



THE ROLE OF SMALL BUSINESS IN ECONOMIC DEVELOPMENT

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Article history:	Abstract:
<p>Received: 10th December 2023 Accepted: 08th January 2024 Published: 10th February 2024</p>	<p>Abstract: The purpose. The role and importance of small business in the development of the economy is highlighted in the article. In addition, the advantages and weaknesses of small business are discussed. It should also be noted that small business does not develop separately. Various factors influence its development, and small business must take them into account. Methods. Small business enterprises are the cheapest, easily managed entities that quickly adapt to changes in the market environment. Unlike large enterprises, they have little effect on the deterioration of the environment and do not cause serious environmental problems. Due to the small capital capacity and flexibility, business and entrepreneurship enterprises are more successful than large enterprises in modernizing production and updating the product range, and therefore, they can adapt to market demand faster. Results. Small business and private entrepreneurship is becoming an industry that fills the domestic market with local goods and services, supplies large enterprises with details and parts, and increases the country's export potential. This can be seen from the fact that the country is increasing its position in the export potential. The role of small business in foreign economic activity is gradually increasing. Small business is becoming the most important sector in the country's economy. The importance of small business in agriculture, trade, household services, catering, hotel and tourism activities is very large. In recent times, as a result of modernization of industrial sectors, technical and technological changes in production, structural changes and diversification in industry, industrial sectors are also developing in rural areas. Summary. When evaluating the role and role of small business and private entrepreneurship in the economy, it is necessary to take into account its advantages and disadvantages. It is inappropriate to artificially exaggerate its importance and downplay the importance of big business. In our opinion, the analysis of small and large business in relation to each other will lead to an effective solution to the problem.</p>

Keywords: financial business, private enterprise, enterprise, product assortment, VVP.

INTRODUCTION. As a result of the further development and liberalization of the economy in our country, a number of positive results have been achieved by the economic reforms. First of all, this is due to the formation of a multi-level economy and a class of owners, the provision of macroeconomic stability and the preparation of a solid ground for sustainable economic growth on this basis, the favorable socio-economic environment for the development of private entrepreneurship, especially small business. is reflected in the creation of the environment.

Today, many people correctly understand and understand the importance of business and entrepreneurship, because their basis is not always to start a profitable business, in other words, to collect money, but to benefit oneself, one's family, and the whole society. citation is prioritized. A businessman, an entrepreneur is not a capitalist, as we used to understand and were taught, he is an entrepreneur, a person who has a desire to succeed in his work. It does not matter if the businessman (entrepreneur) or someone else from his team (in collective business) ensures success, as long as the entrepreneurial work complies with the current legal rules and norms. It is



not for nothing that business activities organized outside the scope of such laws and regulations are called "secret" and, of course, illegal, anti-social activities.

METHODS. In the current conditions, the organizational forms of business and entrepreneurship are small business enterprises and micro-firms, and in agriculture, farmers and peasant farms. As of February 1, 2023, the number of operating small business entities is 503,804 (excluding farms and peasant farms), which has increased by 1.8 times compared to the corresponding period of 2019.

Small business enterprises are the cheapest, easily managed entities that quickly adapt to changes in the market environment. Unlike large enterprises, they have little effect on the deterioration of the environment and do not cause serious environmental problems. Due to the small capital capacity and flexibility, business and entrepreneurship enterprises are more successful than large enterprises in modernizing production and updating the product range, and therefore, they can adapt to market demand faster.

Globalization of the economy, where scientific and technical progress is increasing, high technologies, work tools and equipment are frequently changing - this is the environment in which business and entrepreneurial enterprises are created and operate today. Relatively low management costs, multi-functionality of activities and the possibility of quick economic success determine the priority of small business and entrepreneurial enterprises in the economic structure of the society.

Of course, small business entities are the leaders in the non-state sector of the economy. In addition, as an important structural factor, small business enterprises have a direct impact on the development of the non-state sector of the economy.

Comprehensive measures implemented to encourage small entrepreneurship, in particular, the provision of guarantees for the free operation of entrepreneurship, the introduction of a compact mechanism for their state registration, the expansion of the scope of use of credit funds, the formation of a favorable macroeconomic environment, the stability of the national exchange rate ensured the growth of the share of small business in GDP.

In these conditions, it is important to change people's psychology and create a system of entrepreneurial motivation. The point is that business and entrepreneurship should not be a call and initiative given "from above", but a vital need of a person and the whole society. It is important to direct business and entrepreneurship to the development of material production and effective use of existing and resources that are involved in production. World experience shows that thanks to business in the direction of production, many Western countries, and now also Eastern countries, have achieved the development of production forces and the prosperity of the economy.

For this reason, the development of business based on production, that is, not trading, but the production of products necessary for the population and society, has become a priority direction of the economy. This way of development serves to increase national wealth.

Small business as a subject of market economy has both advantages and disadvantages.

Advantages	Disadvantages
More rapid adaptation to local business conditions	High level of risk, hence high level of market volatility
Increasing the independence of actions of small business entities	Dependence on large companies
Flexibility and efficiency in decision making and implementation	Deficiencies in case management
Relatively low costs, especially management costs	Weak skills of managers
A great opportunity for a person to realize his ideas, to show his abilities	Increasing sensitivity to changes in business conditions
Less capital required and ability to quickly make changes to products and production to meet local market requirements	Difficulties in attracting additional financial resources and obtaining credit

Small business owners are more inclined to save and invest, and they always have a high level of personal motivation to achieve success, which has a positive effect on the overall performance of the enterprise. Small business entities know the level of demand in

local (domestic) markets better, often the goods are produced according to the order of specific consumers, support the lives of more people than large enterprises, and thus help to train professional staff and provide practical knowledge. contributes to



distribution. Compared to large enterprises, small and medium-sized enterprises in some countries occupy a dominant position in terms of both number and proportion of production, performance of work and provision of services. Of course, deficiencies and malfunctions in the activities of small enterprises are determined by both internal and external reasons, conditions of operation of small enterprises. Experience shows that most failures of small firms are due to the lack of management experience or professional skills of owners of small and medium-sized enterprises. Special knowledge is required in today's small business. Usually a new business is started by a merchant who knows almost nothing about manufacturing or an engineer who knows nothing about commerce. It is not unusual for a small business owner to have very little experience in managing certain business structures. A company's chances of success increase with its maturity. Firms with a single owner for a long period of time have higher and more stable returns than firms that change owners frequently. It was noted that small entrepreneurs who work tirelessly in the process of learning, but at the same time do not go beyond common sense in their activities, are successful. The low qualification of entrepreneurs affects the failure of small businesses. Entrepreneurs who have gained experience in running a business in small firms, as a rule, are more successful.

If the company is in management, several people are involved, but the entrepreneurial team consists of two, three or four people, and the probability of survival is high, because collective decision-making is more professional. The "viability" of small firms is also affected by the amount of early stage financing. The more initial capital invested in the company, the more opportunities to save it in times of crisis. Searching for

the ever-emerging and disappearing public needs and constant adaptation to them forms the basis of small business strategy. For the economy as a whole, the activity of small companies is an important factor in increasing its flexibility. According to the level of development of small business, experts even evaluate the country's ability to adapt to the changing economic environment.

RESULTS. The development of small business and private entrepreneurship in the Republic of Uzbekistan has gone through certain stages from the years of independence to the present day. In this regard, several normative documents and legal bases have been created.

In the 29th goal of the Development Strategy of New Uzbekistan for 2022-2026, it is determined to create conditions for the establishment of entrepreneurial activities and the formation of a permanent source of income, to increase the share of entrepreneurship in GDP to 80% and the share of exports to 60%. Issues such as opening 200 new industrial zones in the regions and developing the business incubator system, supporting entrepreneurship in the regions, and reducing unemployment and poverty have been identified separately.

In all countries of the world, small business and private entrepreneurship is the foundation of the national economy. One of the economic importance of small business development is to ensure quantitative increase of the country's GDP.

As a result of state support of small business and private entrepreneurship, the share of small business and private entrepreneurship in the country's gross domestic product in 2021 was 54.9 percent.

Table 1

The share of small business and private entrepreneurship in the national economy

Indicators	2017	2018	2019	2020	2021	2022
GDP	65,3	62,4	56,0	55,7	54,9	51,8
Industry	41,2	37,4	25,8	27,9	27,0	25,9
Construction	64,8	73,2	75,8	72,5	72,4	71,6
Employment	78,0	76,3	76,2	74,5	74,4	74,4
Export	22,0	27,2	27,0	20,5	22,3	29,5
Import	53,6	56,2	61,6	51,7	48,7	49,4

In fact, small business and private entrepreneurship is becoming an industry that fills the domestic market with local goods and services, supplies large enterprises with details and parts, and increases the country's export potential. This can be seen from the fact that the country is increasing its position in the

export potential. The role of small business in foreign economic activity is gradually increasing. Small business is becoming the most important sector in the country's economy. The importance of small business in agriculture, trade, household services, catering, hotel and tourism activities is very large. In recent



times, as a result of modernization of industrial sectors, technical and technological changes in production, structural changes and diversification in industry, industrial sectors are also developing in rural

areas. The role of small business in industrial production is growing year by year. The share of small businesses in the food industry, processing industry, and light industry is high

Table 2
In the economic sectors of small business and private entrepreneurship
the size of the main indicators

Indicators	2017	2018	2019	2020	2021	2022
Industry (billion soums)	61367,8	87962,0	83344,2	103020,8	121719,2	142611,7
Construction (billion soums)	22469,4	37451,7	53960,9	63866,6	77762,0	93620,8
Employment (thousand people)	10541,5	10128,8	19318,9	9865,7	10070,7	10222,9
Exports (million USD)	2759,3	3810,8	4714,8	3100,9	3711,2	5696,2
Import (million USD)	7511,9	10916,2	14972,2	10943,3	12389,0	15154,1
Trade (billion soums)	92973,0	114896,4	138920,7	164106,1	204787,4	253573,4
Agriculture, forestry and fisheries (billion soums)	152010,5	191759,2	219466,9	253238,2	307280,2	347222,0
Services (billion soums)	69212,7	84433,4	103106,6	114052,7	144812,7	173157,7
Shipping (million tons)	548,8	611,7	641,0	638,9	678,9	588,1
Freight turnover (million ton km)	10444,4	11657,7	12152,3	12304,6	13108,1	14394,9
Passenger traffic (million passengers)	5037,5	5242,6	5345,0	4904,8	5237,6	5606,0
Industry (billion soums)	61367,8	87962,0	83344,2	103020,8	121719,2	142611,7
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Passenger traffic (million passengers)	5037,5	5242,6	5345,0	4904,8	5237,6	5606,0
Passenger turnover (million passenger km)	111435,0	115335,2	117412,7	107766,7	114681,5	123882,5



We can see that in the last twenty years there was a 5-10-fold increase in some indicators, and in some 200-300-fold increase. Especially in industry, construction, trade, agriculture, forestry and fisheries, there have been significant positive changes and the activation of entrepreneurs.

An important factor in assessing the "health" of the country's economy is the efficient operation of small business entities, which is an indicator of its flexibility and ability to adapt to constantly changing economic situations. In January-March 2022, the number of newly established small business entities decreased by 2835 compared to the corresponding period of 2021. It can be seen that this indicator has decreased by 1367 items in industry, 693 items in trade, 517 items in construction, and 178 items in accommodation and catering services. Regionally, the largest number of small business entities is located in the city of Tashkent (20.3%), Tashkent (9.5%), Samarkand (9.0%), Fergana (8.6%) and Andijan (7.7%) operate in the regions. More than 50 percent of the total number of small business entities are operating in these regions. In the regions, the largest share of small business in GDP was observed in Surkhondaryo (75.8%), Jizzakh (75.5%) and Bukhara (72%) regions, and the lowest share in Navoi (23.5%) region. The number of small business entities operating in January-March 2022 was 13.4 units per 1000 inhabitants.

Factors affecting the further development of small business and private entrepreneurship include:

- Decrease in the tendency of enterprises to expand;
 - Reduction of employees in large-scale production;
 - Increase in the pace of opening new enterprises, etc.
- Support of small business and private entrepreneurship in our country is carried out mainly in the following directions:
- to create a more favorable business environment in our country and its regions, to strengthen the priority of private ownership;
 - to further simplify the procedures for establishing small enterprises and registering small enterprises and entrepreneurs;
 - creating more favorable conditions for small business and private entrepreneurship in terms of taxes and other payments and providing benefits;
 - further improvement of the mechanism of granting loans to small businesses and private enterprises, increasing their volume;
 - attraction of foreign investments in small business development.

On the initiative of President Sh. Mirziyoyev, necessary decisions, laws, decrees and similar legal and regulatory documents have been adopted to support small business and private entrepreneurship in the Republic of Uzbekistan, and they are being implemented. At the same time, two funds were established for the purpose of encouraging entrepreneurship: funds for the development of entrepreneurship and support for the development of small businesses. From January 1, 2023, the value added tax rate for entrepreneurs has been reduced from the current 15 percent to 12 percent.

SUMMARY. When evaluating the role and role of small business and private entrepreneurship in the economy, it is necessary to take into account its advantages and disadvantages. It is inappropriate to artificially exaggerate its importance and downplay the importance of big business. In our opinion, the analysis of small and large business in relation to each other will lead to an effective solution to the problem.

It should also be noted that small business does not develop separately. Various factors influence its development, and small business must take them into account. From this point of view, the general and specific conditions of small business development can be distinguished. General conditions, first of all, depend on the influence of the external environment on it. These include the general state of the economy, market conditions, social environment, availability of appropriate infrastructure, and others. However, these conditions exist at different levels in each country, and they determine the specific aspects of small business development. Therefore, it is appropriate to take a collective approach in assessing the development of small business and private entrepreneurship.

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