

## FACTORS INFLUENCING THE FORMATION OF SMALL BUSINESS STRUCTURE

**Sharipov Kuvondik Bakhtiyorovich, Ph.D**

Tashkent State University of Economics doctoral student (DSc), associate professor, etc

**Abstract:** This article analyzes the SWOT analysis of the characteristics of small businesses, the reasons for the specialization of small businesses in a single, separate field of activity, the share of small businesses and private entrepreneurship in the main sectors of the economy in our country, and the change in the number of newly established small businesses and micro-firms by sector in 2013-2021.

**Keywords:** Small entrepreneurship, specialization, structural structure of small entrepreneurship, "local" small enterprises, "satellite" enterprises, enterprises in "dynamic development", SWOT analysis.

### Enter.

The development experience of the developed countries of the world led to the formation of clear ideas about the important place and role of small business in the economy. "In foreign countries, small business stimulates the development of competition, "encourages" large companies to introduce new technologies and improve production efficiency, the efficiency of the entire economy directly depends on the successful operation of small and medium-sized businesses. Accordingly, developed countries implement the policy of supporting small business, the main goal of which is to coordinate the interests of the state and business, to provide optimal conditions for business activity, and to increase the competitiveness of small business. However, small business also has its own characteristics of variability in different periods and conditions, the appropriate use of which in the implementation of economic policy allows for an increase in the efficiency of the sector. Accordingly, in the developed countries of the world, the characteristics of the activities of small business entities in each branch and field of the economy are deeply studied, and measures are implemented to further improve the processes of specialization in them.

### Literature review.

R.S. Shvarts, M.V. Shatoxin, I.V. Antsiferova, A.N. Vasilev, T.Yu. Kudryavtseva, N.P. Jabin, T. .V. Miroyubova, T.V. Karlina, T.Yu. Kovaleva, S.N. Rastvortseva, E.E. Kolchinskaya, I.V. Manaeva, N.S. Yudin, V.A. Cherkasov, Yu.S. Pinkovetskaya, N.V. Ketko, E.V. Sitnikova, V.V. Olabina, L.P. Pidoymo, I.R. Zakirova, S.N. Abdullina, K.G. Safiulina, L.R. Gataullin , A.V. Dubinina, D.G. Demyanov, M.M. Makhmudova, A.M. Koroleva, M.V. Sorokina and others conducted scientific research.

The general aspects of the connection with the processes of specialization in the development of small business activities were discussed by Uzbek scientists Yo.Abdullaev, F.Karimov, A.N.Samadov, R.Khodjaev, Sh.J.Ergashkhodjaeva, Sh.Yuldashev, M.S.Kasimova, B.K. It is described in the works of Goyibnazarov, U.V.Gafurov, D.T.Yuldashev, H.P.Abulkosimov, I.A.Bakieva, A.A.Kulmatov, M.M.Ibragimova and others.

## **Methods and analyzes used.**

In this work, scientific research methods such as scientific abstraction, analysis and synthesis, induction and deduction, tactical grouping, comparison were used in the development of the scientific-theoretical rules.

The formation of market relations in Uzbekistan has increased attention to many related aspects, including the establishment and development of private ownership, transition to various forms of economic management, ensuring the interests of economic entities and other aspects. One of such important areas is the development of small entrepreneurship in the economy.

For many years, especially in the conditions of a centrally planned economy, the theories about the unquestionable and absolute efficiency of the forms of large-scale economic management have been leading. Small enterprises, small farms and individual producers were considered to be inefficient and their activity was evaluated as a temporary situation. Accordingly, in world economic science, insufficient attention was paid to the theoretical views of small business activity, and as a result, this field was almost not developed.

K. Kirilenko draws attention to the fact that the theoretical foundations of small business are insufficiently formed and expresses his personal views on this matter as follows: "Research of theoretical developments and practical materials on the state of small business makes it possible to reveal a number of laws in its development. One of the main laws is that until now, economic practice does not have an appropriate theory of small business. Today, the highest level of economic practice in this regard consists only of proposals, special rules and programs for the development of small businesses. Naturally, this situation should be recognized as an important evidence in the formation of small business economic infrastructure" [2].

In forming the theoretical foundations of small business activity, in our opinion, the types and forms of its organization, specialization in a specific branch or field of business management are one of the most important issues.

From the point of view of organization, small business activity is considered simple according to its content. U.Gafurov points out that there are several ways in terms of the composition of small business enterprises, and points out the following as the main ones:

- 1) As objects of social and market infrastructure in a specific residential area (retail shops, catering establishments, household service enterprises, bazaars, small production enterprises (bakeries, confectionery enterprises, etc.)). The number of these is determined by the population of the region and their demand for these products and services. However, the growth of the number of business entities related to the settlement and large enterprises has a certain limit, which is affected by such factors as the volume of demand for a certain type of product and service, the ability to satisfy a certain demand by an average small business enterprise (business entity) in a certain period of time;
- 2) as objects of production and social infrastructure around large enterprises, especially large enterprises forming the city;
- 3) As independent goods producing and service enterprises [3].

At this point, the above-mentioned ways of formation of small business enterprises are logically consistent with the types of small enterprises defined in the economic literature. In particular, R. Sidorchuk distinguishes three main types of small enterprises:

- 1) "Local" small enterprises - these are small enterprises working in the field of traditional business under the conditions and on the basis of local market characteristics;

- 2) "satellite" enterprises - usually suppliers of components and services for large companies, that is, small enterprises whose activities are directly dependent on the activities of large partners;
- 3) Enterprises in "dynamic development" are small enterprises operating independently and under conditions of perfect competition, without any restrictions from local markets or relationships with large partners [4].

Let's consider the specific characteristics of these enterprises using the SWOT analysis method

(Table 1).

**Table 1. SWOT-analysis of descriptive characteristics of types of small enterprises [8].**

<b>SWOT analysis</b>	<b>"Local" small enterprises</b>	<b>"Satellit" enterprises</b>	<b>Enterprises in "Dynamic development".</b>
<b>Strengths</b>	<p>To operate based on specific demand in the local market.</p> <p>The owners do not seek to transfer their business to another category based on their own ambitions and abilities.</p> <p>Dependence on personal relationships with partners and buyers, other economic entities.</p>	<p>Availability of a clear and guaranteed demand for products and services from a major partner.</p>	<p>Not to be limited by local markets or relationships with large partners.</p> <p>Ambitions of business owners encourage them to further develop.</p>
<b>Weaknesses</b>	<p>Orientation of the activity to specific demand limits the motivation for its innovative development.</p> <p>Lack of motivation to change the business hinders the use of business growth factors.</p> <p>Considering that the possibilities of increasing the demand for the offered goods or services are limited.</p>	<p>Limited independence in management or decision-making due to complete dependence on the larger partner in the relationship.</p> <p>Not so high adaptation to the market.</p>	<p>A relatively problematic assessment of the market situation due to not being under the protection of "local" markets or specific relationships with partners.</p>
<b>Opportunities</b>	<p>Absence of drastic changes in product (service) assortment and quality due to strong traditional characteristics of products and services in the local market.</p> <p>Various restrictions and specific characteristics set by consumers in local markets, special</p>	<p>Small businesses have stable and solvent demand for their products and services.</p>	<p>Requires active market activity, constant search for new opportunities, expansion of the customer base.</p> <p>In the process of rapid development, the enterprise can often move to the category of medium or even large enterprises.</p>

	administrative and other barriers to the appearance of foreign competitors apply.		
<b>Threats</b>	There is a constant risk of existing competitors becoming stronger or new competitors starting their business or changing their field of activity.	If a small enterprise establishes a cooperative relationship with another large company in the field of activity of its partner, then there may be a risk of conflict of interests, disclosure of commercial or other confidential information. A problem may arise in a large company or a change of owners (management) may result in the refusal of the supply of goods and services by this small enterprise and its destruction.	The activity and development of the enterprise depends on the possibility of expansion of market demand and high risk. Adaptation to market conditions is considered to be the main factor of maintaining the enterprise's activity.

The specialization of small business enterprises in a single, separate field of activity is advantageous for the following reasons:

1. Financial resources are significantly limited in small business entities. O. Konshina and T. Dudinskaya explain this situation as follows: "The main reason why small and medium-sized businesses do not develop so strongly is the difficulty of initial capital accumulation, the lack of opportunities to obtain loans under favorable conditions, and the low level of financial security of most small businesses due to the ineffectiveness of the tax system." [5]. This, in turn, forces small enterprises to specialize in a specific activity or one of its processes in most cases.
2. Determination of quantitative limits of small business entities by the state. That is, in most countries, their quantitative limits are set by law to support the activities of small business entities. For example, the quantitative limit of small business in our country is defined in the Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurial Activity", according to which "small business entities are:
  - 1) individual entrepreneurs;
  - 2) in the production sectors, the average annual number of employed employees is no more than twenty people, in the service sector and other sectors not related to production, the average annual number of employed employees is no more than ten people, in the wholesale, retail trade and catering industries, micro-enterprises with an average annual number of employees of no more than five people;
  - 3) in the following sectors:
    - the average annual number of employed employees in the light, food industry and construction materials industry provided for by legislation is no more than two hundred people;
    - the average annual number of employed employees in metalworking and instrument making, woodworking, furniture industry, as well as in other industrial-production areas provided for by law is no more than one hundred people;

- the average annual number of employed employees in mechanical engineering, metallurgy, fuel and energy and chemical industry, production of agricultural products and their processing, construction and other industrial and production sectors provided for by legislation is fifty people at most;
  - small enterprises in the fields of science, scientific service, transport, communication, service (except for insurance companies), trade and catering, and other industries not related to production, with an average annual number of employees of up to twenty-five people" [1 ]. In small business entities with a limited number of employees, the opportunity to combine several types of activity at the same time disappears.
3. Lack of high level of use of equipment and technology in small business entities. Usually, small enterprises have limited access to expensive technological lines. On the other hand, the use of large equipment and technological equipment in small enterprises is also considered impossible in terms of scale. This often leads to the contentment of small-scale technological lines or equipment specialized in a certain process in the activities of small business entities and, accordingly, specialization in the activities of the network using such technological lines or equipment.
  4. Working towards a predefined consumer. Most of the enterprises organized in the form of small business will direct their activities to the population of a certain area, to large enterprises and organizations, or to consumers who are certain according to some sign. "Lack of financial and human resources limits the "market power" of small enterprises and has a negative impact on the possibility of marketing and expansion of the circle of customers. However, a significant number of small businesses depend on fewer than ten customers, and some operate on a single customer account" [4]. This requires them to specialize in the production of a specific product or service. "Due to narrow specialization, relatively high-quality satisfaction of consumer demand is carried out. In comparison with large enterprises, which are aimed at satisfying the needs of a wide segment of the population, small enterprises provide customers with an individual approach" [6].

In addition, "a serious factor preventing the development of small business is the low demand of the population, which is the main consumer of its products and services" [5], which also limits their ability to engage in various activities at the same time.

From the above comments, it can be seen that there is a strong process of industry specialization in small business enterprises, and this situation is caused by the specific characteristics of this industry. However, the processes of specialization in the sector may not always correspond to the provision of high economic efficiency and the appropriate direction of the development of the national economy. Accordingly, it is important to analyze these processes and find out the mechanisms of influence on them.

In Uzbekistan, the share of small business and private entrepreneurship in the main sectors of the economy can be estimated using the following table (Table 2).

**Table 2 The share of small business and private entrepreneurship in the main sectors of the economy [7].**

Network	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Industry	28,6	29,7	33,0	36,8	40,6	45,3	41,2	37,4	25,8	27,9	27,0
Agriculture	97,2	97,2	97,3	97,5	98	98,6	98,5	98,3	97,9	96,7	96,0
Construction	67,6	70,0	70,6	69,5	66,7	66,9	64,8	73,2	75,8	72,5	72,4
Trade	86,7	87,3	86,6	86,3	87,1	89,6	88,4	86,3	83,6	82,3	82,3

Based on the data in the table, 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 manufacturing suddenly opens up access to small business enterprises that did not exist before, then this sector will grow rapidly. However, after reaching a certain level, this growth 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 influenced by changes in the number of small businesses or their size, but by changes in the production volume of large enterprises, which make up the "remaining" part of the gross output of the network.

The table shows that the share of small business and private entrepreneurship in the agricultural sector is the highest. The main reason 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: "State measures to support small business the lack of a clear implementation mechanism, difficulties in obtaining credit, production facilities and material resources put small enterprises in unequal conditions compared to large enterprises. This leads to a decrease in their number and to their focus mainly on trading and mediation activities.

The analysis of business development shows that the share of enterprises operating in the field of trade and intermediary services occupies a leading position. In addition, a large number of enterprises registered as a producer or multi-directional (producer of consumer goods, providing various services) enterprises, but, despite this, are engaged in trade mediation as the main activity.

Analysis of the number of newly established small enterprises and micro-firms by industry plays an important role in researching the processes of specialization of small business enterprises by industry (Table 3).

**Table 3 The number of newly established small enterprises and micro-enterprises by sectors (without farms and peasant farms, unit) [7].**

Network	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total by networks	21078	26334	26037	26896	38167	48922	92874	93214	98886
Agriculture, forestry and fisheries	2231	2417	2293	2351	3337	5586	7469	14969	11710
Industry	5457	7316	6450	5841	10182	11262	19496	18596	19285
Construction	1936	2766	3134	2850	3788	6360	8730	6009	6330
Trade						11713	36300	35213	38459
Transport and storage	1608	1433	1293	1666	1830	2107	2953	2397	2642
Accommodation and dining services	2285	2265	2403	2836	3353	3891	7233	5637	6621
Information and communication	759	979	806	944	1001	1228	1629	1917	2521
Financial and insurance activities	241	739	749	820	307	387	265	157	191
Education	396	509	428	158	200	1052	1353	1095	2200
Provision of health care and social services	398	424	486	516	858	1154	1269	1450	1760
Arts, entertainment and recreation	299	270	288	257	452	603	881	751	1021

Provision of health and social services	398	424	486	516	858	1154	1269	1450	1760
Other types	332	309	262	3730	4120	5621	7795	7026	9558

The analysis of changes in the number of newly established small enterprises and micro-enterprises by industry in our country in 2012-2021 shows that a certain level of instability was characteristic of this indicator in the period of 2012-2014, and consistent and stable growth was achieved only from 2015. In 2021, about 98,900 small enterprises and micro-enterprises (excluding farms) were established, which means 106.1% more than in the same period last year.

As a conclusion, it can be noted that currently in Uzbekistan, a certain degree of instability is characteristic for the processes of specialization of small business entities in economic sectors. And this, in most cases, the share of small business enterprises necessary to ensure high efficiency in some sectors is not enough, while in other sectors the share of these enterprises is higher than the norm, which can lead to an increase in the level of competition and a decrease in the average profit rate. Accordingly, it is important to study the processes of specialization of small business enterprises by branches, to find out the composition of economic mechanisms that influence their implementation.

### List of used literature

1. Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity". May 2, 2012, ORQ-328. - [www.lex.uz](http://www.lex.uz).
2. Kirilenko K.V. Maloe predprinimatelstvo kak institut rynochnoi ekonomiki // Uspekhi sovremennogo estestvoznaniya. – 2008. – No. 6. – S. 151-152; URL: <http://www.natural-sciences.ru/ru/article/view?id=10174> (data obrascheniya: 15.11.2019).
3. Gafurov U.V. Improvement of economic mechanisms of state regulation of small business. 08.00.08 – Entrepreneurship and small business economy; 08.00.01 – Economic theory (economic sciences). Dissertation submitted for the degree of Doctor of Economic Sciences. - T., 2017. - pp. 159-160.
4. Sidorchuk R. Instrumenty dlya malogo biznesa // "Vash partner-consultant", No. 24 (9290) 2009. - <https://www.eg-online.ru/article/70964/>
5. Konshina O.A., Dudinskaya T.K. Problemy razvitiya malogo i srednego biznesa v Rossii. - [http://www.science-bsea.bgita.ru/2010/ekonom\\_2010\\_2/dudinskaya\\_problem.htm](http://www.science-bsea.bgita.ru/2010/ekonom_2010_2/dudinskaya_problem.htm)
6. Kharakteristika i osobennosti malogo predprinimatelstva. - <http://www.kreditbusiness.ru/russianbusiness/63-kharakteristika-i-osobennosti-malogo.html>
7. Information of the State Statistics Committee of the Republic of Uzbekistan ([stat.uz](http://stat.uz)).
8. Author's developments