

## ANALYSIS OF SMALL BUSINESS INVESTMENT POTENTIAL IN ANDIZHAN REGION AND ISSUES OF ITS DEVELOPMENT

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### ABSTRACT

*His article analyzes the impact of small business development on the country's economy, the research of economists on the effective use of investment potential in the development of this sector. On the basis of the studied data, the role of small business in the economy of Andijan region of the Republic of Uzbekistan was studied. In the case of 14 districts and 2 cities of Andijan region, expert and integrated methods of economic, social, financial, foreign economic activity were conducted to assess the factors influencing the development of small business and the investment potential of small business. As a result of the research, the author developed proposals on what factors should be given more attention in the development of small business in Andijan region..*

**KEYWORDS:** *business, valuation, investment, finance, export, import, employment, potential*

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### INTRODUCTION

Today, the acceleration of innovations in the economy, the creation of competitive products in the international market and the expansion of entrepreneurial activity are the priorities of socio-economic development of the country and its regions. At the same time, the main criteria for development are GRP, the level of employment, per capita income. In this regard, the high share of small business and private entrepreneurship in these indicators indicates the importance of the industry.

As a result of measures related to the development of small business, the income of the population is growing and the level of employment is growing. The scale of production and the range of goods and services are also expanding. The share of goods and services of local producers in national markets is expanding.

Small business and private entrepreneurship are a key factor in economic development, allowing for the effective solution of social and economic problems in the country. Expansion of this sector will ensure not only the growth of incomes, but also the growth of economic and social potential of the country and regions. The experience of a number of foreign countries shows that the criteria for the development of small business play a key role in the economy. Therefore, the effective use of investment potential is important in the development of small business.

Research on investment potential suggests that several indicators need to be considered when evaluating it. These indicators include criteria that reflect the processes of attracting, using and managing investment. In this case, the investment potential of the industry or region is determined depending on the status of the relevant criteria. In particular, the level of indicators relevant to the sectors is important and requires a multi-factor analysis. In particular, we assess the economic, social, financial and institutional aspects of the investment potential of small business. An important step in making calculations is the use of appropriate criteria.

The integrated and expert method has been widely used in the research to assess the investment potential of industries and sectors. In particular, the assessment of investment potential on the basis of expert methods has been considered in a number of studies. [1] [2] While most methodological approaches are similar to each other, they differ according to the object and subject matter chosen by the authors. However, in this study, the assessment of investment potential is analyzed on the basis of economic, social, institutional, environmental, political criteria.

## **Analysis of the relevant literature**

Before analyzing research on investment potential, we will focus on the definitions given to this concept. In particular, various definitions have been made in research on investment potential. In particular, the researches of AE Dvoretzskaya, IS Yurlova, AM Margolin interpreted the availability and volume of investment resources as investment potential.[3] [4]

In addition to the definitions that characterize investment potential by direct investment, we also cite the following research. According to Karimov, the investment potential is the resources of the enterprise, which are intended to be used to achieve the expected result. According to the definition given by RN Malyshev, the investment potential is determined by the volume of investment of the enterprise and its scale. According to the definition given by VI Afonin, LS Valinurova, OB Kazakova, investment potential is the sum of investment resources, including material, technical, financial and intangible assets. Also, in the definition given by S.V. Zenchenko and M.A. Shemyotkina, investment potential is the ability to express investment activity at the expense of available and attracted funds.[5][6][7][8]

In addition to the above definitions of the concept of investment potential, there are also studies that are cited in general. According to AM Sodiqov, the investment potential is determined by the natural resource, production, consumption, infrastructure, innovation, labor, institutional and financial status of the region.[9]

In particular, according to TV Borovikova, GV Zakharova, NV Kiseleva, IB Maksimov, T. Nenakhova, the investment potential is the achievement of high results of the economic system on the basis of these available opportunities.[10]

According to NR Rajabov, investment potential is the level of development of the region, according to which the region is a sustainable growth of living standards and quality of life due to the effective use of its natural and economic potential, competitive advantages and institutional opportunities. [11]

So, if we generalize the research related to investment potential, we can divide them into directions. In the first direction, the volume of investments available and attracted directly within

the investment potential is explained. Research in the second direction provides a relatively broad interpretation of investment potential, focusing on the criteria that affect its attractiveness. That is, innovative, labor, natural resource opportunities are taken into account. Nevertheless, in our opinion, it is expedient to interpret the two directions in a consistent manner. That is, the final criterion of investment potential is the scale of investment and the efficiency of its use, and its attraction is inextricably linked with labor, natural resources, innovation, and so on.

## **Main body**

In Andijan, we carry out calculations on economic, social, financial, foreign economic activity in an integrated assessment of the investment potential of small business.

We will first assess the economic criteria for the investment potential of small businesses in Andijan region. At the same time, we determine the development indices of industry, agriculture, construction and services in terms of districts and cities of the region. According to the results of the assessment of the industrial sector, the highest rate in 2010-2020 was in Bulakbashi (0.83), Pakhtaabad (0.82), Shahrikhan (0.80) districts. The lowest rate was in Asaka district (0.08). At the same time, the cities of Andijan and Khanabad are below average (0.56).

The main problem in the districts and cities where there is a negative trend is the location of large industrial enterprises in these areas. This indicates a low level of diversification and cooperation in industrial enterprises. In order to increase the industrial potential in these regions, depending on the specifics of the region, it is necessary to establish the integration of production by large businesses in the form of subcontracting. It is also necessary to establish a system of order formation through long-term contracts by developing the institutional aspects of the state. At the same time, the state should introduce tax incentives for large enterprises that have signed the relevant contracts, depending on the amount of working capital and the term of the contract. This will lead to the expansion of the real sector and the sustainable development of the economy.

As a result of the development of the real sector, the service sector will expand. In particular, one of the leading sectors of small business in the field of services is retail trade. Based on our research, we found that Andijan (0.79), Bulakbashi (0.73), Shakhrixan (0.72), Balikchi (0.72) districts took the leading places. In the previous analysis, we saw that the regions with this leading share also had high coefficients in terms of industry. This means that in expanding the services sector, first of all, it is necessary to develop the real sector, in particular, industry. In the economy, the multiplier effect of industry represents a high sensitivity to retail.

Small business also has a certain weight in other sectors of the service sector. In particular, the share of passenger traffic, the share of trade and catering are also high. However, in order to further expand services at the present time, it is also necessary to expand the financial services of small businesses. This will lead to an increase in the level of financial security of entities and an increase in investment potential. As a result, there will be a positive impact on other sectors of small business.

**TABLE 1 STATUS OF ECONOMIC CRITERIA FOR INVESTMENT POTENTIAL OF SMALL BUSINESSES IN ANDIJAN REGION (2010-2020) [12]**

Name of regions	Industry	retail	agriculture	Construction	Economic potential
<b>Province on :</b>	0.23	0.61	0.9	0.9	0.660
Andijan city	0.27	0.51	0.97	0.88	0.658
Khanabad city	0.19	0.73	0.98	0.95	0.713
Andijan district	0.67	0.72	0.74	0.92	0.763
Asaka district	0.08	0.68	0.91	0.98	0.663
Balikchi district	0.75	0.72	0.96	0.95	0.845
Boston ( Boz ) district	0.62	0.6	0.9	1	0.780
Bulakbashi district	0.83	0.73	0.95	1	0.878
Jalakuduk district	0.53	0.62	0.93	0.72	0.700
Izbaskan district	0.53	0.7	0.92	1	0.788
Ulugnor district	0.46	0.61	0.77	0.5	0.585
Kurgantepa district	0.63	0.68	0.95	0.8	0.765
Marhamat district	0.67	0.65	0.91	0.89	0.780
Altynkul district	0.65	0.62	0.95	0.98	0.800
Pakhtaabad district	0.82	0.6	0.92	0.95	0.823
Khodjaabad district	0.74	0.65	0.94	0.81	0.785
Shakhrixan district	0.8	0.72	0.92	0.98	0.855
the biggest value	0.83	0.73	0.98	1	0.878
the smallest value	0.08	0.51	0.74	0.5	0.585
Average value	0.56	0.66	0.91	0.89	0.755

This process is leading to an increase in the size of the high-income construction sector and small business in agriculture. In particular, when calculating the potential of the agricultural sector, the same high indicators were identified in all regions. This indicates that there are opportunities for the development of food and light industries in the region. One of the effective ways to do this is to establish food clusters, along with textile clusters, based on the characteristics of the districts and cities of the region. At the same time, in order to expand these areas developed in the regions, it is expedient to establish a small industrial zone for food and small industrial zones for light industry. In particular, it is necessary to pay attention to the creation of light industry small industrial zones in Jalakuduk, Khojaabad, Bulakbashi, Andijan districts of the region. At the same time, it is advisable to focus on measures for the systematic development of small business and private entrepreneurship. This will lead to an increase in income in the region, an increase in employment and, most importantly, the development of the construction industry.

The coefficient for the share of small business in the construction sector in the region averaged 0.89 units during the study period. At the same time, below-average indicators were in Ulugnor (0.5) and Jalakuduk (0.72) districts. This situation is primarily a direct correlation with the activities related to the construction of multi-storey housing for the population. We also found in our research that low rates of small business share in the construction sector are directly related to population density, as evidenced by trends in indicators.

In general, the average economic potential of the region's existing industries and sectors in terms of small business was 0.755 (Table 1). Also, the results of high economic potential were in Bulakbashi (0.878), Shakhrixan (0.855), Balikchi (0.845), Pakhtaabad (0.823) districts. The lowest economic potential results were in Ulugnor (0.585), Asaka (0.663), Jalakuduk (0.700), Andijan districts and the cities of Andijan (0.658) and Khanabad (0.713).

According to the results obtained on the basis of determining the economic potential of small business, the highest and smallest units have a strong correlation with the potential of industry and agriculture. That is, the level of development of the real sector of the economy is becoming a priority in determining the economic potential of small business. In general, the economic potential of small businesses in the region is strongly influenced by the rest of the industry.

Along with the economic potential of small business, social aspects are also an important factor in determining the level of investment. Typically, investments in fixed capital affect the development of social indicators by creating new jobs. This connection is a multiplier effect and is an important factor for the primary socio-economic process. Also, as a result of the growth of social indicators, due to the increase in the level of income, the population's sources of investment in fixed assets and loans from commercial banks will increase. This is an important financial source in the growth of investment potential. According to our research, the protection of business own funds and loans of commercial banks as an important source of starting a small business is high.

social potential of small business in Andijan region averaged 0.72 units in 2010-2020 (Table 2). However, the lowest capacity was 0.34 units in Andijan and the highest in Shakhrixan and Pakhtaabad districts, 0.86 units. This criterion was mainly used by large businesses in areas with low scores.

**TABLE 2 STATUS OF SOCIAL CRITERIA FOR INVESTMENT POTENTIAL OF SMALL BUSINESSES IN ANDIJAN REGION [12]**

Name of regions	2010	2015	2016	2017	2018	2019	2020	Social stability 2010-2020
<b>Province on :</b>	0.60	0.70	0.70	0.71	0.72	0.73	0.73	0.69
Andijan city	0.22	0.36	0.36	0.30	0.40	0.43	0.47	0.34
Khanabad city	0.27	0.44	0.45	0.32	0.45	0.48	0.52	0.40
Andijan district	0.69	0.78	0.79	0.74	0.80	0.82	0.84	0.77
Asaka district	0.81	0.61	0.62	0.51	0.49	0.44	0.40	0.56
Balikchi district	0.71	0.81	0.81	0.79	0.83	0.85	0.88	0.80
Boston ( Boz ) district	0.65	0.76	0.77	0.84	0.78	0.80	0.82	0.76
Bulakbashi district	0.76	0.84	0.85	0.81	0.86	0.88	0.90	0.83
Jalakuduk district	0.68	0.77	0.78	0.83	0.79	0.81	0.82	0.77
Izbaskan district	0.70	0.79	0.80	0.90	0.81	0.83	0.85	0.79
Ulugnor district	0.76	0.83	0.84	0.84	0.85	0.87	0.88	0.83
Kurgantepa district	0.72	0.82	0.83	0.88	0.84	0.86	0.88	0.82
Marhamat district	0.67	0.76	0.76	0.83	0.78	0.80	0.82	0.76
Altynkul district	0.75	0.83	0.83	0.85	0.84	0.86	0.87	0.82
Pakhtaabad district	0.78	0.86	0.86	0.90	0.87	0.89	0.91	0.86
Khodjaabad district	0.60	0.69	0.69	0.74	0.70	0.72	0.74	0.68

Shakhrixan district	0.81	0.88	0.89	0.90	0.87	0.87	0.88	0.86
the biggest value	0.81	0.88	0.89	0.90	0.87	0.89	0.91	0.86
the smallest value	0.22	0.36	0.36	0.30	0.40	0.43	0.40	0.34
Average value	0.66	0.74	0.74	0.75	0.75	0.76	0.78	0.72

This indicator is also compatible with infrastructure facilities. That is, while a weak link between infrastructure and social capacity has been identified in areas where large industrial enterprises are located, high capacity indicators reflect a direct link to infrastructure facilities. However, financial criteria are also becoming important.

The financial potential of small businesses was also averaged 0.63 over the study period (Table 3). However, the disproportion between its high and low values is 4 times. That is, the share of small business in terms of the level of investment in the regions has an uneven growth rate. However, when we analyze this indicator by volume, Asaka district has a high ranking, but its share is low due to large projects located in the district. Loans from commercial banks play an important role in increasing this capacity.

**TABLE 3 STATUS OF FINANCIAL CRITERIA FOR INVESTMENT POTENTIAL OF SMALL BUSINESSES IN ANDIJAN REGION [12]**

Name of regions	2010	2015	2018	2019	2020	Financial potential 2010-2020
<b>Province on :</b>	0.45	0.52	0.48	0.47	0.64	0.51
Andijan city	0.42	0.58	0.59	0.29	0.35	0.44
Khanabad city	0.32	0.33	0.98	0.34	0.51	0.50
Andijan district	0.86	0.54	0.65	0.41	0.73	0.64
Asaka district	0.02	0.15	0.39	0.35	0.14	0.21
Balikchi district	0.79	0.76	0.68	0.62	0.80	0.73
Boston (Boz) district	0.98	0.93	0.66	0.49	0.78	0.77
Bulakbashi district	0.85	0.70	0.89	0.47	0.89	0.76
Jalakuduk district	0.89	0.66	0.65	0.57	0.80	0.71
Izbaskan district	0.93	0.69	0.58	0.71	0.76	0.73
Ulugnor district	0.37	0.33	0.39	0.36	0.76	0.44
Kurgantepa district	0.80	0.68	0.73	0.82	0.97	0.80
Marhamat district	0.81	0.61	0.76	0.51	0.75	0.69
Altynkul district	0.95	0.57	0.56	0.62	0.72	0.68
Pakhtaabad district	0.88	0.68	0.52	0.55	0.75	0.68
Khodjaabad district	0.91	0.71	0.66	0.56	0.84	0.74
Shakhrixan district	0.88	0.62	0.76	0.72	0.83	0.76
the biggest value	0.98	0.93	0.98	0.82	0.97	0.80
the smallest value	0.02	0.15	0.39	0.29	0.14	0.21
Average value	0.71	0.59	0.64	0.52	0.71	0.63

In our research in this regard, there are problems with the guarantee or collateral in obtaining loans from small businesses by commercial banks. In order to positively address this issue, it is necessary to pay attention to the development of the legal framework for joint guarantee of small business. It is also necessary to develop and develop a system for the introduction of a guarantee of the relevant enterprise in the organization of entities involved in the execution of orders of



large businesses . At the same time, the development of the above areas requires attention to institutional aspects.

Foreign sources are also important in investing in small business. At the same time, technology transfer is an important resource. Also, technology transfer has 2 different, indirect and indirect effects on increasing the investment potential of small business. In the direct impact, exactly the foreign investment and loans included are taken into account. As an indirect technology transfer, we study imports. That is, when we analyze the contribution of small business in imports, a high proportion falls on machinery and equipment.

In general, the average potential of small business for foreign economic activity, estimated on the basis of the share of exports and imports, was 0.24 units. However, the difference between the highest score (0.51) and the lowest score (0.07) was 7 times (Table 4). This is usually an indication that a small business often acts as an employment link. That is, the situation in the analysis based on the share of exports is not high. In the development of these indicators, we need to pay attention to the export of high value-added goods, innovative products,

**TABLE 4 STATUS OF CRITERIA FOR FOREIGN ECONOMIC ACTIVITY (FEA) OF INVESTMENT POTENTIAL OF SMALL BUSINESSES IN ANDIJAN REGION (2010-2020) [12]**

Name of regions	Import potential	Export potential	According to FEA potential
<b>Province on :</b>	0.2	0.32	0.26
Andijan city	0.22	0.3	0.26
Khanabad city	0.12	0.06	0.09
Andijan district	0.2	0.24	0.22
Asaka district	0.19	0.23	0.21
Balikchi district	0.28	0.06	0.17
Boston ( Boz ) district	0.07	0.06	0.07
Bulakbashi district	0.23	0.06	0.15
Jalakuduk district	0.21	0.32	0.27
Izbaskan district	0.13	0.2	0.17
Ulugnor district	0.07	0.2	0.14
Kurgantepa district	0.62	0.31	0.47
Marhamat district	0.38	0.4	0.39
Altynkul district	0.25	0.38	0.32
Pakhtaabad district	0.3	0.09	0.20
Khodjaabad district	0.26	0.3	0.28
Shakhrixan district	0.36	0.4	0.38
the biggest value	0.62	0.4	0.51
the smallest value	0.07	0.06	0.07
Average value	0.24	0.23	0.24

Overall, the investment potential of small businesses averaged 0.589 units in 2010-2020. During this period, the highest index was 0.714 and the lowest was 0.411. At the same time, the highest cases were in Shakhrixan (0.714), Markhamat (0.655), Bulakbashi (0.655), Pakhtaabad (0.641)

districts. Low potential indices were in Khanabad (0.426), Andijan (0.425) and Asaka (0.411), Ulugnor (0.499) districts (Table 5).

**TABLE 5 STATUS OF INVESTMENT POTENTIAL OF SMALL BUSINESSES IN ANDIJAN REGION (2010-2020) [12]**

Name of regions	Economic potential	Social potential	Financial potential	According to FEA potential	Total capacity
<b>Province on :</b>	0.66	0.69	0.51	0.26	0.530
Andijan city	0.658	0.34	0.44	0.26	0.425
Khanabad city	0.713	0.4	0.5	0.09	0.426
Andijan district	0.763	0.77	0.64	0.22	0.598
Asaka district	0.663	0.56	0.21	0.21	0.411
Balikchi district	0.845	0.8	0.73	0.17	0.636
Boston (Boz) district	0.78	0.76	0.77	0.07	0.595
Bulakbashi district	0.878	0.83	0.76	0.15	0.655
Jalakuduk district	0.7	0.77	0.71	0.27	0.613
Izbaskan district	0.788	0.79	0.73	0.17	0.620
Ulugnor district	0.585	0.83	0.44	0.14	0.499
Kurgantepa district	0.765	0.82	0.8	0.47	0.714
Marhamat district	0.78	0.76	0.69	0.39	0.655
Altynkul district	0.8	0.82	0.68	0.32	0.655
Pakhtaabad district	0.823	0.86	0.68	0.2	0.641
Khodjaabad district	0.785	0.68	0.74	0.28	0.621
Shakhrixan district	0.855	0.86	0.76	0.38	0.714
the biggest value	0.878	0.86	0.8	0.51	0.714
the smallest value	0.585	0.34	0.21	0.07	0.411
Average value	0.755	0.72	0.63	0.24	0.589

Integration with large businesses needs to be expanded to increase the investment potential of small businesses in relatively low-performing districts. This is due to the high concentration of large industrial enterprises in the region. It is advisable to transfer their need for some details to a small business based on localization. As a result, the share of small business in the real sector as a whole will increase and develop. This will increase its profitability and expand its investment potential.

## CONCLUSION

When assessing the small business sector in the regions of the republic and comparative analysis of the relevant indicators of Andijan region, we determined the average situation in the region. We also assessed the impact of industries and sectors to further develop the sector and increase its scale in the regional economy. The results show that it is necessary to ensure the continuity of the value chain for sustainable development. This requires cross-sectoral compatibility, not just one network. In particular, it is necessary to increase investment in small business, its active part. At the same time, it is necessary to introduce and improve the practice of export subsidies. This is because the positive change in the production volume of small businesses depends primarily on the sales performance



The investment potential of small businesses in 2010-2020 averaged 0.59 units. However, the small industry sector is below average in priority districts and cities. This means that the level of utilization of available opportunities in these regions is lagging behind. To positively address this issue, it is necessary to expand cooperation between large businesses and small businesses. This will lead to an increase in the investment potential of small businesses and the development of financial stability.

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