

Article

Socio-Economic Importance of Small Business and Private Entrepreneurship in Uzbekistan

Davlyatova Gulnora Muhammedjanovna^{1*}, Xojayev Azizxon Saidaloxonovich¹

1. Ferghana Polytechnic Institute, Candidate of Economics, Associate Professor of the Department of Accounting and Audit

* Correspondence: g.davlyatova@ferpi.uz

Abstract: This study investigates the socio-economic importance of small business and private entrepreneurship in Uzbekistan, highlighting their pivotal role since the country's independence. Despite significant attention to small business development, there remains a knowledge gap regarding the specific socio-economic impacts and the structural challenges faced by these enterprises. Using a mixed-methods approach, including qualitative analysis of policy documents and quantitative data from recent government reports, this research identifies key drivers and barriers to small business growth. The findings reveal that small businesses significantly contribute to employment, economic diversification, and innovation, but are hindered by regulatory inefficiencies and limited access to finance. The results underscore the need for targeted policy interventions to enhance the business environment and support sustainable growth in the sector, which is crucial for Uzbekistan's long-term economic stability and development.

Keywords: Small Business and Private Entrepreneurship, Market Mechanism, National Economy, Sustainable Development, Business, Enterprise Development, Business Environment, Privatization

1. Introduction

During the years of independence, Uzbekistan began the processes of denationalization and privatization, the formation of a class of small owners as the basis of a developing market economy. This has contributed to the emergence of the private sector in trade, services and the development of small industrial enterprises. At this stage, incentive measures and government support for small enterprises have played an important role in the formation of small businesses.

As a result of the decisions and decrees adopted by the President of the Republic of Uzbekistan in recent years to support small businesses and improve the business environment, as well as the great attention paid to this area, a total of 146.6 thousand small enterprises and microfirms were created in January-March 2019. When analyzing newly created small enterprises and microenterprises by industry, the largest number of new entities falls on the sphere of trade – 56.0 thousand (or 38.2%), the service sector – 34.1 thousand (or 23.3%), industry – 28.3 thousand (or 19.2%), agriculture, forestry and fisheries – 18.1 thousand (or 12.4%), and in the construction sector -10.1 thousand (or 6.9%) [4,5].

It should be emphasized that small business and private entrepreneurship also remain one of the most important sectors in the long-term economic development of Uzbekistan, in particular, in order to further strengthen macroeconomic stability and maintain high rates of economic growth and further expand lending to promising investment projects and small businesses and private entrepreneurship and, ultimately, ensure a balance

Citation: Muhammedjanovna, D. G., & Saidaloxonovich, X. A. Socio-Economic Importance of Small Business and Private Entrepreneurship in Uzbekistan. *Procedia on Economic Scientific Research* 2024, 10, 137-144.

Received: 3rd June 2024

Revised: 10th June 2024

Accepted: 17th June 2024

Published: 24th June 2024



Copyright: © 2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license

(<https://creativecommons.org/licenses/by/4.0/>)

and the sustainability of the national economy. ensuring stability, the fact that an increase in the share of small businesses and private entrepreneurship in its structure [2] has been identified as the basis of our economic development, indicates that this sector is of paramount importance.

However, we would like to emphasize that the development and effective functioning of small businesses and private entrepreneurship in the national economy, exploring the possibilities of wider use of the business potential of the industry in economic development is an urgent requirement of today. An important factor of economic development in a market economy is entrepreneurship, the level of development of which is determined by the level of efficiency of economic entities. The crucial barometer of economic freedom and prosperity is the creation of new and small firms [3].

Of particular importance in the effective functioning of small businesses and private entrepreneurship is the level of excellence of the industry structure. The perfection of the structural structure makes it possible to fully exploit the potential of small business and private entrepreneurship and increase its profitability, and at the same time, in the context of an aggravation and strengthening of the economic competitive environment at the international level, the issue of improving the structural structure of small business and private entrepreneurship becomes an objective necessity. In confirmation of our words, our President Sh. M. Mirziyoyev noted that "active entrepreneurship is an economic direction in which business activities are organized on the basis of innovative, that is, modern approaches, advanced technologies and management methods. By an active entrepreneur, we mean business people who are able to produce a competitive product, and most importantly, create new jobs, not only feed themselves and their families, but also benefit society as a whole. Expanding the ranks of such entrepreneurs, including bringing machinery and equipment to our country based on the latest achievements in the field of high technology, science and technology, and creating decent conditions for them to achieve the current level, should be our top priority" [1].

Based on the above, we can say that the liberalization of the economy in the context of liberalization shows the need for careful study of the possibilities and effective use of the opportunities and potential of small business and private entrepreneurship in the development of the national economy and improvement on this basis of this area and determines the relevance of the topic.

Literature analysis. Economists-scientists interpret the concept of "business" as "entrepreneurship", "attitude", "training", economic activity of market actors aimed at making a profit, activities aimed at withdrawing money from circulation, the concept of "entrepreneurship" as an initiative based on creativity and satisfaction of needs. in demand by the population, seeking profit through the production of demanded goods, seeking profit, ready to take risks, rich in ideas, willpower, hard work and organization. Some economic scientists also consider "business" and "entrepreneurship" to be meaningless concepts, in particular, M. Rasulov believes: "the essence of entrepreneurship, the concepts of entrepreneurship and business are the same thing" [4]. N. Beknozov considers: "In fact, the essence of entrepreneurship is that entrepreneurship and business are one and the same thing." the concepts of business and entrepreneurship are the same thing" [5].

In the economic literature, the concept of "entrepreneur" first appeared in the Dictionary of General Commerce, which was published in Paris in 1723 and in which "entrepreneur" was understood as "a person who assumed obligations for the production and construction of facilities" [6]. As a scientific term, the concept of "entrepreneurship" was used at the beginning of the XVIII century in the work of the famous English economist Richard Cantillon [7]. In his opinion, "an entrepreneur is a person whose profit is unlimited and who buys goods at a low price, but sells them at a more expensive price, he is prone to risk, a person who adapts supply to demand" [8].

A. Busygin defines entrepreneurship as "a special type of economic activity aimed at making a profit", under the purpose of entrepreneurial activity he understands the production and sale of such goods that are in demand on the market and should benefit the entrepreneur. He considers entrepreneurship as a process of creating something new, and an entrepreneur as a person who invests the necessary time and effort in all this, takes on all financial, psychological and social risks, is satisfied with the money received in return and the success achieved [9].

N. Syropolis interprets an entrepreneur as a person who organizes production enterprises, manages them and assumes all available risk, counting on lively, dynamic activity, and demonstrates the following important features of entrepreneurship: striving to achieve specific goals; innovation; risky activities; self-confidence; perseverance; responsibility [10].

A. Ulmasov, A. Vakhobov believe that "entrepreneurship is, in fact, the main type of business. But any business cannot be called entrepreneurship. To do this, a business must have creative attributes. Business is an activity aimed at extracting money from money in a broad sense. But when such activity is creative, entrepreneurship arises, that is, we can say that this is entrepreneurship when it is organized to create goods and services, effectively use resources, invest capital in some kind of work," they describe [11].

It should be noted that, in our opinion, formed as a result of studying the conclusions expressed in most studies conducted by academic economists to this day, and based on the research conducted, entrepreneurship is the main element of business, the main basis for the development of which serves to organize business. Entrepreneurial activity manifests itself as a form of doing business and is carried out in its various fields. However, the business concept is broader, its facade, "geography" is wide. If business means making money and increasing it, then entrepreneurship is about generating income and increasing it through creativity, through economic activity. It can be concluded that entrepreneurship and creativity are linked to each other and form a single whole.

2. Materials and Methods

The methodology for this study on the socio-economic importance of small business and private entrepreneurship in Uzbekistan involved a comprehensive, multi-faceted approach. Initially, a thorough literature review was conducted to understand the existing theoretical and empirical work related to small business development and entrepreneurship. This review provided a foundational understanding and helped identify key variables and indicators relevant to the research objectives.

Next, qualitative methods were employed, including the analysis of policy documents, government reports, and economic strategies from the Uzbek government. These documents were critically examined to extract information on government initiatives, support mechanisms, and regulatory frameworks affecting small businesses and private entrepreneurs. Additionally, qualitative data was gathered through semi-structured interviews with key stakeholders, including policymakers, small business owners, and industry experts. These interviews aimed to gain deeper insights into the practical challenges and opportunities faced by small businesses in Uzbekistan.

For the quantitative component, data was collected from national statistical databases, focusing on metrics such as the number of small businesses, employment rates, economic contributions, and sectoral distribution. Descriptive statistics were used to summarize and illustrate the current state and trends in small business development. Furthermore, comparative analysis was applied to examine the differences and similarities in small business growth across various sectors, such as trade, services, industry, agriculture, and construction.

The combination of qualitative and quantitative methods allowed for a holistic understanding of the socio-economic impact of small businesses and private entrepreneurship. This mixed-methods approach facilitated the triangulation of data, ensuring robustness and validity in the findings. The analysis was conducted using both thematic analysis for qualitative data and statistical techniques for quantitative data, providing a comprehensive picture of the current landscape and informing the policy recommendations made in the study.

3. Results

In understanding the essence of small business and private entrepreneurship, it is worth noting two important conditions necessary for its functioning: the first is the operation of the competition law, the highest principle of doing business aimed at ensuring abundance in society; the second is the availability of a market environment for the widespread development of small businesses. business activities.

In world practice, it has been confirmed that high technologies are widely used as a success factor associated with the development of new industries, and enterprises that clearly fulfill an entrepreneurial task mainly arise in the form of small enterprises. The main priority of small business and private entrepreneurship is also reflected in its rapid development and transformation into very large enterprises in the future [17].

One of the important signs of a small business is manifested in the direct ownership of its business and property. Based on the results of the study, its specifics can be singled out separately and described using Figure 1 below.

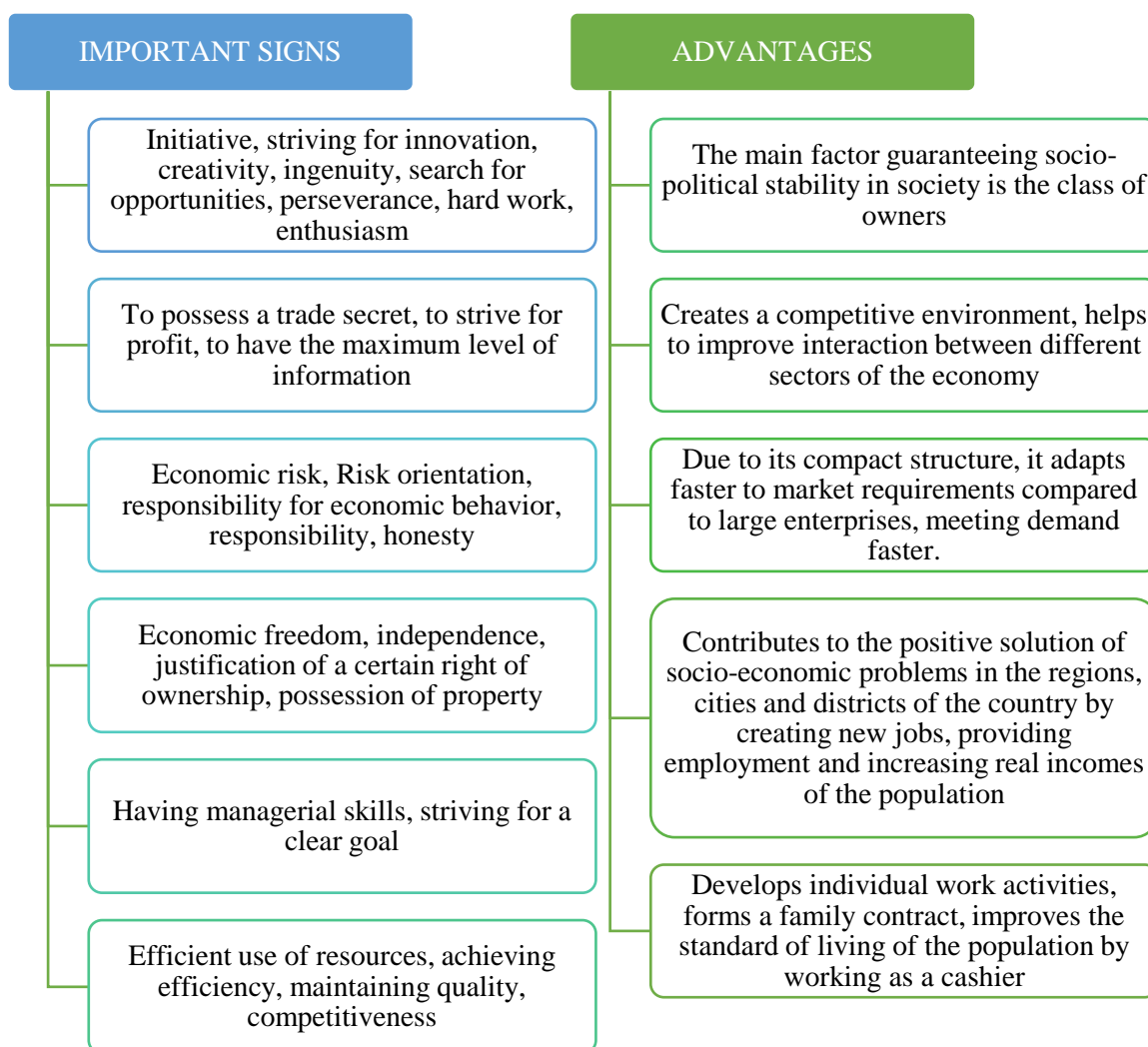


Figure 1. Features of small business and private entrepreneurship

Small business and private enterprise enterprises have their own structural structure. Studying the experience of the development of small businesses and private enterprises in Uzbekistan allows us to distinguish the following in its structural composition: small enterprises created in connection with the transformation of the status of an enterprise, small enterprises formed as a result of the privatization and reorganization process, newly created small enterprises.

It should be noted that if the activities of small enterprises of the first type bring insufficient profit, it is important that sufficient conditions are created for the sustainable development of enterprises of the third type.

In the activities of small enterprises that were created in connection with the change in the status of the enterprise, the previously existing shortcomings in the enterprise management mechanism have been preserved. Thus, small businesses and private enterprises functioned inefficiently until they were adapted to market conditions, even because they were based only on a change in form.

Since the first days of Uzbekistan's independence, serious attention has been paid to the formation of a sense of belonging among people and, on this basis, the formation of an entrepreneurial spirit in society.

4. Discussion

When it comes to small businesses and business entities, their activities, the environment in which these entities operate is important – the economic, social and legal system. That is, if, using the example of a country, we take a certain economic zone for small businesses and business entities, then to what extent has this country created a legal basis for engaging in this activity and how it works in practice; Naturally, questions arise about whether there are economic opportunities in the country for small business and entrepreneurship, and what social aspects are associated with these types of activities. Therefore, the study of small business and the entrepreneurial environment in Uzbekistan, including the above factors, and the disclosure of its specifics, provides an opportunity for further study of this area.

The experience of small business entities operating in our republic has shown that they have a number of advantages over large enterprises. World experience confirms that the development of the small business sector allows for the formation of a real competitive environment in various commodity markets, rational use of labor resources in large cities and especially in rural areas, as well as local raw materials.

The need to organize small business entities is expressed in the following situations:

- a. in a country that is transitioning to a market economy, the unemployed are beginning to appear in privatized, collapsing enterprises and organizations. The creation of small businesses allows, as a result, people to create new property and a workplace;
- b. the emergence of small businesses makes it possible to end the monopoly of large businesses, form a consumer market, create a free competitive environment, and accelerate the development of infrastructure facilities;
- c. these subjects will become the basis of the innovative complex of the economy. Enterprises of a very narrow field are engaged in the implementation, sale, and transmission of news to consumers;
- d. foreign investments attracted through joint ventures are mainly directed to small businesses.

From an economic point of view, small enterprises represent a layer engaged in income-generating activities, offering certain types of goods and services on the local market for exchange. Small businesses have their own characteristics, the ability to quickly adapt to the market, produce high-quality products; be able to meet the demand for goods and services necessary for the needs of the population in relatively short periods; relatively low initial investments in volume; the ability only to create new jobs and help solve the employment problem; direct participation of the business owner in the implementation of entrepreneurial activities, etc.

The economic aspects and useful properties of small business are highlighted below:

- a. small businesses are the most flexible part of the labor market, which trains the majority of the workforce who need a flexible working day, without cover and a source of income, adequate qualifications and experience, who apply labor to the most vulnerable part of the population.
- b. small business is a potentially effective tool for developing business and entrepreneurial skills among the population, increasing their level of adaptation to market relations. This creates the basis for the formation of a social stratum capable of ensuring the progressive progress of the middle class - a society interested in democracy and social stability, allowing citizens to own not only their own labor force, but also property, including industrial;
- c. small business significantly increases the efficiency of the entire economy. He is the fastest to adapt to changes in consumer demand, is able to quickly and relatively easily change the specialization of his activities in accordance with fluctuations in the economic situation;

- d. small business improves the territorial structure of the economy. And for an individual, running a small business provides an opportunity to occupy himself and earn income, integrate his work and personal life more fully, and show his abilities and talent.

The development of small business and private entrepreneurship is the main link in our reforms. Because, firstly, small business is considered an important industry that forms the structure of the developed world economy. His activities directly affect the successful development of not only small businesses, but also the economy of the whole country. In addition, the sustainable development of this network also determines the solution of issues of replenishment of the domestic market with consumer goods and the provision of various services to the population, the growth of export potential, employment of the population and an increase in its real income.

Secondly, in the process of economic globalization, competition in the world market will only increase. In such conditions, it is small enterprises that, in addition to their compactness, also require capital investments in relation to large manufacturers, are able to quickly adapt to the necessary principles, changing requirements of the market structure, as well as periodic economic crises, and quickly modernize production facilities.

5. Conclusion

The findings of this study underscore the critical role of small businesses and private entrepreneurship in Uzbekistan's socio-economic landscape, particularly in driving employment, economic diversification, and innovation. However, these enterprises face significant challenges, including regulatory inefficiencies and limited access to finance. The implications of these findings highlight the need for targeted policy interventions to create a more conducive business environment that supports sustainable growth and enhances the sector's contribution to the national economy. Future research should focus on exploring the effectiveness of specific policy measures and the impact of technological advancements on the growth of small businesses, to further inform strategies for bolstering this vital sector.

REFERENCES

- [1] N. Ablazov, "The Accounts of Receivable and Payable in Construction Organizations," *Conferencea*, pp. 25-27, 2023.
- [2] G. M. Davlyatova and D. B. Teshabayev, "Business Venture as a Socio-Economic System: Principles and Patterns," 2023.
- [3] G. Davlyatova, "Sanoatga Investitsiyalar Jalb Etishning Joriy Holati va Ulardan Foydalanish Samaradorligi," *Iqtisodiyot va ta'lim*, vol. 24, no. 6, pp. 194-200, 2023.
- [4] A. O'lmasov and A. Vahobov, *Iqtisodiyot Nazariyasi. Darslik (To'ldirilgan va Qayta Ishlangan Nashri)*, Toshkent: Iqtisod-Moliya, 2014, 424 p.
- [5] A. E. Ishmuxamedov, M. P. Eshov, and M. N. Sunnatov, *Bozor Iqtisodiyoti va Biznes Asoslari*, Tashkent: TDIU, 2006, 208 p.
- [6] A. Khojaev, "Regulatory and Legal Basis of Organizing the Accounting of Extra-Budget Funds (in the Example of Higher Education Institutions)," *Economics and Innovative Technologies*, vol. 11, no. 1, pp. 97-104, 2023.
- [7] G. Mamajonova, "The Mechanism of Integration of Cluster Members into the Innovative Environment for the Implementation of Innovative Projects," *Miasto Przyszłości*, vol. 28, pp. 455-458, 2022.
- [8] X. N. Mansurovich, "Kichik Biznes va Xususiy Tadbirkoplikni Rivojlantirish Yo'llari," *Journal of Marketing, Business and Management*, vol. 1, no. 11, pp. 27-34, 2023.
- [9] Sh. Mirziyoyev, "Message from the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis," *Narodnoye Slovo*, Dec. 23, 2017.
- [10] I. I. Nabievich, "The Role and Specifics of the Valuation Method in Accounting," *Central Asian Journal of Innovations on Tourism Management and Finance*, vol. 4, no. 5, pp. 24-31, 2023.

- [11] I. I. Nabiyevich, "Kichik Biznes va Xususiy Tadbirkoplikda Buxgalteriya Hisobini Yuritishning O'ziga Xos Jihatlarini," *Barqarorlik va Yetakchi Tadqiqotlar Onlayn Ilmiy Jurnalini*, vol. 2, no. 4, pp. 199-205, 2022.
- [12] N. T. Qudbiyev, Z. A. Axmadaliyeva, and D. M. O. G. L. No, "Soliq Yukining Biznes Uchun Ahamiyati," *Scientific Progress*, vol. 3, no. 3, pp. 699-708, 2022.
- [13] N. T. Qudbiyev, U. Erkinjon, and I. L. O. Mominov, "Tadbirkorlik Subyektlarida Ichki Nazoratning Samarali Tizimi Sifatida Ichki Auditning O'rni va Ahamiyati," *Scientific Progress*, vol. 3, no. 1, pp. 449-457, 2022.
- [14] K. A. Saidaloxonovich, *Spin-Off Companies in the Commercialization of Scientific-Technical Transfers in Higher Education Institutions: Ways of Organizing Their Activities, Keeping Accounting and Their Development*, Global Book Publishing Services, 2022, pp. 1-125.
- [15] D. B. U. Teshabayev, "New Models for Analysing the Financial Statements of Organisations," *Oriental Renaissance: Innovative, Educational, Natural and Social Sciences*, vol. 3, no. 11, pp. 833-839, 2023.
- [16] N. Ziyodinova, "Investitsion Qarorlar Qabul Qilishda Moliaviy Hisobotlarning O'rni," *Ijtimoiy-Gumanitar Fanlarning Dolzarb Muammolari/Aktualnye Problemy Soqialno-Gumanitarnyx Naук/Actual Problems of Humanities and Social Sciences*, vol. 3, no. S/2, pp. 173-179, 2023.
- [17] G. Kenzhebaeva, "Problems of Regulation and Protection of Investors in the Development of E-Commerce and Ways to Solve Them," 2024.
- [18] M. M. Korabaev, "Klasternaya Sistema v Uzbekistane: Problemy i Resheniya," *Journal of Marketing, Business and Management*, vol. 1, no. 6, pp. 106-110, 2022.
- [19] K. Kunduzova, "Onlayn Moliyaviy Xizmatlarning Xususiyatlari," *Ijtimoiy-Gumanitar Fanlarning Dolzarb Muammolari/Aktualnye Problemy Soqialno-Gumanitarnyx Naук/Actual Problems of Humanities and Social Sciences*, vol. 3, no. S/7, 2023.
- [20] O. Y. Akimov, *Malyi i Sredniy Biznes: Evolyutsiya Ponyatii, Rynochnaya Sreda, Problemy Razvitiya: Monografiya*, Moscow: Finansy i Statistika, 2014, 192 p.
- [21] E. A. Muminova, K. I. Kunduzova, and Z. B. Umaraliev, "Modernizatsii Ekonomiki i Innovatsionnogo Razvitiya Uzbekistana," in *Nauchno-Tekhnicheskii Progress: Sotsial'nye, Tekhnicheskie i Obshchestvennye Faktory*, 2018, pp. 194-198.
- [22] E. A. Arustamov, *Osnovy Biznesa: Uchebnyk*, 6th ed., Moscow: Dashkov i K, 2022, 228 p.
- [23] V. P. Smirnov, "Nauchnye Podkhody k Issledovaniyu Predprinimatel'stva," *Vologdinskiy Chteniya*, no. 74, pp. 116-118, 2009.
- [24] U. Turdiev and F. Karabaev, "Kichik Biznes va Xususiy Tadbirkoplik – Ijtimoiy-Iqtisodiy Taraqqiyotning Asosi," *Ekonomika i Finansy (Uzbekistan)*, no. 9, pp. 38-44, 2011.
- [25] A. Khojaev, "Oliy Ta'lim Muassalarining Tadbirkorlik Faoliyati – Byudjetdan Tashqari Mablag'larning Mu-him Asosi Sifatida," *Iqtisodiyot va Ta'lim*, no. 6, pp. 200-209, 2021.