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PROBLEMS OF INCREASING THE PARTICIPATION OF THE PRIVATE SECTOR IN THE ECONOMY OF UZBEKISTAN

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Abstract. This article analyzes the problems of increasing the share of the private sector in the economy of Uzbekistan. The role and importance of the private sector in the process of economic reforms being carried out in the country, its share in gross domestic product, and development trends across sectors are considered. The main problems hindering the activities of the private sector - tax and administrative barriers, limited financing opportunities, competition with state-owned enterprises, insufficient human resources, and a high share of the shadow economy - are analyzed in detail. Also, privatization programs implemented in recent years, entrepreneurship support policies, and reforms to improve the business environment are analyzed. At the end of the article, practical proposals are put forward to increase the share of the private sector.

Keywords: private sector, economic reforms, competition, tax system, privatization, shadow economy, entrepreneurship.

Introduction. In recent years, fundamental changes have been taking place in the economy of Uzbekistan. The introduction of market mechanisms, reducing state participation, and creating broad opportunities for the private sector remain one of the main directions of reforms. Because for the healthy development of the economy, the active participation of not only state-owned enterprises, but also the private sector is important [1]. Private entrepreneurship is emerging as the main driver of economic growth, a force that creates new jobs, shapes the competitive environment, and introduces innovations. Today, the share of the private sector in Uzbekistan's gross domestic product is close to 80 percent. This indicator is certainly positive, but in some areas, the state's dominance is still high. For example, in energy, transport and logistics, and the banking and financial system, the state's share is significantly higher. Therefore, competition in these areas is relatively low, and the private sector does not have complete freedom of activity [2]. However, in sectors such as trade, services, agriculture, and small-scale production, the private sector is increasingly expanding.

One of the most important aspects that shows the importance of the private sector in the economy is the issue of employment. Small businesses and private entrepreneurship entities operating in the country provide employment to a large part of the population. According to statistics, more than 75 percent of the employed population in the labor market works in the private sector. This eases the social burden of the state and ensures economic stability.

When viewed across sectors, the private sector is increasingly leading the services market. The share of private entrepreneurs in some segments of trade, transport services, household services, education and healthcare is very large. At the same time, the number of private enterprises is also increasing in the manufacturing sector. The private sector is developing rapidly, especially in areas such as food, textiles, building materials, and pharmaceuticals. This process serves to fill the domestic market, produce import-substituting products, and increase export potential [3]. Of course, there are a number of problems in this area. One of them is the issue of financing.

Many small businesses have difficulty obtaining bank loans, as interest rates are high and collateral requirements are strict. The simplification measures implemented in the tax system are yielding positive results, but excessive bureaucracy still restricts entrepreneurial activity. Competition with state-owned enterprises remains a difficult task for private business in some sectors [4]. At the same time, the government is paying great attention to the development of the private sector. Hundreds of state-owned enterprises are being brought to the market as part of the privatization program for 2023-2030. Reforms such as reducing the tax burden, expanding e-government services, and introducing a "single window" system are creating favorable conditions for business. Grants, soft loans, and subsidies are also being provided to support young entrepreneurs and startup projects.

The economy of Uzbekistan has been undergoing significant structural changes in recent years. The country is implementing a number of reforms aimed at introducing market mechanisms, developing entrepreneurship, and supporting the private sector. However, despite this, the share of the private sector in the economy has not yet reached the expected level. There are a number of systemic problems that cause this, the most pressing of which are tax and administrative barriers, limited financing opportunities, problems of competition on equal terms with state-owned enterprises, insufficient human resources, and a high share of the shadow economy.

One of the factors hindering the sustainable development of private business is the heavy tax and administrative burden [5]. Although tax rates have been reduced in recent years, the complexity and frequent changes in some regulations put business entities at a disadvantage. For example, the complicated reporting process for small and medium-sized enterprises, and in some cases bureaucratic delays, take up a lot of their time and resources. In addition, there are administrative obstacles in the process of obtaining certain licenses and permits, which prevent representatives of the private sector from freely conducting their activities.

Financial resources play an important role in the development of the private sector. However, in Uzbekistan, small and medium-sized businesses do not have sufficient access to credit and investment sources [6]. High interest rates on loans offered by commercial banks and strict collateral requirements for obtaining loans remain serious obstacles for many entrepreneurs. Therefore, some small business representatives are forced to seek financing opportunities through informal channels. As a result, their activities are not sustainable, and their development rates slow down.

Another pressing problem for the private sector is competition with state-owned enterprises in the market. In Uzbekistan, state-owned enterprises have a monopoly position in some sectors, in particular in energy, transport and large-scale production. This seriously hinders the operation of private entrepreneurs on the basis of free competition. As a result of the fact that state-owned enterprises often use preferential conditions and are provided with resources at lower prices, the private sector is limited in its ability to operate in an environment of equal competition.

The sustainable development of the private sector is directly dependent on the availability of a qualified workforce. Currently, the fact that the education system is not adapted to the needs of production and the insufficient formation of practical skills creates problems for private enterprises in terms of personnel. Since many young specialists have theoretical knowledge, but do not have practical experience, there is a need for additional training and retraining at enterprises. This creates additional costs for business entities.

The shadow economy also has a negative impact on the activities of the private sector. On the one hand, there are entrepreneurs who operate informally in order to avoid taxes, while on the other hand, formal enterprises suffer from such an unfair competitive environment. As a result

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of the widespread shadow economy, the state budget also suffers, which in turn prevents the allocation of sufficient funds for private business support programs.

The role of the private sector in modernizing the economy of Uzbekistan, increasing its competitiveness and ensuring its sustainable development is invaluable. The main goal of the reforms being carried out in our country today is to reduce the direct participation of the state in the economy, develop private ownership and create broad opportunities for business entities. In this regard, the following practical proposals can be put forward to increase the share of the private sector:

✓ Optimizing tax rates, providing tax incentives for small businesses and startups.
✓ Reducing the time and costs of entrepreneurs by further simplifying and digitizing the process of submitting tax reports.
✓ Encouraging innovative activities, export-oriented production and enterprises that create new jobs with additional tax breaks.
✓ Liberalizing the credit policy of commercial banks, reducing interest rates and simplifying the procedure for obtaining loans.
✓ Supporting new business projects through the creation of investment and venture funds.
✓ Developing the capital market, expanding opportunities for issuing shares and bonds.
✓ Accelerating and transparently conducting the privatization process of state-owned enterprises.
✓ Strengthening anti-monopoly measures and creating conditions for the effective functioning of market mechanisms.
✓ Ensuring equal opportunities for the private sector, opening up wide access to government orders and tenders.
✓ Strengthening cooperation between vocational schools and higher education institutions and the private sector.
✓ Widely implement practical training, business incubators and mentoring programs for entrepreneurs.
✓ Support youth entrepreneurial initiatives and allocate startup capital to them.
✓ Ensure openness and transparency in relations between tax authorities and business entities.
✓ Reduce cash turnover and widely introduce electronic payment systems.
✓ Develop preferential registration mechanisms to legalize informal activities.
✓ Increase the number of "one-stop" centers for starting a business in regions and districts.
✓ Develop programs to stimulate local entrepreneurship, based on the natural resources, labor market and logistics capabilities of each region.
✓ Provide preferential loans and grants for the development of small businesses and family entrepreneurship in rural areas.

Xulosa. In the process of modernization of the economy of Uzbekistan and the full implementation of market mechanisms, increasing the share of the private sector is one of the strategic tasks. The development of private business not only creates new jobs, but also serves the country's sustainable economic growth by increasing gross domestic product, expanding export potential, and increasing budget revenues. At the same time, existing tax and administrative barriers, limited sources of financing, imbalance in competition with state-owned enterprises, insufficient human resources, and a high share of the shadow economy are factors limiting the activity of the private sector. To eliminate these problems, it is important to gradually reduce the tax burden, reduce state participation, expand financial support mechanisms for business, reform the personnel training system in line with modern requirements, and create a transparent market environment. By establishing effective cooperation between the state and the private sector and encouraging private initiatives, it is possible to ensure stability in the economy of Uzbekistan, improve the well-being of the people, and form a competitive national economy in the global economic space.

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