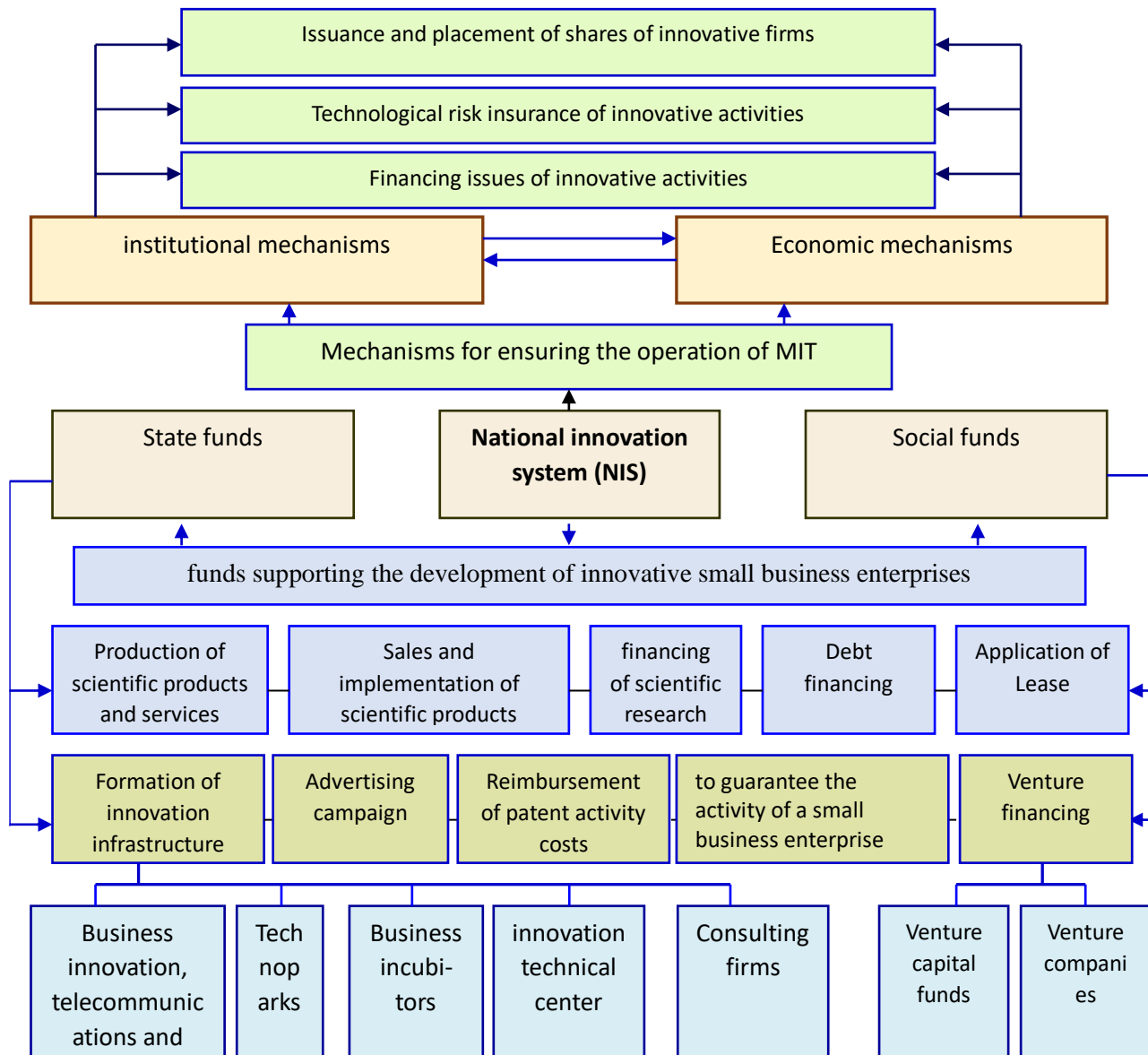


Figure 1. Structural structure of the national innovation system²

The support fund can also be used to implement issues such as debt financing and leasing. Also, it should not be limited to engaging in direct leasing transactions, such as buying equipment of foreign and large companies and leasing it to small enterprises. Sometimes, the fund may purchase equipment produced by small enterprises and sell it to other enterprises, including small enterprises, under leasing, that is, by delaying the payment period. As a result, small enterprises that manufacture equipment receive a fee for the sold product and settle with this fund.

Another way to support a small innovative business is to guarantee the financial economic activity of a small enterprise with the condition of carefully checking its capabilities in advance.

And finally, it is appropriate to note the following important forms of assistance to small businesses, namely: assistance in conducting an advertising campaign, reimbursement of expenses for obtaining a patent, taking into account modern requirements for patent activity, etc. In our opinion, the main tasks of the fund supporting the development of small enterprises in the scientific and technical sphere should include the expansion of work on the creation of elements of the innovation infrastructure. Their main founders are business-innovation, telecommunication and trade networks, technology parks, business incubators, innovation-technological centers, consulting firms,

² Source: Compiled by the author

business parks.

Also, the need to develop innovation entrepreneurship requires the active introduction of one of the effective and effective forms of innovation investment - venture capital into economic practice. The difference between venture financing and a regular loan is that the received funds are given without the condition of repayment in predetermined periods and without paying interest. In this case, these funds are distributed in the form of non-refundable, targeted subsidy-grant based on selection. The success of the enterprise depends on bringing the new product to the production stage using the conveyor method and obtaining high profits. In this case, the financier, who gave loans instead of shares, will have the opportunity to increase his advanced capital, and the profit from the increase in the company's share price will become the main incentive for venture capital investment.

The idea of venture financing led to the creation of venture funds, venture capital funds (a source of financing) and venture companies (objects of venture funds' investment activity). Sources of venture capital can be pension funds, insurance companies, charitable foundations, various private investors, banks, foreign investors.

The main task of a venture fund is to increase the value of investments several times, usually about 10 times, within 5-7 years. Investors get their money back plus up to 80% of the tenfold profit. Research shows that currently in Uzbekistan, projects related to communication, information technology, biotechnology can give good results in the future, and small innovative companies can successfully operate in these areas.

In our opinion, the establishment of venture funds in Uzbekistan will be the main impetus for the development of modern scientific production and the use of rich scientific and technical opportunities in the country. Venture capital funds seek to obtain funds from large financial institutions and distribute them through venture capital firms.

At the same time, it should be taken into account that innovation business can have various negative consequences. In this case, it is necessary to take into account the following risks in the involvement of small business in innovation processes in the conditions of the developing economy of Uzbekistan:

- risks of originality - the main risk is that there may be no market demand for the original technologies produced;

- technological incompatibility - any new product can be invested only in conditions where it can be technologically used in production;

- legal incompatibility - a simple legal illiteracy can be an obstacle to bringing a developed venture business to a small business that is just being formed, which on the one hand leads to the fact that the authors of technologies do not comply with their obligations to the investor, and on the other hand, they try to protect their own innovations through a patent, which does not always justify itself;

- financial dissimilarity - in this situation, the risk may be the possibility that the funds spent on the innovation project will not match with the financial resources necessary for the implementation of the project;

- inability to manage the project - in this case, the project can be successfully implemented only when the original and careful design of the project is combined with the manager, team unity and competence (when high professional and organizational qualities are carried out together);

- uncontrollable risks of the company - the interests of investors and company managers often do not coincide.

Thus, if the functioning of the national innovation system is considered based on the conditions of the market economy, the market of scientifically based products and services can be considered as one system. A special feature of the formation of the innovation system in Uzbekistan is the existence of a sufficiently powerful scientific and technological complex, inherited from the former

Union, in addition to the above. It can be said that the rational use of this can be a comprehensive basis for the development of small business of our republic and revitalization of innovation processes. However, despite the fact that the innovation small business is of great importance for the development of the competitiveness of private entrepreneurship and despite the opportunities of the rich scientific potential in Uzbekistan, the small forms of the innovation business have not yet developed to an adequate level. In our opinion, in order to revive the process of developing competitive small business, it is necessary to create state and public funds that support the development of small enterprises in the scientific and technical sphere. Here, basically, all activities for the development of small innovation business should be solved at the scale of the national innovation system.

In conclusion, we can say that - the principles of selecting indicators for assessing the competitiveness of small business have been developed and determined;

- a rating method for assessing the competitiveness of small businesses in our country was recommended and methodological approaches for its implementation were developed;

- The competitiveness rating of small business enterprises in Uzbekistan in 2003-2006 was determined and the main factors affecting their dynamics were analyzed;

- economic and budget policy measures necessary to activate the participation of small business enterprises in innovations were recommended;

- scientifically based recommendations on the activation of innovation-based small business by means of the organization of the national innovation system, as well as state and social funds that support the development of small enterprises in the scientific and technical sphere;

- as a necessary direction to increase the competitiveness of small business, proposals were developed to create an effective operating infrastructure of small business;

- in the stage of deep structural changes, the expediency of wide regulation by the state, combining the activities of small enterprises with the protectionist policy that is in their interest, was justified.

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