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THE ESSENCE, IMPORTANCE, AND NECESSITY OF INNOVATION ACTIVITY IN SMALL ENTERPRISES

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Abstract: This article examines ways to develop innovative processes in the activities of small business entities in the national economy. Additionally, it studies the current state of the development of innovative processes within small business entities in our country.

Key words: private property, non-governmental, private sector, small business, innovation, invention, innovative environment, financing, science, production.

Annotatsiya: Mazkur maqolada, milliy iqtisodiyotida kichik biznes subyektlari faoliyatida innovatsion jarayonlarni rivojlantirish yo'llari ko'rib chiqilgan. Shuningdek, maqolada mamlakatimizda kichik biznes subyektlari faoliyatida innovatsion jarayonlarni rivojlanish holati o'rganilgan.

Kalit so'zlar: xususiy mulk, nodavlat, xususiy sektor, kichik biznes, innovatsiya, ixtiro, innovatsion muhit, moliyalashtirish, fan, ishlab chiqarish.

Аннотация: В данной статье рассматриваются пути развития инновационных процессов в деятельности субъектов малого бизнеса в национальной экономике. Также изучается текущее состояние развития инновационных процессов в деятельности субъектов малого бизнеса в нашей стране.

Ключевые слова: частная собственность, негосударственный, частный сектор, малый бизнес, инновация, изобретение, инновационная среда, финансирование, наука, производство.

INTRODUCTION

The main objective of the socio-economic reforms being implemented in our country is to further improve the population's standard of living. This goal is achieved by developing small business and private entrepreneurship within the national economy. Small business and private entrepreneurship contribute to raising income levels and improving living standards by ensuring employment for the population.

Since the early years of independence, the legal foundations for the development of entrepreneurship and small business have been established through the adoption of relevant laws.

The rapid development of small business and private entrepreneurship helps reduce social inequality among the population and contributes to improving their living standards. This is because the development of these sectors creates opportunities to ensure the employment of labor resources.

Enhancing innovation processes in the activities of small business entities leads to increased economic efficiency.

REVIEW OF LITERATURE ON THE SUBJECT

Extensive scientific research on the sources of financing innovation activity has been conducted by scholars around the world and in our country. In particular, P. Bayek, in his scientific works, provides an in-depth analysis of the functioning mechanism of the alternative innovation financing market [2]. R. Kosta thoroughly examines the phenomenon of crowdfunding, analyzing its level of sustainable development and the growing interest of researchers and society in this mechanism. His findings show that crowdfunding leads to transformations within the traditional financial system [3]. Z. Khurozov, in his research, studies the diversity, variability, actual needs, demand and supply, financial analysis, and economic evaluation of investment allocations related to the forms,

sources, and mechanisms of financing innovation activity [4]. J. Qambarov focuses on barriers encountered in enterprise financing processes [5], while S. Begmatova explores issues related to improving the economic mechanisms of state support for venture financing in a systematic manner [6].

RESEARCH METHODOLOGY

To achieve the stated objective, monographic and comparative methods were used in collecting and processing statistical data, while theoretical analysis methods were applied to generalize and substantiate the obtained results. These methods were applied in the analysis and results sections of the article and formed the basis for the conclusions drawn below. The outcomes of the applied methods contribute to scientifically substantiating the essence, significance, and necessity of innovation activity within enterprises.

ANALYSIS AND RESULTS

One of the key directions in deepening economic reforms in Uzbekistan is the development of small business and private entrepreneurship. Ensuring financial resources and providing financial support for small business and private entrepreneurship in Uzbekistan is becoming an increasingly important issue under the conditions of economic modernization. Small business and private entrepreneurship entities in our country face certain difficulties in securing financial resources for their activities. Those enterprises whose internal funds are insufficient are compelled to attract financial resources from external sources, primarily in the form of loans. Naturally, the conditions and cost at which these financial resources are obtained directly affect the future profitability of small business and private entrepreneurship. Therefore, the issue of financing their development must serve as an essential factor in ensuring their financial stability. This is especially important in a context where financial resources are limited.

In the current environment of deep socio-economic reforms, the development of small business and private entrepreneurship is closely linked to the innovation processes implemented within them. This, in turn, requires comprehensive and specialized scientific research aimed at supporting and improving innovation activity in small enterprises.

A crucial factor in developing small business and private entrepreneurship is the need to advance innovation activity in this sector. Effectively addressing this issue increases the role of private-sector entities in ensuring the sustainable development of the national economy.

Although the growth rates of small business and private entrepreneurship have remained stable in recent years, the scale of such enterprises is still relatively limited. Despite holding a certain position in the market, many of these enterprises face the problem of insufficient financial resources for production expansion. In our view, this issue is partly related to the general scarcity of financial resources in the country, and partly due to the fact that many entrepreneurs in the private sector lack practical skills for participating in financial markets, as well as the insufficient development and maturity of the national financial market.

Small business and private entrepreneurship entities often face numerous difficulties due to a lack of initial capital. In our opinion, legally recognized guarantees may be provided by solvent legal and natural persons, as well as by local self-governing bodies. To attract initial capital, instruments such as collateral deposits, retainers, guarantees, and advance payments may also be used.

The existence of a legal framework—including relevant legislation, tax incentives, preferential lending mechanisms, and legal protections—demonstrates that the foundations for developing small business and private entrepreneurship within the national economy have been firmly established. State support for small business and private entrepreneurship has led to a sharp increase in their share in the country's gross domestic product.

Implementing such measures contributes to further developing the private sector and improving the population's standard of living through enhanced innovation activity in small enterprises (Table 1).

Table 1. Descriptions of the Concept of Innovation Activity in the Works of Foreign and Local Scholars

Scholar	Definition of Innovation
Joseph Schumpeter	"...interprets innovations or the implementation of 'new combinations' as strategic advantages and achievements obtained through the continuous improvement of an organization, product, or production process..."
Peter Drucker	"Defines innovation as an economic tool that enables entrepreneurs to introduce new services and new forms of business."

P. Hisrich	"...links entrepreneurship to the concept of innovation: entrepreneurship is the process of creating something new that has value, and the entrepreneur is the individual who assumes the associated risks."
S. S. Ghulomov	"Associates entrepreneurship with innovation, stating that an entrepreneur is a person who mobilizes financial resources, material assets, and labor to create a new product, new business, or new production process."
S. S. Ghulomov & B. G'oyibnazarov	"Emphasize that small business enterprises require new innovative initiatives, and only on this basis can economic development be ensured. Therefore, small businesses must pay special attention to introducing the latest scientific and technological innovations into production."

Table 1 presents different definitions of the concept of innovation activity. Based on these descriptions, we can discuss the necessity of innovation activity and its importance in the development of small enterprises.

The adoption of a number of government measures in our country is paving the way for further development of innovation activity nationwide.

In the current trend of scientific and technological progress, increasing attention is being paid to the development and stimulation of innovation activity as one of the most optimal and effective drivers of economic growth. Indeed, modern development has no meaning or substance without intellectual products derived from innovation.

The interconnection between science and economic life is expanding. The phrase "Strong science – strong economy" is becoming relevant not only for today, but also for the future of humanity.

In recent years, the annual Republican Fair of Innovative Ideas, Technologies, and Projects has been held in our country. The purpose of this fair is to inform ministries and agencies, research institutions, educational and experimental design organizations, business entities, inventors, rationalizers, and individuals about newly created innovative developments, to conclude agreements for their practical implementation, and to facilitate information exchange. For example, at this year's innovation fair, more than 350 technologies, methods, developments, and innovative ideas created under the State Science and Technology Program were presented.

The main objective of forming a full-fledged innovation environment in our country is to create conditions for increasing the volume of high-tech, science-intensive production; to ensure the rapid development of small innovative entrepreneurship; to use the scientific and technical potential of scientific, research, and design organizations effectively to solve pressing socio-economic problems; to stimulate the investment and innovation activity of enterprises, especially small businesses; and to attract investments to expand innovation activity.

The term "innovation" originates from the English word innovation and means "introducing something new." At its core lie new systems, new habits, new methods, discoveries, new perspectives, and new ideas.

Innovation also refers to the process of creating and applying a new product that reflects a new scientific and technical achievement.

In economic literature, the concept of "innovation" is interpreted as a process that transforms scientific and technical potential into real, new products and technologies.

Joseph Schumpeter, a prominent economist, defined innovations or "the implementation of new combinations" as strategic advantages and achievements obtained through continuous improvement of an organization, product, or production process.

According to Schumpeter, innovation consists of the following five elements:

- production of a new good;
- introduction of a new method of production;
- opening of a new market;
- acquisition of a new source of raw materials or semi-finished goods;
- appropriate organizational restructuring.

The renowned scholar Peter Drucker also explains the economic essence of innovation, defining it as a unique tool through which entrepreneurs use changes to introduce new services or business types.

Drucker's definition complements Schumpeter's classical theory and highlights the importance of organizational and economic factors and the necessity of applying new goods in practice as a condition for effective development.

Many researchers studying economic intensification focus on technological innovations, which directly determine production development. These include production technologies, methods, tools, and changes driven by scientific and technological progress.

The essence of innovation activity is expressed, first, in the introduction of new or improved production processes; second, in reducing all types of production costs; and third, in continuously improving the consumer and quality characteristics of products while reducing their prices.

Thus, scientifically grounded new developments become innovations from the moment they are disseminated and implemented. The process of introducing innovations to the market is called commercialization.

In our view, innovation is the introduction into consumption of a new or significantly improved product (goods or services) or process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations.

Innovation is a materialized result derived from directing capital toward new machinery or technologies, new forms of production organization, services, management, and more. The process of creating, adopting, and disseminating such innovations is understood as innovation activity or the innovation process.

The outcome of innovation activity is also referred to as an innovative product.

Innovation represents the final result of innovation activity, embodied in the creation of a new or improved product intended for sale on the market, or the introduction of a new or improved technological process used in practice.

Additionally, the concept of “innovation” is closely related to the terms “invention” and “discovery.”

An “invention” refers to creating new tools, equipment, or mechanisms previously unknown to science.

A “discovery” refers to obtaining scientific information or observing natural phenomena previously unknown to science.

A minimal indicator of innovation is that a product, process, marketing method, or organizational method must be new (or significantly improved) for the organization implementing it, regardless of whether it was created or adopted elsewhere.

Innovation activity includes all scientific, technological, organizational, financial, commercial, and marketing efforts aimed at implementing innovation or undertaken for this purpose. It also encompasses research and development not directly tied to the preparation of a specific innovation.

In modern economics, the role of innovation is steadily increasing. Without the application of innovation, it is impossible to create competitive products characterized by high research intensity and novelty.

Therefore, in a market economy, innovation serves as an effective tool in competitive struggle, leading to the emergence of new demand, a reduction in production costs, an increase in investment flows, a rise in the image and rating of new product manufacturers, as well as the opening and capture of new domestic and foreign markets.

The main goal of the socio-economic reforms carried out in our country is to further improve the population's standard of living, which is achieved through the development of small business and private entrepreneurship in the national economy.

Small business and private entrepreneurship help increase the income level and improve the living standards of the population by ensuring employment.

The socio-economic reforms carried out in New Uzbekistan must primarily serve the interests of the people and ensure their satisfaction with today's living conditions.

Since the early years of independence, legal foundations have been established through the adoption of relevant laws aimed at developing entrepreneurship and small business.

The rapid development of small business and private entrepreneurship contributes to reducing social inequality and improving the living standards of the population.

The development of small business and private entrepreneurship creates opportunities for ensuring the employment of a significant part of the labor force.

By developing innovative processes in the activities of small business entities, economic efficiency can be achieved.

At this point, it is important to highlight the socio-economic essence, significance, and types of innovation, as well as the need to introduce innovation.

The subject of studying innovation activity consists of two components — a set of innovation activity actors that enable the implementation of innovation projects. The structural elements of innovation infrastructure include the following main functional units:

- state customers of innovation projects and programs;
- research, design-engineering, and educational institutions;
- production organizations and their associations;
- innovation organizations;
- innovation centers;
- innovation and venture funds;
- non-governmental non-profit organizations participating in innovation activity;
- foreign legal entities and individuals engaged in innovation activity;
- other organizations engaged in innovation activity in accordance with legislation.

In Uzbekistan, where market economy reforms are being consistently implemented, it is important that small enterprises involved in innovation produce various types of products.

If a small enterprise that introduces innovation enters its regional market earlier than its competitors (including international firms), the innovations are considered new for the market. If certain products, processes, marketing, or organizational methods are used by other firms but are new for this particular enterprise (or significantly improved), the innovations are considered new for the enterprise itself.

The development and implementation of new or significantly improved services and methods of production (or service delivery) are regarded as technological innovations.

According to technological parameters considered in innovation, innovations are divided into product innovations and process innovations.

Product innovation includes new or significantly improved goods and services, semi-finished products, and spare parts.

Process innovation involves the creation of new or significantly improved production or delivery methods, significant changes in technological processes, equipment, or software, and new methods of organizing production.

Organizational innovation refers to the introduction of a new organizational method into a firm's business practices. Organizational innovations include changes in workplace organization, external relations, and business practices that are used by the firm for the first time.

Organizational innovation also includes the creation of a new database containing best practices, training materials, and other information that increases accessibility; the introduction of an integrated monitoring system for production, finance, strategy, marketing; the reorganization of supply chains; business restructuring; downsizing management systems; and the introduction of quality management or other general production or supply operation management systems for the first time.

CONCLUSIONS AND SUGGESTIONS

Innovations, according to their origin and purpose, are generally divided into three main types:

- innovations driven by the development of science and technology;
- innovations driven by production needs;
- innovations driven by market demand.

Depending on the types of activities of enterprises, innovations are also classified as technological, production, economic, social, commercial, and managerial.

Thus, innovation as an economic category reflects the most general characteristics, features, connections, and relationships of production and the application of new developments. In particular, the role of innovation in enhancing the competitiveness of enterprises is of significant importance.

From the perspective of the production function, innovation represents the most essential source for financing expanded production. The economic essence of innovation is manifested in generating profit from its results and using it as a source of financial resources.

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