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ASSESSING THE EFFICIENCY OF SMALL BUSINESS AND ENTREPRENEURIAL ACTIVITY: DIRECTIONS FOR IMPROVING METHODOLOGY

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Abstract
This article examines theoretical and practical approaches to assessing the efficiency of small business and entrepreneurial activity. The study analyzes the main economic indicators used in efficiency assessment and identifies their advantages and limitations. Directions for improving the methodology of evaluating the performance of small business entities under modern market conditions are proposed. The article also substantiates the applicability of assessment results in managerial decision-making processes.

Keywords: Small business, entrepreneurship, efficiency, assessment, economic indicators, methodology, managerial decisions.

Introduction

In the context of economic fluctuations observed in the global economy and the intensification of the competitive environment, small business and entrepreneurial activity are increasingly emerging as a key pillar of national economies in many countries, especially in developing states. Small and medium-sized enterprises (SMEs) constitute the majority of businesses worldwide and play a crucial role in job creation, income diversification, and ensuring sustainable economic growth. According to international estimates, nearly 90 percent of enterprises globally and approximately 50 percent of total employment are attributable to small and medium-sized businesses [1].

The rapid growth of labor resources and the dynamic changes in market conditions have turned the development of small business into a task of strategic importance. In particular, the sharp increase in global demand for new jobs by 2030 has further strengthened the focus on supporting small business and entrepreneurial activity [2]. This, in turn, necessitates the development of scientifically grounded and modern methodologies for assessing efficiency in this sector.

In New Uzbekistan, systematic reforms are being implemented to enhance industrial development and increase the role of small business and private entrepreneurship in producing competitive, high value-added products. The National Development Strategy identifies the creation of a favorable environment for entrepreneurial activity and the expansion of the private sector's share in gross domestic product and exports as priority objectives. Achieving these goals requires an objective and comprehensive assessment of the performance of small business entities, as well as the development of effective and transparent support mechanisms.

In this regard, the present article analyzes existing approaches to assessing the efficiency of small business and entrepreneurial activity and substantiates directions for their improvement in line with modern economic conditions.

Literature Review

The theoretical foundations and fundamental issues of small business and entrepreneurial activity have been extensively studied by foreign economists. In particular, R. Hisrich and M. Peters have scientifically substantiated the essence of entrepreneurship, its role in economic development, and the key factors influencing its efficiency. The works of C. Clayton and A. Smith focus on innovative development, the competitive environment, and the role of small business in a market economy [3].

Contemporary trends in small business development, its innovative potential, and its significance in regional economic growth are examined in the studies of Kalogiannidis S., S. Kao, D. Leung, and other scholars. These studies analyze methods for evaluating small business performance, improving support mechanisms, and shaping industrialized regions [4].

Researchers from the Commonwealth of Independent States (CIS) have explored the evolution of small business development, its state regulation, and its role in enhancing regional investment attractiveness. In particular, the works of V. V. Vysokov and N. V. Morgunova provide an in-depth discussion of institutional support for small businesses.

Uzbek scholars have also conducted research aimed at developing small business and private entrepreneurship within the national economy, strengthening support mechanisms, and improving efficiency. The works of Yo. Abdullaev, Sh. Yuldashev, and T. Ahmadjonov analyze the activities of small business entities in Uzbekistan and identify promising directions for their development [5].

At the same time, existing studies have not sufficiently addressed the issues of comprehensive efficiency assessment of small business activities and the improvement of related methodologies, indicating the need to expand scientific research in this area.

Research Methodology

The study employs methods of analysis and synthesis, comparative analysis, and statistical analysis to assess the efficiency of small business and entrepreneurial activity. Economic and mathematical approaches are applied to identify interrelationships among efficiency indicators. Based on the generalization of the obtained results, scientific conclusions are formulated regarding the improvement of efficiency assessment methodologies.

Analysis and Results

Global practice demonstrates that small business serves as a key factor in national economic development, playing a significant role in employment generation, income growth stimulation, and middle-class formation. Consequently, the theoretical and methodological foundations of small business development have been widely explored in academic research.

The concept of business represents a broad economic category, and its essence has been interpreted differently by various scholars. In general terms, business activity refers to a set of

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economic actions aimed at generating income. Although business and entrepreneurship share certain similarities, business has a broader meaning, while entrepreneurship is considered a specific form of business activity.

Efficiency is a fundamental criterion for evaluating any economic activity. Despite the existence of various methods and indicators for efficiency assessment in modern economic literature and methodological guidelines, there remains a continuous need for their systematic analysis and adaptation to evolving economic conditions. In particular, factors such as value added, rational use of resources, degree of specialization, and clustering of business processes play an important role in enhancing the efficiency of small business activity.

According to economic theory, efficiency is often expressed as the ratio of achieved results to incurred costs. However, in practice, profitability alone does not always indicate high efficiency, as internal and external factors may undermine the stability of enterprise operations. Therefore, assessing the efficiency of small business entities should not be limited to financial results alone but should also consider resource utilization, production volume, and management decisions [6].

When evaluating the efficiency of small business entities, it is advisable to conditionally divide indicators into quantitative and qualitative groups. Quantitative indicators are mainly calculated based on statistical data, while qualitative indicators are determined through expert assessment. This approach enables a comprehensive evaluation of enterprise performance while accounting for the stages of the business life cycle.

Overall, combining cost-based and potential-based approaches in evaluating the efficiency of small business and entrepreneurial entities contributes to improved resource utilization and sustainable development. Moreover, the clear classification and scientifically grounded selection of indicators are essential conditions for objective efficiency assessment.

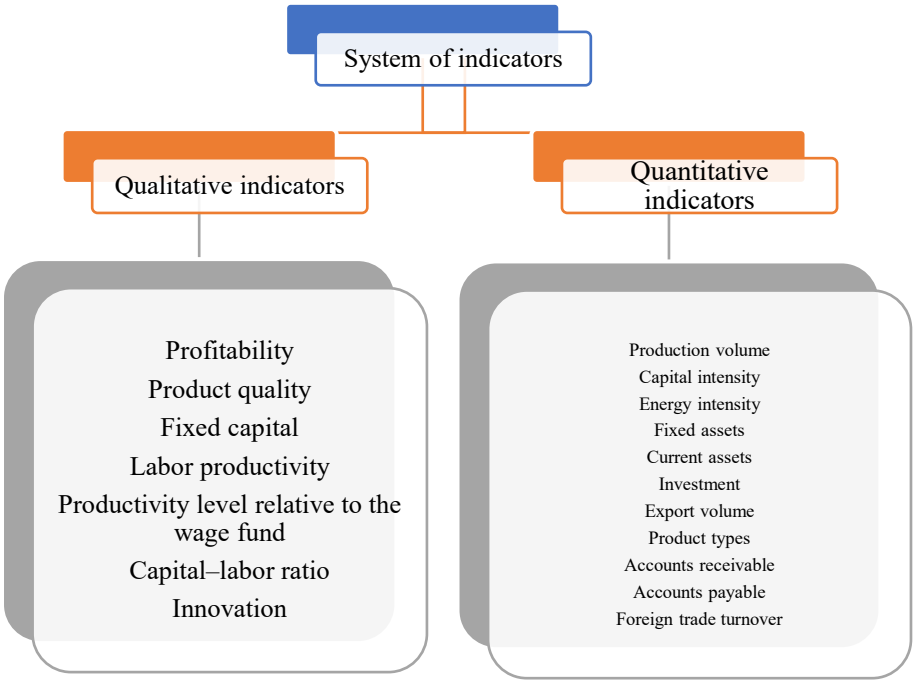

Figure 2. System of Indicators for Assessing the Efficiency of Small Business Entities

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Assessing the efficiency of small business entities requires the use of numerous interrelated indicators. Therefore, modern research places particular emphasis on expressing efficiency through a single integrated indicator. In this context, the application of production profitability is considered appropriate, as it enables a generalized assessment of the performance outcomes of small business activities [7].

For an objective evaluation of efficiency, it is also necessary to apply a system of profitability-based financial ratios. In particular, indicators such as net profit, sales profitability, product profitability, return on assets, and return on equity contribute to a comprehensive analysis of the economic performance of small business entities. These ratios allow for an interconnected assessment of costs, revenues, and the efficiency of resource utilization.

Return on assets and return on equity are especially important in determining the financial stability and investment attractiveness of small business entities. These indicators reflect how effectively the funds employed in enterprise operations are being utilized. In addition, the investment profitability ratio makes it possible to assess the economic return generated from invested resources.

Table 1 Indicators and Formulas for Assessing the Efficiency of Small Business Entities

No.	Indicator name	Formula	Explanation of symbols
1	Gross profit	GP = NS − COGS	NS – net sales; COGS – cost of goods sold
2	Gross profit ratio	GPR = (NS − COGS) / NS	Ratio of gross profit to sales
3	Sales profitability	SP = P / NS	P – gross, net, or operating profit
4	Sales return (sales profitability ratio)	SR = NP / NS	NP – net profit; NS – net sales
5	Return on Assets (ROA)	ROA = NP / A	NP – net profit; A – total assets
6	Return on Assets (DuPont model)	ROA = (NP / NS) × (NS / A)	Profit margin × asset turnover
7	Return on fixed capital	RFC = NP / FC	FC – fixed capital
8	Return on Equity (ROE)	ROE = NP / EQ	EQ – equity (owners' capital)
9	Return on investment	ROI = (TP + PT) / EQ	TP – taxable profit; PT – paid taxes
10	Production profitability (integrated indicator)	PPI = NP / TC	NP – net profit; TC – total production costs

This system of indicators enables a comprehensive assessment of the efficiency of small business entities. In particular, production profitability is applied as a single integrated indicator, while its structural components are examined in depth through the remaining coefficients [8]. This approach facilitates the adoption of well-grounded managerial decisions in evaluating the performance of small business entities.

To demonstrate the practical significance of the proposed approach, calculations based on specific numerical data were carried out using a small business enterprise as a case study. For the purpose of analysis, the following initial data were adopted:

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- Net sales (NS) = 500,000,000 UZS
- Cost of goods sold (COGS) = 380,000,000 UZS
- Net profit (NP) = 90,000,000 UZS
- Total assets (A) = 900,000,000 UZS
- Fixed capital (FC) = 600,000,000 UZS
- Equity (EQ) = 300,000,000 UZS
- Taxable profit (TP) = 70,000,000 UZS
- Paid taxes (PT) = 20,000,000 UZS

Table 2. Calculation of Efficiency Indicators

No.	Indicator name	Formula	Calculation	Result
1	Gross profit	GP = NS − COGS	500 − 380	120,000,000 UZS
2	Gross profit ratio	GPR = GP / NS	120 / 500	0.24 (24%)
3	Sales profitability	SP = NP / NS	90 / 500	0.18 (18%)
4	Sales return (profitability)	SR = NP / COGS	90 / 380	0.237 (23.7%)
5	Return on Assets (ROA)	ROA = NP / A	90 / 900	0.10 (10%)
6	Return on fixed capital	RFC = NP / FC	90 / 600	0.15 (15%)
7	Return on Equity (ROE)	ROE = NP / EQ	90 / 300	0.30 (30%)
8	Return on Investment (ROI)	ROI = (TP + PT) / EQ	(70 + 20) / 300	0.30 (30%)

The table data indicate that the proposed system of indicators and coefficients enables a comprehensive assessment of the efficiency of small business entities. In particular, the relatively high levels of production profitability and capital profitability confirm the enterprise's financial stability and investment attractiveness. The proposed methodological approach complements existing assessment methods and is distinguished by the simplicity of calculations and the practical relevance of the results.

Conclusion

The results of the study demonstrate that it is not appropriate to limit the assessment of small business efficiency to a single indicator. For a complete and objective evaluation of efficiency, a system of indicators reflecting profit, profitability, asset turnover, and capital efficiency should be applied in an integrated manner.

The results obtained from the practical case study indicate the financial stability of the small business entity, the efficient use of assets, and the provision of high returns on investment. This confirms that the proposed methodological approach is applicable in practice and capable of producing realistic and reliable results.

Based on the research findings, the following practical recommendations are proposed:

1. In assessing the efficiency of small business entities, production profitability should be adopted as an integrated indicator.
2. Priority should be given to indicators of return on assets and return on equity when making managerial decisions.

3. Objective results can be achieved in efficiency analysis through the integrated application of quantitative and qualitative indicators.
4. The introduction of a simplified and easy-to-calculate system of coefficients for small enterprises will enhance the quality of financial analysis.
5. The implementation of the proposed methodology in practice will contribute to strengthening the financial stability of small business entities, increasing profit levels, and enhancing investment attractiveness.

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