

Article

Enhancing Business Value in Uzbekistan for Market Competitiveness

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Abstract: This article examines the ongoing economic reforms in our republic, emphasizing the rise of private enterprises and the diversification of ownership forms driven by market economy development. The increased competition among owners highlights the importance of enhancing business value for national companies' competitiveness. We focus on the concept of "business value," analyzing its formation and content. The research aims to define and contextualize business value within the current economic landscape. Utilizing a comprehensive analysis, we found that understanding and increasing business value is crucial for sustaining competitiveness in a market-driven economy. The implications suggest strategic measures for businesses to enhance their real value, contributing to overall economic growth.

Keywords: Market Economy, Material Well-being, Business Valuation, Entrepreneurial Activity, Appraiser.

1. Introduction

The development of the modern economy, which has gone through a path in Uzbekistan from the emergence of market relations in the early 1990s to the formation of a complex mechanism combining a complex of interrelated reactions of industries and enterprises to ongoing internal and external changes by now, inevitably leads to the relocation of property, which requires an accurate approach to assessing its value. In particular, entire enterprises are transferred between owners, thus becoming objects of evaluation. However, being complex complex systems, they cannot be evaluated using simple templates, since the latter do not provide an opportunity to take into account all the variety of factors affecting their cost, a set of which, moreover, is specific in each individual case.

Often, insufficient attention to business valuation issues causes suboptimal decisions, entailing not only the need for a radical restructuring of the company's activities, but also the risk of complete business termination. Enterprise valuation and management become not only tools for ensuring managerial decisions, but also instruments in negotiations, which result, for example, in new strategic initiatives.

Along with investment analysis, financial accounting and strategic planning, market value assessment occupies a strong place among the key business processes related to the life of an enterprise, as it assumes the ability to manage its value. And since this type of activity significantly affects key business parameters, such as the profitability of transactions and the effectiveness of investments, domestic and international practice has developed principles and methods for assessing the value of companies. It is also important to form a regulatory framework to streamline this process.

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In a market economy, the widespread development of business and private entrepreneurship and the provision of employment for the unemployed population on its basis, increasing the material well-being of the general population are one of the urgent issues of the ongoing fundamental socio-economic reforms.

The broad development of entrepreneurship and business as one of the priorities of economic reforms, as noted by President Sh.M.Mirziyoyev, "... intensive work will continue to support entrepreneurial activity," as well as "We can also achieve progress, a prosperous life only through active entrepreneurship, tireless work and aspirations" [1].

In developed countries, it has been proven in practice that business and private entrepreneurship as the most important factor in achieving socio-economic stability in society are important, in particular, the degree of its capitalization.

The analysis shows that there are a number of problems in the development of business and private entrepreneurship [2]. This situation manifests itself in the inability of business entities to sufficiently organize their activities in accordance with the requirements of the legislation of the market economy, low efficiency of management and a still high degree of control by state regulatory authorities.

Entrepreneurial activity the basis for the effective development of a business (enterprise) is economic freedom and growth under the control of the law. The state's entrepreneurship development policy requires identifying existing problems in increasing entrepreneurial activity of businesses, analyzing criteria for evaluating entrepreneurial activity [3], conducting in-depth studies of entrepreneurial activity as an important lever for the development of a market economy [4]. Also, there are not enough comprehensive scientific papers in the economic literature devoted to determining the effectiveness of enterprises, criteria for evaluating entrepreneurial activity, especially the value of a business (enterprise) as a property complex.

2. Materials and Methods

This study was created using scientific work carried out by a number of national and foreign experts in this subject area. Foreign and national experience in this field was studied and compared. The research was based on the works of the first and current president of the Republic of Uzbekistan, decisions, data from the Committee on Statistics [5], the Ministry of Economy [6], the Ministry of Finance [7], research and financial institutions [8], expert opinions [9]. In the course of the research, a number of methods of systematic, analytical and statistical analysis were used.

3. Results

"Business is a general economic term that characterizes the sphere of activity of an economic entity and its economic interests" [10] business income is a specific type of entrepreneurial activity, work, occupation [11]. In modern conditions, when any business has an organizational and economic form in the form of an enterprise [12], any object of ownership, including the right of ownership, can be a source of income and an object of market circulation, such an object was previously considered. In this regard, business is of particular interest as a process of generating income and as an income-generating property. The basis of a business, its essential essence, is investment. Investments are wealth, means of production, factors of production, that is, income-generating, represent various material and property forms of investments in labor [13]. The process of generating income involves certain economic relations, including property relations. Therefore, investments are not only material and property factors of production, but also economic relations between the subjects of the income creation process.

Property and investments are formed and used within certain organizational structures – enterprises, organizations, firms, as well as in a certain area of business. The Civil Code of the Republic of Uzbekistan [14] establishes the following organizational

forms of commercial enterprises of the republic: business partnerships (full partnership with its limited partnership) and companies (limited liability company, additional liability company, joint-stock companies, subsidiaries, dependent business companies), production cooperatives and unitary enterprises.

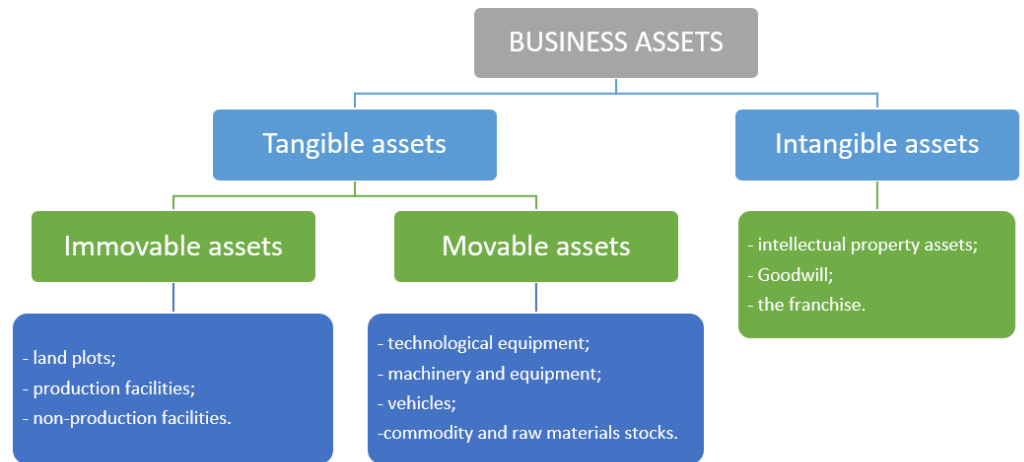


Figure 1. Generalized composition of economic assets

Intangible assets of this category of enterprises can be formed by intellectual property, goodwill, franchise and other proprietary rights. The structure of business assets is shown in Figure 1 in the overview [15].

In addition, for the formation and development of business as a type of entrepreneurial activity, markets for manufactured goods, works and services, markets for movable and immovable property [16], securities are necessary, which ultimately implies the interaction of business as a commodity and as a type of entrepreneurial activity with various markets and market structures. (Figure 2).

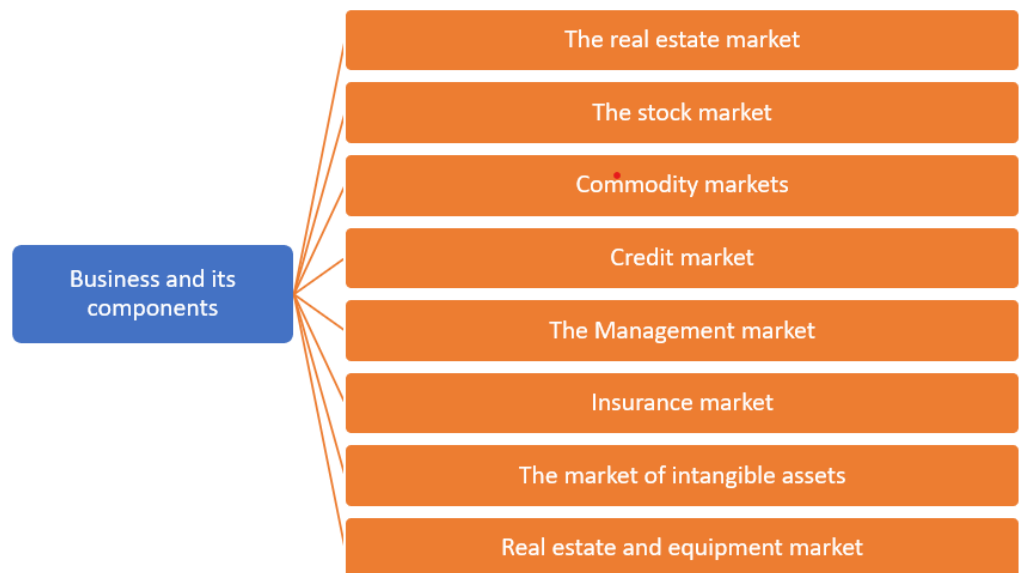


Figure 2. Participation of business and its components in various markets

Exemplary work has been done in all developed countries of the world to develop business and private entrepreneurship. In particular, as a result of the work carried out in Uzbekistan, according to statistical data of the Republic of Uzbekistan, the number of small businesses operating today is 462834 (see table 1) [17]. In terms of economic sectors, the

leading sectors were trade 156,539, industry 90,313, agriculture, forestry and fisheries 45,897 and construction 43,410.

In a developed market economy, any entrepreneur believes that the current value of the business will be covered by the future income that he will receive as a result of owning this business. In any case, every buyer of a company will invest in it only if the value of this company itself is lower than his personal expectations of income in the near future. Consequently, the owner will not sell the existing company if the value set for sale is lower than the current value of expected revenues. Therefore, in any transaction related to the sale of property, it can be feasible only if the price is equal to the present value of the income that will arise in the case of ownership of this property. At the same time, it is not always possible to designate the cost by one specific figure, and for the most part any appraiser will indicate the range of cost taking into account various factors.

The analysis shows that there are a number of problems in the development of business and private entrepreneurship. This situation manifests itself in the inability of business entities to organize their activities in accordance with the requirements of the legislation of the market economy [18], low efficiency of management and still a high degree of control by state regulatory authorities [19].

Table 1. The number of small business entities operating in the Republic of Uzbekistan, by sectors of the economy (2022 as of January)

Industries	2019	2020	2021	2022
Total	262930	334767	411203	462834
Agriculture, forestry and fisheries	23975	28847	40719	45897
Industry	56233	69970	82746	90313
Construction	28955	36021	40695	43410
Trading	70457	100573	131597	156539
Transportation and storage	13121	15157	17056	18045
Accommodation and catering services	19656	25461	29947	32948
Information and communications	6738	7621	9221	10247
Health and social services	5364	6370	7588	8814
Other types	38431	44747	51634	56621

Entrepreneurial activity the basis for effective business development is economic freedom and growth under the control of the law. The state's entrepreneurship development policy requires identifying existing problems in increasing entrepreneurial activity of businesses, analyzing criteria for evaluating entrepreneurial activity, and conducting in-depth studies of entrepreneurial activity as an important lever for the development of a market economy. Also, there are not enough holistic scientific papers in the economic literature [20], [21] devoted to criteria for determining the effectiveness of enterprises and evaluating entrepreneurial activity. In general, from the analysis of theoretical works in the field of business valuation, the following can be said.

An important feature of the valuation of the property of an enterprise (firms) is the universality and multi-purpose assessment, which takes into account the following market factors: costs and risks for the creation and acquisition of an object, its indicators, characteristics, viability period, evaluation period, NAFTA and usefulness, competitiveness, conjuncture, price.

The main purpose of assessing the value of an enterprise's property is to determine the value of an object of property from the standpoint of fairness in relation to its market

prices within the framework of the customer's needs and goals. The parties interested in assessing the value of the company's property set the objectives of the assessment. The value of the company's property is determined by a professional appraisal organization. Appraisal activities are carried out by special appraisal institutions in the market of property valuation services. The assessment is divided into one based on a detailed analytical study of the object with a conclusion about its value, price, depreciation and amortization. This opinion is formed by an expert assessment. However, pricing is a factor determining the seller's offer and the buyer's choice. Evaluation is an expert opinion expressed in assessing the usefulness and usefulness of property (goods) in money or relative units using criteria. The applied criteria allow us to assess the quality of the quantitative state of the value or price of an object.

Appraisal (appraisal, estimation, valuation) is the process of evaluating the value, price, sophistication and value of an object, which can be performed with the help of an expert using quantitative, qualitative and organoleptic assessment methods [22]. Evaluation activities are the unbiased evaluation work of an expert with professional qualifications and competence [23]. At the same time, an expert assessment of the value and value of the property, including the influence of their factors, trends and dependencies, can be assessed qualitatively and quantitatively using appropriate criteria that will be selected in advance. In short and locally: Appraisal activity is the activity of an appraisal organization aimed at determining the value of an appraisal object.

An appraiser (applicant) organization is a legal entity that has a license to carry out appraisal activities. An appraisal organization may be established and carry out its activities in any organizational and legal form provided for by law, with the exception of a joint-stock company. An appraiser is an individual who has an appraiser's qualification certificate issued by the licensing authority in accordance with the established procedure. The idea that in modern conditions the management of a company cannot be carried out in isolation from price categories was developed in the 1980s in the USA, and in the 1990s in Europe and Asia. This idea is based on the goal of ensuring the well-being of depositors, taking into account the interests of the manager and employees, as well as market conditions. Achieving this goal is associated with an increase in the value of the company (firm).

At the same time, important sources of the company's value are its competitiveness, attractiveness, financial security and stability, investment and innovation activity. In general, the company serves as a source and institution for its owner and the state to achieve their goals. In this, the company acts as a means of capital, goods and property relations, just like modern property. At the same time, the company is an object of investment, management and evaluation, as well as a source of value, price, profit (income).

In this context, the following statement is appropriate: "a company becomes valuable if it is beneficial to its owner and the state, has value and freely (liquid) convertible value". Based on this, we can say that cost and price categories serve as equivalent indicators of the internal and external nature of the company as an economic and investment good. Therefore, it is in this context that it is necessary to systematically address the issue of managing a modern small company aimed at increasing its value. This can be achieved based on the concept of fair value. This implies the application of an integrated criterion (indicator) based on management models. The fair value indicator is formed comprehensively based on the real value of the company and the objective price of its assets. In a broad sense, the real value is formed as the equivalent of the result of the real production and service process of the company. At the same time, he not only represents the interests of the investor (depositor, partner, companion), but also contributes to the creation of real wealth and improving the welfare of society.

The objective price of a company's assets is the price of assets that is freely (openly, transparently) formed on the basis of objective demand and objective supply at continuous and stable prices that companies do not suspect from anyone in the purchase and sale market.

In general, the concept of fair value in business valuation can be implemented in accordance with the following procedure:

1. Based on the existing valuation methodology, the real value of a business company is estimated;
2. Objective prices of assets of a business entity formed in developed markets for the purchase and sale of assets of business entities are determined.

The financial management policy (including the model) is built and implemented depending on a number of factors (indicators) when determining the fair value of business enterprises and companies. From the point of view of accounting theory, these indicators can be divided into two groups, depending on whether they relate to the active or passive part of the balance sheet. That is, the management policy can be built and implemented by dividing the company's assets and liabilities into two groups of indicators, respectively. At the same time, these groups can be defined as indicators (KPBK) representing the company's asset management policy and indicators representing the company's liability management policy, respectively. So, the general policy of financial management – KMBS is represented by the following function:

$$\text{KMBS} = f(\text{KABK}, \text{KPBK}), (1)$$

This function refers to the function of the general financial management policy to achieve the fair value of the company. To perform this function, it is recommended that the financial management of the company be divided into two separate ones – asset management and liability management. Specialized management, which is managed by the CEO.

In general, in foreign countries, corporate governance in business stands out as the main type of management, as an object of management, it has its own characteristics, consisting in the fact that settlement management is carried out in order to profit the owner of the company, the depositor, partners, and ensuring the development of companies is carried out taking into account the rights of the owner of the company, the depositor and partners to base on the company's strategy. It will be aimed at development. As a result of such management, a corporate culture is formed and a set of principles, customs and procedures for their management is formed. Also, this strategy for the development of the company's management ensures the growth of the company's market value.

The development of the real estate market in Uzbekistan contributes to the creation of an investment climate for legal entities and individuals, meeting the needs of the population, developing the credit system and creating a favorable environment for obtaining loans, which creates an important basis for overall economic and social development. It is worth noting that regardless of the size of the enterprise, its value is estimated for various purposes, including: re-registration of property; financing; cases of profit taxation; property taxation; insurance; financial planning; leasing; creation and division of a partnership; assessment of inherited property; study of project implementation; distribution of the purchase price; determination of the rate; sale of an object; determination of the liquidation value; division of property; privatization; determination of the authorized capital; determination of the book value or replacement value; assessment of the share of property of foreign enterprises and joint ventures, and so on.

The evaluation activity refers to its essence, features, sequence of evaluation activities, and related normative legal acts. In accordance with the objective set during the assessment, the economic indicators of the property are determined. The evaluation

process is considered a complex process in which each object acquires its own distinctive features and properties from other objects. As a rule, the determining criterion for assessing the value of a property is its usefulness. At the same time, the usefulness is assessed in terms of technical, legal, functional, social, economic, political, informational and environmental factors.

The gradual transition to a market economy required the extensive development of a number of new fields of science and practice. The process of privatization, the emergence of the stock market, the development of the insurance system, the transition of commercial banks to lending secured by property gradually formed a new type of service-business valuation (enterprise), the need to determine the market value of its capital. The capital of a business enterprise is an unsurpassed and complex commodity in its composition, the process of its formation is largely determined by certain factors. Therefore, there was a need for a comprehensive assessment of its expansion, taking into account all relevant internal and external conditions. Determining the market value of an enterprise does not end with purchase and sale transactions. There is an increasing need to attract new shareholders, insure property, obtain a loan secured by property, calculate taxes, use the right of inheritance, merge or split, and other cases compared with the assessment of the company's business.

4. Discussion

Determining the market value of an enterprise contributes to its preparation for the fight in a competitive market, gives a clear idea of the capabilities of the enterprise. The process of evaluating a business enterprise serves as the basis for developing its strategy. It defines alternative approaches and which of them provides the greatest efficiency for the enterprise, that is, the highest market value. As independent owners of enterprises and firms appear in our country, the need to determine the market value of their investments increases. Business assessment is necessary to make decisions on a wide range of issues in the field of business organization and management, both as a product and as a type of entrepreneurial activity. Everyone is interested in carrying out evaluation work, from government agencies to private individuals. These are regulatory authorities, management structures, credit organizations, insurance campaigns, tax authorities and other organizations, private business owners, investors, etc. (Figure 3).

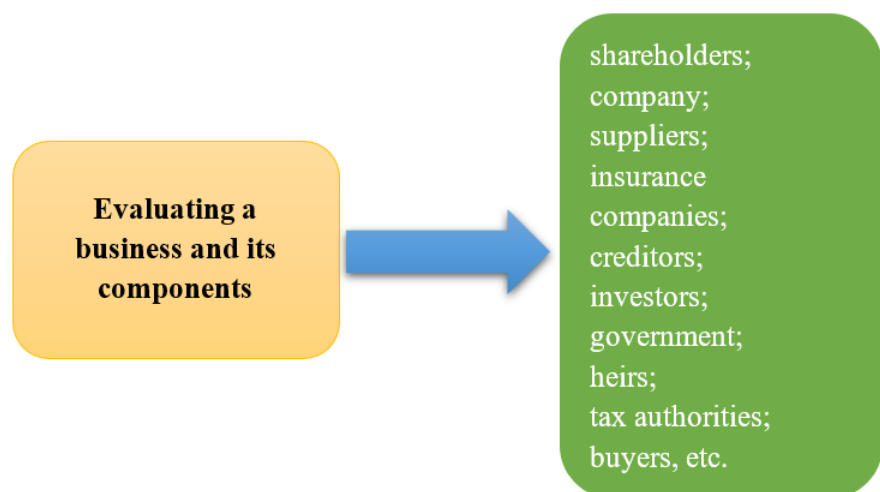


Figure 3. Stakeholders in business valuation.

The parties interested in carrying out the evaluation work set the purpose of the evaluation in an effort to realize their economic interests.

As a rule, business valuation is carried out in the following cases:

1. When developing a system of measures to improve the efficiency of the current management of the enterprise;
2. When determining the value of securities in cases of purchase and sale of shares of an enterprise on the stock market;
3. When determining the value of an enterprise in cases of purchase and sale of its whole or in parts;
4. In cases of structural restructuring of the enterprise;
5. When developing an enterprise development plan;
6. With the determination of the creditworthiness of the enterprise and the value of collateral in the implementation of lending;
7. When applying for insurance;
8. When determining the tax base;
9. In making informed management decisions;
10. When implementing an investment project for business development, etc.

5. Conclusion

This study underscores the significant influence of the institutional environment on the formation of business value, particularly in the context of Uzbekistan's evolving market economy. It elucidates that while legislative frameworks play a crucial role in shaping market value, deep-rooted socio-economic processes largely determine business conduct within the country. The research outlines various factors affecting business valuation, ranging from ownership rights to taxation and structural changes, thereby emphasizing the complexity of the assessment process. Moreover, it highlights the necessity for specialized methods in evaluating economic entities and their components, advocating for continued scientific and methodological research in this domain. The findings underscore the importance of employing highly qualified appraisers and leveraging multidisciplinary knowledge in management for accurate business valuation. Moving forward, further research could explore the impact of specific institutional reforms on business value and delve into the efficacy of valuation methodologies in different economic contexts, thereby enriching our understanding of this multifaceted process.

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