


## DIGITALIZATION ENTREPRENEURSHIP AND SMALL BUSINESS ASSESSMENT OF THE IMPACT ON DEVELOPMENT

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Article Info	ABSTRACT
<p><b>Article history:</b> Received Feb 21, 2024 Revised March 16, 2024 Accepted Apr 17, 2024</p> <p><b>Keywords:</b> small business, private entrepreneurship, export, industry, self-employment, service, market infrastructure, digital economy, internet users, entrepreneurship and Small Business, least squares</p>	<p>this article analyzes the state of development of small business and private entrepreneurship, its share in macroeconomic indicators such as GDP, exports and industry. Also, proposals for the main ways of developing small business and private entrepreneurship were previously asked. The impact of digitalization, measured by the share of Internet users, on the share of entrepreneurship and small businesses, was analyzed using the smallest squares method in the AOS of data from the World Bank and the statistical agency under the president of the Republic of Uzbekistan. From the results of the Model, it can be seen that there is a correct correlation between the increase in the share of internet users and the share of small business and private entrepreneurship</p> <p>This is an open-access article under the <a href="#">CC-BY 4.0</a> license.</p> 
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### INTRODUCTION

One of the main goals of building a socially oriented market economy in Uzbekistan is to develop small businesses at a priority level. Step-by-step economic reforms are being carried out to achieve this goal, large institutional frameworks have been created to increase the role of small businesses. The organization of small business activities, legal and regulatory documents guaranteeing free operation, market infrastructure supporting small business were formed.

As a result, to date, small business entities operate in all aspects of the economy of our country, in the production of machinery products, in the production of consumer goods, agriculture and food products, in areas such as service services and tourism. Our experiences accumulated in our country in a short period of time have proven that small

businesses are an important factor in sustainable economic growth. In particular, in the context of deep structural changes and diversification in the country's economy, small business serves as an important factor in our sustainable development of our national economy, its increased competitiveness and achieving high macroeconomic indicators.

According to the 29th goal of the new Uzbekistan development strategy for 2022-2026, it is established to create conditions for the organization of entrepreneurial activity and the formation of permanent sources of income, to bring the share of the private sector in GDP to 80% and its share in exports to 60%.

As important tasks, the creation of 200 new industrial zones in the regions and the development of a system of business incubators, the creation of more favorable conditions for the development of entrepreneurship in difficult-to-condition districts, the support of entrepreneurship in the regions, the improvement of the activities of existing structures for unemployment and poverty reduction, the reduction of public participation in the economy.

In the regions of our country, it is important to reduce poverty and increase employment, further develop small business and private entrepreneurship in self-employment.

## RESULTS AND DISCUSSION

The accumulated experience in the development of small businesses in our country shows that increasing the level of competitiveness of enterprises assumes that they expand and grow in size during their activities. But, the quantitative limits of enterprises that allow small business entities to have the privileges and disadvantages established for the purpose of state support can in some cases hinder these processes.

Over the past period, as a result of the rise in the level of socio-economic development in our country, favorable conditions created for small business entities, many enterprises with increased economic potential are trying to maintain their number of employees within the established quantitative limit in order to continue using these benefits. This hinders the process of their enlargement.

The development of small business entities in the Republic of Uzbekistan has gone through certain stages from the period of independence to the present day. For 30 years, a number of regulatory documents and legal framework for the development of small business entities have been created. On the basis of the work carried out in this regard, we have classified the stages of development of small business entities. One of the main characteristics of small businesses is that it provides the main indicators necessary for the economic development of the country in a short period of time. That is, small business is the most important sector that fills the country with goods and services that are deficient in the domestic market, defining the structural basis of the economy.

It also serves as the most fundamental factor and resource in increasing employment and income for the effective use of labor resources and in the formation of the owner's class. The importance of small businesses in general in economic development:

- \* ensures that the country's gross national product increases in terms of composition and quantity;

- \* provides the basis for the effective use of labor resources;

- \* sets the stage for an increase in current income and savings of the population and a rise in the level of well-being;

- \* elimination of sectoral and regional unitary authorities;

- \* ensures that the state budget funds are in one norm;

- actively echoes in foreign economic activity;

- \* rational use of resources;

- new techniques-technology, introduction of equipment into production and increase labor productivity.

Therefore, small business in all countries of the world is the foundation of the national economy. Today, even in developed foreign countries, the number of small enterprises accounts for 70-80% of the total enterprises that exist in them. For example, 71.7% of the Japanese population is engaged in small business and private entrepreneurship.

Special attention is paid to promoting the development of small businesses in Uzbekistan as well, since small businesses raise the economic potential of the country, as a result of the successful development and prosperity of the state. The development of small business in our republic is the main priority of today. Economic reasons for attention to small businesses:

- \* filling the domestic market with local goods and services;

- \* increase the hard ability of the population;

- \* upgrade the country's export potential;

- \* modernization of production;

- \* development of Service services;
- \* providing large enterprises with component details and parts;
- \* creating a competitive environment;
- ensuring the turnover of capital within the country, etc.

Indeed, small business entities are becoming an industry that fills the domestic market with local goods and services, provides large enterprises with components and parts, and increases the country's export potential. This can also be seen in the fact that the country is increasing its position in the export potential.

Export plays an important role in the foreign economic activity of any state. The prosperity of the economy of our country is also directly related to the rise in export potential. During the years of independence, the export potential of our country has changed radically. The role of small business in this is also incomparable. Small business entities today not only fill the domestic consumer market with imported substitute goods, but also offer high-quality, competitive goods to the world market.

Small business is also becoming the most important sector in the sectors of the country's economy. In agriculture, trade, domestic services, catering, hotel and tourism activities, small businesses are very large. In later times, industries have also been developing in rural areas as a result of modernization in industries, technical and technological transformation of production, deep structural modifications in industry and diversification. In this case, small businesses are considered to be the main adults. Even in industrial production, the share of small businesses is increasing from year to year. The share of small businesses from industries in the food industry, processing industry, light industry is becoming higher. Gradually, small business entities are increasing in activity to other important sectors of the industry.

Another goal from the development of small business is to raise the spiritual and educational and cultural affairs of the country. Because small business also contributes to the development of spiritual and cultural spheres. Spiritual and cultural reasons for the development of small business in our republic:

- \* promote the restoration of traditional folk Applied Arts and artistic crafts;
- \* establishment of sports and wellness facilities;
- \* opening private educational institutions;
- improvement, beautification and environmental education;

\* Organization of children's, youth and youth camps.

Over the next 3-4 years, there was a fundamental boom in the development of small businesses as a result of the reduction of state share in the country's economy, the implementation of free market mechanisms. In particular, the share of small business and private entrepreneurship in the sectors of the economy is also increasing. In particular, the contribution of small and private enterprises in the production sectors is increasing.

The impact of digitalization, measured by the share of Internet users, on entrepreneurship and small business share can be significant, since digitization allows entrepreneurs and small business owners to enter new markets, connect with customers and simplify operations. Due to the increasing availability and low cost of internet access, even in remote or rural areas, more people are able to open and manage small businesses. Using digital tools and platforms, entrepreneurs can sell their products and services to a wider audience, communicate with customers through social networks and other channels, and improve their performance through online tools such as accounting programs and project management systems.

Digitization also allows entrepreneurs to take advantage of financing and investment opportunities through online crowdfunding platforms, angel investor networks and other digital channels. This helps to overcome traditional barriers to financing, such as geographic location or lack of contact with traditional investors.

In addition, digitization helps to improve small business efficiency and productivity by simplifying processes, reducing costs, and improving communication and collaboration between team members.

For example, cloud-based software solutions help small business owners manage inventory, track sales, and automate routine tasks, freeing up time to focus on growth and innovation. In general, the impact of digitization on entrepreneurship and small business share can be significant, as it provides wider access to markets, financing and resources, as well as increasing efficiency and efficiency. Econometric analysis also allows for the control of other factors such as economic growth, Public Policy, and demographic changes that can affect entrepreneurship and small business development. This is important because the impact of digitization on entrepreneurship and small business development can be influenced by other factors, and in order to correctly assess the real impact of digitization, we must take these factors into account.

In general, econometric analysis provides a rigorous and quantitative approach to the study of the relationship between digitization and entrepreneurship and small business development, and digitization helps to better understand the mechanisms by which these important economic outcomes are affected. In our study, we used statistics of various

sources as factors affecting the share (Y) of small business and private entrepreneurship in Uzbekistan (Table 1). In doing so, we have selected the proportion of internet users (X1) as well as fixed capital investments per capita (X2) in relation to this number of people per capita as factors. Table 1 below provides statistics on each factor.

Table 1

**Dynamics of factors affecting consumption costs**

<b>Years</b>	<b>Small business and specific of entrepreneurship share (to the volume of GDP relatively)<sup>1</sup></b>	<b>From the internet users share (per capita relatively)<sup>2</sup></b>	<b>Per capita to base capital acquired investments (thousand Soum)<sup>3</sup></b>
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<sup>1</sup> O'zbekiston Respublikasi Prezidenti huzuridagi Statistika agentligi, <https://stat.uz/uz/rasmiy-statistika/smallbusiness-and-entrepreneurship-2>

<sup>2</sup> Jahon Banki, <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

<sup>3</sup> O'zbekiston Respublikasi Prezidenti huzuridagi Statistika agentligi, <https://stat.uz/uz/rasmiy-statistika/investments>

	<b>Y</b>	<b>X1</b>	<b>X2</b>
<b>2010</b>	60,8	15,9	583,2
<b>2011</b>	61,9	18,6	664,6
<b>2012</b>	60,8	23,6	821,4
<b>2013</b>	60,9	26,8	1 008,2
<b>2014</b>	61,9	35,5	1 224,0
<b>2015</b>	64,6	42,8	1 431,7
<b>2016</b>	66,8	46,8	1 608,6
<b>2017</b>	65,3	48,7	2 227,8
<b>2018</b>	62,4	55,2	3 769,6
<b>2019</b>	56,0	70,4	5 834,6
<b>2020</b>	55,7	71,1	6 140,3

From the data of Table 1, it follows that small business and private entrepreneurship using the multi-factor linear regression equation, the effect of factors on the proportion modeled. During the study, the following theoretical regression model formed:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Here:

Y - Share of small business and private entrepreneurship;

$X_1$ -share of internet users;

$X_2$ -fixed capital investments per capita;

$\alpha$  - free had;

$\beta_{1,2}$ , - corresponding coefficients;

During the study, the following hypothesis was formulated:

$H_0 - \beta_1, \beta_2$ , at least one of them is not zero. That is, at least one factor the impact on final consumption costs is statistically significant.

$H_1 - \beta_1, \beta_2$ , all are zero. That is, no factor is the final consumption the impact on costs is not statistically significant.

Initially, we formed a correlation matrix between factors (Table 2).

Table 2

**Matrix of correlation coefficients between factors**

$X_1$	$X_2$	$Y$	
1,0000	0,9218	0,7351	$X_1$
	1,0000	0,4695	$X_2$
		1,0000	$Y$

The results of the correlation analysis (Table 2) show that there is a strong linear (correct) relationship between the share of small business and private entrepreneurship ( $Y$ ) and the share of internet users ( $X_1$ ). The correlation coefficient is 0.73, which is a strong correlation bond if the correlation coefficient exceeds 0.7 according to the Cheddock scale. There is also a strong linear relationship between the share of small business and private entrepreneurship ( $Y$ ) and fixed capital investment per capita ( $X_2$ ).



The correlation coefficient is 0.46. Based on the results of the analysis, the influence of factors X1 and X2 on Y was found to be of statistical importance

## CONCLUSION

In conclusion, the digital economy provides both problems and opportunities for the development of entrepreneurship and small business in Uzbekistan. While there are still problems that need to be addressed, the increasing importance of digitization in the economy underlines the need for policies and strategies to help small businesses grow and succeed in the digital age.

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