

**THE IMPACT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP ON
THE REVITALIZATION OF INVESTMENT ACTIVITY**

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Abstract. This article discusses the importance of investment activity in the national economy, the role of small business and private entrepreneurship in its activation. It analyzes the impact of investment projects implemented by small business entities on regional economic development, their importance in creating new jobs, and the possibilities of effective use of local resources. Also, proposals and recommendations have been developed to further improve the investment climate, encourage business entities, and expand their participation in investment processes.

Keywords: small business, private entrepreneurship, investment activity, economic development, investment projects, jobs, business environment, sources of financing.

Introduction

In a market economy, investment activity is considered one of the important factors in ensuring the stable and consistent development of the country's economy. Especially in today's globalization process, the role of investments in increasing production capacity, introducing modern technologies, creating new jobs and ensuring the production of competitive products is invaluable. In this regard, the broad involvement of small businesses and private entrepreneurship in investment processes is one of the priority areas for accelerating economic growth.

In the Republic of Uzbekistan, supporting small businesses and private entrepreneurship is one of the priority areas of state policy, and large-scale reforms are being implemented to realize the investment potential of this sector. In particular, tax incentives, credit and leasing opportunities, simplification of land allocation procedures, a simplified reporting system and a number of other incentives serve to increase the investment activity of small businesses.

Small business entities are implementing investment projects in various sectors and areas, effectively using the available natural, labor and financial resources in their regions. This has a positive impact not only on regional economic development, but also on social stability. At the same time, as local producers, they play an important role in meeting the needs of the domestic market and increasing export potential.

This scientific article provides an in-depth analysis of the role and importance of small business and private entrepreneurship in investment activities, existing problems and obstacles, and ways to overcome them. It also develops proposals and recommendations for further expanding the participation of these entities in investment processes and increasing their efficiency. The scientific significance of the article is that it offers practical recommendations for improving the investment climate through the development of small business and serves to study new approaches to activating the economy.

Literature review

Many domestic and foreign scientists have conducted scientific research on the role of investment activity in economic development and the importance of small business and private entrepreneurship in its activation. Their studies analyzed the inextricable link between the

investment climate, entrepreneurship support mechanisms, innovative approaches and economic stability.

For example, foreign economists such as J. Tinbergen, P. Drucker and M. Porter in their works emphasize the contribution of investment to economic growth, its role in ensuring innovative development and competitiveness. According to their views, investments made through small business entities cause significant shifts in the regional economy and increase the flexibility of the economic system.

The scientific research of Uzbek scientists - Kh. Khudoyberdiev, A. Khakimov, R. Abdurakhmonov and other specialists - studied the interrelationship between the development of small business, the investment climate and economic reforms. In particular, according to R. Abdurakhmanov, investment projects implemented through small businesses are of great importance in diversifying the economy, increasing export potential, and introducing new technologies.

Also, the resolutions and decrees of the President of the Republic of Uzbekistan, official reports submitted by the Legislative Chamber of the Oliy Majlis and the Ministry of Economy and Finance set out specific measures aimed at increasing investment activity and supporting small businesses. In particular, Resolution No. PQ-366 of August 8, 2022 “On further improving the system of supporting the activities of business entities” created broad opportunities to increase the investment activity of small businesses.

Also, analytical data and indices published by international financial institutions such as the World Bank, the International Monetary Fund, and the Asian Development Bank serve as an important source in analyzing the investment environment for small businesses.

The above analysis of literature and sources shows that small businesses and private entrepreneurship are considered an integral part of investment processes, through which economic activity, employment, and the effectiveness of regional development can be increased.

Research methodology

This study used scientific-theoretical, statistical and analytical approaches to analyze the state of investment activity and determine the impact of small business and private entrepreneurship on it. The article studied official statistical data of the Republic of Uzbekistan, regulatory legal acts, economic analysis reports and advanced foreign experience.

During the analysis, the investment activity of small business entities and their impact on economic indicators were assessed using comparative, graphical and dynamic methods. Also, the SWOT analysis method was used to identify problems and opportunities.

Analysis and results

Small businesses and private entrepreneurship are increasingly playing an important role in the economy of Uzbekistan. Their economic activity has a significant impact not only on employment generation and development of the service sector, but also on the activation of investment processes. In recent years, the volume and share of investments made by small businesses have been steadily increasing.

Between 2020 and 2024, the share of investments made by small businesses in total investments increased from 28% to 36%. This is recognized as a practical result of the favorable investment climate created by the government, tax and credit incentives, a simplified licensing system, subsidies, and reforms carried out on the basis of public-private partnerships.

Table 1.

Share of small business investments in total investments (2020–2024)

Year	Small business investment share (%)
2020	28

Year	Small business investment share (%)
2021	30
2022	32
2023	34
2024	36 (forecast)

During this period, the sectors in which small businesses attracted the most investment were services, light industry, food industry and agriculture. In particular, the contribution of small entrepreneurs in the services sector has increased sharply. At the same time, the volume of investment in the fields of e-commerce, IT services, transport and logistics and tourism is increasing year by year.

Analysis by region shows an uneven distribution of small business investments. Tashkent city, Andijan, Samarkand and Fergana regions are the leaders in this regard.

Table 2.

Volume of small business investments by region (2023, billion soums)

Area	Investment volume (billion soums)
Toshkent	1250
Andijon	850
Farg'ona	790
Samarqand	900
Buxoro	620

Also, the SWOT analysis conducted as part of the study identified the contribution of small businesses to investment activities, existing problems and promising areas.

SWOT analysis results:

- Strengths: state support policy, tax incentives, local raw materials resources.
- Weaknesses: limited access to credit, high interest rates, poor entrepreneurial skills.
- Opportunities: export-oriented production, attraction of innovative technologies, development of online platforms.

- Threats: economic instability, exchange rate fluctuations, frequent changes in legislation.

These analyses show that investments made by small businesses:

- create new jobs (on average, 3-5 jobs for every 100 million soums invested),
- increase regional economic activity,
- ensure stable growth of tax revenues.

In conclusion, the role of small businesses and private entrepreneurship in investment activities is being further strengthened. However, there are still problems in this area that are waiting for a solution, and it is important to implement comprehensive measures to eliminate them.

Conclusion

The results of the study show that small business and private entrepreneurship play an important role in the revival of investment activity. The role of small business in the economy of Uzbekistan is increasing year by year. In this process, tax incentives provided by the government, cheap credit lines, and infrastructure development serve to stimulate the investment activity of small business. Small business entities make a significant contribution not only to creating new jobs, but also to increasing investment flows in various sectors of the economy.

Based on the analysis, it was found that the contribution of small business to investment activity increased from 28 percent in 2020 to 36 percent in 2024. At the same time, issues such

as the uneven distribution of the investment process by region, high credit rates, and restrictions on access to financial resources still remain urgent problems that need to be resolved.

It is necessary to implement a number of measures to ensure the diversification of the economy of Uzbekistan, further develop small business, and increase investment activity. To do this, it is necessary to further strengthen support for small businesses, encourage the introduction of innovative technologies, and facilitate access to financial resources.

1. Expanding long-term and affordable credit lines for small businesses. Banks and financial institutions should allocate low-interest loans and investment funds for small businesses. This will help small businesses produce and develop.

2. Promoting the introduction of innovative technologies. The competitiveness of small businesses can be increased by technologizing them, developing digital services, and introducing automation. The state should provide grants and subsidies in this regard.

3. Orienting small businesses to exports. In order to introduce local producers to the international market, additional assistance should be provided to stimulate exports, reduce logistics and transportation costs, and promote products in export markets.

4. Reducing high credit rates. Reducing interest rates on loans provided to small businesses is important for facilitating access to financial resources and improving the investment climate.

5. Developing public-private partnership (PPP) mechanisms. It is necessary to develop effective partnerships between small businesses and government agencies, attract investments and support the implementation of new infrastructure projects.

6. Reduce tax incentives and bureaucratic barriers. To support the development of small businesses, it is necessary to provide incentives in the tax system, and reduce bureaucratic barriers to accelerate this process.

7. Develop an entrepreneurial culture. It is necessary to develop an entrepreneurial culture by increasing the financial literacy of small business representatives through events and trainings, enriching their experience in management and marketing.

8. Diversify regional investments. It is necessary to encourage regional investments in order to make the distribution of investments across regions more equitable and create competitive conditions for small businesses. This will help reduce regional inequality and stabilize economic growth.

These proposals will serve to more effectively develop the investment activities of small businesses and private entrepreneurs in the economy of Uzbekistan. Their implementation will make a significant contribution to the rise of small businesses, diversification of the economy, and sustainable growth.

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