

**SOCIO-ECONOMIC SIGNIFICANCE OF SMALL BUSINESS AND
ENTREPRENEURSHIP**

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Abstract: This article provides a comprehensive explanation of the content and essence of small business and entrepreneurial activity. The distinctions between the concepts of small business and private entrepreneurship are clearly outlined. In addition, the article examines the impact of small business and entrepreneurship on a country's economic growth and presents detailed information on their socio-economic significance. Owing to their ability to adapt rapidly and effectively to ongoing systematic changes under market economy conditions, small business and entrepreneurial activities contribute to achieving the fundamental objective of the economy—fully satisfying human needs and improving living standards. The article also highlights the crucial role of small business and entrepreneurship in the socio-economic development of the country.

Keywords: small business, entrepreneurship, entrepreneur, democracy, needs, inflation, legal entity, individual, GDP, import, export, unemployment.

Introduction.

Under conditions of transition to a market economy and economic liberalization, the development of small business and entrepreneurial activity plays a highly significant role in the economic and social spheres of the country. Small business and entrepreneurship serve as a primary field of employment and a source of income for a large proportion of the population. This sector absorbs a substantial share of labor resources, particularly those lacking sufficient qualifications and experience, as well as individuals seeking flexible working schedules, making it the most adaptable segment of the labor market.

Small business represents a potentially effective instrument for developing business management and entrepreneurial skills among the population and for enhancing their level of adaptation to market relations. By enabling citizens to become owners not only of their labor power but also of property, including production-related assets, small business contributes to the formation of a middle class—an essential social stratum capable of ensuring progressive societal development and interested in democracy and social stability.

The human-centered approach lies at the core of a socially oriented market economy system. The fundamental objective of such a system is to serve human interests and promote human

development. The activities of every sector, industry, and economic entity ultimately aim to satisfy individuals' material and spiritual needs. In this context, the overall socio-economic objective of small business and entrepreneurial activity is to more effectively meet human needs, improve the population's living standards and welfare, and rapidly and relatively smoothly adjust operations in response to fluctuations in the economic environment.

Literature Review and Methodology.

To fully understand the role and significance of small business and entrepreneurship in the country's economy and social sphere, it is essential first to examine the meaning and substance of these concepts. The stages of development of small business and entrepreneurial entities have been the subject of scholarly research by prominent classical economists and contemporary scholars across different historical periods.

One of the earliest economists to study entrepreneurial activity was Richard Cantillon. He defined entrepreneurship as follows: "Entrepreneurship is an activity carried out by an individual who purchases goods at known prices while selling them at uncertain prices, assuming risk and adjusting supply to market demand in pursuit of profit." A significant contribution to the development of entrepreneurship theory was made by J. B. Say, who described the entrepreneur as "a person who conducts entrepreneurial activity and bears responsibility for it; an individual who fully owns the enterprise and plans, controls, organizes, and manages its operations."

The analysis of entrepreneurship as an economic category continues to this day. American scholars M. Peters and R. Hisrich conducted in-depth research on entrepreneurship and defined the entrepreneur as follows: "An entrepreneur creates a product that embodies innovative value and significance. In doing so, the entrepreneur invests time and effort, assumes financial, moral, and social risks, and bears responsibility, pursuing personal interests while deriving satisfaction from the income and achievements obtained in return."

In the textbook "General Economic Theory" published by scholars of the G. V. Plekhanov Russian Academy of Economics, entrepreneurship is defined as "the organization and combination of factors of production in order to realize material interests, with the ultimate aim of creating goods and services that satisfy social needs."

In addition, entrepreneurship and small business activity have been widely studied both theoretically and practically by a number of domestic scholars. According to academician S. G'ulomov, small business and entrepreneurship persist under any conditions: during economic downturns, periods of inflation, when interest rates on loans are excessively high, in the absence of necessary infrastructure, and even when future prospects are uncertain, regardless of the level of risk involved. In the economic activities of market economy entities, the concepts of "entrepreneurship" and "business" are closely related and may complement each other in practice. Business is a broader concept than entrepreneurship, as it encompasses any one-time commercial transaction aimed at generating income.

It should be emphasized that entrepreneurship and business are dialectically interconnected concepts. The dialectical relationship between them is complex and manifests itself in several dimensions, including the following:



1. Any activity characterized by initiative, innovation, creativity, reform-mindedness, and risk-taking is regarded as entrepreneurship.
2. The objectives of entrepreneurship may be both economic and social in nature, and such activities may be undertaken by both commercial and non-profit organizations.
3. The objective of business is exclusively economic, and it is carried out only by commercial organizations established for the purpose of generating profit.
4. Entrepreneurship is more closely associated with the abilities, approaches, and individual efforts of specific persons, whereas business is an activity conducted at the level of individuals as well as enterprises and organizations.

Results.

Entrepreneurship plays a significant role in addressing existing social and economic challenges in society and in promoting socio-economic development. Its impact is closely linked to the level of its development: the more developed entrepreneurship is, the stronger its influence on the socio-economic progress of society. Entrepreneurship contributes substantially to the creation of new jobs in production, service, and other sectors, thereby providing employment and reducing unemployment. In both developed and developing countries, a large share of newly created jobs each year falls within the small business and private entrepreneurship sector.

Entrepreneurship significantly enhances employment, labor and economic activity, and, consequently, income growth. This process has two outcomes: on one hand, it increases and broadens the material and spiritual needs of the population, and on the other hand, it creates opportunities to meet these needs more fully. Ultimately, this leads to improved living standards, enhanced well-being, and overall quality of life. As entrepreneurship develops, its role in this area grows. However, its development requires government support. Therefore, in all countries, entrepreneurship is supported in one form or another.

Due to limited resources in the country, entrepreneurial entities often rely on government assistance for access to these resources. Additionally, entrepreneurs depend on state support for acquiring and implementing technology, introducing innovations, securing qualified personnel, and addressing other operational challenges. Without government support, entrepreneurship cannot develop sufficiently and will fail to occupy a proper place within the country's socio-economic system.

Entrepreneurial entities are defined as individuals or legal entities that are registered in accordance with the established procedures or recognized as private entrepreneurs, permitted to operate, possess specific property, and hold rights and obligations, both property-related and non-property-related, in their own name. They can act independently as plaintiffs or defendants in commercial courts. A natural person refers to an individual participating in legal relations, whereas a legal entity refers to enterprises, institutions, or organizations that are subjects of civil rights and obligations.

Entrepreneurs are continually engaged in research and communication with local and foreign colleagues, partners, and representatives of various sectors, gaining experience and enhancing their professional, cultural, and moral competencies. Entrepreneurship provides excellent opportunities for realizing human potential and encourages its development. Consequently,



entrepreneurship fosters self-awareness, broadens and transforms perspectives, and ultimately contributes to the improvement of the social and cultural level of society.

According to the State Statistics Committee¹, as of October 1, 2025, there are 32.1 entrepreneurial entities per 1,000 people in Uzbekistan. Regionally, the highest number of entrepreneurial entities is recorded in Khorezm region, while the lowest is in Surkhandarya region.

Entrepreneurs establish production, trade, catering, and other service enterprises in rural areas and local communities, thereby developing rural infrastructure and transforming the appearance of villages and neighborhoods. In addition, entrepreneurship extensively penetrates the social sphere: it involves establishing and operating kindergartens, orphanages, facilities for persons with disabilities, producing equipment and providing services for them, as well as organizing and developing healthcare, wellness, educational, and other social institutions, constructing and repairing housing, and supplying drinking water and gas to the population. Through these activities, entrepreneurship makes a significant contribution to addressing social challenges. Entrepreneurial entities also actively participate in charitable activities, supporting social institutions, persons with disabilities, low-income families, and individuals in need.

By producing goods, entrepreneurial entities help meet domestic market demand, which in turn improves the quantity, quality, and assortment of products available, broadening consumer choice and satisfying demand more effectively. In this context, entrepreneurship performs a coordinating function: aligning supply with demand, stabilizing prices, maintaining market balance, and expanding and fully satisfying existing needs. Furthermore, entrepreneurship plays a crucial role in the formation and development of competition under market economy conditions, enhancing product quality and competitiveness, reducing production costs and unit costs, and improving operational efficiency.

The role of entrepreneurial entities in reducing imports and increasing exports is also growing. On the one hand, they produce import-substituting goods, reducing the outflow of foreign currency and strengthening the country's economic and financial independence. On the other hand, by producing export-oriented goods and selling them on international markets, they enhance the country's export potential and increase foreign currency inflows.

The creative function of entrepreneurship is also vital for the socio-economic development of society. This function manifests itself in generating new value and markets and in shaping a new class of property-owning entrepreneurs. Entrepreneurs create national products and increase national wealth. Through creating new supply, expanding existing supply, presenting it in innovative ways, enriching existing needs, generating new ones, modifying the market, forming new markets, and identifying and capturing attractive markets, entrepreneurship drives creativity and innovation.

Entrepreneurship mobilizes previously unused population savings, local resources, production and household waste, and foreign investments into socio-economic processes, thereby expanding production and increasing national products and wealth. It serves not only as a source of personal income but also as a significant source of revenue for the state. A substantial portion of state

¹ State Statistics Committee of the Republic of Uzbekistan

budget revenues comes from the entrepreneurial sector, helping finance the budget, strengthen state capacity, and support socio-economic development. Entrepreneurship is an inherent feature of not only the market economy but all socio-economic systems. It is both an integral component of the economy and a driving force behind it. In Uzbekistan, in the period from January to June 2025, the share of small entrepreneurial entities in GDP amounted to 49.6%. This indicator over the years is as follows:

2021	2022	2023	2024	2025
54.8%	52.5%	51.5%	50.7%	49.6%

When discussing entrepreneurship, the concept of business, which is closely related in meaning, inevitably comes to mind. Business refers to work, economic activity, or an occupation aimed at generating profit. Small business entities do not differ fundamentally from large enterprises; rather, they differ primarily in scale. They include enterprises, organizations, and microfirms of various sizes, or simple enterprises based on all forms of ownership, distinguished mainly by their scale of operations.

According to legislation, small business entities may be established in all sectors of the economy, under all forms of ownership, and may engage in all types of activities that are not prohibited by law. Small business entities are legal persons and must possess their own official seal bearing their name, maintain an independent balance sheet, and hold bank accounts with financial institutions. They enter into contracts in their own name and possess their own property rights and obligations. As business entities, capital investors who obtain loans or credits from banks to conduct economic activities may also operate within the business sector. The essential requirement is that the entity has capital actively involved in business turnover.

Small business entities may be established by:

- individual citizens, family members, and other persons jointly engaged in business activities;
- state-owned, leased, collective, joint ventures, public organizations and their enterprises, joint-stock companies, and other legal entities;
- agencies authorized to manage state property;
- cooperation between natural persons and legal entities.

Establishing small business entities does not require substantial financial resources or long periods of time. Such entities can be located in virtually any area, including even the smallest settlements. This creates opportunities to rapidly address employment challenges arising from the country's demographic characteristics, particularly high population growth rates, by creating new jobs. All of these factors are of particular importance under the conditions of the Republic:

- they adapt quickly to market demand and changing market conditions;
- they enable maximum utilization of local and secondary raw materials;
- they allow the domestic market to be supplied with consumer goods and services within a short period of time;
- they promote healthy competition, improve product quality, and contribute to reductions in retail prices;

- they facilitate the creation of new jobs and the development of local infrastructure, thereby helping to address socio-economic challenges;
- they reduce government budget expenditures related to unemployment benefits.

Overall, small business plays a crucial role in ensuring economic flexibility, employment growth, and socio-economic stability within the national economy.

Conclusion.

Under conditions of capital scarcity, small business ensures high rates of resource turnover as a form of economic activity that does not require large investments. It enables a rapid and cost-effective solution to the problems of restructuring the economy and forming and supplying the consumer market in situations of economic instability and limited resources. Small enterprises respond immediately to changes in consumer demand, thereby maintaining the necessary balance in the consumer market. At present, this sector plays a leading role not only in accelerating economic growth but also in addressing critically important national objectives such as employment generation and income growth.

It is widely recognized that competition in global and regional markets is becoming increasingly intense. Small business is particularly noteworthy for its mobility and relatively low capital requirements, which allow for faster and more flexible modernization of production processes, renewal of product lines, and effective adaptation to rapidly changing market conditions.

The growth of small business and private entrepreneurship directly contributes to the formation of a property-owning middle class, which serves as a pillar of national economic stability. Therefore, in the course of Uzbekistan's gradual transition to a socially oriented market economy, increasing the social orientation of the economy, organizing production based on consumer demand, and creating broad opportunities for citizens to engage in entrepreneurial activities have become key priorities. Considerable attention is being paid to enabling entrepreneurs to make effective use of available opportunities and to conduct business activities based on efficiency, initiative, and organizational capacity.

When assessing the role and position of small and medium-sized enterprises (SMEs) in the economy, primary attention should be given to quantitative indicators that are crucial for economic development. These include the share of SMEs in gross domestic product, total employment, capital investment, exports, and other key measures. At the same time, the total number of small and medium-sized enterprises in the country and the number of such enterprises per thousand inhabitants provide important insights into the level of development of this sector. Despite being referred to as "small business," this type of production and commercial activity plays a significant role in the economies of all developing countries. Its key advantages include the following:

- small enterprises operating on the basis of local resources or serving local markets incur lower costs, at least due to savings in transportation expenses; their economic advantage lies in their familiarity with local conditions, enabling production with relatively low capital and labor costs;
- labor in small enterprises is typically more tangible and practice-oriented, and in many cases more productive than administrative or clerical labor;
- small enterprises facilitate easier entry into employment;



- flexibility, particularly the ability to change product assortment and types, does not pose significant difficulties for small enterprises.

For these reasons, in market-based economies, small business continues to strengthen and consolidate its position steadily.

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