



**THE ROLE AND IMPORTANCE OF SMALL INDUSTRIAL ZONES IN
THE DEVELOPMENT OF SMALL BUSINESS AND PRIVATE
ENTREPRENEURSHIP IN OUR COUNTRY**

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Abstract

The article discusses the organization, development, and financing issues of small business and private entrepreneurship, as well as the essence of small industrial zones, describing their economic efficiency. The role and importance of small industrial zones in the economy of our country are identified, and relevant conclusions and recommendations for the development of business entities operating in small industrial zones are provided.

Keywords

Entrepreneurship, small business and private entrepreneurship entities, small industrial zones, Action Strategy, special economic zones, cooperation, business activities, socio-economic development, export, and entrepreneurship zones.

INTRODUCTION:

In our country, great attention is being paid to the creation of modern enterprises that ensure the production of competitive products with high added value based on the deep processing of local raw materials, the effective use of production and resource potential of regions, attracting foreign direct investment as an important factor in creating new jobs and increasing income levels of the population. Special attention is given to the establishment of free economic zones, special economic zones, and small industrial zones. The creation of small industrial zones plays a significant role in increasing the volume of the country's GDP, creating new jobs, and ensuring the growth of the population's income. As noted by President Sh.M. Mirziyoyev, "If we can thoroughly form investment projects in regions and sectors for investors who are eager to invest in our economy, we can achieve positive results."¹¹ In this regard, it is necessary to organize the placement

¹¹ Decree of the President of the Republic of Uzbekistan on the State Program for Implementing the Action Strategy for the Development of the Republic of Uzbekistan in 2017-2021 in the Year of "Science, Enlightenment, and the Development of the Digital Economy".



of business entities in free economic zones and small industrial zones, provide them with incentives and preferences, and regulate these aspects organizationally and legally.”

The "Action Strategy" outlines tasks to increase the efficiency of free economic zones, techno parks, and small industrial zones, to establish new ones, to further develop road and transport infrastructure, and to create favorable conditions for the development of private entrepreneurship based on the privatization of state property.

The Decree of the President of the Republic of Uzbekistan dated October 25, 2017, "On Additional Measures to Improve the Efficiency of Free Economic Zones and Small Industrial Zones" (PQ-3356) [2], the Decree of the President of the Republic of Uzbekistan dated June 21, 2019, "On Further Improvement of the Coordination and Management of Small Industrial Zones" (PQ-4363) [3], the Decree of the President of the Republic of Uzbekistan dated June 2, 2018, "On the Establishment of Small Industrial Zones in the Namangan Region" (PQ-3826) [4], the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated March 9, 2020, "On Approval of the Regulations for Small Industrial Zones" (Resolution No. 134) [5], and other relevant regulatory documents related to this sector serve as the basis for the implementation of the tasks outlined in the article research.

According to Decree No. 134 of the Cabinet of Ministers of the Republic of Uzbekistan, dated March 9, 2020, "On approving the regulation on small industrial zones": A small industrial zone is a part of a settlement area or an inter-settlement area designated for manufacturing activities, which has been granted a specific status by legal documents, and has the necessary infrastructure to provide services within its boundaries. It is clearly defined and contains production facilities.¹²

REVIEW OF LITERATURE:

It should be emphasized that there is no single approach to defining the concept of small and medium-sized businesses. The analysis of economic literature shows that there are two general approaches to determining the criteria for small and medium-sized businesses. The first, the quantitative approach, includes criteria such as the number of employees, production capacity, sales volume, asset value, and similar metrics. On the other hand, when the qualitative approach is prioritized, some criteria may have subjective characteristics when considering issues related to the consensus between business founders and managers, the level of business risk that founders or managers may assume, their behavior in business activities, and matters related to the competitive environment and the business

¹² Decree No. 134 of the Cabinet of Ministers of the Republic of Uzbekistan, dated March 9, 2020, "On Approving the Regulation on Small Industrial Zones"



situation. In particular, in Turkey, the criteria for defining small and medium-sized businesses are based on the additional articles of the "Law on the Organization and Responsibilities of the Ministry of Industry and Trade," where the number of employees is up to 250 and the annual sales revenue or balance sheet value is up to 25 million Turkish lira. According to V.M. Baginova and V.G. Belomestnov, the experience of the world economy shows that the security, competitiveness, and stability of a country depend on the level of development of small businesses.¹³ One of the priority directions of state policy in the field of small business development is to define measures and tools at a qualitatively new level by forming financial, property, legal, infrastructural, methodological, and all other mechanisms to support them.¹⁴ The experience of countries that have achieved high results in the global economy shows that in these countries, the development of small businesses and private entrepreneurship has contributed to improving the standard of living of the population. For example, in EU member states, 67 percent, in Germany 65 percent, in the USA 52 percent, in Japan 80 percent, and in EU countries 70 percent of the employed population is engaged in small business and private entrepreneurship.¹⁵

In A. A. Grishinning's opinion, small businesses in the industrial sector can be a more complex system that can produce higher added value compared to small enterprises in other sectors.¹⁶ According to O.A. Ushakova, the operational field of small enterprises in the industrial business arises from the necessity to produce a limited quantity of products for a small number of consumers with relatively low demand for production resources.¹⁷ In turn, Ye.A. Aleksandrova has described small industrial entrepreneurship as the activity of small enterprises in the industrial production sector aimed at generating profit.¹⁸ According to Baltimore, based on the results of research conducted by experts from the International Bank for Reconstruction and Development in Spain in 1962, recommendations were made to establish and develop industrial complexes in regions, leading to the creation of industrial-production free economic zones. In these territories, state and private companies operating or intending to operate are guaranteed financial

¹³ Baginova V.M., Belomestnov V.G. Potential for the development of small industrial entrepreneurship in the region. *Izvestiya of Irkutsk State Economic Academy*. - 2015. - Vol. 25, No. 6. - Pp. 999-1003.

¹⁴ Kolpakidi D.V. Modern instruments for the development of small and medium-sized entrepreneurship in Russia: special economic zones. // *State Regulation of the Economy*. 2019. – Pp. 57-64.

¹⁵ Zunnunova X.M. Credit support for small business – the key to the development of the country. *Economic Sciences*. 2018. – Pp. 18-21.

¹⁶ Grishin I. A. Peculiarities of the development of small entrepreneurship in Russian industry / I. A. Grishin // *Russian Entrepreneurship*. 2006. No. 7 (79). - Pp. 24-29.

¹⁷ Ushakova O. A. The growing role of small industrial business in the modernization of the economy / O.A. Ushakova / *Izvestiya of Higher Educational Institutions. Volga Region. Social Sciences*. - 2011. No. 2 (18). - Pp. 178-181.

¹⁸ Aleksandrova Ye.A. Managing the development of small industrial entrepreneurship in the context of globalization of the economy: abstract of the thesis for the degree of Candidate of Economic Sciences: 08.00.05 / Ye. A. Aleksandrova. - St. Petersburg, 2011. - 217 pages.



support and tax preferences from the government, based on a competitive selection, under conditions where minimal investment in local industry and the creation of a certain number of job vacancies are required.¹⁹

RESEARCH METHODOLOGY:

In the course of this research, economic, comparative analysis, systematic analysis, mathematical, and statistical methods were used. Scientific works of both Uzbek and foreign scholars on this subject were also utilized.

ANALYSIS AND RESULTS:

During his visits to the districts of Tashkent city, the Republic of Karakalpakstan, and the regions, our President Shavkat Mirziyoyev inspected vacant or inefficiently used industrial buildings. With the aim of promoting the efficient use of these buildings and encouraging the establishment of new enterprises, small industrial zones were created based on these buildings.

As of November 1, 2024, a total of 529 industrial zones have been established in our country, covering 2.8 thousand hectares of productive land. In these industrial zones, 2,921 projects worth 14.9 trillion sums have been launched, resulting in the creation of more than 86,000 new jobs. In particular, 31 industrial zones have been established in the Republic of Karakalpakstan, 25 in Andijan region, 33 in Bukhara region, 25 in Jizzakh region, 43 in Kashkadarya region, 17 in Navoi region, 53 in Namangan region, 90 in Samarkand region, 19 in Syrdarya region, 36 in Surkhandarya region, 56 in Tashkent region, 71 in Fergana region, 22 in Khorezm region, and 8 in Tashkent city. In small industrial zones, 1,647 projects worth 16.5 trillion soum are being implemented. It is planned that the full-scale launch of these projects will create 38,1 new jobs. The specialization of industrial zones covers various sectors, including general industries, leather and footwear, fur processing, furniture production, textiles, food products, and building materials.

As of October 1, 2024, the number of special economic zones (SEZs) in our country is 27, small industrial zones (SIZs) is 529, techno parks is 26, and clusters is 384. The number of enterprises in these zones is as follows: 1,034 in SEZs, 3,188 in SIZs, 2,424 in techno parks, and 397 in clusters.

The main indicators of Special Economic Zones (SEZs), Small Industrial Zones (SIZs), Techno parks, and Clusters operating in our country (from January to September 2024).²⁰

The indicators	Measurement Unit	SEZ	SIZ	Technoparks	Clusters
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¹⁹ The economic development of Spain / International Bank for Reconstruction and Development (IBRD) -Baltimore, 1967.

²⁰ Stat.uz

The volume of industrial products (works, services) produced at current prices (excluding VAT and excise duties).	Billion UUZs	31 639,1	10 785,5	1 167,4	24 014,9
The volume of investments in fixed capital	Billion UUZs	14 557,1	1 279,6	388,4	1 555,4
The volume of market services rendered (excluding VAT and excise duties)	Billion UUZs	1 384,0	386,7	13 097,8	283,0
The number of new jobs created during the reporting period	Place	13 096	8 494	13 599	14 099
The volume of services exports	one thousand US dollars	995,5	535,7	300 088,7	-
Profit (loss) before tax	Billion UUZs	1 402,2	314,7	3 429,6	-426,0

The volume of industrial production in MIZs (Special Economic Zones) amounted to 31,639.1 billion UZS, in KSZs (Free Economic Zones) to 10,785.5 billion UZS, in techno parks to 1,167.4 billion UZS, and in clusters to 24,014.9 billion UZS. The highest volume of industrial production was attributed to special economic zones, totaling 31,639.1 billion UZS, which is a 14.9% increase compared to the same period last year.

In order to ensure the timely implementation of the tasks outlined in the Decree of the President of the Republic of Uzbekistan No. PQ-271 dated June 6, 2022, "On Measures to Establish Special Economic and Small Industrial Zones in the Regions and Provide Them with Engineering and Communication Infrastructure," it was emphasized the need to accelerate the construction of engineering and communication facilities in cooperation with network enterprises and expedite the utilization of funds allocated by this decree. Currently, more than 30 industrial enterprises specializing in leather processing are operating in our country. Under a new program, over 20 enterprises have been fully modernized and equipped with machinery imported from Turkey and Italy. The creation of such industrial zones lays the foundation for taking full advantage of export opportunities.

CONCLUSIONS AND RECOMMENDATIONS:

Small industrial zones create numerous opportunities for small businesses and private entrepreneurs. They provide favorable conditions for organizing production, preparing products, and bringing them to the market for entrepreneurs



operating in various sectors. Entrepreneurs located in small industrial zones have the opportunity to expand their businesses with the help of tax privileges, infrastructure, land plots, and other supporting services.

Small industrial zones contribute to the development of the local labor market. New job opportunities are created through organizing activities, and employment for the population is ensured. This, in turn, has a positive impact on the growth of the regional economy and overall economic development.

The following proposals were developed regarding the role and importance of small industrial zones in the development of small businesses and private entrepreneurship:

- When establishing small industrial zones, more attention should be paid to the regional characteristics, including the development of economic and social infrastructure. At the same time, focus should be placed on developing industrial sectors that align with regional needs.

- It is necessary to improve the system of providing financial, tax, and other incentives from the government to support small businesses and private entrepreneurs. In particular, short-term loans and subsidy programs for entrepreneurs operating in small industrial zones should be improved.

- To ensure the effective operation of small businesses and private entrepreneurs, it is important to organize training programs in modern management and technology to enhance the skills of the labor force.

- It is necessary to develop strategies for implementing innovative technologies for entrepreneurs operating in small industrial zones. This will not only improve product quality but also make the production processes more efficient.

- It is important to create opportunities for collaboration among entrepreneurs operating in small industrial zones, to develop new products, and to work together in bringing them to the market. This facilitates the exchange of resources and experience, which helps businesses grow faster.

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