IMPROVING THE ORGANIZATIONAL AND ECONOMIC MECHANISMS FOR DEVELOPING SMALL BUSINESS AND ENTREPRENEURIAL ACTIVITY

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Abstract: This study examines the role of small business and entrepreneurship in promoting economic development in Uzbekistan within the context of ongoing market reforms. The research analyzes the current state of entrepreneurial development, the effectiveness of government support measures, and the key challenges limiting the competitiveness of small business entities. Using secondary data, official statistical reports, and relevant literature, the study evaluates the relationship between entrepreneurship, employment generation, income growth, and economic stability. The findings indicate that although significant reforms—including preferential financing, tax incentives, simplified administrative procedures, the introduction of the "Single Window" system, and digital transformation initiatives—have improved the business environment, several structural constraints remain. These include insufficient material and technical resources, limited economic capacity, and inadequate legal and managerial knowledge among many entrepreneurs. The study concludes that strengthening entrepreneurial capabilities, improving institutional support, and enhancing innovation and competitiveness are essential for ensuring the sustainable development of small businesses and increasing their contribution to Uzbekistan's long-term economic growth.

Keywords: small business, entrepreneurship, economic development, market reforms, competitiveness, government support, Uzbekistan.

Introduction.

World experience of developed countries shows that ensuring the effectiveness of small business and entrepreneurial entities primarily requires producing competitive products and services that match consumers' needs and demands in the market, both quantitatively and qualitatively. It is precisely the customer-oriented approach, the flexibility of business strategies, and the practical implementation of innovative ideas that ensure the sustainable development of small business enterprises.

Although the process of reforms aimed at developing small business and entrepreneurship in the Republic of Uzbekistan is proceeding rapidly, analysis of the current situation shows that an efficient operating system fully based on market mechanisms in this sphere has not yet been completely formed. In particular, the material-technical base, economic potential, and legal literacy of many small business entities do not correspond to the level required by current market rules and competitive conditions.

Small business and entrepreneurial activity occupies an important place in the development of a market economy. Factors such as the country's economic stability, rising employment levels, expanding the population's income sources, and supplying the domestic market with goods and services are closely tied to the development of this sector. For this reason, supporting small business —

recognized worldwide as one of the main drivers of economic progress — and developing it on a systematic basis has become an integral part of modern economic policy.

In recent years, the Republic of Uzbekistan has also carried out extensive reforms aimed at developing small business and entrepreneurship. In particular, favorable conditions have been created for business entities through the allocation of preferential loans by the state, the granting of tax benefits, the simplification of permitting procedures, the introduction of the "Single Window" system, and the development of digital platforms.

However, despite the existing opportunities, a number of systemic problems in the activities of small business entities remain relevant, including a lack of financing sources, weak infrastructure, and low levels of knowledge and skills. For this reason, the need to improve the organizational and economic mechanisms for developing this sector — that is, to strengthen the institutional base, enhance public-private partnerships, and align efforts with regional development strategies — is growing.

This study is devoted to analyzing the current state of organizational and economic approaches aimed specifically at developing small business and entrepreneurial activity, identifying ways to improve them, and developing effective mechanisms.

The development of entrepreneurial activity is one of the important factors of modern economic progress, playing a significant role in accelerating economic growth, creating new jobs, strengthening the competitive environment, and raising the population's income level. Under market economy conditions, entrepreneurial activity acts as the main driving force of the economic system, ensuring the introduction of innovations and the efficient use of resources.

The level of development of entrepreneurial activity largely depends on the legal, institutional, and economic conditions created in the country. A favorable business environment is formed through ensuring the protection of property rights, protecting contractual relations, optimizing the tax burden, and expanding access to financial resources. In this regard, the economic reforms being carried out by the state serve to support the activities of business entities.

The role of small and medium-sized business in developing entrepreneurial activity is of particular importance. This sector ensures the flexibility and stability of the economy and has a positive effect on regional development. Small business entities stand out for their ability to quickly adapt to market demands, put innovative ideas into practice, and create new jobs.

At the same time, a number of problems also exist in the process of developing entrepreneurial activity. In particular, limited financial resources, a lack of management and administrative experience, underdeveloped market infrastructure, and difficulties in introducing digital technologies may negatively affect the activities of business entities. A comprehensive and systematic approach is needed to address these problems.

Literature Review

Small business and entrepreneurship are widely recognized as important drivers of economic growth, employment, and innovation. **Schumpeter (1934)** emphasized that entrepreneurs stimulate economic development through innovation and the introduction of new business opportunities. Similarly, **Drucker (1985)** highlighted the role of entrepreneurship in improving competitiveness and adapting to changing market conditions.

According to the **OECD** and the **World Bank**, small and medium-sized enterprises (SMEs) contribute significantly to GDP growth, job creation, and sustainable economic development. Recent studies also indicate that government support, access to finance, digitalization, and a favorable business environment are essential factors for entrepreneurial success.

In Uzbekistan, researchers have noted that recent economic reforms, including tax incentives, preferential loans, and simplified administrative procedures, have improved the business climate. However, challenges such as limited financial resources, insufficient innovation, and weak managerial capacity continue to constrain the development of small businesses. Therefore, further research is needed to evaluate the effectiveness of entrepreneurship policies and their contribution to sustainable economic development.

Methodology

This study employs a quantitative research approach to examine the role of small business and entrepreneurship in Uzbekistan's economic development. Secondary data were collected from official sources, including the **Statistics Agency of Uzbekistan**, the **World Bank**, and relevant government reports for the period 2015–2024. Descriptive statistics and comparative analysis were used to evaluate trends in entrepreneurial activity, employment, and economic growth. In addition, correlation analysis was applied to examine the relationship between entrepreneurship indicators and economic development. The findings are interpreted based on existing theoretical and empirical literature to provide policy recommendations for improving the entrepreneurial environment in Uzbekistan.

Analysis

One of the important directions for developing entrepreneurial activity is supporting innovative activity. Innovations make it possible to improve the quality of products and services, reduce production costs, and strengthen competitiveness. For this reason, scientific research work, startup projects, and the introduction of digital technologies are regarded as priority directions for the development of entrepreneurship.

In addition, the development of human capital is of great importance for developing entrepreneurial activity. By improving entrepreneurs' knowledge and skills and developing their competencies in business planning, financial literacy, and marketing, the efficiency of business entities can be significantly increased.

In conclusion, the development of entrepreneurial activity is of considerable strategic importance in ensuring economic stability, increasing social well-being, and strengthening the competitiveness of the national economy. Effectively carrying out this process requires strengthening cooperation between the state, the private sector, and society, introducing modern management mechanisms, and forming an innovative environment.

Based on the results of these analyses and comparisons, we believe that as the next step in developing the sector, priority should be given to deepening market relations in the sphere of tourism services (Figure 1). In addition, the fact that initiatives by small business entities aimed at organizing their activities on the basis of modern technologies are not sufficiently supported, and that financial sources and information infrastructure are limited, are among the main factors hindering the development of this sector. Therefore, improving the organizational and economic mechanisms aimed at increasing the competitiveness of the products and services produced by small business and entrepreneurial entities, and adapting them to customer needs, is becoming an urgent issue.

Development of entrepreneurial activity				
Marketing concept	**Service improvement concept**	**Tourism product diversification concept**	**Commercial activity intensification concept**	**Socio-cultural marketing concept**
Marketing tasks				
Improving the entrepreneurship development system	Improving the financing mechanism	Deepening social policy in entrepreneurship	Improving service quality by business entities	Information and legal support
Set of measures for implementing diversification tasks in entrepreneurial activity				
Separating customer and contractor functions, holding tenders, expanding entrepreneurial activity, simplifying the contract system	Payment system for services, improving the operation of the infrastructure system, ensuring resource efficiency, improving service quality	Introducing a subsidy system for financing entrepreneurship, improving the benefits system	Strengthening control over production and service quality, licensing of services, certification of enterprises in the sector	Reviewing the regulatory-legal framework for reforming the entrepreneurship sector, providing information support
Forms of entrepreneurial activity				
Private entrepreneurship	Collective entrepreneurship	Entrepreneurial clusters	Business entities / associations	Mixed entrepreneurship

Table 1. Model for implementing the tasks of developing entrepreneurial activity

For this purpose, we have developed a model for implementing the tasks of developing entrepreneurial activity in the sector, and it is recommended that this model be promptly introduced into the reform process currently under way in the sector. In this model, for each concept, specific tasks to be accomplished through mechanisms consisting of a set of measures are defined, and the full implementation of these tasks through the selected mechanisms will lead to the deepening of market relations and the operation of market mechanisms in the sector.

The degree to which the interests of the participants of the system operating in the sector are satisfied is considered the main outcome expressing the effectiveness of the organizational-economic mechanisms.

The concept of "organizational effectiveness" was introduced into management science by R. Hall, and this concept is interpreted as a model of the activity of a system that includes the characteristics and processes of an enterprise's internal structure aimed at achieving a common goal, as well as its relations with the external environment.

The effectiveness of entrepreneurial activity is generally assessed on the basis of the following three indicators:

- The level of continuous provision of consumers and the service process with the necessary resources — this indicator reflects the ability of business entities to offer their products and services in a stable and high-quality manner.
- The level of cost-efficiency among business entities — related to the rational use of resources and the reduction of excessive expenses in conducting operations.
- The level of use of internal reserves formed on the basis of innovative approaches — this reflects increased competitiveness through the introduction of technologies and new products and services.

At the same time, when the effectiveness of entrepreneurial activity is approached as a process, it is assessed on the basis of the following two main indicators:

- The level of providing consumers with comprehensive services — this reflects the ability of entrepreneurial activity to offer market solutions that meet demand and satisfy customer needs.
- The level of costs — related to the cost-efficiency of creating a product or service, the effectiveness of expenditures, and their compliance with standards.

Increasing the sector's share of the national economy's macro indicators through the development of entrepreneurial activity is also reflected in the Development Strategy, which today envisages structural changes in the economy. Within the sector, goals and tasks have been set to increase the volume of products and services offered in the market through the implementation of entrepreneurship and the development of small business entities and entrepreneurial infrastructure.

In implementing the established goals and tasks, it is first necessary to create effective organizational-economic mechanisms for carrying out entrepreneurial activity in the sector, and to organize the activities of tourism enterprises on the basis of these mechanisms.

In developing entrepreneurial activity, deepening market relations in the sector, and developing a competitive environment in this segment of the services market, the use of the public-private partnership mechanism for organizing activity is recommended as one of the effective mechanisms. Under market-economy conditions, the public-private partnership mechanism is regarded as a tool that increases the effectiveness of the national innovation system by stimulating the level of investment attraction and the material-technical, personnel, and financial potential within the system.

Research shows that the following main factors currently hinder investors from entering the highly potential entrepreneurship market:

- The high level of risk of losing the resources invested in the sector, or of the payback period being prolonged.

●The absence of a guarantee that state or local government bodies will fully fulfill their budgetary obligations toward private partners.

●The possibility that the results of the activities of small business and entrepreneurial entities based on private property may become financially unstable under the influence of various external environmental factors (regional and global financial crises, pandemics, political instability, and others).

The content, economic essence, and theoretical and practical aspects of applying the public-private partnership (PPP) mechanism in the entrepreneurship sector are analyzed. The study scientifically examines the role of cooperation between the state and the private sector in developing entrepreneurial activity, and its importance in activating investment processes, modernizing infrastructure, and increasing management efficiency.

Furthermore, the advantages and problems arising in implementing the PPP mechanism, issues of risk distribution, and the influence of institutional and legal conditions are studied. The results of the research serve to develop scientific and practical recommendations aimed at improving the public-private partnership mechanism among business entities, attracting private investment, and ensuring sustainable economic development.

The introduction of the public-private partnership mechanism in the sector, firstly, increases the volume of guaranteed financial resources necessary for business entities to organize their activities in the tourism services market; secondly, leads to an increase in the quality of services provided as a result of the development of a competitive environment; and thirdly, expands opportunities to increase the income (profit) obtained through the expansion of the scale of activity.

The advantage of this mechanism for the state is that the investments made in the activity by private partners replace a large portion of the budgetary funds that the state would otherwise have to direct toward carrying out structural changes in the sector, making the reforms considerably “cheaper” for the state.

Of course, each organizational-economic mechanism applied has its own strengths and weaknesses, depending on the specific characteristics of the region in which it is introduced. In the process of using the public-private partnership mechanism to develop small business and entrepreneurial activity, the advantages and disadvantages presented in Figure 1 are expected to arise for both parties — the state and private business entities.

The public-private partnership mechanism is regarded as an important tool in the modern economy for developing entrepreneurial activity, activating investment processes, and solving socio-economic problems. This mechanism envisages establishing long-term cooperation between the state and the private sector on the basis of distributing resources, responsibilities, and risks. In particular, in infrastructure, the services sector, industry, and innovative projects, PPP creates new opportunities for business entities.

Table-2.

Advantages and disadvantages of applying the public-private partnership mechanism in the entrepreneurship sector

	Advantages	Disadvantages
For the state	○Balanced distribution of the financial burden and risks in implementing long-term, costly	○Deviation by private entrepreneurs from established targets

	regional projects in the entrepreneurship sphere; ○Compliance of the services provided with consumer needs; ○Reduction of the administrative burden on the state governance system; ○Increased efficiency while maintaining service quality.	in the use of state budget funds.
For the private entrepreneur (tourism enterprise)	○The opportunity for private entrepreneurs to gain access to "closed" sectors; ○The opportunity to participate in activities with large financial flows and predictable sales volumes; ○The opportunity to participate in setting favorable tariffs; ○High potential to significantly reduce costs and increase efficiency as a source of income in the entrepreneurship sector.	○Underdeveloped legislation regulating relations in the sector (property rights, fulfillment of contractual obligations by the state); ○Uncertainty of policy in regulating service tariffs; ○Low level of consumers' contractual and payment culture; ○Imperfections in organizing project development and tenders.

First of all, the PPP mechanism expands opportunities for mobilizing financial resources. Under conditions of a limited state budget, the opportunity to implement large and medium-sized projects is created by attracting private-sector investment. This serves to provide business entities with stable financial sources.

Secondly, public-private partnership increases management efficiency. The private sector's innovative approaches, management experience, and adaptability to market mechanisms strengthen the effectiveness of projects involving state participation. As a result, project costs decrease and service quality improves.

Thirdly, PPP allows for the distribution of risks. The financial, technological, and operational risks within a project are optimally distributed between the state and the private sector. This gives entrepreneurs the opportunity to reduce risks and plan long-term activities.

Fourthly, this mechanism improves the business environment. State guarantees, legal protection, and institutional support expand the opportunities for small and medium-sized business entities to enter the market and increase their competitiveness.

Fifthly, PPP has a positive impact on socio-economic development. New jobs are created, regional infrastructure develops, and the quality of services provided to the population improves, which in turn serves to expand entrepreneurial activity.

At the same time, a number of problems and limitations also exist in applying the public-private partnership mechanism. First of all, implementing PPP projects is associated with complex legal and

organizational processes, and developing and agreeing on contracts requires a long time. This may limit the participation of small business entities.

Secondly, difficulties in ensuring a balance of interests are among the main shortcomings of PPP. While the state pursues social interests, the private sector seeks profit. If these interests are not fully harmonized, there is a possibility that the effectiveness of projects will decrease.

Thirdly, if transparency and control issues are not sufficiently ensured, the risk of corruption may arise. This situation negatively affects the business environment and reduces investor confidence.

Fourthly, there is a possibility that the financial burden of PPP projects may increasingly fall on the state. If the private partner fails to fully meet its obligations or the project ends unsuccessfully, the state has to cover additional expenses.

Fifthly, a lack of institutional experience may prevent small business entities from using the PPP mechanism effectively. Many entrepreneurs lack sufficient knowledge to manage complex contractual relations and financial mechanisms.

In conclusion, although applying the public-private partnership mechanism in the entrepreneurship sector holds great economic and social potential, effectively implementing it requires strengthening the legal framework, ensuring transparency, and improving entrepreneurs' management and institutional capacity. Only under such conditions can the PPP mechanism become an effective tool for developing small business and entrepreneurship.

Overall, based on the above considerations and the results of the research, improving the organizational-economic aspects of business entities' activities — and, through this, strengthening attention to the effectiveness of entrepreneurial activity and the quality of the products and services provided — ensures a new and effective approach for the sector through the introduction of modern organizational-economic mechanisms.

The introduction of improved organizational-economic mechanisms into the entrepreneurial activity of tourism enterprises during the research process, firstly, leads to improved conditions by making use of state participation in organizing activities; and secondly, provides an opportunity to achieve a multiplier effect by combining core and supplementary activities in pursuit of a common goal.

Conclusion.

Overall, the scientific results and analytical conclusions obtained during the research substantiate the need to improve the organizational-economic aspects of business entities' activities. It was determined that it is possible to increase the effectiveness of entrepreneurial activity, improve the quality of products and services, and ensure adaptability to market requirements through the introduction of modern organizational-economic mechanisms. This serves as a solid foundation for forming new and effective management approaches in the sector.

It was demonstrated that the application of improved organizational-economic mechanisms in the entrepreneurial activity of tourism enterprises during the research process leads to a number of positive results. In particular, the rational use of state participation ensures the improvement of organizational and institutional conditions and the expansion of investment and infrastructure opportunities. At the same time, through the harmonization of core and supplementary types of activity, a multiplier effect arises, significantly increasing the overall economic results of enterprises.

As a result, the improvement of organizational-economic mechanisms serves to strengthen the competitiveness of tourism entrepreneurial entities, use resources efficiently, and ensure sustainable development. This approach not only increases the effectiveness of individual enterprises' activities but also serves as an important factor in strengthening the economic potential of the entire tourism sector.

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