

FUNDAMENTAL DETERMINANTS OF RISK EMERGENCE IN SMALL
BUSINESS ENTERPRISES

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Abstract. This paper explores the primary causes of risk emergence in small businesses. Due to their limited resources and heightened vulnerability to external factors, small enterprises are particularly susceptible to various risks that can hinder their stability and growth. The study identifies key factors contributing to risk emergence, including economic instability, lack of financial and human resources, insufficient strategic planning, low adaptability to market changes, and regulatory or legal uncertainties. Understanding and categorizing these risk factors can help develop effective risk management strategies to enhance the resilience and long-term viability of small businesses.

Keywords: small business, risks, entrepreneurship, resilience, economic instability, risk management, financial resources, external environment, strategic planning.

The Andijan region is situated in the eastern part of the Fergana Valley in the Republic of Uzbekistan. It was established on March 6, 1941, and covers an area of 4.2 thousand square kilometers. The region consists of 14 rural districts, 11 cities, 5 towns, and 95 villages. As of January 1, 2024, the population of Andijan region was 3,354.2 thousand people.

Andijan region is one of the key areas driving the national economy of the republic. The region has a well-developed infrastructure, with industries such as mineral extraction, cotton farming and irrigation, cotton processing, mechanical engineering, metallurgy, electrical engineering, building materials production, as well as chemical, light, and food industries.

According to the results of 2024, the volume of gross regional product of Andijan region (at current prices) is 68223.4 billion. amounted to soums and a 20.8% increase compared to the corresponding period of the previous year was noted. The contribution of the region to the formation of the gross domestic product of our country was 6.4 percent (see Table 1).

Gross regional product per capita was 20,313.6 thousand soums, and its growth rate (compared to the corresponding period of last year) reached 2.9%. The volume of industrial products produced in the region during 2023 is 54352.5 billion. amounting to 51.2% compared to the corresponding period of 2022. 36563.5 billion in 2023 in the province. Soum worth of consumer goods were produced, and compared to the corresponding period of the previous year, the growth rate was 41.5 percent.

1- Table

General economic indicators of Andijan region in 2021-2025

Economic indicators	2021	2022 y	2023y	2024y	2025y
y					

Gross domestic product volume (at current prices, billion soums)	5327 12,5	605514 ,9	738425 ,2	896617 ,9	1066569,0
Gross regional product volume (at current prices, billion soums)	3358 1,3	38008, 5	43332, 5	56488, 3	68223,4
Contribution to the volume of the gross domestic product (percent)	6,30	6,28	5,87	6,30	6,40
Gross regional product per capita (in current prices, thousand soums)	1084 2,1	12036, 0	13454, 0	17179, 6	20313,6
Growth rates of gross regional product per capita (in percentage terms compared to last year)	103,8	100,7	102,8	106,3	102,9

In 2025, the number of small business entities registered in the region was 42,166, of which the number of operating small business entities was 39,038. During the last 10 years, as a result of state support, their number has almost doubled. Nevertheless, in 2025, as a result of the influence of external and internal factors on economic activity, the number of non-operating small business entities was 3128, and the number of operating small business entities was approximately 8 percent. Especially during the coronavirus pandemic, their number was somewhat higher, in 2022, their number was 3,073, and in 2023, it was 4,112. Also, during this period, the number of small business entities whose activity was terminated increased to the highest level in comparison with other years, and in 2023 it was 4,836.

Andijan region is one of the regions with the highest share of small business entities in total employment in the republic. The weight of small business entities in ensuring employment of the population in the region is very high, its share is more than 81 percent.

In 2025, 4,185 new small business entities were established in the province, a decrease of 22.6 percent or 1,221 compared to the previous year (see Table 2).

Table 2
Dynamics of small business entities in Andijan region (2020-2025 years)

Indicators Years	Years						
	2020	2021	2022	2023	2024	2025	
Number of registered small business entities	216 31	239 78	288 80	357 95	380 57	42166	
The number of operating small business entities	203 42	225 60	258 07	316 83	349 99	39038	
Number of newly established small business entities	313 1	663 2	768 4	711 1	540 6	4185	

The number of non-performing small business entities	9	128	141	307	411	305	3128
The number of small business entities whose activity was terminated		864	195	791	836	128	1621
Share of small business entities in total employment, percentage		81,7	82,1	80,8	80,7	81,0	81,0

In 2025, the activity of 1621 small business entities was terminated in the region, that is, it was 320 compared to the previous year. Statistical data show that certain internal and external factors affect the stable economic activity of small business entities in the region.

Risks in small business are a set of events and processes that can negatively affect the financial results of small business entities (small enterprises, micro-firms and individual entrepreneurs). As the main goal of any business is to make a profit, failure to achieve positive financial results will lead to their bankruptcy and liquidation. This situation makes it necessary to develop a system of specific measures to ensure reliable protection of small business and private entrepreneurship, to eliminate obstacles to their rapid development. Systematic work is being carried out to fundamentally increase the role and role of private property in the economy of our republic, to eliminate obstacles and restrictions on the development of private property and private entrepreneurship, to reduce state participation in the economy, and to consistently increase the share of private property, including foreign capital, in the gross domestic product.

Successful business management requires business entities to correctly assess and analyze risks, as well as implement effective methods of commercial risk management. It should not be forgotten that risks are an integral aspect (attribute) of business activity, and their proper management allows to minimize existing risks as much as possible.

References:

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