

The Role of Small Business and Private Entrepreneurship in the Development of the National Economy

Jumayeva Zufiya Qayumovna

Asia international university

Abstract: This article provides information on the importance of small business and private entrepreneurship and its role in the development of the national economy. In addition, analysis has been carried out on the development of the national economy and relevant conclusions and proposals have been made.

Keywords: small business, national economy, costs, new jobs, private entrepreneurship.

The world economic system shows that until the beginning of the 20th century, when free competition prevailed, small business and private entrepreneurship had a central place in the economic development of countries. The main reason for this is that at that time, many separate private enterprises produced a large part of the goods and services created in society. Mutual economic relations of these enterprises are carried out through the market, the price is formed according to the ratio of supply and demand, and no producer can influence the market.

Low production costs remained viable, and the enterprises with high production costs began to go bankrupt. As a result, a group of enterprises spent a part of their profits to expand production and prepared the ground for the emergence of large enterprises. Various economic crises also had a strong impact on the consolidation of commodity producers and the centralization of production.

In order to withstand economic crises, large enterprises began to unite into cartels, trusts and syndicates.

Major changes in the development of the productive forces were also important in the centralization of production and capital. Production of new types of machines, quality changes in energy, technology stimulated the development of large-scale production.

All this has led to a decline in the importance of small businesses. The advantages of large enterprises, first of all, were reflected in their provision of equipment.

Outstanding development of large enterprises until the beginning of the 20th century is explained by the following conditions:

- that time required the organization of production on a large scale, and the high prices for them limited the ability of small enterprises to purchase equipment;
- high-priced, expensive equipment was self-evident only in the conditions of mass production. At the same time, economies of scale in the cost of production led to a decrease in prices. As a result, small enterprises that did not have such an opportunity fell into an unequalled situation in the competition;
- due to the high production efficiency, highly qualified specialists were also gathered in large enterprises;
- At the beginning of the 20th century, large enterprises were the main creators of innovations and advanced technologies. This meant not only a high cost, but also a large amount of profit.

After the war, the centralization of production and the establishment of transnational corporations in Western European countries and Japan accelerated. The main reason for this was the desire of the countries to occupy a unique place in the world market. This process continued until the mid-70s of the 20th century. After that, the opposite trend began to occur in the development of large and small production, and small enterprises began to gradually restore their position in the economy.

It is known that in 1973-1975 there was a severe crisis in the world economy, which was accompanied by energy and raw materials crises. According to observations, small and medium-sized enterprises survived this crisis with relatively fewer firings, because they were able to adapt more quickly to changes in the market situation.

Small business and private entrepreneurship was clearly proven by the results of the financial crisis that began in Asia in the early 20th century and later spread throughout the world. Countries with a relatively dominant position in the economy of small and medium enterprises (Malaysia) came out of the crisis with the least damage, while countries that prioritized large enterprises (South Korea) suffered the most.

So what are the main reasons for such a situation?

Why in the last quarter of the 20th century small business and private business entities developed at a high rate and became one of the important factors of ensuring economic growth?

In our opinion, the strengthening of the position of small and medium-sized enterprises in the context of the strengthening of globalization and international integration processes is connected with the following factors:

First, at a new stage of economic development, consumers began to prefer quality indicators characterized by product, service, innovation, compared to quantitative indicators determined by the size of the enterprise. In this situation, compared to large enterprises with a fixed composition, small enterprises that quickly adapt to the market environment produce more goods that meet the needs of consumers.

Secondly, the new stage of scientific and technical development expanded the specialization of production, reduced the reasonable size of enterprises in many sectors, offered different types of goods and services, and provided individualization of the offer, while providing small enterprises with equipment corresponding to their size. Microprocessors, mini appliances, mini EHMs and others are among such techniques. Today, even in metallurgy, which has always been considered a large production industry, mini -factories have emerged that can easily compete with large enterprises.

And, finally, thirdly, the psychology of the consumer has changed. Today, he does not want to buy standard products, wear the same clothes, drive the same car, that is, the differentiation of demand and the individualization of consumption have increased.

In the current conditions, small business and private entrepreneurship is a competitor and partner of large enterprises, and an important factor in the development of large-scale production and the entire economy.

What are the indicators of the place and role of small business and private entrepreneurship in the economy? When assessing its place in the economy, first of all, it is necessary to pay attention to quantitative indicators that are important for economic development. Such indicators include the share of small business and private entrepreneurship in gross domestic product, total employment, capital investments, exports and others. At the same time, the total number of small and medium-sized enterprises in the country and the number of small and medium-sized enterprises per thousand people also allow to think about the level of development of this sector.

The analysis of tasks performed by small business and private entrepreneurship in the economy has an important place, which together with the above quantitative indicators provides detailed information about the place and role of small business and private entrepreneurship in the economy.

The table below shows information about the role of small business and private entrepreneurship in the economy of different countries of the world.

Table 1.2.1 The role of small business and private entrepreneurship in the economy of some countries of the world¹

Countries	Number of small business entities (thousands)	Number of small businesses per 1,000 people	Share of employment in small business in total employment (%)	Share of small business in GDP (%)
Great Britain	2930	46	56	50-53
Germany	2290	37	69.5	50-54
Italy	3920	68	71	57-60
France	1980	35	54	55-62
USA	19300	74	54	50-52
Japan	6450	50	78	52-55

As can be seen from the table, 50-67 percent of the gross domestic product in developed countries is - accounted for by small businesses and private entrepreneurship . This indicator is 50-52 percent in the USA, 63-67 percent in the EU countries, and 52-55 percent in Japan. In the CIS countries, the share of small business and private entrepreneurship in the gross domestic product is much lower than in developed countries.

Small business and private entrepreneurship play an important role in solving the problem of employment. Japan (78 percent) and Italy (71 percent), which are classic countries of small business, have the highest figures here. Regarding the share of small business and private entrepreneurship in the total number of jobs, Uzbekistan (78.2%) has a much higher indicator, while in Russia this indicator is only 25.6%.

It can also be seen from the table that the total number of small businesses and private enterprises in all developed countries is very large, they make up 95-99 percent of the total enterprises. However, it is not appropriate to think only based on the total number of small and medium-sized enterprises.

The number of small businesses and private entrepreneurs per thousand people, then we can see that the United States (74 enterprises) is in the leading position according to this indicator. Small businesses and private enterprises make up 99 percent of the total number of enterprises in A QSh . Most of these enterprises are very small, small enterprises, based on family labor. In 80% of all small enterprises, the number of employees does not exceed 10 people.

Italy (68 enterprises) and Japan (49.6 enterprises) take the next places according to these indicators. The low number of small and medium-sized blind facilities per thousand people in Germany (37 enterprises) is due to the unification of East and West Germany. It is known that small business did not develop in East Germany after the Second World War. Today , the government is implementing a number of measures to develop small business and private entrepreneurship in Germany .

¹ Khodiev B.Yu., Kasimova M.S., Samadov A.N. Small business and private entrepreneurship. Study guide. — T.: TDIU, 2011.

As we mentioned above, small business and private entrepreneurship perform important socio-economic tasks in the economy. One of the most important of these tasks is that small business and private entrepreneurship lead to the formation of a middle class that provides political and social stability in society. In any society, the middle class of owners occupies a special place in the development of society.

Islam Karimov, the First President of the Republic of Uzbekistan, said, "Small business means the emergence of a class of middle-class entrepreneurs who help to moderate both ²the economic and political situation in society."

Another important task of small business and private entrepreneurship is to produce a wide range of goods and services in the conditions of differentiation and individualization of consumer demand. Today, it is impossible to imagine a modern economy without the development of small business. On the one hand, it is somehow with large enterprises that will be in order. And from this point of view, it helps to change the market conditions of the economy, the frequent exchange of fashion and consumer tastes, and to rebuild the economy from a structural point of view. On the other hand, a large number of small and medium-sized enterprises cooperate with large businesses, complement them and reduce costs, helping to eliminate their inherent technical conservatism. The development of small business has a positive effect on the filling of the market with consumer goods and services, the creation and expansion of the competitive environment, the elimination of network and regional monopolies, the introduction of scientific and technical results into production, and the increase of export potential.

Another important feature of small business is that it creates new jobs at relatively low costs and thereby contributes to solving the employment problem. At the same time, small business and private entrepreneurship contribute to reducing the differences between the incomes of different social groups, directing material, labor and financial resources to areas with a high level of efficiency, and improving economic relations between different sectors of the economy.

Another important social task of small business is that it provides employment to socially vulnerable sections of the population - women, disabled people, pensioners, etc., and makes extensive use of their labor. Provides young professionals with production experience.

The place and role of small business enterprises in the economy is more clearly manifested in its following advantages:

- small production quickly adapts to changes in market demand. In large enterprises, the transition to new product development or the introduction of new technology requires large expenditures, and in this process there is a decrease in the volume of production and a decrease in income. And small enterprises can easily turn their production to a new product without large expenses;
- small business leads to the development of entrepreneurship, creativity, initiative skills in people, allows everyone to show their abilities and implement their ideas in life. In large enterprises, the principle of "equality" applies. In many cases, enterprising people cannot find a suitable response to their initiatives and actions while working in large enterprises;
- the development of the system of wide-ranging small enterprises allows effective use of local resources and production waste. Large enterprises do not pay special attention to it due to the fact that the profit they receive from such activity is small;
- in small enterprises, application costs and expenses for management equipment are much lower than in large enterprises;

² Islam Karimov. Uzbekistan on the brink of the 21st century: threats to security, conditions of stability and guarantees of development. - T.: "Uzbekistan", 1997. 197-6.

- the capital capacity of small business is much lower than that of large enterprises, and the payback period is much faster;
- the development of small entrepreneurship creates favorable conditions for labor intensification, in which, unlike large enterprises, the direct connection between production results and the interests of employees is clearly visible, etc.

One of the characteristics of small business and private entrepreneurship is its instability. This leads to the worsening of their financing problem. The fact is that the level of risk in establishing small businesses and private enterprises is high. In addition, their level of diversification is very low and they operate in few markets and the number of customers is limited. For this reason, their loan from banks is far away; getting a term loan is more complicated.

The sensitivity of small businesses and private enterprises to economic changes is very high. Therefore, even small changes in market conditions can have a negative impact on their activity .

Another weakness of small business is that the level of economic and property responsibility of the entrepreneur is very high. In many cases, inappropriate or uncontrollable factors (economic crisis, unfavorable location of the enterprise , etc.) can lead to a crisis, and the main financial responsibility for this rests with the entrepreneur.

The instability of small business enterprises and the lack of financial resources in them limits the possibility of attracting highly qualified specialists to the management of production, because it does not have the ability to provide highly qualified specialists with a decent salary on a permanent basis .

Thus, it is necessary to take into account the advantages and disadvantages of the role of small business and private entrepreneurship in the economy. It is inappropriate to artificially exaggerate its importance and downplay the importance of big business. In our opinion, the analysis of large and small business in relation to each other leads to an effective solution to the problem.

It should also be noted that small business does not develop separately. Various factors affect its development, and small business has to take them into account. From this point of view, the general and specific conditions of small business development can be distinguished. General conditions, first of all, depend on the influence of the external environment on it. These include the general state of the economy, market conditions, social environment, availability of appropriate infrastructure, and others. These conditions exist in different degrees in each country, and they determine the specific aspects of small business development. Therefore, it is appropriate to take a collective approach in assessing the development of small business and private entrepreneurship.

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