

Increasing the Financial Stability of Small Businesses in the Post Covid-19 Crisis Period

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Abstract: The article highlights the issues of increasing the financial stability of small business entities in the post-crisis period of covid-19, and researches the theoretical aspects and methodological approaches of entrepreneurship development in the post-crisis period.

Keywords: Small and medium-sized enterprises, Covid-19 crisis, financial stability, business, state support of entrepreneurial entities.

Introduction

The widespread closing of stores and businesses in the United States and around the world due to the coronavirus is unprecedented. Stores, factories, and many other businesses have closed by policy mandate, downward demand shifts, health concerns, or other factors. Many of these closures may be permanent because of the inability of owners to pay ongoing expenses and survive the shutdown. The impact on small businesses around the world is likely to be severe.

The early effects of COVID-19 on small business and entrepreneurs are not well known because of the lack of timely business-level data released by the government. This paper addresses this limitation by creating estimates of the number of business owners from monthly Current Population Survey (CPS) microdata files. Using these timely data, I examine how COVID-19 impacted small business owners in mid-April 2020—the first month to capture the widespread shelter-in-place restrictions in the United States. I then expand the analysis to include the next 2 months as many states that had restrictions started to relax those restrictions.

The CPS data are used by the Bureau of Labor Statistics (BLS) to track unemployment rates, and have been used in previous research to study determinants of business ownership (e.g., recently, Fairlie & Fossen, 2019; Levine & Rubenstein, 2017; Wang, 2019). The CPS captures the current work activity of the business owner, and whether that business owner is currently operating the business. Thus, the number of active business owners can be captured in the data, but there is no way of telling whether these are temporary or permanent business closures. Many of the inactive business owners, however, are likely to permanently close their businesses especially if the COVID-19 induced recession is prolonged. Even temporary closures caused by the pandemic are problematic because they reflect income losses to business owners in those inactive months. [1]

When the pandemic started spreading and major regulatory procedures were set for businesses, retailers that were able to accommodate these changes successfully kept their doors open. For instance, contact-free pickup, home-shopping, and delivery options enabled many retailers to stay in the game.

Additionally, some businesses have reviewed their staffing policies by making their staff work alternate hours and shifts to reduce the risk of exposure to the pandemic. Changing your whole business model requires some gut, but flexibility is essential if you want to thrive during times of uncertainty.[15]

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2. Literature review

According to F. Eggers and S. Kraus, entrepreneurial initiative and customer orientation are especially important in times of crisis, because the unstable market environment and limited access to financial resources create the basis for the use of new solutions in marketing. However, such a choice requires a certain amount of resources. And in times of crisis, this is a problem. Therefore, in areas facing a general crisis, such as tourism during a pandemic, customer orientation becomes dangerous, and in successful areas, such as food delivery during this pandemic, it may be useless.

M. Choppi and other researchers [2], while comparing strategies against the crisis, emphasize the importance of the business's ability to take proactive measures in response to the crisis. S. Petsold [3] and other researchers say that a business faced with an economic crisis should use both proactive and reactive approaches, but at the same time, a reactive approach to strategy actions through business continuity planning and market penetration, diversification and transformation initiatives is useful. Emphasizing the importance of positive impact, they use both proactive and reactive approaches.

M. Cowling, W. Liu and N. Chang [4] researchers, discussing the importance of accumulated empirical experience, mention that experience did not significantly affect the results of small businesses. The severity of the crisis means that previous entrepreneurial experience is of little value in this unique and uncertain environment.

According to many authors, the ability to survive in the market environment is not enough, in addition, the entrepreneur must also have the ability to plan. In particular, J. Vargo and Y. Seville [5] argue that small businesses must overcome a number of apparent contradictions in order to operate stably in times of crisis and compare effective planning with the ability to adapt to changing conditions (this is, for example, the presence of a leader who can give people hope and explain the planned future; the presence of an accepting organizational culture; the presence of a team that can see patterns and integrate information, find a way out of a confusing situation, and monitor changes that are not noticeable until the situation develops).

Also, during the crisis, there are strategic recommendations to reduce risks for certain types of activities (in our opinion, this is not always justified). According to T. Belyaeva, G. Shirokova, Ye. Gafforova [6], during the economic crisis, small enterprises limit their strategic opportunities and allocate resources not to strategic actions that require a lot of resources, but to activities with less risk. can be annoying.

A. Dias, Ye. Manuel and other researchers [7] particularly emphasized the importance of cooperation relations, and during the crisis, entrepreneurship, innovative potential, knowledge gathering and cooperation relations affect the ability to create new products. Before the crisis, such ability is influenced only by entrepreneurship and accumulated knowledge.

L. Lekmat and Dj. Chelliya [8] noted the importance of analyzing problems in financial and non-financial aspects, showing that non-financial indicators have a significant impact on financial results. However, we can see that the recommendations of Y. Edvardsson [9] and U. Teitsdóttir to expand outsourcing in all types of activities from cost reduction to human resource management, IT and peripheral tasks are not useful. Outsourcing relationships have been constructively criticized during the pandemic, as it is the disruption of value creation chains that has caused problems for almost all participants. Therefore, no matter how important cost reduction is, outsourcing should not be overemphasized in the current climate.

According to V. Simon-Moya, L. Revelto-Taboada and [10] D. Ribeiro-Soriano, new businesses have a greater chance of survival in a period of crisis than in a period of development. From this point of view, it is possible to justify the opinion that it is more profitable to establish a new one than to preserve the existing one. For this reason, when considering the strategies of small business, it is necessary to evaluate them in relation to the business owner, and not to the organizational and legal forms that are being established, changed and terminated. This is also confirmed by H. Le Nguyen and



S. Kok [11] - in order to survive in a turbulent situation, small enterprises must quickly change business and join new processes, be flexible and implement advanced ideas.

It should be noted that the most obvious result of the financial crisis: a decrease in income or a lack of funding related to investment policy. Many problems of small businesses start with cash flow and therefore financing becomes a priority of crisis management.

The conclusions of R. Brown and N. Lee [12] that the majority of fast-growing small enterprises rely on debt financing rather than equity financing, and for this reason, their level of stability during a crisis, are of interest. K. Bussoli and F. Marino [13] have problems, and weaker small enterprises are less able to compare receivables with payables, and the hypothesis of closing one debt at the expense of another during the crisis will not be a real possibility to reduce liabilities, it will remain as a hypothesis. However, M. Cowling [4] noted a certain contradiction in that banks, which prefer to work with old firms, refuse old enterprises with late payments and high risk ratings, unlike new enterprises. At the same time, the financial crisis has little effect on profitability, firm size and the structure of debt obligations of the sector, especially at different stages of crisis management.

3. Analysis and results

Thus, the financial component of the activity of small enterprises during the crisis shows that they are more dependent on financing than their effective activity, so it can be concluded that the state support that ensures the employment of employees of small enterprises support programs become the most important element of crisis management.

Table 1 States' anti-crisis packages to support businesses, Q1 2020

State	Amount of financing in % of GDP	KB is able to get a loan under special conditions	Discounts on rent payments	Tax benefits	Special measures for KB	Subsidies for wages
Finland	30.0	+	+	-	+	-
Germany	23.0	+	-	+	+	+
Japan	20.8	+	-	+	+	-
Italy	20.0	-	-	+	+	+
Great Britain	16.7	+	-	+	+	+
Spain	16.0	+	-	+	+	-
France	14.0	-	+	-	+	+
USA	12.7	-	-	+	+	-
Uzbekistan	6	+	-	+	+	-
South Korea	5.0	-	+	-	+	+
Kazakhstan	3.5	-	-	+	+	+
China	2.5	-	-	-	-	+
The Netherlands	1-3	+	+	+	+	+
Russia	1.0	-	+	+	+	+

The importance of the institutional environment for the survival of small businesses in the event of problems has received constant attention from researchers. There are two views in this: looking at small business from a macroeconomic point of view and assessing the "usefulness" of the external environment for small business.

One of the ways to protect small business from the crisis is legal change, which N. Kapitsinis used when entrepreneurs understood the necessity of moving a company in Greece, contrary to the existing literature, the cost of labor did not significantly affect the departure of a firm from Greece. The demand for and access to external financing has become a key factor. Continuing this research, N. Kapitsinis proved that there is a divide between entrepreneurs who strive for business development and



increasing competitiveness, and entrepreneurs who have small inefficient enterprises and try to maintain the business without striving for quality improvement. [14]

It is known that in world practice, the socio-economic development of countries over the years is determined by the growth rate of the gross domestic product produced in them. We analyzed the share of small business and private entrepreneurship in GDP in the period 2010-2021. Through this statistical analysis, we can see how important small business and private entrepreneurship are in the economy of our country. The share of small business and private entrepreneurship in GDP from 2010 to 2018 had a constant growth trend, and after 2019 its share decreased significantly, we explain this situation with the crisis situation caused by the Covid 2019 pandemic (Fig. 1).

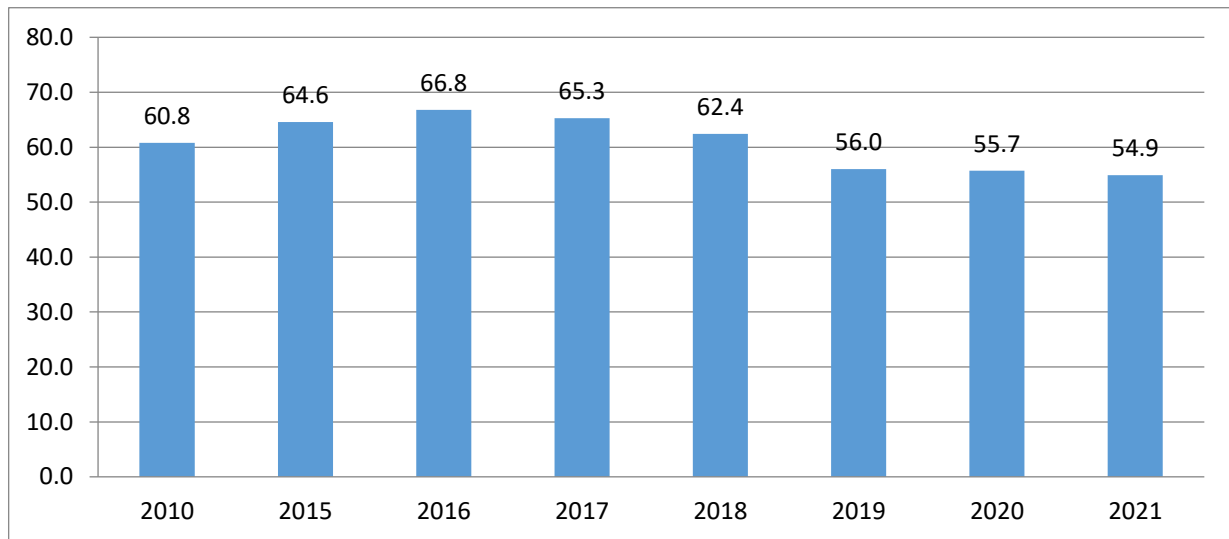


Figure 1. The share of small business and private entrepreneurship in the gross domestic product, in percent

It can be seen from the picture that the share of small business and private entrepreneurship in the GDP of our country is growing steadily. If the average growth rate was 6064 percent in 2010-2015 and 5566 percent in 2016-2020, this figure will be 54.9 percent in 2021. Of course, the complex situation in the world due to the global financial and economic crisis and the crisis situation as a result of the Covid 2019 pandemic, its negative impact on the economy of all countries in the world, including Uzbekistan, should not be ignored.

The effective economic policy consistently conducted in our country significantly "softened" the negative impact of the global crisis on our economy, and ensured that the share of GDP and small business in it remained at high and stable growth rates even in such difficult conditions. Accordingly, there is enough reason to say that the growth rate in Uzbekistan would have been higher if the global financial and economic crisis had not occurred. The share of small business and private entrepreneurship in the main sectors of our country's economy can be estimated using the data in the table below (Table 2).

2 table Small business entities in economic sectors in the Republic of Uzbekistan, in percent

Network	2010	2015	2016	2017	2018	2019	2020	2021
Industry	26.6	40.6	45.3	41.2	37.4	25.8	27.9	27.0
Agriculture	97.4	98.0	98.6	98.5	98.3	97.9	96.7	96.9
Construction	52.5	66.7	66.9	64.8	73.2	75.8	72.5	72.4
Trade	85.1	87.1	89.6	88.4	86.3	83.6	82.3	81.2
Employment	74.3	77.9	78.2	78.0	76.3	76.2	74.5	74.4



As a result of the expansion of small business and private entrepreneurship activity, it was also manifested by the increase in the volume of production in other sectors and sectors of the economy. In particular, the share of this sector in the production of industrial products increased from 26.6 percent in 2010 to 27.0 percent in 2021, in agriculture from 97.4 percent to 96.9 percent, in trade from 85.1 percent to 81.2 percent, in construction 52.5 percent to 72.4 percent, and 74.3 in employment changed from percent to 74.4 percent.

On the basis of statistical data, it can be concluded that there is a naturally occurring limit in the share of small business enterprises in the gross production volume of the industry. That is, if network production suddenly opens up a previously unavailable permission for small business enterprises, then this sector will grow rapidly. However, after this growth reaches a certain level, it gradually slows down and reaches a moderate state. At this level, a certain "corridor" appears for fluctuations in the relative weight of small businesses. However, it is worth noting that the fluctuation of the share of small businesses in the network within this corridor is often not affected by changes in the number of business enterprises or their size, but by changes in the production volume of large enterprises that make up the "remaining" part of the gross output of the network. happens.

The table shows that the share of small business and private entrepreneurship in the agricultural sector is the highest. The basis for this is the expediency of organizing on a relatively small scale based on the characteristics of agricultural production. The trade sector takes the next place, and in this regard, O. Konshina and T. Dudinskaya emphasize that the fact that small enterprises operate in unequal conditions compared to large enterprises is the reason for their specialization in trading and intermediary activities: "Supporting small businesses lack of a clear mechanism for the implementation of measures by the state, difficulties in obtaining credit, production facilities and material resources put small enterprises in an unequal situation compared to large enterprises". This leads to a decrease in their number and to their focus mainly on trading and intermediary activities.

Table 3 The level of activity of small business enterprises registered on the scale of the republic (without farms and peasant farms)

Indicator	2010	2015	2016	2017	2018	2019	2020	2021	2022
To the list received enterprises	179693	221140	225998	225560	242379	276237	353921	436981	488936
Activity walking	152246	196014	207104	210594	229666	262930	334767	411203	462834
Activity not running	27447	25126	18894	14966	12713	13307	19154	25778	26102
Activity level (in percent)	84.7	88.6	91.6	93.4	94.8	95.2	94.6	94.1	94.7

The share of small business and private entrepreneurship in the construction sector can be explained by the expansion of small industrial facilities and housing for citizens in the next decades. The share of small business and private entrepreneurship in the industry, which is gaining importance at this point, has steadily and consistently grown up to 45.3 percent by 2016. However, since 2017, this figure has sharply decreased, reaching 27.0 percent in 2021.

Improving the mechanisms of using the economic potential of small business enterprises in Uzbekistan requires, first of all, an analysis of the situation and opportunities in this regard. Developing a strategy for the development of small business entities during the economic crisis is the most important requirement of the current economic period. Usually, the economic and financial indicators of the enterprise are shown through the activity indicators of the enterprises in the sector and sectors. In carrying out this analysis, it is appropriate to consider the level of activity of enterprises registered in our country as one of the necessary indicators (Table 3).



Usually not all registered businesses are fully operational. In particular, there are various reasons and factors for the termination of a large part of small business enterprises in a certain period of time. However, the identification of objective and subjective factors in this process and the taking of appropriate measures will allow to influence this indicator. It can be seen from the table that the number of registered small business enterprises is growing during the analysis period. If this increase was 309.2 thousand at the end of the period compared to the beginning of the analysis period (the average annual increase is 23.8 thousand, this process was uneven over the years. can be observed by the relative percentage: 108.7% in 2010, 103.5% in 2015, 102.2% in 2016, 99.8% in 2017, 107.5% in 2018, 114.0% in 2019, 2020 128.1% in 2021, 123.5% in 2021, and 111.9% in 2022. In terms of employment in the economy of our country, small business entities are considered to be the most important, they include most of the new jobs created in the economy. Until 2018, it had the largest share of employment, which was 76.3%, from 2019, we see that this indicator has decreased, and by 2020, it will decrease to 74.5%. We can see that there is a need for a strategy to keep enterprises ready for different conditions, explaining the very low flexibility of the facilities.

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A significant aspect is the significant increase in the share of enterprises operating in the total number of registered enterprises during the analysis period. In this regard, the share of the number of registered and operating enterprises in the period 2010-2019 was stable, and after 2019, the activity of enterprises was ensured on average by 94.0 percent. This means that, on the one hand, an increasing number of newly registered enterprises are being ensured to operate, and on the other hand, a large number of previously registered, but inactive enterprises have started to operate. Based on statistical data, in 2010, the number of inactive enterprises was 27.4 thousand, which was 15.3% of the total registered enterprises, and by 2022, this figure will decrease by 5.3% to 26.1 It has decreased compared to the total number of enterprises, amounting to a thousand.

Table 4 The number of small business entities operating in economic sectors (without farms and peasant farms, as a unit)

Networks	2015	2016	2017	2018	2019	2020	2021	2022
Total	189867	196014	207104	210594	229666	262930	334767	411203
Industry	36128	38977	41066	42847	48566	56233	69970	82746
Agriculture, forestry and fisheries	16627	16739	17357	17962	20530	23975	28847	40719
A crash	18374	19616	20863	21790	23807	28955	36021	40695
S avdo	57376	57690	58930	61214	62714	70457	100573	131597
Exceeding T and storage	7813	8486	9488	10631	11779	13121	15157	17056
Ya shash and eating according to services	11905	12969	14194	15293	16964	19656	25461	29947
A news and contact	6396	6443	6327	6201	6167	6738	7621	9221
S weight storage and social services	5755	5695	5772	3709	4417	5364	6370	7588
B more types	29493	29396	33107	30947	34722	38431	44747	51634



According to the results of the analysis of the level of activity of small business entities in the cross-section of regions, the largest number of regions that are not operating are Tashkent, Khorezm, Fergana, Tashkent, and Syrdarya regions. As of 01.01.2022, 26,102 small business entities are not operating in the republic, of which 4,138 are in Tashkent city, 3,719 are in Khorezm region, 3,058 are in Fergana region, and 2,406 are in Tashkent region.

It can be noted that currently in Uzbekistan there is a certain level of instability for the processes of specialization of small business entities in economic sectors. This, in most cases, the share of small business enterprises necessary to ensure high efficiency in some sectors is insufficient, while in other sectors the share of these enterprises is higher than the norm, which leads to an increase in the level of competition and a decrease in the average rate of profit. Accordingly, by researching the processes of specialization of small business enterprises by sectors, it is important to find out the composition of the economic mechanisms that influence their implementation in the appropriate way (Table 4).

Table 4 shows that the number of small business enterprises operating during the analyzed period is industry, agriculture, construction, trade, living and food services, information and communication, healthcare, and social services and other sectors are only growing. The level of utilization of the economic potential of the sector can be observed by the relative weight of the number of small business enterprises operating in each sector in the total number of small business enterprises operating in the economy as of 2022: industry - 20.1 percent, rural, forest and fisheries - 9.9, construction - 9.9, trade - 32.0, transportation and storage - 4.1, accommodation and food services - 7.3, information and communication - 2.2, healthcare and social services - 1.8 percent. From the statistical data, it can be seen that the level of utilization of economic potential is high in terms of the share of enterprises operating in trade, industry, construction, agriculture, forestry and fishing sectors.

4. Conclusions

As a result of the general analysis, it can be concluded that the attention of the government of our country to the support of entrepreneurs is increasing, and the number of people engaged in entrepreneurial activities is also increasing significantly. Analysis of the state of use of its investment and innovation potential has an important place in assessing the extent to which the economic potential of small business entities is being used.

As a result of the analysis, a number of problems were identified despite the fact that there is a sharp growth trend in the production of textile products in small business and private enterprises in our country in the following years. In particular, there are cases of textile enterprises facing crisis. There are cases of economic insolvency and losses in textile enterprises. In our opinion, elimination of these problems will serve further development of textile activity in our country.

The results of the analysis showed that in terms of the range of manufactured products, the small business of Uzbekistan in its current state lags behind the small business enterprises operating in similar industries in economically developed countries. As a result, the share of imported food, chemicals, cars and transport equipment in the structure of consumption is increasing year by year. Small entrepreneurship occupies a special place in the economic system of the country, which is connected with the process of creating additional jobs, the social importance of the products and services produced, and the production of innovative small enterprises with a huge scientific potential. Thus, innovative development of entrepreneurship is one of the priority directions of modernization of the economy of the Republic of Uzbekistan.



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