

ANALYSIS OF THE CURRENT STATE OF SMALL BUSINESS ENTITIES' ACTIVITIES AND THE USE OF DIGITAL TECHNOLOGIES IN THEIR

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Abstract

This scientific work is dedicated to analyzing the development processes of small business entities and improving the efficiency of using digital technologies within them. The study examines the significance of small businesses in the economy, their key characteristics, and the advantages of implementing modern digital technologies. In particular, advanced practices of using artificial intelligence technologies and automating financial management processes have been explored.

During the research, the economic indicators of small business entities were analyzed, and their strengths, weaknesses, opportunities, and threats were identified using the SWOT analysis method. Scientific and practical recommendations have been developed to enhance labor productivity, improve financial planning, and optimize management through the integration of digital technologies.

Keywords: Small business entities, digital technologies, artificial intelligence, financial management, SWOT analysis, start-up, economic efficiency, digital transformation, small business innovations, financial technologies (Fintech), business automation, labor productivity, local economy.

Introduction

Small enterprises play a significant role in the economies of many countries, especially in developing nations. Small enterprises constitute the majority of businesses worldwide, creating jobs and contributing substantially to global economic development. They account for "approximately 90% of businesses and more than 50% of employment globally." Additionally, formal small and medium enterprises contribute up to 40% of the national income (GDP) in developing countries.

According to calculations by World Bank experts, by 2030, small and medium enterprises are expected to create 600 million jobs, making the development of small and medium enterprises a priority for many governments worldwide. In developing markets, the majority of formal jobs are created by small and medium enterprises, which generate 7 out of every 10 jobs. However, challenges related to the application of information technologies in small and medium enterprises remain one of the primary constraints on their growth.

MATERIALS AND METHODS

Numerous scientific studies have been conducted on the challenges of applying digital technologies in the activities of small business entities and the development of their utilization processes. The scientific and practical aspects of integrating digital technologies into small business operations within the national economy have been extensively studied in the works of international economists. In particular, scholars such as J.T. Bowen and McCain S.L.C., R. Casidy & W. Wymer, G. Demo, K. Rozzet, N. Fogaça & T. Souza, K. Loudon, J. Loudon, C. Grönroos, V. Kumar, V. Reinartz, A.J. Berry, P.M. Collier, G.T. Burke, L.V. Lapidus, and K. Schwab have paid special attention to this topic.

Among researchers from the CIS (Commonwealth of Independent States), the theoretical and methodological aspects of applying digital technologies in the activities of entrepreneurial entities are highlighted in the works of P. Kirillov, A.V. Babkina, S.D. Bodrunov, O.V. Podsukhina, A.X. Mukanov, V.A. Utkina, Ye.V. Emshanova, G.M. Aubakirova, F.M. Isataeva, and A.S. Kumatova..

ANALYSIS AND RESULTS

The country's economy is influenced by the overall quality of the business environment and its national competitiveness, as well as several other factors, including macroeconomic stability, the development of the financial system, market size, the rule of law, and the quality of the workforce. The ease of doing business and the simplicity of obtaining credit serve as a crucial springboard for structural reforms that promote broad-based growth. [1] [2]

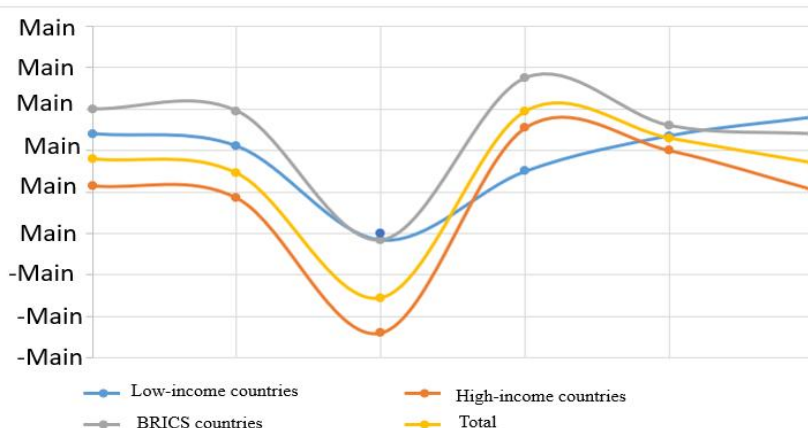


Table 1 Global Economic Growth from 2018 to 2023.
(In percentage relative to GDP)

According to the June 2021 edition of the Global Economic Prospects journal, the global economy was expected to grow by 5.6% in 2021. While this marked the strongest recovery rate following a recession in the past 80 years, it was anticipated to be uneven. The economies of low-income countries were projected to grow by only 2.9% in 2021, indicating the slowest

growth in the past 20 years. By 2023, the economies of low-income countries were expected to grow by 4.8%.

Experts from the World Bank Group approved a new climate action plan for 2021–2025. This plan focuses on providing record levels of climate financing, reducing emissions, enhancing adaptation, and aligning financial flows with the goals of the Paris Agreement. The 2021–2025 Climate Action Plan expands the World Bank Group's efforts from investing in "green" projects to fully integrating countries' climate and development goals. The plan aims to encourage small business entities to actively contribute to the green economy by supporting their development and operations.

Table 1. The Role of Small Businesses in Selected Countries Worldwide

Country Name	Number of Small Business Entities (thousands)	The number per 1,000 people	Share in GDP	Share of employment (%)	Number of workers
United States (U.S.)	19300	74	50-52	54	300
Germany	2290	37	50-54	69,5	200-300
Japan	3820	50	52-55	70	300
United Kingdom (U.K)	2930	46	50-53	56	300
France	1980	35	55-62	54	300
Italy	3920	68	57-60	71	300
Uzbekistan	1190	14,6	54-55	70-74	11-200

To ensure that each family in our country engages in entrepreneurship and has a stable source of income, a program has been developed, its main directions have been defined, and its implementation has been ensured through practical application.

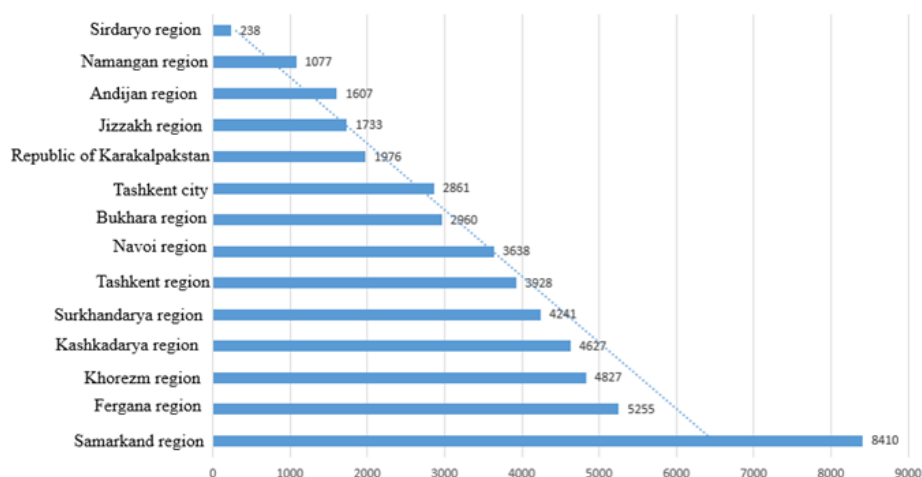


Table1.3 The number of operating family enterprises by regions

The analysis of the data in Figure 2.2 shows that, according to the State Statistics Agency, as of April 1, 2023, a total of 47,378 family enterprises were registered in our republic. Among these, the highest figure was recorded in the Samarkand region, amounting to 8,410 enterprises, while the lowest figure belongs to the Sirdarya region, which accounts for 238 enterprises. This highlights the need for accelerating development efforts in this area within the Sirdarya region. [3]

Table 2 The Share of Small Business and Private Entrepreneurship (in Percentage)

№	Indicators	2018	2019	2020	2021	2022	Difference (2022-2018)
1	GDP	62,4	56,0	55,7	54,9	51,8	-10,6
2	Industry	37,4	25,8	27,9	27,0	25,9	-11,5
3	Construction	73,2	75,8	72,5	72,4	71,6	-1,6
4	Employment	76,3	76,2	74,5	74,4	74,4	-1,9
5	Export	27,2	27,0	20,5	22,3	29,5	2,3
6	Import	56,2	61,6	51,7	48,7	49,4	-6,8

The analysis of the data in Table 2.2 shows that the share of small business and private entrepreneurship in GDP demonstrates a declining trend, decreasing from 62.4 percent in 2018 to 51.8 percent by the end of 2022, which is a reduction of 10.6 percent. This indicator suggests that small business and private entrepreneurship entities have transformed into large businesses.

Additionally, the export volume shows a growth trend over the years, starting at 27.2 percent in 2018. However, significantly low indicators were recorded in 2020-2021. By the end of 2022, this figure increased to 29.5 percent, representing a 2.3 percent growth compared to 2018, which is a positive result. [4]

Table 3 The Volume of Key Indicators of Small Business and Private Entrepreneurship in Economic Sectors

№	Indicators	2018	2019	2020	2021	2022	Difference (2022-2018)
1	Industry (billion UZS)	87962,0	83344,2	103020,8	121719,2	142611,7	54649,7
2	Construction (billion UZS)	37451,7	53960,9	63866,6	77762,0	93620,8	56169,1
3	Employment (thousand people)	10128,8	10318,9	9865,7	10070,7	10222,9	94,1
4	Export (million USD)	3810,8	4714,8	3100,9	3711,2	5696,2	1885,4
5	Import (million USD)	10916,2	14972,2	10943,3	12389,0	15154,1	4237,9
6	Trade (billion UZS)	114896,4	138920,7	164106,1	204787,4	253573,4	138677,0
7	Agriculture, Forestry, and Fisheries (billion UZS)	191759,2	219466,9	253238,2	307280,2	347222,0	155462,8
8	Services (billion UZS)	84433,4	103106,6	114052,7	144812,7	173157,7	88724,3

9	Freight Transport (million tons)	611,7	641,0	638,9	678,9	588,1	-23,6
10	Freight Turnover (million ton-km)	11657,7	12152,3	12304,6	13108,1	14394,9	2737,2
11	Passenger Transport (million passengers)	5242,6	5345,0	4904,8	5237,6	5606,0	363,4
12	Passenger Turnover (million passenger-km)	115335,2	117412,7	107766,7	114681,5	123882,5	8547,3

The analysis of the data in Table 2.3 shows that the share of small business and private entrepreneurship in key indicators across economic sectors is grow-ing. Specifically, in the industrial sector, 87,962 billion UZS worth of goods were produced in 2018, while this figure increased by 54,649.7 billion UZS in 2022, reaching a total of 142,611.7 billion UZS. In the construction sector, 37,451.7 billion UZS worth of work was completed in 2018, while in 2022, this figure in-creased by 56,169.1 billion UZS, resulting in a total of 93,620.8 billion UZS worth of construction work. The highest growth trend in recent years, due to sig-nificant structural changes, was observed in agriculture, forestry, and fisheries. In 2018, 191,759.2 billion UZS worth of products were created, while in 2022, this figure increased by 155,462.8 billion UZS, reaching a total of 347,222 billion UZS. However, despite this growth, a declining trend is observed in freight transport. This indicator stood at 611.7 million tons in 2018 but decreased by 23.6 million tons by the end of 2022, reaching 588.1 million tons.

The identification, systematization, and comprehensive analysis of the charac-teristics of small business entities can be carried out using a SWOT analysis, which allows for a thorough description of the research object.

In addition to the traditional characteristics of small business entities, such as mobility, simple organizational structure, high turnover speed of funds, scarcity of human and financial resources, and the unity of owner and manager, the limi-tations in business diversification opportunities and the operation in the form of Start-ups can also be highlighted. At the same time, some of these characteristics have varying impacts on the financial management processes of small business entities, sometimes positively and other times negatively.[5]

Table 4 SWOT Analysis of the Characteristics of Small Business Entities' Activities

Internal Environment	Strengths	Weaknesses
	Mobility, quick adaptation to changes in market conditions	Moliyaviy menejment sohasida salohiyatli inson resurslarining yetishmasligi
	Simple organizational structure	
	High turnover rate of funds	Scarcity of financial resources
	Unity of ownership and management	
	Limited opportunities for business diversification	
External Environment	Operating in the form of a Start-up	
	Opportunities	Threats
	Opportunity for government support	Presence of high competition
	Limited number of external factors affecting operations	High tax burden

Reviewed above, the majority of small business entities operate in the trade sector. Moreover, if small business entities are engaged in trade, it typically involves the sale of a homogeneous group of goods, which cannot be considered full diversification. Most of the newly established business projects, referred to as "Start-ups," represent not only newly established legal entities but also some form of innovative business idea specific to small business entities, such as a new type of product, a new trade market, or a new form of service delivery.

Similar to the previously discussed characteristics, operating in the form of a "Start-up" can sometimes be considered a competitive advantage and have a positive impact on financial management. Conversely, it can negatively affect the financial condition of a small business entity. On one hand, a successful business idea, due to its novelty for the market, can be quickly implemented and yield a clear return. On the other hand, the failure of a business idea and the lack of demand for the project can lead to a high risk of significant financial difficulties for the small business entity.

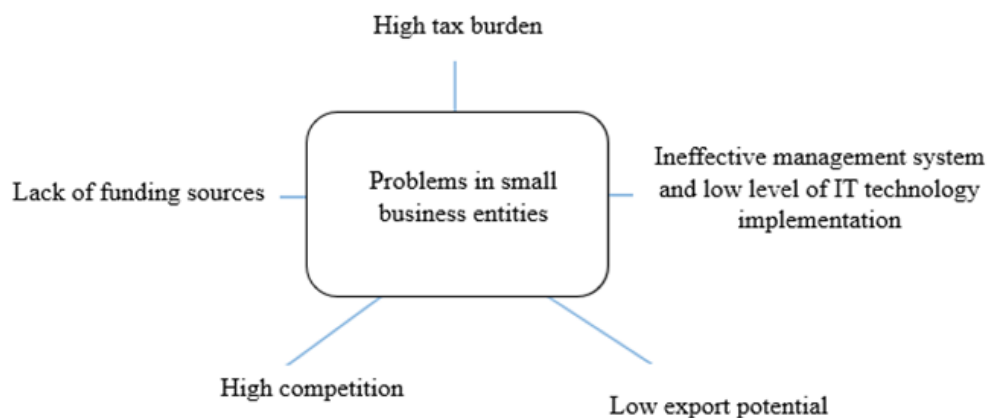


Figure 2.3. Key Problems in Small Business Entities

Among the main characteristics of the activities of small business entities, the following can be highlighted:

- "The majority of small business entities operate in the wholesale and retail trade sector."
 - High turnover of funds, mobility, and adaptability to external changes are demonstrated as key internal competitive advantages;
 - The lack of diversification in business activities by type of economic activity can serve as either an advantage or a disadvantage in terms of financial management. Furthermore, the lack of diversification in the types of activities (operational, investment, financial) of a business entity necessitates focusing primarily on operational activities.[6]
 - The lack of financial and human resources determines the necessity of improving the quality of financial management and seeking modern and flexible management methods.
- Furthermore, today, "financial technologies (Fintech) are spreading at an incredible speed. The largest share in this segment is occupied by banking operations. Financial technologies

offer various solutions as an alternative to traditional banking activities, such as electronic payments and money transfers, cryptocur-rency, microcredit systems, and others.”

At the same time, programs for automating business process management are also a growing segment of Fintech. Accounting and management reporting, financial analysis and planning, CRM systems, and personnel management – all of these are among the most common financial technology products for businesses.

These products are in high demand and are particularly relevant for small busi-ness entities. Due to the shortage of personnel and financial resources in small businesses, such automation enables optimization of management processes. The high level of proliferation and significance of Fintech solutions underscores their relevance in many business management systems worldwide.[7]

Currently, the financial technology market in Uzbekistan is also entering a de-velopment phase. At the same time, the growth of financial technologies in the banking sector is occurring faster and on a larger scale compared to the business process automation segment. This process is also significant for small business entities, serving as an essential factor for their sustainable development in the future.

Table 2.5 Fintech Products for Small Business Entities

Name	Opportunities	Functions
Accounting in Business	Internet Accounting for Small Businesses	Invoicing; Report Generation; Tax Planning
Plan vs. Actual	Financial Management Accounting for Small Businesses	Income and Expense Tracking; Financial Planning; Financial Analysis by Contractors
Financier	A service primarily for small business entities in construction, repair, design, and event organization sectors.	Cash Flow Tracking; Cash Break Management; Profitability Assessment (based on semi-annual data).
Seeneco	Business Finance Management	Management Accounting; Financial Analysis for Clients and Projects; Budgeting, Financial Planning (trend method); Financial Calendar, Cash Break Calculation
Cloudshop	Software for Retail Trade	Sales Accounting; Customer Tracking; Inventory Management; Financial Accounting and Analysis (Revenue Analysis - Income, Number of Customers)

Functionally, the proposed software product differs from existing market solu-tions by providing small business entities with greater opportunities to achieve future goals based on their current financial situation.

The operational algorithm of the proposed software product can be described as follows. The main difference between the proposed program-targeted planning algorithm and the forecasting approaches used in the existing software (as shown in Table 2.5) lies in its ability to set plan indicators based on target objectives. However, despite all its advantages, program-targeted planning cannot be imple-mented entirely separately from historical data.

Thus, financial planning as the primary management tool is not performed solely based on objectives but rather uses previous activity data and assump-tions, as seen in legacy programs.

To address this issue, we developed a software product titled “Managing Finances of Small Enterprises: Planning, Analysis, and Control”, which is registered in the registry of computer programs. Within the framework of financial analysis for small business activities, the proposed soft-ware identifies the most critical element of management and allows for compari-son of planned indicators derived through program-targeted methods with calcu-lated results using mathematical modeling (formula 8).[8]

CONCLUSIONS AND SUGGESTIONS

Small business entities play an important role in the country's economy, but efficiency in utilizing digital technologies is still insufficient. The results of the SWOT analysis show that the flexibility and high resource turnover rate of small businesses are their strong points.

In small business entities, digital technologies, particularly financial and hu-man resource limitations, can be identified as the main weaknesses. The use of digital technologies, especially financial technologies (Fintech), in small busi-nesses allows for the optimization of financial management processes.

Analyses indicate that despite the growth of certain economic indicators of small businesses during 2018–2023, declines have been observed in some areas, particularly in freight volumes.

Small business projects in the form of "start-ups" have provided opportunities for implementing innovative business ideas. However, it is unfortunate that their failures have led to significant financial difficulties. The use of digital technolo-gies, particularly financial technologies (Fintech), in small businesses allows for the optimization of financial management processes.

As for recommendations:

First of all, to encourage the adoption of digital technologies, the state should allocate subsidies for small business entities to implement fintech products. Ad-ditionally, to expand the use of financial technologies, training sessions and sem-inars should be organized in partnership with public and private sectors.

Financial management needs to be improved. Specifically, special software should be developed and implemented among small businesses to automate fi-nancial management processes.

A convenient credit system should be introduced for small businesses, with flexible repayment periods and interest rates tailored to their needs.

Small businesses should be encouraged to adopt environmentally friendly technologies through integration into the green economy, and the government should provide grants and tax incentives in this regard.

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