



## **THE ROLE AND IMPORTANCE OF PRIVATE ENTREPRENEURIAL ACTIVITY IN INCREASING COMPETITIVENESS IN THE ECONOMY OF OUR COUNTRY**

Abdurakhmonov Sherali Sharifjonovich  
Namangan State University PhD Student  
abduraxmonov.sherali.86@gmail.com

### **Abstract**

This study is devoted to analyzing the current state of private entrepreneurial activity in the process of increasing competitiveness in the economy of Uzbekistan. Private entrepreneurship is an important component of the country's economy and serves to promote market relations, create new jobs, strengthen innovative activities and increase export potential.

The study explores the current development trends of private entrepreneurial activity, public policies aimed at supporting it, and the main problems of the business environment. Also, the role of private entrepreneurship in increasing competitiveness is evaluated on the basis of methods of economic-statistical and empirical analysis. Through the development of the private sector, it is possible to improve the environment of economic competition in the country and increase the efficiency of business entities. As a result of the study, scientific and practical recommendations are developed on improving competitiveness in the country's economy through the development of private entrepreneurship.

**Keywords:** Private entrepreneurship, competitiveness, economic development, market economy, business environment, state support, investments, export potential, technological modernization, economic reforms, small business, medium-sized business, financial resources, digital economy, institutional development.

### **Introduction**

One of the main goals of the economic reforms being implemented in our country is to develop market relations, increase investment attractiveness, and accelerate integration into the international economic space. In this process, private entrepreneurship is recognized as an important driver of economic development, serving to ensure sustainable economic growth, develop innovative activities, create jobs, and improve the living standards of the population.



Today, special attention is paid to the development of the private sector in Uzbekistan. In recent years, a number of reforms have been implemented to create a favorable business environment for business entities, reduce the tax burden, improve the lending system, attract investments, and strengthen the legal protection of entrepreneurs. In particular, the Law "On Guarantees of Entrepreneurship", various programs of state support for entrepreneurship, and reforms in the banking and financial system are paving the way for the development of the private sector. [1].

However, despite the existing reforms, the pace of development of private entrepreneurship and its contribution to the economy should be increased. This can be achieved by positively addressing issues such as the effective use of financial resources, ensuring stability in the investment environment, improving tax compliance, further improving production infrastructure, and introducing innovations. In particular, issues such as problems with entering international markets, the need to bring the quality of products and services to international standards, and improving business culture are decisive factors in building a competitive economy..

The relevance of this study is that it is necessary to develop effective strategies by deeply analyzing the current state of private entrepreneurship and assessing its impact on the level of competitiveness in the country's economy. The sustainable development of the private sector creates favorable conditions for increasing the competitiveness of the economy, introducing new technologies, and creating innovative products. [2].

### **Literature review related to the research work**

The concept of competitiveness in economics was developed by classical economists such as Adam Smith and David Ricardo, who emphasized that the main driving force of a market economy is competition. Later, Joseph Schumpeter (1911) put forward the idea of innovative entrepreneurship and indicated competition as the basis of economic development [3][4].

Among domestic researchers, Sh. Khabibullayev (2020) evaluates private entrepreneurship as an important component of economic reforms and studies its role and prospects in the economy of our country. A. Mahmudov (2021) focuses on the issue of ensuring economic growth by improving the business environment[8].



Among foreign researchers, Michael Porter's (1990) work "Competitive Advantage of Nations" occupies an important place. He analyzes the main factors determining the competitiveness of a country and emphasizes the importance of the private sector in developing the business environment.

In recent years, a number of state programs have been adopted in Uzbekistan to develop private entrepreneurship. Within the framework of the "New Uzbekistan Development Strategy for 2022-2026", specific measures have been identified to support business entities, improve the business environment and strengthen the investment climate.

Sh. Juraev's (2022) research analyzes the contribution of small and medium-sized businesses to economic development in Uzbekistan and considers the issue of stimulating entrepreneurship through reducing the tax burden and liberalizing credit policy[8].

## **Research Methodology**

Private entrepreneurship in the economy of Uzbekistan is one of the important factors of national economic growth, playing an important role in increasing employment, expanding the volume of gross domestic product (GDP) and improving the living standards of the population. Within the framework of this study, the level of development, current state and prospects of private entrepreneurship were analyzed.

The main objective of this study is to analyze the importance of private entrepreneurship in increasing competitiveness in the economy of Uzbekistan and to study its level of development, existing problems and prospects on a scientific basis. The study uses modern methods of economic analysis, statistical methods and empirical research. Systematic, complex and dynamic scientific approaches were used to study the factors affecting the development of private entrepreneurship.

The main sources of information used for the study are the following: decrees and resolutions of the President of the Republic of Uzbekistan, government programs, statistical and analytical data of the State Statistics Agency, the Ministry of Economy and Finance, the Chamber of Commerce and Industry and other state bodies, reports and presentations published by scientific research institutes, international financial organizations and independent analytical centers.

The results of the study are of great importance for determining the current state and future prospects of the development of private entrepreneurship, analyzing



existing problems in the sector and developing recommendations for their elimination. This study also serves as a scientific and practical basis for the formation of state policy on strengthening the role of the private sector in the economy.

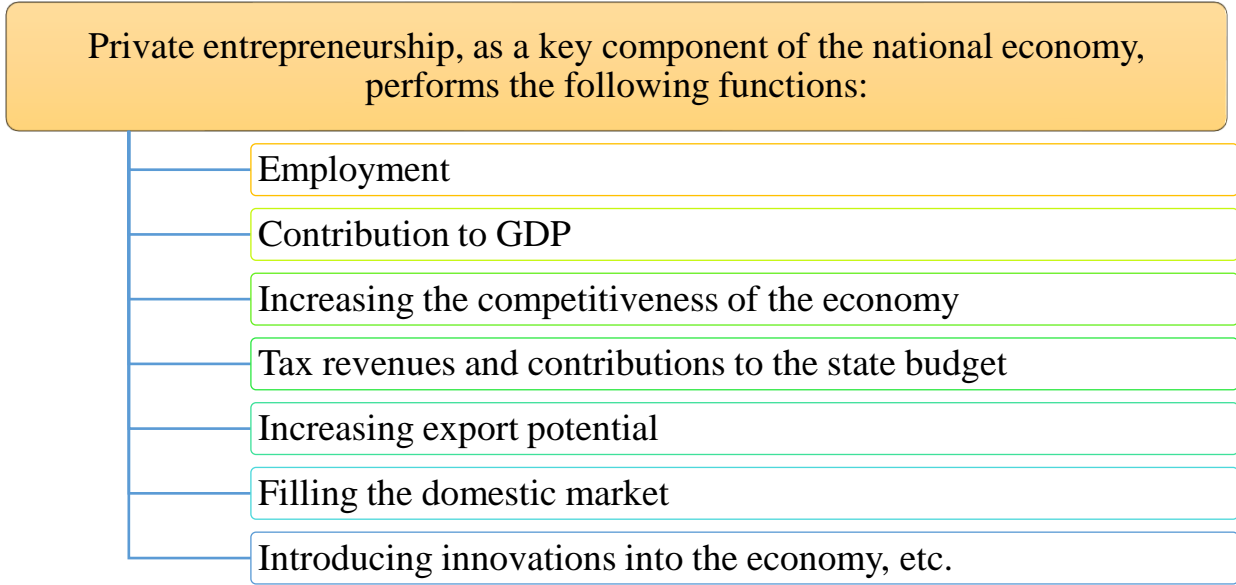
## **Analysis and Results**

In the modern global economic environment, competitiveness has become one of the main factors of success for countries and enterprises. By increasing competitiveness, countries have the opportunity to strengthen their positions not only in the domestic market, but also internationally. Private entrepreneurship plays an important role in the dynamic development of the economy, the creation of new jobs, the introduction of innovations, and the further development of market relations.

The importance of private entrepreneurship in increasing competitiveness in the economy of our country is increasing. Private entrepreneurs are not only the main creators of gross domestic product (GDP), but also one of the main pillars of a market economy. At the same time, the current state of private entrepreneurship and its role in increasing competitiveness depend on a number of internal and external factors[7].

By studying this topic, it is possible to gain a deeper understanding of the level of development of private entrepreneurship in our country, its contribution to increasing competitiveness, as well as the problems that exist in this area and ways to overcome them. There is an opportunity to contribute to the further development of our country's economy by supporting private entrepreneurship and fully realizing its potential.

Today, private entrepreneurship serves as an important source of production and services in various sectors of the national economy[3][4].



**Figure 1. The importance of private entrepreneurship in the economy**  
(Developed by the author)

To understand the importance of private entrepreneurship in the economy of our country, it is necessary to analyze its place in socio-economic development in more depth. The main goal of private entrepreneurship is to create new opportunities, increase market competitiveness, ensure socio-economic development and strengthen the country's economic independence[9]. If we consider the importance of private entrepreneurship in the economy of our country according to Figure 1, it is not only the main driver of economic growth, but also a decisive factor in providing employment to the population. Since the years of independence, large-scale economic reforms have been implemented in the country aimed at developing private entrepreneurship. In particular, the role of the private sector in the economy has significantly increased by easing the tax burden, eliminating administrative obstacles and creating favorable conditions for supporting entrepreneurship. In the conditions of Uzbekistan, where the age structure of the population is growing, creating new jobs is one of the important tasks for the economy. Private entrepreneurship is emerging as the most suitable economic mechanism for effectively addressing this issue. Small and medium-sized businesses provide employment to a large number of people in agriculture, industry, services, and crafts. Especially in rural areas, private entrepreneurship contributes to social stability by providing employment to the population[6].



The government of Uzbekistan is pursuing an incentive policy to further develop private entrepreneurship and increase its impact on employment. In particular, these include measures such as providing preferential loans to entrepreneurs, creating a business support infrastructure, and implementing public-private partnership projects.

If we analyze the overall contribution of private entrepreneurship to the economy in our country, in the 2010s the state sector dominated the economy of Uzbekistan. The contribution of private entrepreneurship to GDP was relatively low (approximately 30-40%). Private entrepreneurship was mainly active in agriculture, small trade, and services[10].

In 2016, economic reforms were accelerated in Uzbekistan. Measures to support private entrepreneurship (tax incentives, reducing bureaucratic barriers, loans) were implemented. As a result, the contribution of private entrepreneurship to GDP has increased significantly (up to about 45-50%).

By 2020, the contribution of private entrepreneurship to GDP was around 50-55%. The private sector has expanded in areas such as trade, services, agriculture, and light industry.

During the pandemic in 2020-2021, private business entities faced difficulties, especially in the trade, tourism, and service sectors. However, thanks to government support measures (tax breaks, subsidies, loans), the private sector quickly recovered. By 2021, the contribution of private entrepreneurship to GDP remained around 55%[10]. Economic reforms continued in subsequent years, in particular, new decisions and programs were introduced to encourage private entrepreneurship. The contribution of the private sector to GDP approached 60%. The role of private entrepreneurship in the fields of e-commerce, transport, construction, and tourism has significantly increased. Competitiveness in a modern economy is one of the important factors for the sustainable development of a country and strengthening its position in the global market. The economic potential of any state largely depends on how developed the competitive environment is in its domestic market and how effectively private entrepreneurship operates. From this perspective, the development of private entrepreneurship has a direct impact not only on economic growth, but also on increasing the competitiveness of the national economy in the global market.

After Uzbekistan gained independence, special attention was paid to the development of the private sector in the process of implementing reforms based on the principles of a market economy. In particular, as a result of the large-scale



economic reforms implemented since 2017, the legal and institutional framework for supporting private entrepreneurship has been strengthened. The role of the state in the economy has been gradually reduced, and the desire to create a free competitive environment for business entities has been strengthened.

Private entrepreneurship and economic competitiveness are closely related, and this relationship is explained on the basis of various economic theories. In particular:

The main idea of Adam Smith's "Invisible Hand" theory on a market economy is that entrepreneurs, pursuing their own interests, have a positive impact on the economy. The growth of the private sector leads to the efficient allocation of resources and the formation of a healthy competitive environment in the market[9]. According to Joseph Schumpeter's theory of "Innovative Competition", private entrepreneurs contribute to economic growth by introducing new technologies and innovations to the market. This process is called "creative destruction" and increases competitiveness by replacing old technologies with new ones[4].

Michael Porter's theory of "Competitive Advantage" identifies four main factors for ensuring economic competitiveness[3][5]:

- Factors of production (labor, capital, technology)
- Demand conditions (consumer demand for quality)
- Value chain (connections between industries)
- Development of the competitive environment

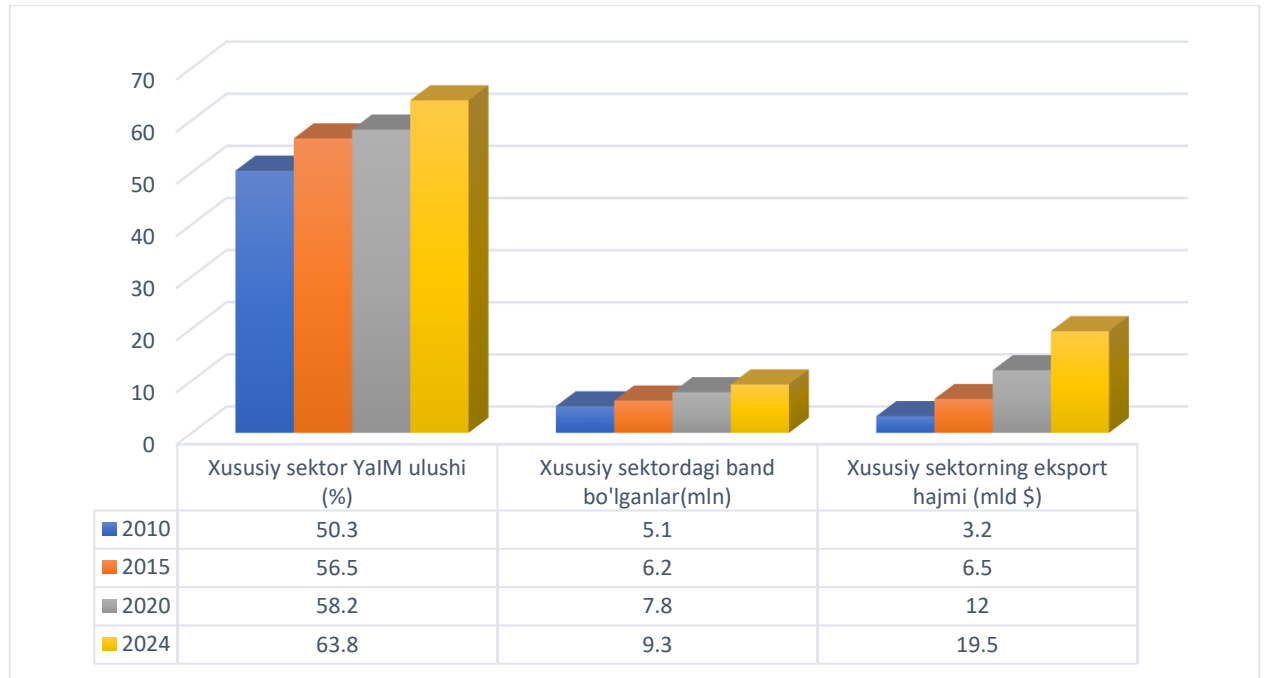
According to this theory, private entrepreneurship contributes to the strengthening of the national economy in the global market by stimulating competition.

Since the 2010s, and especially after 2016, Uzbekistan has entered a phase of deep economic reforms. During this process, private entrepreneurship has become one of the main pillars of the economy. The private sector has brought the country's economy to a new level by not only creating jobs, but also increasing the competitiveness of the economy, stimulating innovation, and strengthening export potential.

Since 2017, Uzbekistan has paid great attention to increasing the share of the private sector in the path of economic reforms.

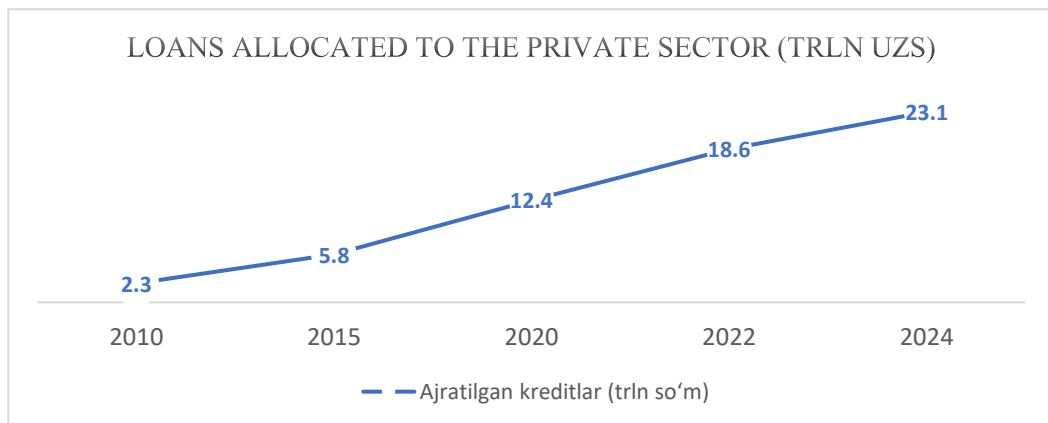
While in 2010 the private sector accounted for 50.3% of GDP, by 2015 this figure increased to 56.5%, and by 2020 to 58.2%. The share of the private sector in GDP by 2024 reached 63.8%. This indicates that private entrepreneurship is playing an increasingly important role in the economy.

While 5.1 million new jobs were created in 2010, this figure reached 6.2 million by 2015 and 7.8 million by 2020. By 2024, the number of new jobs reached 9.3 million. This shows the important role of the private sector in creating employment.



**Graph 1. Indicators of the impact of private entrepreneurship on the economy, 2010-2024[10].**

In 2010, the private sector's export volume was \$3.2 billion, but by 2015 this figure had increased to \$6.5 billion, and by 2020 to \$12.0 billion. By 2024, the private sector's export volume had reached \$19.5 billion. This indicates the important role of private entrepreneurship in increasing export potential.

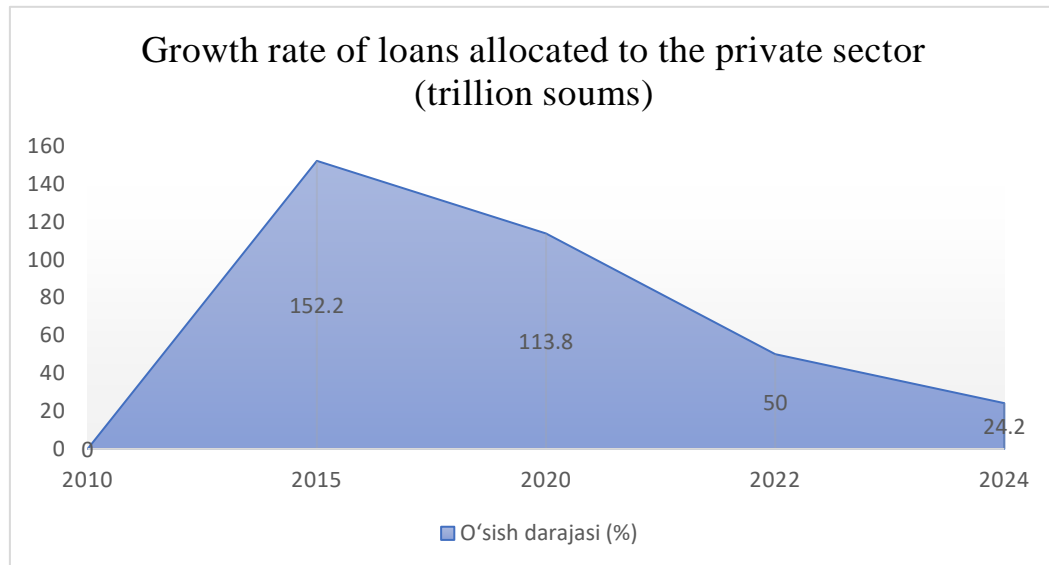


**Chart 2. Loans allocated to support private entrepreneurship (trillion soums)[10]**



The volume of loans provided by commercial banks and financial institutions to support private entrepreneurship, which is one of the important directions of Uzbekistan's economic policy, is constantly growing. The following main trends are observed:

2010-2016 - The volume of loans provided gradually increased, but state-owned banks dominated. Lending was mainly directed to large manufacturing enterprises.



**Chart 3. Loans allocated to support private entrepreneurship (in percent,%)[10]**

2017-2021 - As a result of large-scale economic reforms, financial support mechanisms for the private sector have been improved. In particular, microcredit and preferential lending mechanisms have been expanded.

2022-2024 - The volume of lending has increased sharply. There has been a significant increase in the volume of financing of private business entities by commercial banks and international financial institutions.

Conclusions and recommendations. The main analytical results of the study showed that the political and economic conditions created by the state for the development of the private entrepreneurship sector are an important factor, which positively affects the growth of this sector.

In recent years, reforms and new initiatives (for example, preferences for private entrepreneurship, tax breaks, improving the legal framework) have increased the activity of small and medium-sized businesses, but more comprehensive reforms are required for this activity to be permanent and sustainable.



Also, technological modernization of private entrepreneurship and its adaptation to modern business methods are important in increasing Uzbekistan's competitiveness in the global market.

Therefore, we believe that the above points are really relevant today. It is also urgent to find solutions to these problems. During the ongoing reforms, it should be the task of each of us to solve problems in the areas of development of small businesses and take appropriate measures.

Based on the results of the study, the following proposals are made to increase the competitiveness of private entrepreneurship and contribute to the sustainable growth of the country's economy:

- Expanding financial support - improving the mechanism for providing preferential loans and grants for small businesses. The state needs to increase financial resources, attract investments, and launch new programs aimed at business development.
- Removing legal and bureaucratic obstacles - it is necessary to simplify tax, licensing and other legal systems, eliminate obstacles to the development of entrepreneurship.
- Introduction of innovative technologies - technological modernization of private entrepreneurship and attraction of investments in the production of new technologies. It is necessary to organize programs and courses that will help entrepreneurs use digital tools.
- Promoting competition and combating monopoly – developing legal measures to promote competition, reduce monopolistic situations, and make the business environment open and fair.
- Expanding export opportunities - creating the necessary infrastructure and systems to bring private entrepreneurs to international markets, increase exports. Also, developing strategies aimed at attracting foreign investment.
- Support for small businesses - integration of small businesses with large industrial enterprises, development of cooperation systems and organization of business clusters.

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