



ASSESSMENT OF INVESTMENT ACTIVITIES OF SMALL BUSINESSES

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Article history:		Abstract:
Received:	20 th March 2025	The article evaluates the system of factors influencing the development of business entities, the trend equation for the share of items in the total number of items in small business entities, the correlation of the interrelated values of the factors of the resulting indicator, the correlation of the logarithmic values of revenue and total assets.
Accepted:	14 th April 2025	

Keywords: small business, entrepreneurship, GDP, industry, consulting, enterprise, foreign investment

INTRODUCTION. Today, investment activity is important for economic development and sustainable growth. In particular, small businesses play a significant role in the economic system, as they actively participate in creating new jobs, introducing innovations and contributing to economic growth. However, attracting and effectively managing investments for small businesses often face difficulties. Assessing investment activity is important for the growth and development of small businesses. Through this process, it is possible to assess how a business entity attracts investments, how it directs them and the effectiveness of obtaining returns. Also, a correct assessment of investment activity increases the competitiveness of small businesses and serves to ensure long-term success.

ANALYSIS AND RESULTS. Small businesses need investments to expand their operations, introduce new products or services, and make technological improvements. However, their investment opportunities are often limited. Therefore, it is important to determine

their profitability, risk, and payback period before making an investment.

In the conditions of market relations, the development of business entities plays an important role in the sustainable growth of the country's economy, job creation and ensuring socio-economic well-being. In particular, small and medium-sized business entities are becoming a leading force in regional development, the introduction of innovations and the formation of a competitive environment. However, their successful operation depends on many internal and external factors. The system of factors influencing the activities of business entities is complex and multifaceted, including economic, social, legal, technological and organizational factors. Each factor, in turn, directly affects such indicators as the business environment, resource efficiency, financial capabilities and innovative potential. Therefore, in-depth study and analysis of the system of factors influencing the development of business entities, identification of their interdependence, and development of effective management decisions are of urgent importance today.

Table 1

The system of factors influencing the development of the activities of business entities¹

Group of personal and psychological factors	The group of personal and psychological factors includes the entrepreneur's knowledge, skills and experience in his work, his mental and spiritual state, his ability to organize and manage work, and his ability to quickly adapt to changing circumstances.
Organizational factors group	The organizational factors group includes in its work the possibilities of eliminating obstacles that arise in the organizational structure of an economic entity in continuing its activities, changing it, or improving it.
Group of normative and legal factors	The group of normative and legal factors includes the perfection of the current normative and legal framework that directly regulates the activities of the enterprise, its regularity, its uniformity in understanding for all entrepreneurs, the absence of contradictions in the legislation, and the availability of legal guarantees in the implementation of entrepreneurial activities.

¹ Compiled by the author using economic literature.



Economic factors group	The group of economic factors includes factors such as the state's encouragement of the activities of economic entities through various privileges and referrals, the development of a mechanism for financing and stimulating their activities, the formation of a healthy competitive environment in the economy, the practical functioning of state programs against monopolies, and the development of the production infrastructure that serves the implementation of entrepreneurial activity.
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The method of direct financing of business entities can be used to attract and form capital investments in the enterprise and to replace working capital. It is worth noting that the following circumstances can have a negative impact on the development of small business and entrepreneurial activity. Namely, a decrease in the profitability of production; a decrease in the competitiveness of products as a result of a sharp increase in the cost of production resources in the economy, an increase in transport tariffs, customs barriers, and the introduction of export and import duties; a decrease in demand as a result of a faster increase in the prices of consumer goods relative to the population's incomes; The deterioration of the financial results of the enterprise due to the involvement of working capital in non-production costs; the presence of individuals without economic knowledge among those engaged in entrepreneurship, etc. The above considerations show

that among all the factors mentioned, economic factors play a significant role in the development of small business entities' activities (Figure 1).

Analysis of the data in Figure 1 shows that if we pay attention to the share of items in the total number of items in small business entities, in 2010 it was 74.3 percent of the total, in 2011 it was 75.1 percent, it can be seen that this indicator increased in an increasing order until 2016 and amounted to 78.2 percent, but by 2017 it had slightly decreased to 78.0 percent, in 2020 it is 74.5 percent, in 2021 it is 74.5 percent, The fact that this indicator will be 73.9 percent in 2022 is explained by the fact that in recent years, these indicators have decreased, after the highest indicator was recorded in 2016. One of the main reasons for this is that the share of the industrial sector in our country is expanding and large business activity is increasing, which can be explained by the fact that the share of small business entities has slightly decreased.

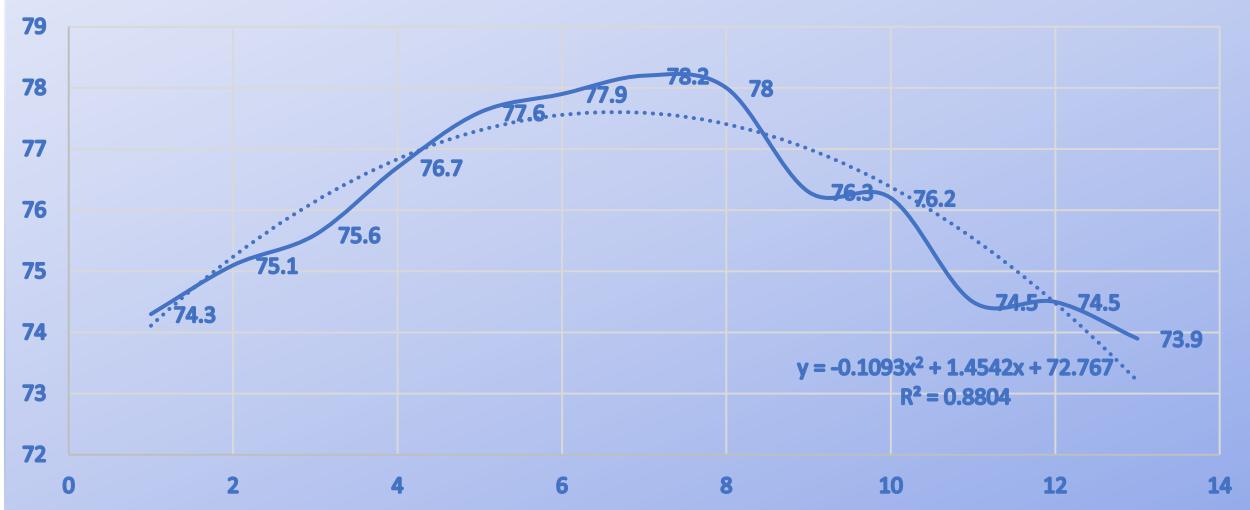


Figure 1. Trend equation for indicators of the share of items in the total number of items in small business entities

In Figure 1, it can be seen that several trend equations have been identified for the period from 2010 to 2022, which is the period of growth and decline of these indicators in the ten-year period, but the situation in which these equations work is the only one that is consistent with each other.

$$Y = -0.1093x^2 + 1.4542x + 72.767$$

$$R^2 = 0.8804$$

It can be concluded that the average level of dependence among households is in a balanced form, but one of the main reasons for this is that in recent years, large industrial zones are being established in our country, and the population is being recruited to work on their basis, and the number of those who want to work in foreign countries is increasing, which in turn

leads to a decrease in the share of small business entities.

Of the total number of small business entities included in the register of small and medium-sized businesses, 100 were formed through sample observation, including: 50 organizations in the wholesale and retail trade, 30 organizations in the

manufacturing sector, and 20 organizations in the construction sector. All organizations included in the selection additionally meet the following criteria: operating period of more than 5 years, positive net profit over the past four years, number of employees more than 15 people.

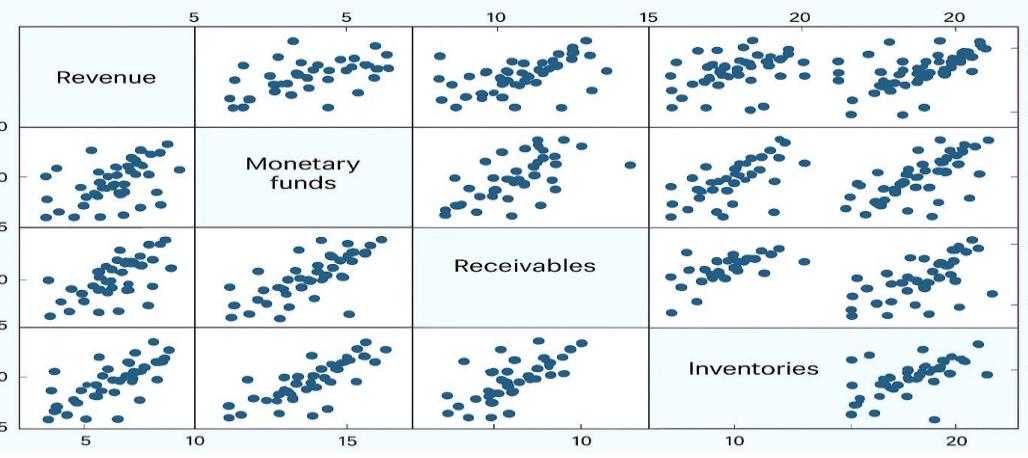


Figure 2. Correlation of interrelated values of factor characters to the resulting indicator

As can be seen from Figure 2, the relationships between the results and the factors affecting them are strong, while accounts receivable and reserves have a strong relationship, while cash and fixed assets do not have a high degree of relationship with the results. In addition, there are no cases of strong relationships

between the factors. This situation increases the reliability of the econometric model that explains the influence of factors on the resulting result. In addition, we can see that the relationship between the total income and the natural logarithmic values of the assets of enterprises and organizations is positive and strong.

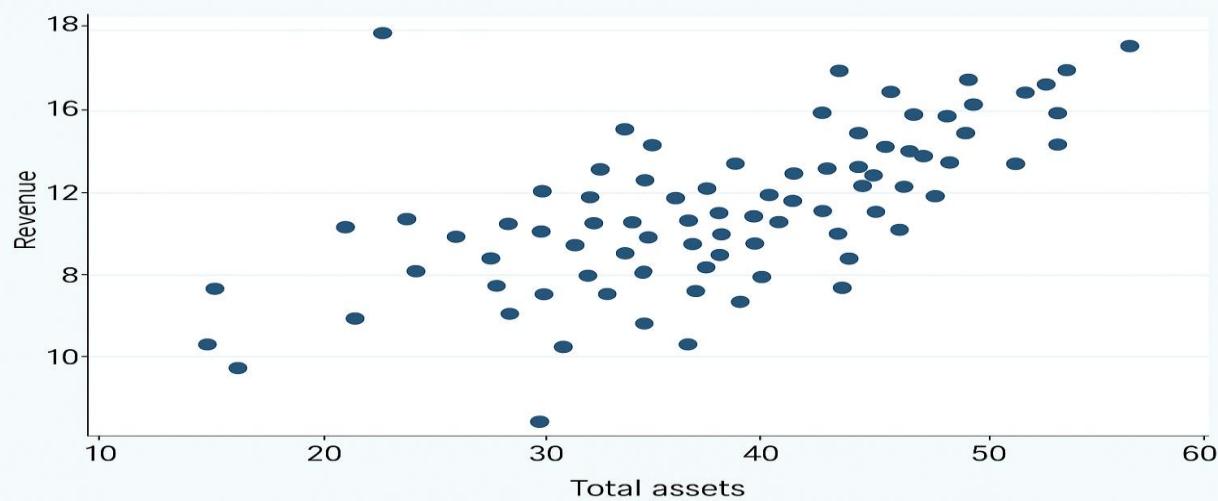


Figure 3. Correlation of logarithmic values of revenue and total assets

Using the above result, using the interrelationship of factors, we generate the following using the statistical software STATA 16:

$$\ln Y = 3,86 + 0,21 \ln X_1 + 0,08 \ln X_2 + 0,57 \ln X_3 + 0,04 \ln X_4 + \varepsilon (1)$$

Before interpreting this model, it is necessary to check the reliability of the model based on the data in

Table 2.4. It is known that R² explains the joint effect of factors on the result of the studied object, F value indicates the practical significance of the resulting model, and t-statistics indicate the significance of the model coefficients. R²=0.5704, F=31.54, t-statistics were (3.64) for α , (2.23) for β_1 , (1.82) for β_3 , (6.31) for β_4 , and (1.46) for β_4 , respectively.



According to these values, the combined impact of cash, accounts receivable, reserves, and fixed assets on the total revenue of enterprises and organizations in our object was 57 percent. The Fisher criterion, which

serves to describe the overall quality of the resulting model, is statistically significant. ($Prob > F$).

Table 2
Results of the regression analysis conducted

Source	SS	df	MS	Number of obs	=	100
Model	262.892441	4	65.73110	F(4, 95)	=	31.54
Residual	197.963672	95	28388204	Prob > F	=	0.0000
Total	460.856143	99		R-squared	=	0.5704
	460.856143	99		Adj R-squared	=	0.5524
				Root MSE	=	1.4435

Variable	Coef.	Std. Err.	t	P> t	[95 % Conf. Interval]
Pumps	0.288655	0.129632	2.23	0.028	0.031285 0.546024
Receivables	0.855768	0.106040	8.07	0.000	0.644724 1.066812
Reserves	0.182671	0.081548	2.24	0.027	0.020717 0.344625
Associate	1.164894	0.083711	13.91	0.000	0.998851 1.330937
_cons	2.954042	0.537640	5.49	5.000	1.889714 4.018370

According to the Student's t-test, all the coefficients of the calculated regression equation, except for fixed assets, were found to be significant at the 10% level. According to equation 1, if cash changes by 1%, revenue increases by 0.2 percentage points, while other influencing factors remain unchanged. The remaining factors are interpreted in the same way. Thus, the factor that has the greatest impact on the change in the income of small organizations is the change in reserves

level of growth can be achieved for the country's economy.

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