

UDC 339.564.2

JEL classification: G17; H11; H25

## ESTIMATION OF THE ROLE OF SMALL BUSINESS IN INCREASING EXPORT POTENTIAL OF UZBEKISTAN

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## ОЦЕНКА РОЛИ МАЛОГО БИЗНЕСА В УВЕЛИЧЕНИИ ЭКСПОРТНОГО ПОТЕНЦИАЛА УЗБЕКИСТАНА

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*Abstract.* This paper studies the role of small business in the economy and its sectors in Uzbekistan, as well as estimates their role in increasing and diversifying the export potential of Uzbekistan. Moreover, gives a brief and short description and results of reforms and programs held in the creation of a favourable environment for small business. As consequences of those reforms, the number of small business in Uzbekistan increasing steadily. Also acknowledged that agriculture plays a great role in the expansion and diversification of export in the state since it has absolute and comparative advantages in external trade. The share of small business in GDP have a positive high impact on the total amount of export 241.9 million dollars. Moreover, calculations show that there is high elasticity between the share of small business in export and GDP, industry, agriculture high enough.

Conclusions indicate the role of agriculture especially small business in agriculture is very effective in increasing the share of small business in export.

*Аннотация.* Изучена роль малого бизнеса в экономике Узбекистана и его секторах, а также оценена их роль в увеличении и диверсификации экспортного потенциала. Кроме того, дано углубленное и краткое описание и результаты реформ и программ, проводимых в создании благоприятной среды для малого бизнеса. В результате этих реформ число малых предприятий в Узбекистане неуклонно растет. Также признается, что сельское хозяйство играет большую роль в расширении и диверсификации экспорта в государстве, поскольку оно имеет абсолютные и относительные преимущества во внешней торговле. Повышения доли малого бизнеса в ВВП оказывает положительное влияние на общий объем экспорта. Более того, расчеты показывают, что существует достаточно высокая эластичность между долей малого бизнеса в экспорте и ВВП, промышленности, сельском хозяйстве.

Выводы показывают, что роль сельского хозяйства, особенно малого бизнеса в сельском хозяйстве очень эффективна в увеличении доли малого бизнеса в экспорте.

*Keywords:* gross domestic product, export, industry, agriculture, small business, private entrepreneurship, elasticity, elasticity coefficient.

*Ключевые слова:* валовый внутренний продукт, экспорт, промышленность, сельское хозяйство, малый бизнес, частное предпринимательство, эластичность, коэффициент эластичности.

### *Introduction*

The small business is known as a locomotive of the economy in Uzbekistan, accounting for 53.3 per cent of GDP, 78.3 per cent of employment, 27 per cent of export (2). Ever since small business has made significant contributions to the economy in terms of developing private entrepreneurship, decreasing unemployment, increasing income of the population, moreover there is a positive relationship between the relative size of the small business and economic growth [4].

There are many types of research indicated several measures to show the importance of small and medium-sized enterprises (SMEs). Such as share of the total for (i) the number of enterprises, (ii) employment, (iii) domestic output, and (iv) exports [3].

Currently, the government of Uzbekistan is paying great attention in growing the role of small business in increasing export potential of Uzbekistan [5]. Since the results of the studies point out that globalization and elimination of trade barriers, as well as a decrease in transportation and information costs, the emergence of new markets in developing countries increased opportunities for small business to export [1–2].

Uzbekistan has been an agricultural country, accounting more than 50 per cent rural population and 27.3 per cent of employment and 19.2 per cent in GDP, as well as 9.7 per cent of export, comes from food and cotton fibre (2). Agriculture has a great opportunity of expanding and diversifying the export of the state, as it has absolute and comparative advantages in producing several agricultural products. Approximately 99 per cent of agricultural products produced by small business and private entrepreneurship.

The president of the Republic of Uzbekistan Sh. Mirziyoyev noted, “It is necessary to expand the cultivation of fruit and vegetable products, provide qualitative delivery to the population, further intensifying the work on processing and export. Today only 15 per cent of cultivated fruits and vegetables processed in our country, and only 8 per cent exported. These figures do not correspond to the potential of Uzbekistan” (1).

Based on abovementioned we could conclude that it is significant to analyze and estimate the role of small business in the export of Uzbekistan.

### *Small business in the economy of Uzbekistan*

In Uzbekistan government has been held several reforms for wide-range supporting and stimulating the development of small business and private entrepreneurship, as well as measures to create a favourable environment for their activities. Consequently, in 2017 found more than 38.2 thousand small business entities, that is the 22 per cent more than the previous year. The distribution of these small business entities among the sectors of the economy as follows: 27 per cent in industry, 21 per cent in trade, 13 per cent in agriculture and 10 per cent construction. As a result, an average number of small business entities per 1000 population is 12.2 units, or 107 per cent compared to the previous year (2).

The total value of exported goods and services by small business entities were 3763.5 million dollars that are 27 per cent of total exports. Which is 624.4 million dollars more than the previous year or 19.9 per cent more (2). Abovementioned results are the consequences of an increase in the number of small enterprises and micro firms exporting goods and services, which has contributed to the growth in the export amount of state. Compared to 2016 the number of entities increased by 1310, mostly in the industry (733), trade (329), and agriculture (162).

*Estimation the role of small business in export*

The aim of this paper is to estimate the role of small business and find of the relationship between the indicators. For the analysis, we used several indicators that show share and role of small business. In addition to we choose indicators such as the share of small business in export, GDP, Industry and agriculture. Moreover, we used the amount of total export of Uzbekistan in million dollars. Found out the correlation coefficient between indicators using time series data from 2007 to 2017.

Table 1.

CORRELATION COEFFICIENTS BETWEEN INDICATORS

	<i>Share of small business in export</i>	<i>Share of small business in GDP</i>	<i>Share of small business in industry</i>	<i>Share of small business in agriculture</i>	<i>Export in million dollars</i>
Share of small business in export	1.00				
Share of small business in GDP	0.73	1.00			
Share of small business in industry	0.88	0.79	1.00		
Share of small business in agriculture	0.75	0.59	0.81	1.00	
Export in million dollars	0.39	0.72	0.36	0.50	1.00

The results show that the correlation coefficients between the share of small business in export and other indicators except for the amount of export is high enough. Especially share of small business in the industry has the highest impact on the share of small business in export. In general, we can say that correlation coefficients between indicators are positive. It gives chance to conclude that for increasing export of small business and amount of total export positively related to the other indicators.

For estimating the amount and effects of other indicators to the amount of export and share of small business in export used regression analysis. The results of the regression analysis we got following equations between the amount of export and share of small business in GDP as well as other sectors of the economy.

Table 2.

RESULTS OF REGRESSION ANALYSIS

<i>N<sup>o</sup></i>	<i>Equation</i>	<i>t-statistic</i>	<i>p-value</i>	<i>R<sup>2</sup></i>
1.	$AM_{EX} = 241.9 * SHSB_{GDP}$	36	0.000	0.99
2.	$SHSB_{EX} = -48.9 + 1.3 * SHSB_{GDP}$	$b_1 = -2.3$ $b_2 = 3.2$	0.047 0.010	0.54
3.	$SHSB_{EX} = 7.36 + 0.78 * SHSB_{IN}$	$b_1 = 3.0$ $b_2 = 5.7$	0.015 0.000	0.78
4.	$SHSB_{EX} = -1203.6 + 12.47 * SHSB_{AG}$	$b_1 = -3.4$ $b_2 = 3.4$	0.008 0.007	0.57

Where:  $AM_{EX}$  – is amount of export in million dollars;  $SHSB_{GDP}$  – is the share of small business in GDP;  $SHSB_{EX}$  – share of small business in export;  $SHSB_{IN}$  – share of small business in industry;  $SHSB_{AG}$  – share of small business in agriculture.

First, we would like to find out the overall effect of small business on the overall amount of export. The results show that the equation between these two indicators is through the origin since the intercept term  $b_1$  was not statistically significant according to t-statistics and p-value. Found out equation displays that 1 per cent change in the share of small business in GDP responds to 241.9 million dollars change for the amount of total export.

In the next step, we interested in defining and estimating the effect of factors, those have an impact on the share of small business in export. Since another important indicator shows the role of small business in export. In this step the share small business in export taken as a controlled variable where the share of small business in GDP, industry and agriculture as a control variable.

According to the results of the analysis, there is a positive relationship between the share of small business in export and GDP, so for increasing the share of small business in export the share of small business in GDP must be increased. As both indicators are in per cent found out coefficients give us elasticity coefficient between these two indicators. The elasticity coefficient between those two indicators is 1.3, suggesting that if the share of small business in GDP goes up by 1 per cent, on average; the share of small business in export goes up by about 1.3 per cent.

The elasticity coefficient between the share of small business in export and industry is 0.7 that is smaller than one. Through the analysis, we got an extraordinary result, where the elasticity coefficient between the share of small business in export and agriculture is 12.47 per cent. The reason is that from 2007 to 2017 the share of small business in export changed from 14.8 to 27 per cent, where the share of small business in agriculture increased from 97.5 to 99 per cent. We gave the results since the agriculture is the main sector that has a great share of small business in the production of the product as well as priory sector of the economy for increasing the export potential of Uzbekistan.

### *Conclusion*

The share of small business in GDP and sectors of the economy has a positive impact on the amount of total export and share of small business in export. In this paper, we analyzed and estimated the role of small business in increasing export potential of Uzbekistan. Accordingly, a per cent rise in the share of small business in GDP will increase the amount of total export 241.9 million dollars. In last decade share of the small business, grow up twice. Moreover the elasticity coefficient between the share of small business and GDP, industry, agriculture high enough. The share of small business in agriculture is very effective in increasing share of small business in export.

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*Работа поступила  
в редакцию 16.06.2018 г.*

*Принята к публикации  
20.06.2018 г.*

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*Cite as (APA):*

Salayev, S., & Ataev, J. (2018). Estimation the role of small business in increasing export potential of Uzbekistan. *Bulletin of Science and Practice*, 4(7), 352-356.

*Ссылка для цитирования:*

Salayev S., Ataev J. Estimation of the role of small business in increasing export potential of Uzbekistan // *Бюллетень науки и практики*. 2018. Т. 4. №7. С. 352-356. Режим доступа: <http://www.bulletennauki.com/salayev> (дата обращения 15.07.2018).