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MEASURES TO ENHANCE THE ROLE AND EFFECTIVENESS OF SMALL BUSINESS IN REGIONAL ECONOMIC DEVELOPMENT

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Abstract: This article provides a scientific analysis of the role and significance of small business in regional economic development. It examines the impact of small entrepreneurship on regional economies, its role in job creation, its contribution to increasing household incomes, and its potential for improving the investment climate. The paper also analyzes mechanisms aimed at enhancing the efficiency of small business entities, including the introduction of digital technologies, state incentives, and support measures. Based on the research findings, practical recommendations were developed to promote the development of small business at the regional level and increase its economic activity.

Key words: small business, regional development, economic growth, business environment, innovation, efficiency.

Annotatsiya: Ushbu maqolada kichik biznesning hududiy iqtisodiy rivojlanishdagi roli va ahamiyati ilmiy jihatdan tahlil qilingan. Shu bilan birga kichik tadbirkorlik faoliyatining hududlar iqtisodiyotiga ta'siri, yangi ish o'rinlarini yaratish jarayonidagi o'rni, aholi daromadlarini oshirish hamda investitsion muhitni yaxshilashdagi imkoniyatlari yoritilgan. Shuningdek, kichik biznes subyektlarining samaradorligini oshirishga qaratilgan mexanizmlar, raqamli texnologiyalarni joriy etish, davlat tomonidan berilayotgan imtiyozlar va qo'llab-quvvatlash choralari tahlil etilgan. Tadqiqot natijalari asosida hududiy darajada kichik biznesni rivojlantirish hamda uning iqtisodiy faolligini oshirish bo'yicha amaliy taklif va tavsiyalar ishlab chiqilgan.

Kalit so'zlar: kichik biznes, hududiy rivojlanish, iqtisodiy o'sish, tadbirkorlik muhiti, innovatsiyalar, samaradorlik.

Аннотация: В данной статье представлено научное исследование роли и значения малого бизнеса в региональном экономическом развитии. Рассматривается влияние малого предпринимательства на экономику регионов, его роль в создании новых рабочих мест, повышении доходов населения и улучшении инвестиционного климата. Также проанализированы механизмы повышения эффективности субъектов малого бизнеса, включая внедрение цифровых технологий, государственные льготы и меры поддержки. На основе результатов исследования разработаны практические рекомендации по развитию малого бизнеса на региональном уровне и повышению его экономической активности.

Ключевые слова: малый бизнес, региональное развитие, экономический рост, предпринимательская среда, инновации, эффективность.

INTRODUCTION

Today, small business and private entrepreneurship are recognized as one of the most important sectors of the national economy. Small business refers to economic activity based on independent ownership and autonomous management that does not hold a dominant position in its market. International experience demonstrates that small business plays a vital role in achieving economic stability, creating new jobs, ensuring employment, and improving living standards. In particular, the activity of small business entities serves as a key factor determining economic growth rates in regional development processes.

In recent years, comprehensive reforms aimed at supporting small business, improving the business environment, and enhancing economic activity across regions have been consistently implemented in the Republic of Uzbekistan.[7] Through presidential decrees, government resolutions, and various regulatory documents, small business entities are provided with tax incentives, credit benefits, subsidies, and state guarantees. These measures contribute to expanding production volumes in the regions, creating new jobs, increasing export potential, and improving the well-being of the population.

However, the potential of small business in regional economic development has not yet been fully realized. [8] Factors such as underdeveloped production infrastructure in certain regions, limited access to financial resources, and insufficient adoption of modern technologies hinder the full demonstration of small business efficiency.[9] Therefore, strengthening the efficiency of small business entities, enhancing their competitiveness, and improving mechanisms that ensure regional economic growth have become urgent priorities.

This article provides a scientific and practical analysis of the role of small business in regional economic development, the factors influencing its efficiency, existing challenges, and possible solutions for overcoming them.

REVIEW OF LITERATURE ON THE SUBJECT

The role of small business and private entrepreneurship in economic development has been extensively studied by numerous foreign and local scholars. In global economic literature, researchers such as J. Schumpeter, P. Drucker, M. Porter, A. Smith, R. Coase, and A. Marshall have evaluated entrepreneurship as a key factor ensuring sustainable economic growth, fostering innovation, and creating new employment opportunities. In his Theory of Economic Development, J. Schumpeter describes the entrepreneur as an “innovator and the driving force of the economic system.”[1] P. Drucker considers small business to be the foundation of economic stability and social well-being.[2] In M. Porter’s Competitive Advantage concept, small business is recognized as a fundamental element shaping a competitive environment.[3] According to Porter, small enterprises play an essential role in introducing innovations, adapting quickly to market demands, and maintaining balance within the economic system.

The works of A. Marshall and R. Coase highlight the advantages of small businesses in reducing production costs,[5] ensuring efficient use of resources, and increasing production efficiency.[4] Among local economists, Sh. Mirziyoyev, Q. Alimov, S. G’ulomov, N. Xo’jayev, M. Usmonov, I. Tursunov, and others have extensively analyzed the importance of small business in regional economic development. Their research indicates that small business is a decisive factor in maintaining economic stability, increasing employment, diversifying production, and reducing interregional economic disparities.[6]

Furthermore, the works and speeches of President Sh. Mirziyoyev on economic reforms emphasize the development of small business as a driving force of regional economic growth. In recent years, several regulatory and legal documents aimed at promoting small business and improving the entrepreneurial climate have been adopted in the Republic of Uzbekistan. These include the Presidential Decree On Improving Mechanisms for Supporting Entrepreneurial Activity, the New Uzbekistan Development Strategy for 2022–2026, and the Comprehensive Program for the Socio-Economic Development of Regions. These documents focus on the development of small business, increasing the share of the private sector, improving the investment climate, and creating new employment opportunities.[10]

The literature analysis shows that small business, as the most active and dynamic part of the economic system, plays a crucial role in regional development. It contributes significantly to ensuring economic growth, strengthening social stability, increasing household incomes, and expanding local budget revenues.

RESEARCH METHODOLOGY

In this study, the role and efficiency of small business in regional economic development were assessed using the following scientific and methodological approaches:

- Analytical analysis method – the role of small business in the economy, production volumes, employment levels, and its impact on regional development were examined.
- Comparative analysis method – the level of small business development, economic outcomes, and growth rates across different regions of the republic were compared.
- Systemic approach method – economic, social, organizational, and institutional factors influencing small business activity were studied in their interrelationships.
- Statistical analysis method – based on data from the State Committee of the Republic of Uzbekistan on Statistics and the Ministry of Economy and Finance, recent trends in the number of small business entities, production volumes, export potential, and employment levels were analyzed.

- Inductive and deductive approaches – empirical observations were used to draw general conclusions, while theoretical foundations were enriched through practical results.

Using these methods, the role of small business in regional economic development, the factors influencing its efficiency, and potential directions for improvement were comprehensively analyzed. Based on the findings, scientific and practical recommendations were developed to enhance the activities of small business entities and increase their contribution to regional economies.

ANALYSIS AND RESULTS

Studies conducted show that small business is one of the rapidly developing sectors of Uzbekistan's economy and is emerging as a stable source of regional economic growth. In recent years, the number of small business entities in the country has been steadily increasing. According to the State Committee on Statistics, the share of small business in GDP rose from 52 percent in 2020 to 57 percent in 2024, indicating the growing importance of entrepreneurship in economic development. The expansion of small business directly contributes to increased regional production volumes, the creation of new jobs, and the rise of household incomes. In 2024 alone, more than 500,000 new jobs were created through small business activities, which is 1.4 times higher than in 2020. Additionally, small enterprises have achieved significant results in expanding export volumes, deep processing of local raw materials, and producing import-substituting goods.[10]

Analyses show that regions with highly effective small business activity also demonstrate higher levels of economic performance. For example, in Tashkent city and the Fergana, Samarkand, and Andijan regions, the share of small business in gross regional product exceeds 60 percent. This is attributed to developed economic infrastructure, broad access to financial resources, and a favorable investment climate. However, in some remote regions, the growth rate of small business remains low.[11] The main reasons include limited access to financial resources, underdeveloped production infrastructure, low adoption of digital technologies, and insufficient experience in marketing and management. Therefore, applying a differentiated regional approach—one that reflects each region's natural, economic, and labor resources—is essential for developing effective small business strategies.

The following factors play a key role in increasing the efficiency of small business:

- Expanding financial support mechanisms such as preferential loans, grants, and subsidies;
- Introducing digital technologies to automate production processes and increase efficiency;
- Developing infrastructure, including industrial zones, logistics centers, and innovation parks;
- Strengthening human capital through training and capacity-building programs for entrepreneurs and employees;
- Simplifying the business environment by reducing the number of permits and easing tax administration.

Overall, the role of small business in regional economic development continues to grow year by year. Its effective operation not only promotes economic growth but also supports social stability, employment, and regional equality. Therefore, comprehensive support for small business and the widespread introduction of innovative and digital approaches are essential for ensuring the sustainable development of the national economy.

CONCLUSIONS AND SUGGESTIONS

This article analyzed the role of small business in regional economic development, measures for increasing its efficiency, and existing challenges. Based on the analyses presented in the article, the following recommendations were developed to enhance the efficiency of small business and accelerate regional economic development:

1. Expand the system of financial support by increasing the volume of preferential loans, grants, and subsidies.
2. Introduce digital technologies and automate production processes.
3. Develop production infrastructure and expand industrial zones and innovation parks.
4. Organize training programs and courses to improve the qualifications of entrepreneurs and employees.
5. Simplify the business environment by reducing the number of permits and easing tax administration.

Thus, the effective development of small business ensures not only regional economic stability but also contributes to the country's sustainable economic growth and the improvement of social well-being. Therefore, the development of small business should remain one of the priority directions of state policy.

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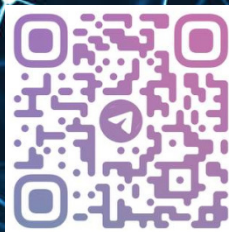
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