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Factors Determining the Development of Small Business and Entrepreneurship

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Abstract: The article is about the direct and indirect factors determining the development of small business and entrepreneurship, and the scale of influence of a number of factors on small business is highlighted. These factors were studied in detail by the author and a more detailed classification of factors determining the development of small business and entrepreneurship was developed.

Key words: small business, entrepreneurship, external environment, internal environment, direct factors, indirect factors, Uzbek model.

Small business and entrepreneurship in Uzbekistan began to develop during the transition to market relations. The legal and regulatory framework of the initial period recognized small business and entrepreneurship as a type of activity widely permitted to the public, ensuring the widespread development of organizational and legal forms of entities in this sector.

During the transition to a market economy (i.e., in the 1990s-2000s), laws, economic and social conditions leading to the formation of market relations began to be created to ensure the widespread development of small business and entrepreneurship. In particular:

First, the country's independence was declared and the "Uzbek model" of the transition to a market economy system was developed. In all of the principles based on this national model, one way or another, the first bold steps were taken towards the development of small business and entrepreneurship.

Secondly, in our country in 1992-1994, privatization processes were carried out, which eliminated the state monopoly in property relations through the privatization of property. Establishing and achieving production based on multi-modal healthy competition in the development of the national economy was one of the most important tasks.

Thirdly, in 1994-2000, the state regulatory mechanism began to work actively. Liberalization processes were supported and the ground was prepared for the economic activation of market entities.

The large-scale implementation of privatization and denationalization in Uzbekistan, property pluralism, and the opening of a mixed economy were the main factors attracting foreign investors to our economy. Thus, Uzbekistan took important steps towards a gradual transition to a market economy.

In the current scientific literature, various approaches are used to classify factors affecting entrepreneurial activity. Most researchers [3, 5, 6, 7, 8] divide them into external and internal factors. The most general approach to systematizing factors was proposed by a number of scientists [6, 8], who in their work take into account external factors affecting enterprises.

This article summarizes and shows the external factors affecting small business and entrepreneurship. A number of factors (economic, socio-demographic, socio-cultural, legal, political, scientific-technical, natural-climatic, international) indirectly influence the development

of small business and entrepreneurship. In particular, according to the approach of O. A. Aripov, he emphasizes that these factors are also manifested in the structural structure of the business environment [4, 35 б.].

According to O.A. Aripov, “direct factors can directly affect the activities of small business entities and lead to serious changes. Indirect factors, although they do not have a rapid and serious impact on business owners, contribute to changes in the activities of businessmen to one degree or another” [4, p. 36]. Thus, factors that directly affect the development of small business and entrepreneurship (suppliers, consumers, institutional and organizational environment, the system of state support for small business and entrepreneurship, competitors, communication audience, small business and entrepreneurship support infrastructure) also include important aspects.

Therefore, both factors are very necessary for the effective functioning of small business and entrepreneurship. Moreover, such factors complement each other, that is, they are closely related to each other.

It is also important to consider the impact of the internal environment, which is a set of internal factors that affect the activities of a small business. The internal environment is largely subjective, as it directly depends on the small business manager, his skills, dedication, motivation, knowledge and ability to manage the business. On the other hand, it depends on the ability of the small business team to work together.

Classification and systematization of factors influencing the development of small business and entrepreneurship.

The external environment of small business and entrepreneurship is understood as a set of external factors and conditions that directly or indirectly affect the formation and development of small business and entrepreneurship. In our opinion, it is logical to divide environmental factors into two groups, since the factors included in them have different degrees of influence on small business. These factors can be grouped into direct influencing factors (microenvironment) and indirect influencing factors (macroenvironment) (Figure 1).

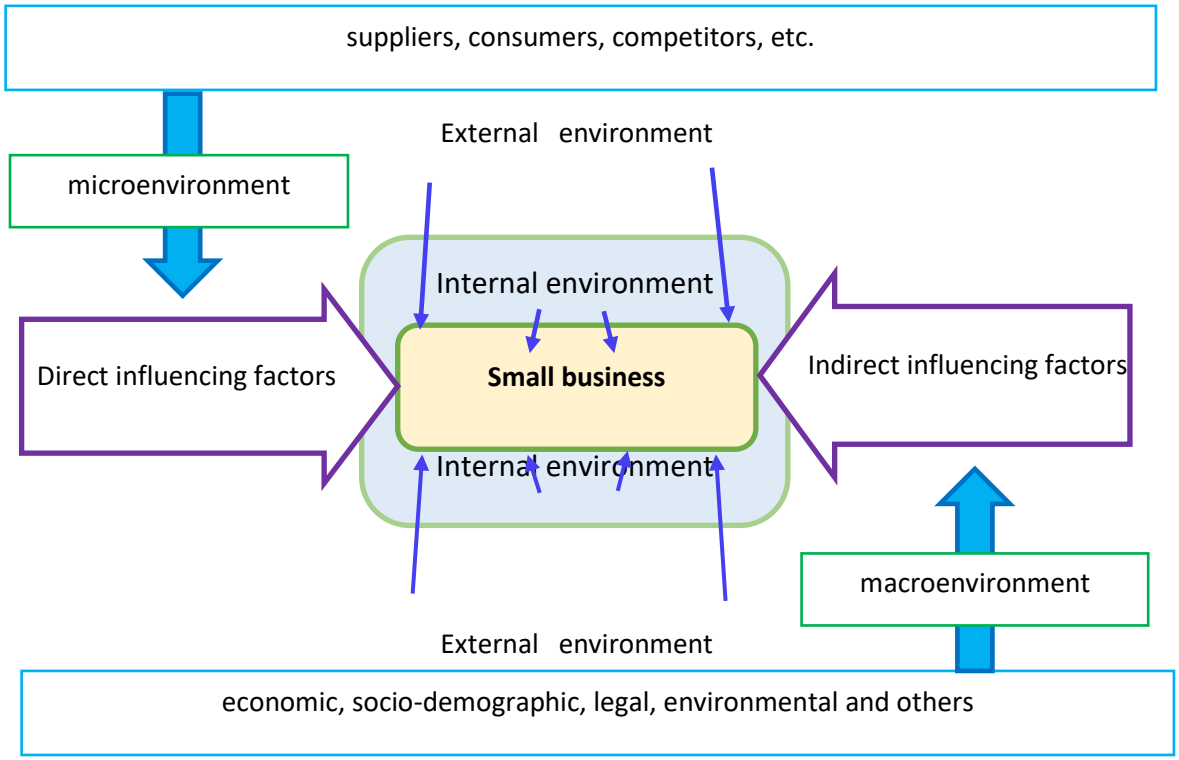


Figure 1. Direct and indirect factors affecting small business [1]

[1] Муаллиф ишланмаси.

Indirect factors are factors that may not immediately affect the activities of a small business, but ultimately affect its activities. Among the indirectly influencing factors, it is necessary to distinguish economic, socio-demographic, legal and other factors. In order to achieve success, entrepreneurs need to be well aware of all external factors and conditions in order to predict their impact on the final results of their business.

The main factors of indirect (direct) influence include structures that directly affect small business, directly affecting the activities of small business. These are suppliers, consumers, competitors, and others.

Uzbek economists such as Y. Abdullaev and Sh. Yuldashev have emphasized the significant impact of the internal and external environment on the economy, and each of them has its own importance [4, 40 б.].

In our opinion, if one of these factors determining the development of small business and entrepreneurship is necessary for bread (microenvironment), then the other is very necessary for it to breathe (macroenvironment).

Let's consider in more detail the external environmental factors of small business and entrepreneurship. Economic factors have a great influence on the development of small business and entrepreneurship. The economic situation in the country, the ongoing economic reforms, the availability of financial resources, the amount of credit provided by banks, the demand for goods and services, the level of effective demand of the population, the situation in the labor market (the level of wages of the population) are of great importance in the development of small business and entrepreneurship.

The development of small business and entrepreneurship gradually affects the purchasing power of the population. As a result, indicators such as dynamics of average per capita income and average monthly nominal wages affect the conditions for the development of small business and entrepreneurship.

The development of small business is also affected by such economic factors as the inflation rate, the stability of the national currency, the number of taxes, the amount of the tax burden and the perfection of the tax system in general, the cost of resources necessary for small businesses, the level of competition in the commodity markets, the level of market monopolization, etc.

Legal factors are necessary for the development of a market economy, as such factors ensure the legal operation of small business and entrepreneurship. Therefore, the presence of legal factors is of great importance for small business and entrepreneurship. This group of factors includes the presence of regulatory legal acts regulating entrepreneurial activity and creating favorable conditions for the development of small business (their composition and progressiveness); procedures for legalizing entrepreneurial activity (registration, licensing, certification, accreditation, etc.), their simplicity, etc. Legal factors also include: the perfection of tax legislation, the convenience of statistical reporting forms; the level of legal regulation of social relations; guarantees of social protection and security of entrepreneurs, etc.

Thus, the legal factor plays an important role in shaping the investment climate, accelerating foreign trade, and increasing the attractiveness of the activities of small business enterprises. Because legal norms must be improved in order for investors to enter the country in large numbers, for the regulatory framework to fully meet global requirements, and for the experience and level of entrepreneurs to meet international standards.

Political factors depend on the structure of the state, the policy pursued by the state on an external and internal scale. Political factors also include the stability of the political system of the country as a whole. The more the policy pursued at the state level is aimed at supporting small business and entrepreneurship, the more effective the scope of influence of political factors will be.

“In general, each state approaches the issue of increasing the activity of the business environment in its own way. The attitude of a particular state to improving the business environment can be in the form of limited intervention (i.e., creating conditions), encouragement or pressure” [4, 40 б.].

The activities of small businesses are greatly influenced by scientific and technical factors, including the country's scientific and technical potential, the development of fundamental and applied research, research and development costs, etc.

Socio-demographic factors also have a specific impact on the development of small business and entrepreneurship. Analysis of statistical data reveals a specific change in the socio-demographic situation in Uzbekistan, which indicates its impact on the development of small business. For example, the large proportion of young people in the population of Uzbekistan, the growth of the population, create prospects for further development of entrepreneurial activity.

In this regard, in our opinion, it is necessary to consider the impact of socio-demographic factors on small business not only at the republican level, but also at the regional and city levels. Here it is necessary to take into account changes in the demographic development of the region, pay attention to the dynamics of the population of the settlement, changes in the age and sex composition of the population. It is also necessary to take into account the living standards of various groups of the population and other signs of population stratification. Changes in the listed indicators affect the level of demand for goods or services.

Socio-cultural factors reflect people's desire to purchase goods that correspond to certain tastes and fashions, lifestyles, customs, moral and ethical standards, and religious foundations of society. Tastes and needs for products can change at different stages.

Natural and climatic factors also affect the development of small businesses. To develop certain types of activity, small businesses must have sufficient natural factors of production. In addition, climatic conditions affect.

There are international factors, which also include international events (significant political events, wars, disasters, etc.) that are of great importance in the development of entrepreneurship. It should be noted that they primarily affect the activities of enterprises entering international markets.

According to the above analysis, it can be said that such factors are factors of macroenvironmental influence, which include the external environment.

Now, in order to ensure the completeness of the classification presented, we will consider the factors of the business environment.

The generally accepted factors influencing the development of small business are suppliers, consumers, competitors, institutional and organizational environment.

To date, it has become clear that an important element of the business environment is state support, that is, state regulatory instruments have a significant impact on the development of small business. Business environment factors should include a system of state support for small business. The formation of a regulatory and legal framework, the development of special programs taking into account the interests of small business entities, the creation of favorable conditions for the use of finance, real estate, information, intellectual resources are important factors influencing the rapid development and increase in the competitiveness of small business and entrepreneurship.

It is also necessary to pay special attention to the fact that the existence of a developed and efficient service infrastructure to support small business and entrepreneurship in modern conditions, to ensure their activities, is one of the mandatory conditions for the development of small business. Small business and entrepreneurship support infrastructure means a system of service organizations whose purpose is to facilitate the activities of small business entities. Modern infrastructure facilities include: credit organizations supporting small business and entrepreneurship, tax system, audit system, various financial organizations, business incubators, technology parks, innovation and technology centers, educational and business centers, insurance

companies, consulting centers, small industrial zones and other organizations that provide services necessary for the development of entrepreneurship.

Thus, external environmental factors are grouped as shown in Table 1.

Table 1. External environmental factors

Factors	Classification
Indirect influencing factors	
Economic	Economic situation in the country as a whole and in some regions; existing economic conditions for doing business, the level of payment demand of the population (consumers).
Socio-demographic	Socio-economic situation related to employment and unemployment levels; demographic situation in the country, standard of living of the population
Legal	A legal environment that determines the rights, obligations, and responsibilities of other market participants in conducting business
Political	A political situation characterized by the stability of society and state development
Socio-cultural	Cultural environment related to the process of cultural development; interaction of cultural traditions and innovations
Scientific and technical	It affects the firm's performance through the achievement of scientific and technical progress and the firm's use of them
Natural climate	Availability of climatic conditions and natural factors of production
International	Major political events, disasters, etc. indirectly affect the performance and survival of the firm. These factors must be taken into account in the foreign economic activity of the company.
Direct influencing factors	
Suppliers	Provides the company with raw materials and supplies, equipment, labor resources (staffing agencies, employment services, etc.).
Consumers	Individuals, households, manufacturing firms, intermediary firms, budget organizations and institutions, foreign consumers
Institutional-organizational environment	Organizations providing coordination of economic activities, commercial operations, business relations, etc.
State support system	Creation of favorable conditions for the development of small business by authorities; availability of effective support programs
Competitors	Businesses that sell similar products or provide similar services
Communication audience	External forces that directly influence a firm's decision-making and pursue various interests related to its activities
Supporting infrastructure	A system of state, non-state, public, educational and commercial organizations providing financial, consulting, property, educational support to small businesses, as well as a number of business services

In addition to external factors that affect the activities and development of a small enterprise, there are also internal environmental factors. Under the influence of internal and external factors affecting a small enterprise, the enterprise can analyze its opportunities and threats. This is reflected in the SWOT analysis of a small enterprise. When developing development strategies for small enterprises, it is necessary to take into account the influence of internal factors.

In the works of some scientists [3, 7, 8], the internal environment is considered in general, the factors of the internal environment include:

- choosing the right field of activity and knowing the market;
- choosing the organizational and legal form of the enterprise, the subject of activity;
- the existence of a system for selecting and motivating employees,
- availability of necessary funds for operation, etc.

In our opinion, the classification of internal factors requires more detail and clarification.

V. P. Samarina [9] classifies production and technical, economic, marketing factors, social conditions, information component (component part), management organization factor, etc. as internal environment factors. V. Ya. Gorfinkel [8] considers business relations and employee behavior factors as internal environment factors. V. P. Samarina distinguishes between objective factors (i.e., those that do not depend on the subject of management, such as the acceleration of scientific and technical progress, the specificity of the industry) and subjective factors (depending on the subject of management and its capabilities, in particular, the personality of the manager, product quality, and the company's innovation policy).

V. I. Titov [10] analyzes the internal environment in the following areas: personnel, organizational, production, financial, marketing, organizational culture.

Uzbek economist O.A. Aripov [4, p. 35] includes the idea of a small enterprise, working principles, ethical relations between managers and employees, the level of economic and legal literacy of the enterprise team, the traditions and values of the enterprise team as internal environmental factors. At the same time, O.A. Aripov classifies external and internal factors as components of the business environment that motivate the activities of small businesses and entrepreneurial enterprises [4, p. 35].

According to the approach of the author of the article, in order to systematize and structure the factors of the internal environment, we propose to divide them into process and personal factors. Process factors include the necessary elements of the activities of a small business enterprise. Personal factors include elements of interaction between employees of a small enterprise, managers and employees. The factors of the internal environment of the organization are generally grouped as follows (2- picture):

The internal environment of a small enterprise consists of process and personal factors, both of which have a significant impact on the efficiency, performance goals, and overall development of the enterprise. While process factors shape the operating systems and structure, personal factors shape the internal atmosphere of the enterprise, affecting the individual characteristics of people and the work environment.

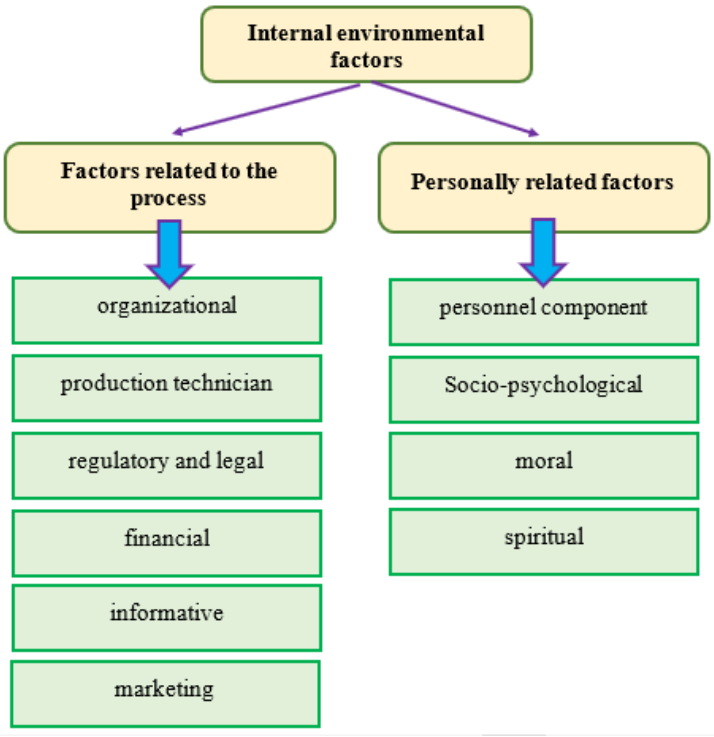


Figure 2. Classification of internal environmental factors[2]

[2] Муаллиф ишланмаси

As shown in Figure 2, process factors include factors that include elements of the sector, ranging from organizational issues, and provide a great service to ensure a more active participation of a small enterprise in the external environment.

The author places special emphasis on marketing factors, stating that marketing should be well organized in the enterprise. Because this is one of the most important areas of any enterprise's activity. "It is marketing that allows the enterprise to be competitive and successful in the market" [11]. The importance of marketing is that it is explained by the participation of two parties, without which it is impossible to do business, that is, business customers and competitors.

The group of personal factors includes: personnel component, socio-psychological, moral and cultural factors.

As a result of analyzing, summarizing and clarifying the work of economists related to this field of research, taking into account the existing approaches to the systematization of various factors, we proposed a more detailed classification. The proposed classification of external environmental factors is relatively holistic, as it includes factors of direct and indirect influence. Takes into account the directly interacting structures of small business and general factors affecting small business development.

In conclusion, the classification we proposed systematizes and complements the factors influencing the development of small business and entrepreneurship in the service sector. Two groups of factors are distinguished: external environmental factors and internal environmental factors. Among the external environmental factors, indirect influencing factors and direct influencing factors are distinguished. Direct influencing factors are supplemented with the items “support infrastructure” and “state support system”. Internal environmental factors are divided into process and personal. Process factors include the necessary elements of the activities of a small enterprise. Personal factors include elements of interaction between enterprise employees, managers and employees, as well as moral and cultural elements.

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