

International Perspectives on Service Sector Development: Small Business and Entrepreneurship

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Abstract

Enhancing the efficacy of small and private service-oriented businesses stands as a pivotal concern within the contemporary economic landscape, crucial for advancing the nation's prosperity. A key focus lies in delineating pathways to elevate the operational efficiency of these entities, acknowledged as primary drivers of ownership and pivotal to augmenting organizational and economic frameworks. This necessitates the formulation of empirically grounded propositions and pragmatic recommendations. The evolution of market dynamics, coupled with ongoing economic liberalization, underscores the pivotal role played by small businesses and private entrepreneurship, integral to bolstering fiscal stability, amplifying Gross Domestic Product (GDP), and fostering employment opportunities. Facilitating an environment conducive to sectoral growth involves crafting favourable conditions, including tailored tax regimes, customs incentives, and adept utilization of financial instruments like bank loans. Consequently, this strategic alignment leads to a notable surge in the establishment and expansion of small businesses and private enterprises, bolstering their rapid proliferation.

Keywords: service sector, small businesses, private enterprises, fiscal stability, economic modernization.

INTRODUCTION

In the conditions of modernization of the economy, in many developed countries, the development and improvement of efficiency of small business and private business entities was ensured using state aid. They have accumulated a lot of positive experience in this field, which can be used taking into account our conditions and characteristics.

While using foreign experiences to increase the efficiency of small business and private entrepreneurship, it is necessary to take into account the general principles common to all developed countries. They are as follows: Many developed foreign countries introduce special preferential taxes for small businesses and private enterprises. Many developed countries, to develop small business and private entrepreneurship, first of all, strengthen their legal foundations, that is, adopt and implement laws and regulations. In most developed countries, small businesses and private entrepreneurship are protected by the state. The state is aware of all the activities of small business and private entrepreneurship and helps to regulate and improve the management system. Various financial support is provided to small businesses and private entrepreneurs.



Literature Review

There are several scientific works of domestic and foreign economists dedicated to the development of small business and private entrepreneurship and the criteria for evaluating their activity. Theoretical foundations and social importance of entrepreneurial activity studied by economists such as A. Smith, JB Say, DM Keynes, Y. Schumpeter, AV Chayanov [2], KA Raitsky [3], IA Zhuravleva [4], AP Kiselev [5]. They contributed to the development of the theory of small business and private entrepreneurship.

In the years after independence, several scientific researches were carried out on this topic by the scientists of our country. In particular, SS Gulomov [6], Yo. Abdullaev [7], MS Kasimova [8], B. Khodiev [9], A. Abdullaev [10], D. Suyunov [11], MQ It is necessary to highlight the research conducted by Pardaev [12], SK Salaev [13], BA Abdukarimov [14], GS Sevlikyants and EN Khadjaev [15].

Methodology

State programs have been adopted to improve the efficiency of small businesses and private entrepreneurship. First of all, it is planned to allocate preferential loans to small businesses and private entrepreneurship. Associations, Councils and other organizations supporting small business and private entrepreneurship are operating. In developed countries, public organizations are also the main protectors of small businesses and private entrepreneurship. Large organizations associations, and joint-stock companies also do not spare support from small businesses and private entrepreneurship¹.

We will analyze the above-mentioned experiences in more detail on the example of individual countries.

In the development of small business and private entrepreneurship in countries that have transitioned to a market economy, we consider the experiences of developed countries in the world:

USA and Japan, England, Germany, France and Italy from European countries. These countries have their characteristics for the formation of small business and private entrepreneurship, and huge state programs have been developed in this regard. In all considered countries, the share of small business and private entrepreneurship in GDP exceeds 50 per cent, and in one-third of them, it is around 70 per cent.

According to our research on the development of small business and private entrepreneurship abroad, small and medium-sized enterprises make up 80 per cent of all enterprises in developed countries. For example, in the USA, their number is 25 million, and their share is distributed as follows: in agriculture - 81.9 per cent, in construction - 82.2 per cent, in wholesale trade - 80.6 per cent, in the service sector - 75.6 per cent. Labour productivity in small businesses in the USA is 92% of all labour productivity in the country, and its share in GDP production is 70%.

In Japan, small business (9 million small enterprises) quantitatively exceeds all sectors of the national economy. 80 per cent of the population is employed in it, labour productivity is 67 per cent of labour productivity in large enterprises, and the share of small business in GDP is 78

¹Prepared by the author based on Internet and media materials.



per cent. 4 million in Italy. the labour productivity of a small enterprise is 78 per cent of the labour productivity of large firms, and its share in GDP is -73 per cent. In the early 1990s, 26.15% of enterprises in the USA were very small and 28.4% were small, in Japan, it was 49.4% and 28%, in Great Britain - 26% and 23%, in France 32% and 28%, where small enterprises include firms with up to 19 employees and small enterprises with up to 99 employees [12-14].

Thus, in the USA, Great Britain and France, small and very small firms make up half or more than half of all enterprises in the country's economy, and in Japan, they make up 4/3 (77 per cent). The share of small and medium-sized enterprises in Great Britain, Germany, and Italy in industrial production is 60-70 per cent. Small businesses and private entrepreneurship play a leading role in the economy of developed countries.

The average indicator of the number of people employed in small enterprises in the considered countries of Europe is 16 million constitutes a person. In the USA, this figure is extremely high at 70.2 million. Small and medium-sized enterprises (SMEs) employ two-thirds of all American workers (or nearly half of the working-age population) and produce 50 per cent of the total output.

In America, small businesses absorb twice as much innovation as large firms and are the main generators of innovation processes in the industry. Factors such as the area of the country, population, and economic-geographical location make this possible [15-19].

Japan also has a very high rate of employment in this sector. That is, 40 mln. person. The share of the total employed is 78 per cent. In this country, the increase in the number of people employed in small enterprises has been made possible by the synergy of the system of small ownership with medium and large businesses. England, Germany, and France share the same share of total employment in small and medium-sized enterprises as the United States, at 54 per cent. In 12 countries of the European Union, since 1990, 15.8 mln. private enterprises were registered. 14.7 million of them. in the case of micro-enterprises, about 1 mln small enterprises, approximately 70 thousand employed 100 to 500 employees and only 1300 employed more than 500 employees. Micro-enterprises accounted for 31.8% of total employment, small enterprises for 24.9% and medium-sized enterprises for 15.1% [20-23].

Results and Discussion

Considering the implementation of market economy entities and civil laws in individual developed countries, it is possible to distinguish the following organizational and legal forms of small business entities and note the general criteria for inclusion in the ranks of small business enterprises.

Sole proprietorships are the most common organizational and legal form of small business. The general criterion indicators that serve as the basis for the inclusion of market economy entities in small business entities are the number of employees, the amount of the charter fund, the number of assets, turnover (profit, income), etc. is considered According to the data of the World Bank, there are more than 50 general indicators for the inclusion of enterprises in small business entities. However, more commonly used criteria include the average number of employees employed by the business, the annual turnover that the business typically receives



in a year, and the amount of assets. However, in all developed countries, the number of employees is the first criterion for classifying enterprises as small business entities.

Japanese statistics include the following enterprises in the category of small and medium-sized enterprises: in the mining and production industry, transport, construction, communication, and electricity, gas, and water supply enterprises with several employees not exceeding 300 and a capital amount of 100 million. including enterprises up to yen. The number of employees in the wholesale trade did not exceed 100 people and the capital amount was 20 million. to yen; the number of employees in the field of retail trade and services does not exceed 50 people and the capital amount is 10 mln. includes enterprises with no more than yen [24-27].

Medium-sized enterprises in the European Community include enterprises whose performance does not exceed the following indicators: Number of employees from 50 to 250 people; annual (trade) turnover is 16 mln. from ECU, the balance amount is 8 mln. businesses less than ECU. Other indicators can be used to include small enterprises when measures to support business entities are determined at the EU level. At this stage of small business development, the EU Commission proposes other criteria for including firms in the ranks of small businesses. That is, the number of employees should not exceed 100 people; the amount of private equity capital is required to be less than ECU 75. In this case, the share of a large company in the company's charter fund should not exceed 3/1. KES distinguishes between micro-enterprises employing up to 10 people (in most cases, these are individual and family businesses and farms) and small firms with the number of employees ranging from 10 to 99 people.

In highly developed countries of the International Economic Cooperation and Development Organization, enterprises with up to 19 employees are classified as "very small" firms, "small" firms with up to 99 employees, "medium" firms with 100 to 499 employees, and "large" firms with more than 500 employees.

99% of all firms in the countries of the Organization for International Economic Cooperation and Development are small and medium-sized enterprises, providing 30-70% of GDP as a source of jobs (from 40% to 80% of employment) [25-28].

We consider the special importance of small business and private entrepreneurship and state support in the countries we study. In the US, each state has its own small business and sole proprietorship laws that are based on general recommendations from the federal Small Business and Sole Proprietorship Administration. Enterprises with several employees not more than 500 people together with their branches (not more than 1000 people for EVM manufacturers) are included in small enterprises. The maximum amount of income from sales for small trade and service enterprises is 3.5 mln. dollars, set up to \$13.5 per year for TV repair technicians.

In America, small business and private entrepreneurship provide 70% of the country's GDP. 25 million, which creates 75 per cent of new jobs in this sector every year. a small enterprise operates. 55% of innovations are carried out in the field of small business and private entrepreneurship. Small business and private business entities carry out 35 per cent of work on state orders. 38 per cent of jobs in the field of high technologies are coordinated in small business and private entrepreneurship.



In the United States, two agencies deal with the problems of small businesses and private entrepreneurs -the Small Business Administration (SBA) and the Congressional Committee on Small Business Affairs. They have 4-5 thousand employees. They include those designed only to solve the problems of small and medium enterprises.

SBA creates favourable conditions for the development of small business and private entrepreneurship in the country, as well as for the development of various financial institutions.

The following programs have been developed in it:

- the financial support program for small enterprises (includes 7 programs, the "7a guaranteed loans" program is the main program);
- innovative small enterprise support program (consists of 3 programs);
- programs on consulting, training, support and information services (consists of 10 programs);
- disaster relief program (6 programs);
- the program for developing the export capabilities of a small enterprise (this direction includes 4 programs);
- the program for supporting national disadvantaged and marginalized groups (includes 7 programs);
- program to support women entrepreneurs (3 programs).

A total of 61 specialized programs for the development and support of small ownership have been developed in the USA. No other country in the world has such powerful enforcement programs. In addition, encouraging small and medium-sized enterprises in the tax field SBA experience is also noteworthy. It envisages the gradual reduction of marginal tax rates and the reduction of taxation in a narrow tax base, as well as the wide use of tax credits. This ensures the flow of investments in industry, services and trade.

In the US, preferential tax rates apply up to USD 16,000 of profits, with a 15% tax on the first USD 50,000 and a 25% tax on the next USD 25,000, with a maximum tax rate of 34% above this amount.

Thus, different approaches apply to micro, small, and medium-sized businesses. The smaller the company, the greater the tax benefits. In addition, SBA does the following:

- investment tax credit (permanent 7 per cent discount on property or construction for businesses with annual sales of less than \$5 million for three years before the taxable year);
- exemption from tax payments with an increase in the market price (value, price) of the capital (50 per cent tax deduction for the sale of the capital of a company not less than 5 years old).
- health insurance of the employed population (25 per cent discount from the insurance amount for the employed themselves);
- establishment of a "business zone" (50 federal zones designed to attract investments for small business development are identified);

Currently, there are 3.3 million people with 5800 large enterprises in Germany. small enterprises and individual entrepreneurs in the fields of crafts, industry, trade, and services make up 99 per cent of all tax-paying enterprises. These enterprises provide about 70 per cent of jobs in Germany. This is 22.2 million. people, including 6 mln. 2.6 million people in the



field of handicrafts. people in the industry, 2.3 mln. people in the trade, 12.1 mln. a person works in the service sector and is considered a representative of a "Free position". 80 per cent of young professionals (1.3 million people) are trained in these enterprises, and they are offered 350 different positions, starting from specializations in the field of technical and information technologies to classic crafts. About 45% of the turnover of small and medium-sized businesses provides income, and they make up 30% of German exports. In 1999, small and medium-sized enterprises accounted for 46% of gross investment in Germany and 57% of GDP. 70 per cent of small and medium-sized enterprises are managed by people over 40 years old. The percentage of leaders who graduated from gymnasium or higher education is approaching 50 per cent.

36% of gross capital formation in Germany is accounted for by small and medium-sized enterprises. Each small and medium-sized enterprise spends more than 56 thousand euros on average every year. When analyzing the level of employment of employees by sectors of the economy, the first place went to the service sector (54.5 per cent), and the last place to the trade sector (10.3 per cent). In Germany, the main basis for the successful development of small and medium-sized enterprises is the policy of the middle class and the policies in the field of employment. The economic processes of small state enterprises are interfered with only in such a situation that the private sector of the economy is not able to respond to the current or changing socio-political demands of the national economy (for example, regarding environmental protection).

Organizations that implement policies to support small business and private entrepreneurship include state government bodies and local self-government bodies. Increasing the efficiency of support of small ownership enterprises, important functions of supporting their development are given to several financial institutions, including specialized banks and self-regulatory organizations in private business, for example, the Chamber of Commerce and Industry. In Germany, the state system of support for small and medium-sized businesses includes 500 programs at the federal and regional levels, which are aimed at cooperation in investment activities in the field of small and medium-sized businesses in the following directions:

addressed to:

- support for investments in information supply (all economic and technical consultations for start-up entrepreneurs are financed);
- support of investments in material supply (providing the enterprise with capital and strengthening its economic power on this basis);
- financial support (indirect tax benefits and direct state additions (remuneration) subsidies (gratuitous aid and preferential lending, subsidies from 3 per cent to 10 per cent of the loan amount are provided by the state);
- support for start-up entrepreneurs;
- credit support - in 2000, within the framework of the federal program, 8 bln. funds in the amount of euros were allocated. This is 30 billion in the form of investments. encouraged savings around the euro. Up to 40 per cent of investments were provided based on a special preferential loan for the establishment of enterprises, for a period of up to 20 years without guarantees, with exemption from the obligation to repay in the first ten years



(the maximum amount of the loan is 1 million euros). Such loans replace the private capital of start-up entrepreneurs. Because the risk of non-repayment of the loan is fully assumed by the state;

- in the form of equity participation. help;
- the maximum amount of participation is 1.5 mln euro, participation period - 10 years.

Conclusions

From the above, it can be concluded that the state's interest in the development of small and medium-sized enterprises indicates the understanding of the economic importance of small and medium-sized enterprises for the country. In Germany, small and medium-sized enterprises form the core of the German economy, they solve the following social issues in the country: employment, creation of new jobs, and training of young professionals. The comprehensive functions of supporting small and medium-sized enterprises include real products of loans, subsidies (gratuitous aid), incentives, guarantees, and the part of state funds spent on the development of small and medium-sized enterprises gives social results and creates great opportunities for the further development of small and medium-sized enterprises in Germany.

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