

The Role of Small Business Entities in the Development of the Economy of Uzbekistan

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Abstract: This article examines the role and importance of small business and private entrepreneurship in the development of the economy. The features and stages of entrepreneurship development are described. The number of operating small enterprises and microfirms, newly created small enterprises and microfirms, as well as the share of small business in the gross domestic product of the country were studied. Based on the results of the study, problems in the development of small businesses are described, as well as proposals and recommendations aimed at the further development of small business are developed.

Key words: Small business, entrepreneurship, private entrepreneurship, small enterprises, microenterprises, gross domestic product, investment, credit, financing, competition, labor market, innovation, monitoring.

Introduction

Economic reforms in Uzbekistan have led to the emergence and establishment of entrepreneurship as an organic component of the market economy. The legislative authorization of entrepreneurial activity has led to the flourishing of small and medium-sized businesses in the industries and regions of Uzbekistan.

Small business largely determines the pace of economic growth, the state of employment, the structure and quality of the gross national product. And if big business is the core of the modern economy, then small and medium-sized businesses are its connecting links. The role of entrepreneurship is important not only in ensuring the pace of economic development, but also in the formation of modern social culture, including the formation of the middle class. The development of state support for small businesses ensures the demonopolization of the economy, the emergence of additional jobs, the formation of markets in the regions, and the development of innovative activities.

The long-term experience of developed countries also confirms the high socio-economic importance of small business for society. Public funds and opportunities to support entrepreneurship largely ensure the sustainable and dynamic socio-economic development of many countries in the face of increasing competition in world markets. In developed countries, small businesses provide "about 90 percent of the total number of enterprises, 40 percent of national income, 20 percent of jobs and 18 percent of value added in the European Union" [1].

Small business, being an integral sector of the market economy, has a distinct regional orientation. Business entities build their activities based primarily on the needs of local markets, the volume and structure of local demand. Therefore, the development of small businesses is important both for the whole of Uzbekistan as a whole and for a particular region.

It is obvious that small businesses in Uzbekistan are not able to develop sustainably without government support. In the transition period to a post-industrial society, a necessary condition for the effective progressive development of the country's economy is the implementation of a purposeful state policy aimed at the formation, development, and support of small businesses. One of the most

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important functions of the state is the formation of mechanisms for state support of entrepreneurship that solve these tasks.

Analysis of literature on the topic

The general scientific and methodological principles of state support for small business are reflected in the scientific works of such scientists-economists of the near abroad, A.Runov [2], L.Lebedev [3], I.Razumnov [4], as well as scientists of the Commonwealth of Independent States V.Vlasov [5], A.Busygin [6], L.Kolesnikova [7], A.Alisov [8] and B.Lisin [9].

There are also well-known studies by foreign scientists such as N.K.Syropolis [10], A.Shulus [11], V.A.Roubaix [12], V.Ya.Gorfinkel, V.A.Schwander [13], K.McConnell, S.Bru [14] devoted to the development of innovative small businesses, the principles of state support and the analysis of some methodological problems.

In the research of scientists of Uzbekistan such as B.Khodieva [15], A.Vakhobova [16], K.Muftaidinova [17], H.Abulkosimova, A.Kulmatova [18], S.Salaeva [19], H.Rakhmonova, M.Abdurakhmanova [20] and F.Mamatov [21] studied the development of small business entities, small business management, the basics and some aspects of government support. In particular, the problems of small business development in the context of economic liberalization, issues of improving the system of state support for the activities of business entities.

Research methodology

Methods of grouping, comparative and economic analysis, induction and deduction, economic and statistical methods and expert assessment were widely used in the research.

Analysis and results

"Entrepreneurial activity (entrepreneurship) is an initiative activity carried out by business entities in accordance with the law, aimed at generating income (profit) at their own risk and under their own property responsibility" [22]. In our opinion, from the point of view of activity, entrepreneurship acts as an element of business and has its own characteristics: private entrepreneurship – carries out activities in the form of a private and individual enterprise at its own risk and responsibility for its own property, engages in initiative economic activities in order to obtain income not prohibited by law, it acts in the form of a legal entity, and individual entrepreneurship in the form of an individual.

This understanding of the essence of entrepreneurship is closer in the meaning of the concept of "Small business" (small plus medium or small business). It should be noted that the English transcription of "Small business" is widely used in the literature of Western Europe [23].

The stages of formation and development of small business and private entrepreneurship in Uzbekistan have been studied sequentially in the course of research: before the revolution, the Soviet period and before the period of independence; four stages of development and state support during the years of independence: that is, having formed an entrepreneurial environment, people's interest in entrepreneurship awakened (1991-1995), some slowdown in the development of activities small business and private entrepreneurship (1996-1999), freedom of entrepreneurship (2000-2004), the period of modernization and digitalization of small business and private entrepreneurship (from 2005 to the present).

Small business is considered as a priority area of economic development and here the main focus is not on what kind of ability to produce goods and services they have, but how much they strive to take into account the interests of participants in economic relations as much as possible and try to meet their needs through the effective use of internal resources. Such an approach to this problem is undoubtedly a theoretical basis for determining the potential of subjects and optimal state support for their development.

As a result of the reforms carried out in our country to create conditions for improving the business climate, as of January 1, 2024, the number of operating small enterprises and microfirms amounted to 417.1 thousand. The number of small businesses per 1000 people was 14.0 units.



As of January 1, 2024, the total number of operating small enterprises and microfirms amounted to 417,080 units, of which newly created – 86,030 units. As of January 1, 2024, regionally, the largest number of operating small enterprises and microfirms was recorded in Tashkent – 87,458 units (21.0% of the total), Tashkent – 38,953 units (9.3% of the total) and Samarkand – 37,398 units (9.0% of the total) regions.

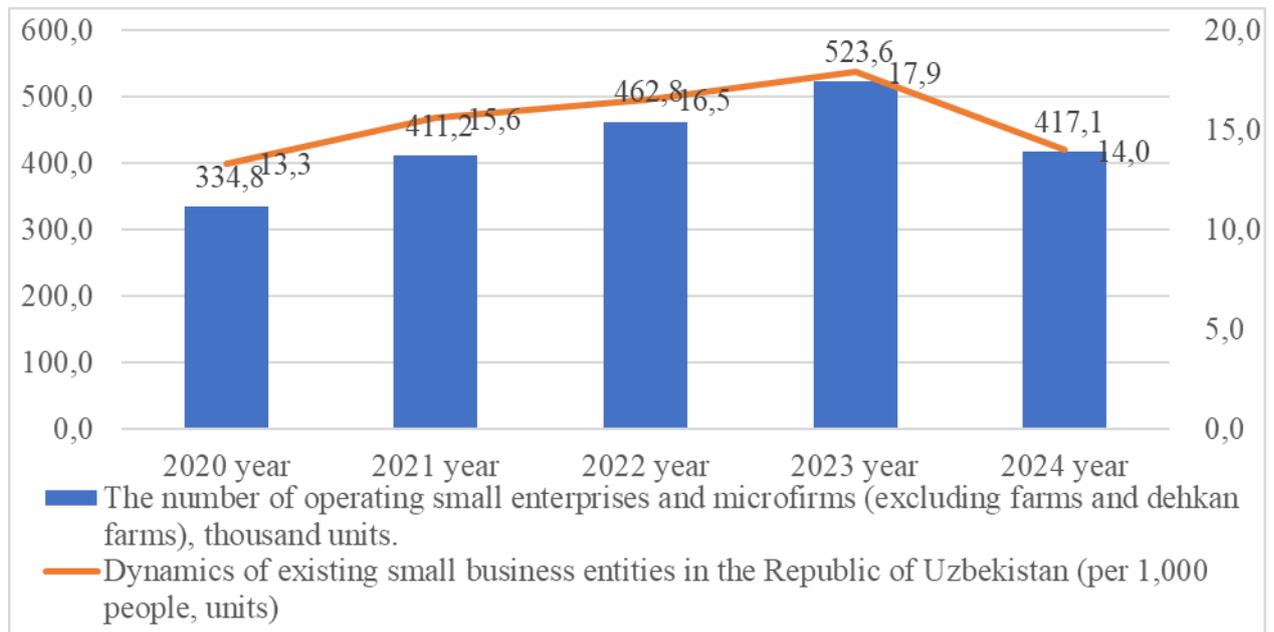


Figure 1. Dynamics of the number of operating small enterprises and microfirms as of January 1, 2024 [24]

As of January 1, 2024, the number of operating small businesses per 1,000 people amounted to 14.0 units.

In 2023, by type of economic activity, the largest indicator of the number of newly created small enterprises and microfirms was in trade – 33470 units, industry – 14101 units, agriculture, forestry and fisheries – 9388 units.

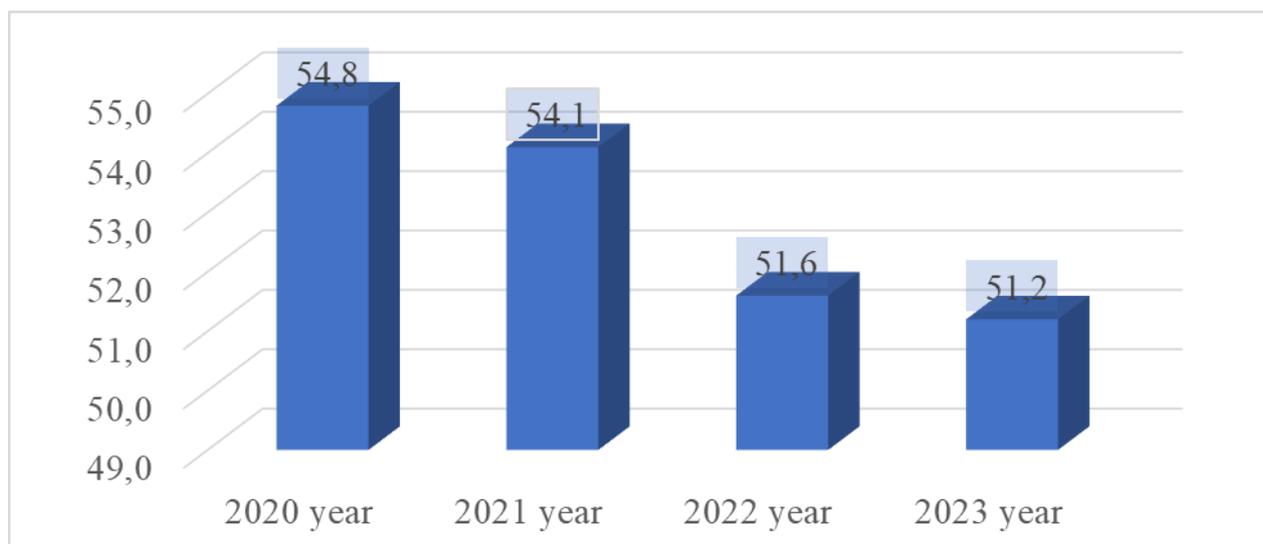


Figure 2. Dynamics of the share of small businesses in GDP in January-December 2018-2023., % [25]

In 2023, the share of small businesses and private entrepreneurship in the gross domestic product was 51.2 percent, and this indicator tended to decrease compared to previous years.



This situation suggests that GDP growth rates were higher than the growth rates of small businesses and private entrepreneurship. This indicates a positive state of affairs in terms of the socio-economic development of the country and the expansion of the economy.

Small business and entrepreneurship play an important role in the economy of Uzbekistan, having a significant impact on its development and stability. Here are a few key aspects and their meanings:

1. **Job creation:** Small business is one of the main sources of job creation in Uzbekistan. Small businesses are often more flexible and can respond more quickly to changes in the market, which helps create new jobs and reduce unemployment.
2. **Stimulating economic growth:** small business is the engine of innovation, competition and efficiency in the economy of Uzbekistan. New ideas, products and services created by small enterprises contribute to stimulating economic growth and the development of new industries.
3. **Development of the regional economy:** small enterprises are often actively developing in regions and rural areas, which contributes to the development of the regional economy and reduces inequality in access to economic opportunities.
4. **Increasing tax revenues:** Small enterprises operating successfully in Uzbekistan make a significant contribution to the country's tax base, which helps finance government programs and infrastructure projects.
5. **Increased competition:** small businesses stimulate competition in the market, which helps to reduce prices and improve the quality of goods and services for consumers.
6. **Development of the entrepreneurial spirit:** small business and entrepreneurship contribute to the development of the entrepreneurial spirit in society, inspiring people to create their own businesses and explore new fields of activity.
7. **Increasing economic sustainability:** The diversity of small enterprises in the Uzbek economy contributes to increasing its resilience to external economic shocks and changes.

In general, small business and entrepreneurship play a key role in the economic development and social progress of Uzbekistan, therefore, supporting their development is a priority for the government and society.

In our opinion, the development of small businesses may face various challenges, including:

1. **Financial constraints:** Lack of available funds can slow down the growth of small businesses. Lack of capital can make it difficult to invest in equipment, marketing, or team expansion.
2. **Limited access to credit:** Many small businesses have limited access to credit due to insufficient credit history or lack of guarantees.
3. **Lack of experience and knowledge:** Small business owners may lack experience in enterprise management, marketing strategy development, or accounting.
4. **Competition:** Small business areas are often saturated with competition. This can make it difficult to attract customers and retain market share.
5. **Regulation and bureaucracy:** Small businesses may face excessive bureaucracy and complex regulatory rules, which require additional resources and time.
6. **Recruitment difficulties:** Finding and retaining qualified employees can be challenging for small businesses, especially in a competitive environment.
7. **Market uncertainty:** Changes in economic conditions or market conditions can create uncertainty for small businesses, complicating planning and strategic decision-making.

These problems require careful analysis and effective management by small business owners to ensure their successful development.



The development of small businesses in Uzbekistan can be supported by scientific research and practical measures. Here are some suggestions and recommendations:

1. Market research: Conducting market research will help identify the sectors with the greatest potential for small business development in Uzbekistan. This will allow entrepreneurs to focus their efforts on promising industries.
2. Education and training: Scientific research can be aimed at developing education and training programs for entrepreneurs, which will include not only technical skills, but also management, marketing and financial planning skills.
3. Support for innovation: Research can help identify key areas of innovation in Uzbekistan and ways to support them through government programs and investments.
4. Analysis of legislation: Scientific research may include an analysis of existing legislation and regulation in the field of small business in Uzbekistan in order to identify obstacles and propose changes to create a more favorable business environment.
5. Creating infrastructure: Research can help determine the need to create specialized business incubators, accelerators and small business support centers in various regions of Uzbekistan to provide entrepreneurs with access to resources, knowledge and networks of contacts.
6. Stimulating financing: Research can identify problems of access to finance for small businesses in Uzbekistan and suggest measures to improve access to loans, grants and other sources of financing.
7. Monitoring and evaluation: Scientific research can offer methods for monitoring and evaluating the effectiveness of government programs and measures to support small businesses in Uzbekistan to ensure their continuous improvement and adaptation.

These scientific proposals and practical recommendations can contribute to the development of small businesses in Uzbekistan and create a favorable environment for entrepreneurship and innovation.

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