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ADVANTAGES OF SMALL BUSINESSES IN ECONOMIC DEVELOPMENT

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ANNOTATION

The article discusses a faster adaptation of small businesses to local economic conditions with the development of the economy, the independence of actions of small businesses, flexibility in decision-making and their implementation, relatively low costs in the implementation of effective activities. It is stated that there is a great opportunity to demonstrate the ability of a person to implement his ideas, the advantages of initial capital, such as low demand and the ability to quickly make changes in production processes in response to the requirements of local markets.

Key words and phrases: economic development, small business, entity, private enterprise, start-up capital, local market, reform.

In the conditions of modern globalization, the stable development of the economy depends on many factors, the most important of which is the development of small business. The most optimal way of transition to a market economy is the creation of small business and private entrepreneurship and the expression of confidence in its prospects, therefore, from the first days of independence in the Republic of Uzbekistan, special attention was paid to this area. Small business and private entrepreneurship operating in the Republic of Uzbekistan have certain characteristics that distinguish them from small businesses in many other countries. The most important of these are the combination of several activities within one small enterprise (through economic activity), the majority of small businesses own their own buildings (according to the survey, currently 61.4 percent), in most cases not focusing on any one product of the development model, most of their enterprises (despite their dependence on innovative potential) are characterized by a low technical level and dependence on low technological equipment and a number of other characteristics.

As world practice shows, small business and private entrepreneurship play an important role in the economy and contribute to its sustainable development, as they



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have certain advantages. Analyzing foreign and domestic experience in the development of small businesses, faster adaptation to local economic conditions compared to large businesses, independence of actions of small businesses, flexibility in decision-making and their implementation, relatively low costs in the implementation of effective activities, demonstrating the ability of a person to implement his ideas, advantages such as excellent reachability, low initial capital requirements and the ability to quickly make changes in production processes in response to local market requirements can be noted.

An important advantage of small business and private entrepreneurship is the high speed of information transfer. This is due to the small amount of information that can be covered in direct communication between managers and employees. That is, the small size of the enterprise provides good management at relatively low management costs. Finally, it should be noted that the creation of a small business, as a rule, does not require large capital investments. This advantage attracts many start-up entrepreneurs and has a positive effect on the price of products, works and services.

Of course, at the same time, along with the positive advantages of small businesses and private entrepreneurship, there are also a number of disadvantages and problems, including:

the dependence of the activities of small businesses and private entrepreneurship on the influence of the external environment creates a high level of risk and the speed of the possibility of a crisis;

low ability to attract capital, which can be directed to the expansion of production in the field of small business and private entrepreneurship;

the scope of small business and private entrepreneurship is limited, and it is difficult for this area to enter the areas that require capital and science;

the limited range of products for small enterprises and private enterprises and the inability to compete with large-scale production makes it difficult to organize a marketing service and a dealer network.

Experience shows that most of the failures of small businesses and private entrepreneurship are associated with the inexperience of managers or the professional incompetence of the owners of the entity. Based on the results of a survey of small businesses and private entrepreneurs, the study identified incompetence as the main reason for their insolvency. Nevertheless, it should be remembered that the activities of small businesses and private entrepreneurship are



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aimed at meeting local needs, developing the region and solving social and economic problems at the local level.

This, in turn, increases not only the economic, but also the social significance of small businesses and private entrepreneurship. As economic reforms deepen in the republic, small business becomes an increasingly important factor in the formation of market relations. At the same time, the insufficient use of the potential of small businesses in the national economy should be noted.

This is evidenced, first of all, by the small number of small businesses in comparison with the population. In the economy of the Republic of Uzbekistan in 2020, the share of operating small enterprises (411,203) in the total number of enterprises (475,197) is 86.5% (increased by 2.45% compared to the previous period). According to the Russian Federal Tax Service, this figure is 56.9% in 2020[1], and the pandemic economy has hit hard in countries based mainly on small businesses and services. At the same time, in 2019, this share exceeds 55% for the member states of the Organization for Economic Cooperation and Development, in Brazil - 50.2%, in the USA - 48%, in Canada - 30%[2]. Compared to the same period in 2020, due to the pandemic, it fell by 11.3%, in the UK by 20.8%, in the USA by 31.4% [3].

Secondly, its insignificant economic role. In the Republic of Uzbekistan, more than half of the gross domestic product and three-quarters of jobs in the economy are small businesses. According to the Stolypin Institute for Growth Economics, in 2020 the average share of the Russian SME sector in GDP will be 48%, and the number of jobs in the sector will be 15.5 million people. per capita[4], providing 90% of all businesses in the EU and almost 85% of new jobs over the past five years, as well as two-thirds of all private sector participation in the region[5].

Thirdly, the economy is saturated with forms of small business. According to the State Statistics Committee, the number of operating enterprises and organizations in 2021 is 41.1 (excluding farmers and peasant farms) [6] million people. compared to the same period last year, this figure increased to 8242, and the growth rate was 128.3 percent. If in the Republic of Uzbekistan 34.5 million if taken in relation to the number of people, then we can determine that this figure corresponds to about 12 people for every thousand people. There are over 23 million SMEs in the European Union, employing about 70 percent, accounting for 57 percent of total turnover and 53 percent of value added, with an average of 40 small businesses per 1,000 inhabitants. Czech Republic, small and medium-sized enterprises by 4.7 times, Sweden - 3.4 times, Spain - 2.7 times, Poland - 2.1 times[7].



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In a word, small business is an integral part of the market economy, which is particularly mobile, flexible and highly efficient. The development of small business contributes to the development of positive processes in the economy, the democratization of society, the increase in political weight in the international arena, which, in turn, brings not only political, but also economic dividends to the state. Many characteristic features of small business are directly related to normal market relations and the main problems hindering the development of private entrepreneurship in general. Therefore, in the near future it is necessary to implement a set of measures for the rapid and effective development of small businesses.

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