



## Stages of State Financial Regulation of Entrepreneurial Activity in Modern Conditions

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**Annotation.** The purpose of this scientific article is to study and analyze the issues of state financial regulation of entrepreneurial activity in modern conditions. The article considers various aspects of financial regulation, such as taxation, financial support, budget planning and control. The main attention is paid to the analysis of the effectiveness and efficiency of existing mechanisms of financial regulation and their impact on the business environment. The topical issues of state financial regulation of entrepreneurial activity, as well as the conditions that determine the high efficiency and effectiveness of the financial regulators used in the development of small business in the Republic of Uzbekistan, were studied.

**Key words:** state financial regulation, financial methods, financial instruments, state financial support, balancing budgets, tax regulation.

Modern entrepreneurship plays an important role in economic development and job creation. Public financial regulation of entrepreneurial activity aims to ensure stability, fairness and effectiveness of taxation, financial support and other instruments that affect the business environment. In the conditions of rapid technological progress and changing economic situation, it becomes important to study modern problems and challenges faced by entrepreneurs, as well as to analyze the effectiveness of existing regulatory mechanisms.

*State financial regulation of the economy is a process of purposeful and consistent application of forms and methods of financial influence on economic entities to influence the macroeconomic equilibrium and progressive development of the economy at each specific stage of its functioning.*

State financial support measures can apply to both advanced economic sectors and traditional sectors in a given country, especially agriculture, but such support has limitations in today's environment.<sup>1</sup>

In modern conditions, state regulation and promotion of entrepreneurship is being strengthened, organizational forms of interaction between state bodies and private business entities are changing, and significant shifts are taking place in the goals, mechanism, apparatus of management, and combination of state and market mechanisms of regulation.

In Uzbekistan, state financial regulation of entrepreneurial activity is implemented through several stages, which include

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<sup>1</sup>Zhiyanova N. E. Public Finance Management: Textbook. - T.: "IKTISOD-MOLIYA", 2019. - 444 c



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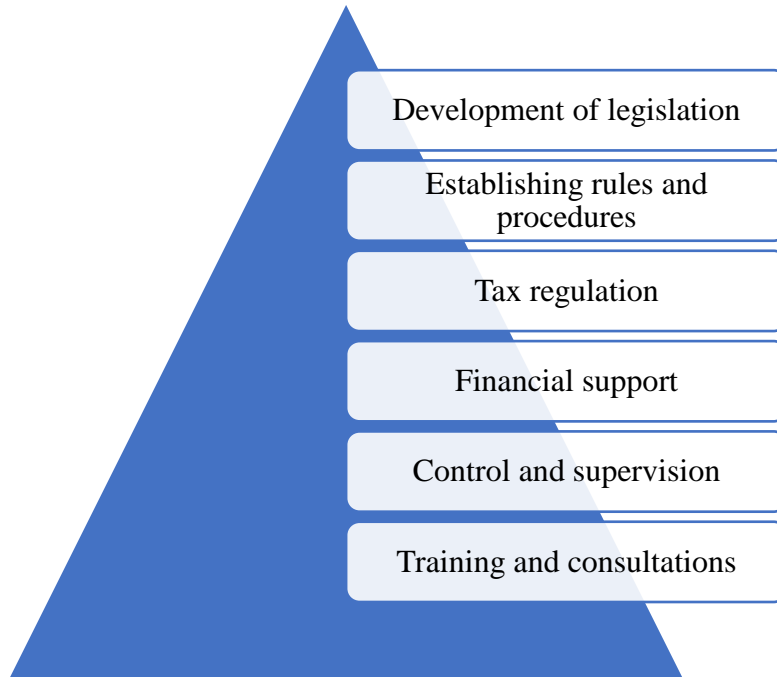
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**Figure 1. Stages of state regulation of entrepreneurial activity<sup>2</sup>**

**Legislative drafting:** The state drafts and adopts laws and regulations governing business activities. This includes legislation on entrepreneurship, investment, taxation, customs, competition and other relevant aspects.

**Establishing rules and procedures:** An important step is the establishment of rules and procedures that entrepreneurs must follow in carrying out their activities. This may include requirements for business registration, obtaining licenses and permits, reporting and paying taxes.

**Tax regulation:** The state determines the tax rates and rules for taxation of enterprises and individual entrepreneurs. There are various types of taxes in Uzbekistan, such as value added tax, profit tax, property tax and others. The state also establishes tax exemptions and incentives for certain sectors and types of entrepreneurial activity.

**Financial support:** The state provides various forms of financial support to entrepreneurs. This can include preferential loans, grants, subsidies, guarantees and other forms of financial assistance. The purpose of such support is to stimulate the development of entrepreneurship, especially in small and medium-sized enterprises, as well as in sectors with high growth potential.

**Control and supervision:** The state monitors and supervises business activities to ensure compliance with rules and regulations. This includes financial audits, compliance checks, monitoring of financial performance and business activities.

**Training and advice:** The state provides information to entrepreneurs on the legislation, rules and procedures of financial regulation. This can be done through the creation of specialized information portals, publications, newsletters, consultations, etc. The main goal is to ensure that the

<sup>2</sup> The drawing is based on the material studied



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information is accessible and understandable to entrepreneurs.

The purpose of state regulation of entrepreneurial activity is to create certain conditions ensuring normal functioning of the economy as a whole and stable participation of entrepreneurs of the country in the international division of labour and getting optimum benefits from this. The government of each country, of course, has its own objectives at each particular stage and seeks to achieve them by the methods and means available to it, as applied to the emerging economic situation in its country and in the world economy. Therefore, the goals and objectives of state regulation are subject to change, while the mechanism of regulation is quite well developed, although it has peculiarities in each individual country.

Entrepreneurship is a historical category, and its evolution is inextricably linked to the development of the market economy. Its economic nature is therefore inextricably linked with the latter. The product of which it is. The development of the market economy has contributed to a change in the scale and scope of entrepreneurship and, most importantly, to the development of its content and forms of manifestation. Like any socio-economic phenomenon, entrepreneurship can be seen both in terms of the form in which it is carried out and the relations embodied in it.

At present, Uzbekistan continues to strengthen the impact on entrepreneurship through various levers; the development of the national economy and its high competitiveness in the domestic and foreign markets will depend on it. Such statement of the issue, is particularly relevant in the implementation of the objectives of the New Uzbekistan Development Strategy for 2022-2026.

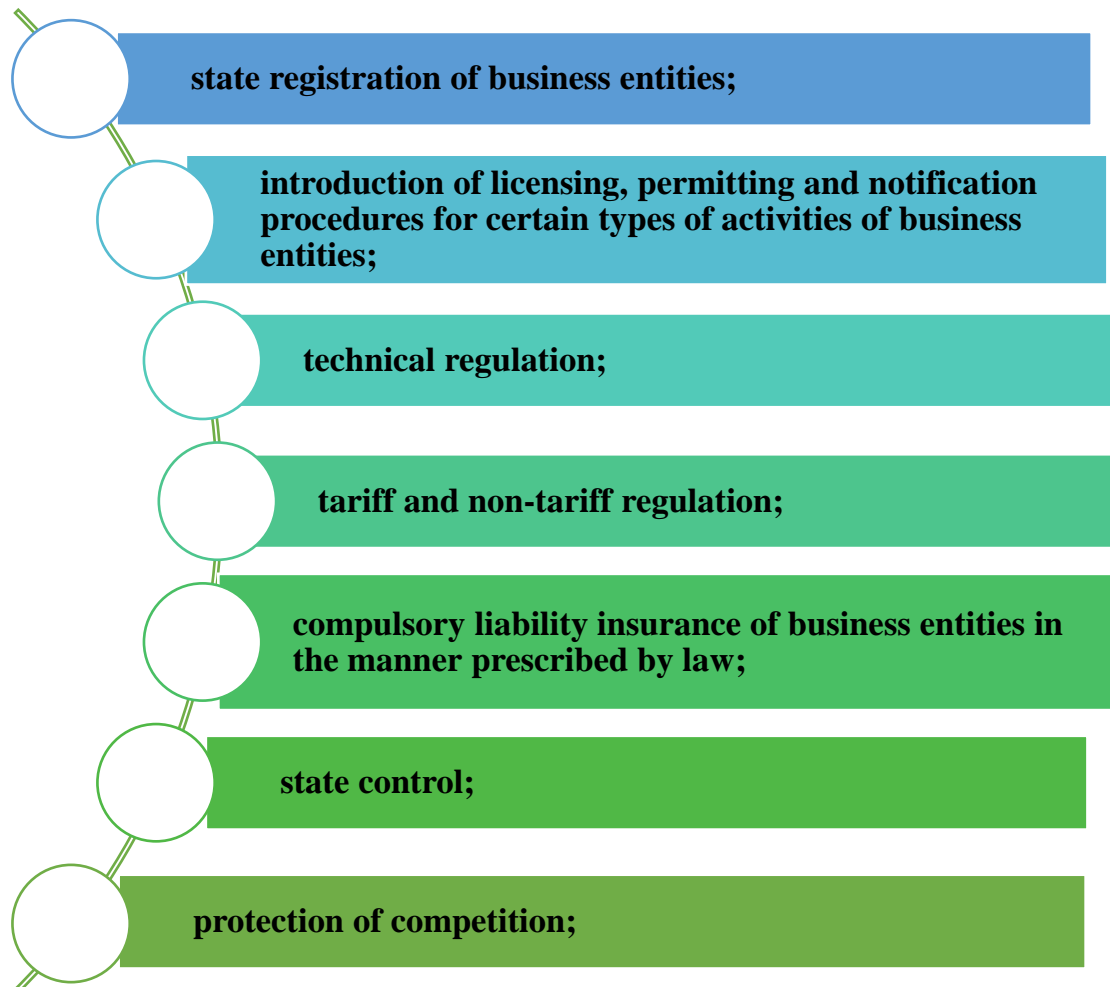
The main privileges for small businesses are

- the application of a special tax regime;
- the use of simplified accounting and simplified financial statements;
- application of various tax incentives;
- Simplified cash operations, the possibility of not having to set a cash limit;
- simplified statistical reporting procedures;
- absence of scheduled inspections by supervisory authorities;
- the use of preferential programs to maintain and develop the business.

As we have already mentioned, the state creates special favorable business conditions for micro and small businesses, with the following financial and social objectives:

- Ensure that small-scale, freelance service providers come out of the shadows and become self-employed;
- create new jobs and reduce social tensions by increasing the welfare of the population;
- reduce budgetary expenditure on unemployment benefits, health insurance and pensions for the formally unemployed;
- to develop new activities, especially in the area of innovative productions that do not require significant costs.

State regulation of entrepreneurial activity is carried out exclusively through the following instruments



**Figure 2. Instruments of state regulation of entrepreneurial activity<sup>3</sup>**

The number of small businesses per 1,000 population in Uzbekistan as at 1 October 2022 was 17.7. The number of small businesses per 1,000 inhabitants was highest in Yakkasarai district: 72.4.<sup>4</sup> A Presidential Decree of 09 November 2022 on measures to simplify State regulation of entrepreneurial activity was adopted.

The decree abolishes the following requirements from 1 January 2023:

- written notification of creditors when a decision is made to reduce the statutory fund (share capital) of a business entity and an announcement about it in the media;
- The sale of new imported vehicles only by legal entities that are official dealers of manufacturing companies;

<sup>3</sup> The drawing is based on the material studied

<sup>4</sup> <https://stat.uz/ru/press-tsentr/novosti-goskomstata/32486-kichik-trrrradbirkorlik-biznes-subyektlarining-soni-har-1000-aholiga-birligi-4>



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- Suspension of electricity supply to legal entities that consume electricity in excess of the amounts specified in the electricity supply contract (monthly contractual volume);
- registering separately with the tax authorities workers employed by the self-employed by registering them in the Unified National Labour System.

A procedure has been established whereby from 1 March 2023

- Taxpayers have the right to appeal directly to the courts against decisions made by the tax authorities on the results of on-site tax audits and tax audits;
- All legal entities, irrespective of their form of ownership, are allowed to provide commercial services through the UPIS, provided that information security requirements are met. The Ministry for the Development of Information Technology and Communications and the legal entity providing the service determine the procedure for the provision of non-state services via EPISU;
- orders based on direct public procurement contracts, the amount of one of which is 3,500 BRW or more, implemented in accordance with Cabinet of Ministers resolutions, are not allowed;
- It is prohibited to purchase goods (works, services) whose value amounts to BRW 3,500 or more under direct contracts between a ministry (department, institution) and an organization (institution) that is part of it.

When shaping the system of legal support for business development, it is important to ensure the high quality of legislative acts. They should not contradict each other and should be directly applicable legislation where possible.

There should be a mechanism for their implementation, a guarantee of entrepreneurs' rights, economic and other aspects of liability in case of their violation, etc.

It is equally important to establish a system of state regulation of financial provision and support for modern entrepreneurship. This will require qualitative improvements in taxation policy, credit, insurance, financing, depreciation, etc. There are five key areas for such improvement.

1. Further improve the main vector of taxation towards encouraging modern, efficient entrepreneurship through a system of incentives.
2. Existing lending practices need to be improved. Public credit resources for medium-term lending should be created and multiplied, and medium-term lending by commercial banks should be encouraged. A system of state and local funds to support entrepreneurial structures from consolidated sources (state budget allocations and entrepreneurial revenues, resources allocated by international organizations to support small businesses, etc.) is badly needed.
3. The state regulation of business insurance should also be improved. This requires a rational mix of state and market-based forms of insurance for the innovation process. It is important to promote in various ways the creation of mutual entrepreneurship insurance companies, whose founders could be state and entrepreneurial structures, innovation and investment funds, insurance companies and venture capital firms.
4. There is much to be done to shape the system of organizational infrastructure support for entrepreneurship as a whole. It is important to develop and adopt a concept and program for infrastructure support for entrepreneurship, etc.

## A list of the literature used:

1. The Tax Code of the Republic of Uzbekistan (new version) was approved by Law No. ZRU-599 of 30.12.2019;



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