



SMALL BUSINESS EFFICIENCY AND ITS ASSESSMENT IN UZBEKISTAN

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Abstract

The article examines the importance of the development of small business and entrepreneurship for the economic growth of the regions of the Republic of Uzbekistan, as well as the features of assessing the effectiveness of small business. Effectiveness is a measure of the success of entrepreneurship and small business, therefore the article examines the relationship between these criteria and the conditions for achieving success. The issues discussed in the article are relevant for the economy of our country, because the use of measures aimed at the development of entrepreneurship and small business is one of the most important elements of state regulation of socio-economic processes, a factor of strengthening the country's innovative development and social stability. Increasing the level of economic activity of entrepreneurs, small business development programs that serve their self-sufficiency are of particular importance.

Keywords: Small business, efficiency, success, evaluation criteria.

Introduction

The contribution of entrepreneurship and small business to the economic development of countries around the world has been recognized since the late 1940s with the establishment of government agencies responsible for this sector (for example, in Japan this happened in 1948, in the USA in 1953) and the development of national policies in these countries, offering various tax regimes, subsidies and guaranteed loans. The development of small business and entrepreneurship has become a universal phenomenon throughout the world over the past decade. Currently, the positive relationship between the development of the small business sector and the growth of the country's economy is becoming increasingly strong. Small businesses have established themselves as large



employers, active participants in value chains, producers of added value, participants with significant potential in international markets and innovation agents.

Compared to large companies, small businesses and entrepreneurs have limited market power, a limited customer base, and difficulties in taking advantage of market opportunities. They lack sufficient experience and do not always pay attention to the budgeting process. However, some of them (the so-called high-growth small businesses) achieve excellent results; their income is growing by more than 20 percent annually, but the share of rapidly growing small businesses in the total volume of small businesses does not exceed 15 percent. Therefore, a number of questions arise: are there other factors (in addition to the above-mentioned limitations) that reduce the efficiency of small businesses, and what should be done if some small businesses do not want to grow, but want to maintain the current level in order to guarantee their owners a secure lifestyle? What do entrepreneurs and small business owners really want, what are their goals? Answering these questions is the main goal of the study.

Since the 1990s, entrepreneurs and small business owners have been increasingly recognized as drivers of economic growth around the world. The long-term economic growth and prosperity of any country requires the participation of entrepreneurs living in it. In the vast literature on the importance of small businesses in the economy over the past decades, the contribution of new enterprises to the economic well-being of our country has been increasingly emphasized. Although newly established small businesses play a dominant role in strengthening competition in developing sectors of the economy of the Republic of Uzbekistan, they are also very important for the economic growth and innovative potential of our country, as well as for the transformation and development of society. Entrepreneurs are ultimately able to develop strategies that will solve major economic and social problems and, in this sense, improve the quality of life in our country. Job creation, economic growth and poverty reduction are usually the main political interests of entrepreneurship.

Thus, due to the innovative nature of entrepreneurs, small business is the driving force of the economy. Small entrepreneurship (small business) is a set of independent small enterprises (economic market entities) that perform important tasks in the economy of any country, including: creating jobs, reducing



unemployment, eliminating imbalances in various fields of activity. The undeniable advantages of small business include flexibility and adaptability to the external environment.

Small businesses have high labor productivity. In addition, they satisfy the need for fewer goods and services at lower costs (using local raw materials and at the same time providing more employment), increase revenues to regional budgets, stimulate innovation, and also perform other functions that are not important for the national economy. Small business is an important component of the state's economic activity. Increasing the competitiveness of regions of the country, individual sectors of industry, as well as the growth of tax revenues to the state budget depend on its development and support; social protection and well-being of the population are ensured.

Small businesses have a unique ability to fill small gaps associated with satisfying local (and therefore unattractive for large enterprises) needs. Entrepreneurs are self-confident people, constantly looking for new successful projects and ready to implement them at any time. Therefore, small business is a kind of "foundation" of social stability, protecting the most active and progressive part of society from various political shocks.

According to researchers, in times of crisis, the problems of entrepreneurship and small business are exacerbated, which is confirmed by surveys, as well as subjective assessments of participants in economic relations. In developed countries, the share of small business in GDP is almost half (based on total employment). Small business fills almost all sectors of the economy, and only a little more than 28% of all jobs in the economy of our country fall on small business. However, with proper management, entrepreneurship can not only adapt to an unfavorable external environment, but also remain effective. An ineffective business leaves the market and is quickly replaced by another entrepreneur. When considering support issues, one should rely not on the results of surveys of entrepreneurs, which, regardless of the state of the external environment, always indicate problems with profitability and financing, but on successful business examples of small businesses in our country.

In foreign scientific and educational literature, the term "efficiency" is used to describe the results of economic activities of enterprises. At the same time, small business performance indicators include criteria characterizing the financial and



non-financial activities of companies. An assessment of the practice of measuring small business efficiency leads to the conclusion that one can trace the evolution towards the combination of the use of financial and non-financial indicators. Despite foreign practice, in Uzbekistan, the assessment of business efficiency is often carried out only using financial indicators. It should be noted that for many entrepreneurs, financial indicators (profit, sales volume, growth, number of employees, number of clients, etc.) are not the main goals. On the contrary, they have non-financial goals related to job satisfaction, a healthy life, the need for independence, creativity, and respect from society. Some authors divide them into financial and non-financial success criteria, while others call them economic and non-economic goals. According to these criteria, the author proposes to divide entrepreneurs and small business owners into two different categories:

- 1) those who are entrepreneurial and focused on economic goals (such as company growth or innovation);
- 2) those who are small business oriented but have non-economic goals (such as personal satisfaction or ensuring the standard of living of their family).

But what makes some entrepreneurs more interested in economic goals and others in non-economic goals? The answer lies in how they define success.

In general, success and effectiveness are often used interchangeably in many studies and are difficult to separate. Most researchers define success as the achievement of a specific goal. Success is the result of several factors. It is primarily determined by the characteristics of entrepreneurs, such as self-efficacy in seeking opportunities, determination, and social skills. The second group of factors includes market opportunities, the number of business partners, capital, and the strategy chosen to achieve success. In contrast to success, effectiveness is the achievement of results from any activity. This means that if the result of an action (level of performance) leads to the achievement of a goal, it is considered a success. According to research, entrepreneurs use ten criteria for success in order of decreasing value: personal satisfaction, profitability, satisfied stakeholders, work-life balance, innovation, company survival, profitability, contribution to society, social recognition, and growth. The pursuit of traditional business goals (e.g., growth) often conflicts with personal goals that are important values for many (e.g., work-life balance, philanthropy, etc.). Thus, evaluating small business performance solely on the basis of financial indicators (e.g., profit per employee or



return on investment) is not sufficient in the context of a small business (although they are easy to calculate and interpret). It should be remembered that financial measures ignore alternative performance indicators based on the personal goals of owners (entrepreneurs), which should not be combined with business goals. Financial indicators often do not take into account personal goals, which further complicates the existing situation.

When it comes to the success of small businesses (i.e., the success of owners, entrepreneurs), efficiency becomes a subjective, absolute category (an indicator of the achievement of enterprise goals), which can be both simple and unique, and thus reflects personal aspirations and motives. In fact, efficiency is an objective measure of success as a multifaceted, qualitative and quantitative expression of the achievements of a particular small enterprise in comparison with other firms or groups of related enterprises. Thus, using only financial indicators to assess efficiency is economically inexpedient, since this does not allow obtaining the most reliable, real results. Efficiency is an important criterion in assessing the success of small businesses. Measuring efficiency is determined by the level of rational use and attraction of available resources. Entrepreneurs differ from ordinary managers. They start from what they have and what they can do (resources, opportunities, personal network). According to the resource approach theory, the resources available to an enterprise are both tangible (labor, financial, information, etc.) and intangible (profitable contracts, licenses, organizational culture or company reputation). However, it is not only the available resources that are important, but also what a small business can do with its resources, that is, its capabilities. At the same time, the effectiveness of a small business is directly related to the abilities of entrepreneurs, including:

- 1) entrepreneurial skills - conceptual skills (creating business models, setting goals, developing strategies and plans), innovative skills (choosing new directions, thinking differently and unconventionally) and operational skills (implementing strategies and plans);
- 2) functional - means having detailed knowledge of the product offered by the company and a deep understanding of what is happening in the industry;
- 3) marketing capabilities - related to the ability to respond to market, network and communication effects.



Business efficiency, entrepreneurial success and owner success can be achieved. The category of success is defined primarily as a dependent variable that depends on the volume of management practices and management activities in small businesses, explaining the possible effects on improving communications and business results. Therefore, it is necessary to correctly understand and limit the concepts of success and efficiency, which are usually used interchangeably. In addition, it is necessary to identify criteria that truly measure the success of a small business.

Business performance can be assessed using both objective (traditional financial indicators) and subjective (personally oriented characteristics) approaches. Efficiency is determined only by objective indicators of success, while success from the perspective of entrepreneurs can be determined by financial and non-financial indicators. Many authors, based on the results of special research, emphasize the need to look at success from a subjective point of view, therefore, the starting point of the assessment process is the small business owners themselves. For entrepreneurs, traditional measures of financial success may be small, meaningless, or irrelevant, since each person has his own idea of success. Therefore, subjective criteria for success include indicators such as personal satisfaction and success, business pride, or a flexible lifestyle.

Every business project arises, exists and strives for what is usually called success. In classical economic literature, success in entrepreneurship requires not only economic knowledge, but also business experience. Similarly, an entrepreneur can go bankrupt not only because of his own mistakes or shortcomings, but also partly because of bad luck. At the same time, it depends on the general business conditions. Most entrepreneurs attribute their success to general opportunities (family background), special opportunities (possession of the right knowledge and skills), capital and luck. An entrepreneur who has the above opportunities has significant advantages over others. An entrepreneur must be creative and have the ability to foresee. The listed opportunities depend on the industry, the business experience that the entrepreneur has and knowledge of consumer desires, which significantly increases the likelihood of success. After all, a successful entrepreneur must have high management skills; therefore, trust in luck is justified.

Small business performance is associated with the criteria of growth, profitability and survival as the main indicators of success. Most studies in the field of small



business performance assessment are based on financial indicators, which, due to some of the shortcomings mentioned above, are not the best or most reliable way to measure performance. However, despite all the shortcomings of financial indicators, their use in measuring performance is necessary, first of all, due to the convenience of calculation and widespread use. However, this is not only a matter of measuring performance indicators, but also reducing the scarcity of financial resources, as well as combining them with other aspects of the activity in order to more objectively recognize the results of the enterprise. One of the delicate tasks facing specialists in assessing the effectiveness of entrepreneurial activity is to determine the criteria for the success of small businesses (financial and non-financial), which are associated with the reliability of the research conducted and the relevance of the results obtained. This is a difficult task that can be solved with appropriate experience and knowledge.

This study found a link between small business performance and success; it defined what success means for small businesses and the factors that determine success. In conclusion: Entrepreneurs and small business owners have both business and non-business goals; business goals are, on average, more important than non-business goals. While previous studies have emphasized the importance of entrepreneurs' personal values in achieving business goals, this study suggests that it is not the entrepreneur (stakeholders (employees, management), company resources, employee skills, etc.) but rather other factors related to the company that influence small business success. There is no relationship between company goals and these factors, with the exception of one type of capability - marketing capabilities. However, this may explain only a small part of the importance of changing business goals. This suggests that (at least in small businesses) the entrepreneur plays the most important role in determining the type of goals that drive the company, and the influence of other factors is insignificant. Moreover, this is a limitation of the current study. Thus, the author of the article believes that if it is necessary to increase the importance of business goals in a company and increase the efficiency of its activities, then, first of all, it is necessary to influence the entrepreneur.



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