

## THE ROLE OF SMALL BUSINESSES IN LOCAL ECONOMIC DEVELOPMENT

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### Annotation

This article shows the role of small business in the socio-economic development of the regions, identifies the main trends in its development and shows the main problems that hinder the development of small business in the regions; taking into account the identified problems, organizational and economic mechanisms of small business support at the regional scale are proposed.

**Key words:** small business; small entrepreneurship, regional formation, organizational and economic mechanism.

At the local level, small businesses are often the lifeblood of neighborhoods, stimulating economic activity, providing employment, and strengthening social cohesion. Their presence can help revitalize high streets, support local supply chains and imbue neighborhoods with their own identity. In addition, small businesses are often more responsive to the needs and preferences of local consumers, thereby stimulating demand and shaping consumption patterns. At the national level, small businesses contribute to broader economic goals such as GDP growth, innovation and competitiveness. Despite their individual size, small enterprises together constitute a significant part of economic output and employment in various sectors. Their flexibility, entrepreneurial spirit and propensity for innovation will add to their impact on the economy. At the same time, small businesses face many challenges, including limited access to capital, regulatory burdens, and competitive pressure from large corporations. These barriers can hinder their growth trajectory and their ability to realize their full economic potential. Understanding the relationship between these issues and the broader economic context is critical to developing effective policies to support the small business sector. In this context, the study takes a comparative approach to analyze the role of small businesses in economic development, comparing their local impact with their contribution to national economic goals. Combining empirical evidence, theoretical frameworks, and case studies, this study provides a detailed understanding of the mechanisms by which

small businesses generate economic performance at multiple scales. This research aims to inform policymakers, stakeholders and academics about the key role of small businesses in economic development and to clarify strategies to promote their growth and sustainability in an increasingly dynamic and interconnected global economy, and to improve economic performance at local and national levels. Determining the problems faced by small businesses in contributing to development requires taking into account a number of factors that affect their activity and development potential. Here's an overview of the problems they often face:

Small businesses in local communities often have difficulty accessing capital from traditional financial institutions due to limited collateral or experience. While access to capital may be relatively easier nationally, small businesses still face challenges securing financing, especially during economic downturns or in highly competitive industries. Complying with local regulations, zoning laws, and permits can be cumbersome and time-consuming for small businesses, hindering entry and expansion. At the national level, however, small businesses face a complex and frequently changing regulatory environment at the national level that requires significant resources to ensure compliance, which we can see disproportionately affecting small businesses. The role of small business is determined by the classical tasks of solving small business in developed countries. This will develop a healthy competitive environment of the economy and create a strong motivational incentive system for more full use of knowledge, energy skills and hard work of the population, which in turn will lead to more active development of existing material, personnel, organizational and technological resources. allows you to log out and use them; formation of a quality system of household, organizational and production services; creating a large number of new jobs, forming the most important layer of society - the middle class; development of innovative potential of the economy, introduction of new forms of organization, production, sales and financing. The development of small businesses creates the necessary conditions for rapid economic growth, helps to fill local markets, and at the same time allows to cover the costs of the market economy (unemployment, crisis). Small business has great potential to optimize the development of the economy and society as a whole. A characteristic feature of a small enterprise is the high intensity of use of all types of resources and constant striving to optimize their number, providing the most optimal



conditions for these ratios. A small enterprise cannot have excess equipment, excess stocks of raw materials and materials, unnecessary workers. This situation is one of the most important factors for achieving reasonable indicators of the economy as a whole. Small business entities play an important role in the operation and socio-economic development of the region. It creates jobs, develops and implements new technologies, takes into account local conditions as much as possible, penetrates into areas that are not free of profits for large enterprises, and provides a significant part of the regional and local gross domestic product. Due to small management staff and simple organizational forms, flexibility to changes in the external environment, management mobility and rapid response to customer requirements. Ensuring the coordination of state and local strategic management and budget policy measures, as well as determining the internal and external conditions and opportunities for socio-economic development of regions (provinces and cities and districts included in them), including financial issues, are regional authorities, including tasks are solved within the planning of regions, their economic and social development. Each region should determine the priorities, goals and objectives of its socio-economic policy. However, its development is associated with a number of difficulties: limited resources, heavy dependence on market conditions, weak credit opportunities, subordination to the goals of large enterprises, long working week, weak social protection of employees.

Under the means of encouraging the development of entrepreneurship, it is necessary to understand specific measures or a group of measures that directly or indirectly improve the opportunities of entrepreneurs in carrying out their activities in a certain area. Small business is always dynamic, flexible, innovative and responsive, and has the ability to quickly respond to external influences, including legal changes. This situation shows the ability of small businesses to respond and restructure adequately in difficult economic situations. The small business sector plays an important role in the social and economic development of regional districts. One of the advantages of this form of activity is the most complete satisfaction of the population's rapidly changing demand for various goods and services. In addition, small business contributes significantly to the creation of jobs, develops and implements new technologies, and maximally focuses on the needs of the population in various areas. In short, the comparative analysis of the role of small



businesses in economic development highlighted their multifaceted contribution to both the local and national economy. As a result of this investigation, several main conclusions emerge: First, at the local level, small business plays a decisive role in increasing the vitality and stability of society. They are an important factor in employment, providing work opportunities that support life and promote social cohesion. In addition, small businesses contribute to local economic revitalization by generating income, stimulating consumer spending, and fostering entrepreneurship and innovation in their communities.

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