

## Prospects for the Development of Small Business and Entrepreneurship in the Digital Economy

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**Abstract:** Business plays a special role in the mechanism of sustainable economic development, since it provides not only the realization of innovative potential, but also the creation of decentralized jobs, as well as additional revenues to budgets of different levels. This article covers prospects for the development of small business and entrepreneurship in the digital economy. The article provides a lot of accurate statistics and graphical concepts related to the industry.

**Keywords:** digital economy, e-commerce, e-business, small business, technologies, CRM, AI.

### INTRODUCTION

Nowadays, the digital economy and a number of effective technologies associated with it, including e-commerce and e-business, are rapidly entering our lives. For this reason, in order to further accelerate the development of the state and society, the leadership of the republic has made a number of important decisions. For example, in his Address to the OliyMajlis on the most important priorities for 2020, the President of the Republic of Uzbekistan on January 25, 2020 said the following about the development of the digital economy in our country: In order to accelerate the work we have begun to cultivate a high level of spirituality and culture, to form a competitive economy and to raise it to a new, modern level, I propose to name 2020 in our country "Year of Science, Enlightenment and Digital Economy." In addition, in pursuance of the Decree of the President of the Republic of Uzbekistan dated February 19, 2018 No PF-5349 "On measures to further develop the field of information technology and communications" 1, as well as for the introduction of digital economy in public administration in the country In order to create conditions for the rapid development of modern information technologies, as well as to ensure information security, the Cabinet of Ministers on August 31, 2018 approved the "Additional These measures include the Resolution of the President of the Republic of Uzbekistan PP-3832 dated 03.07.2018 "On measures to develop the digital economy in the Republic of Uzbekistan". According to the resolution, the following are the most important tasks for the further development of the digital economy in Uzbekistan:

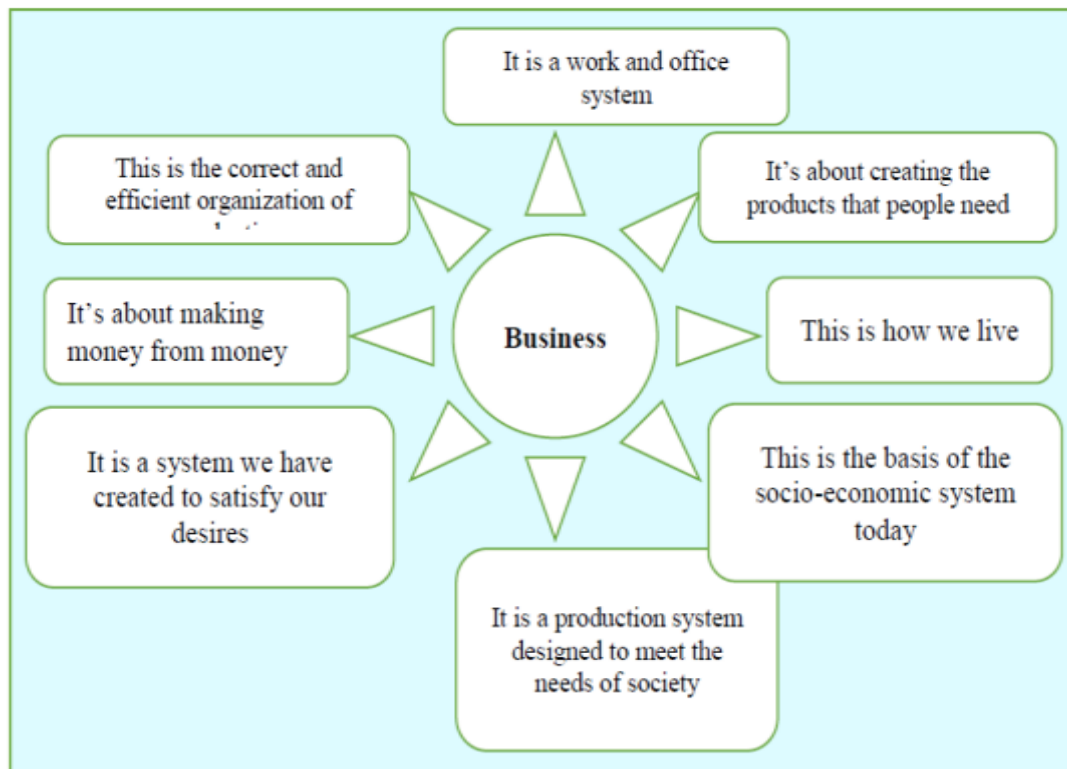
- Activities in the field of cryptocurrency turnover to diversify investment and entrepreneurship, including mining, smart contract, consulting, issue, exchange, storage, distribution, management, insurance, crowdfunding, as well as the introduction and development of blockchain technologies.

- Training of qualified personnel with practical skills in the production and use of blockchain technologies.
- Ensuring close cooperation between government agencies and businesses in the implementation of innovative ideas, technologies and developments for the further development of the digital economy.
- Comprehensive development of cooperation with international and foreign organizations in the field of crypto assets and blockchain technologies and the involvement of highly qualified foreign experts in the field of production.
- Creating a legal framework for the introduction of blockchain technologies, taking into account foreign experience.

Successful implementation of the above decrees and decisions requires a thorough understanding of the essence of the digital economy and what its basic concepts are. Before embarking on our journey into this exciting and engaging digital economy, let's take a closer look at the information society and some of the key concepts associated with it.

## MATERIALS AND METHODS

In the digital economy, it is possible to create open network enterprises that can displace or destroy traditional centralized models and potentially develop as independent start-ups, and there are many opportunities for this today. Assume that the distributed digital model is changing or gradually squeezing out the eight functions of financial services - from banking and stock markets to individuals to insurance and accounting. With the help of digital technology and blockchain, both well-established companies and new companies can create business architectures that innovate better, create better value at lower costs, and allow wealth creators to use the wealth they create everywhere. Technology takes some business models to a new level, which is described in detail in the book "Vikonomika". Innovative digital payment systems, reputation management systems, uncensored content, untrustworthy transactions, smart contracts and independent agents - new types of production, mass consumption, openness, including key innovations of the blockchain revolution platforms, a new government in the general information space, a global virtual shop, and how social jobs can be developed below. At present, great attention is paid to the development of small and medium business in our country. This is important in the transition to a market economy. At the same time, first of all, it is necessary to understand the essence of the content of this field. There are so many definitions of business in the foreign literature that the whole history of the development of humanity, society, in one way or another, has always been associated with business. Businessman (entrepreneur) - The word first appeared in the British economy and meant "property owner". In particular, Adam Smith describes an entrepreneur as the owner of a property and states that he is a person who takes economic risks in order to implement a commercial idea in order to make a profit. The entrepreneur plans his business, organizes production, sells the product and manages the income. Foreign economists give a systematic definition of business. Professors at the University of Texas and the University of Illinois at Urbana-Champaign described Business as shown in Figure 1.



**Figure 1.** Conclusions on the concept of business

Small business and entrepreneurship statistics. These entrepreneurship market research data show some key information about the ins and outs of starting and running a small business.

**Business startups.** The top motivation for someone to open their own business is that they're ready to become their own boss (55%) (Guidant financial, 2020). This is followed by the wanting to pursue his/her passion (39%), being dissatisfied with corporate America (25%). For some, it is because the opportunity presented itself (25%), they got laid off or outsourced (11%), they unprepared to retire (10%), and due to major life events (4%) (Guidant financial, 2020). The best industries to start a business in 2018 are technology, health, energy, media, and consumer retail (inc., 2018). Meanwhile, in 2020, industries with the greatest number of small business startups were business services (13%), retail (13%), construction and contracting (12%), residential and commercial services (9%), and food/restaurant (9%) (Guidant financial, 2020). People who own a home are 10% more likely to become an entrepreneur versus those who don't (funder, 2020). Having two founders increases the possibility of running a successful small business versus having one (inc.). 69% of American entrepreneurs start their business at home (small business trends, 2021). Most small employer small businesses are s-corporations (50.5%), c-corporations (24.8%), small proprietorships (12.9%), and partnerships (11.8%) (SBA, 2020). 64% of smbs have a website, of which 94% are mobile-friendly (review 42, 2021). 27% of smbs are thinking of reducing their workforce due to covid-19 (business wire, 2020). 31% of small businesses in the us were rendered non-operational by covid-19 (facebook data for good, 2020).

**Financial aspects.** 36% of small business owners cite "getting funding" as among the top three financial priorities (QuickBooks, 2020). 58% of entrepreneurs started with a minimum of \$25,000 in 2019 (small business trends, 2019). However, more recent studies show that 64% of small business owners start their firms with as low as \$10,000 (Smallbizgenius, 2021). The median income of self-

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employed owners whose small business is incorporated is \$51,816 (sba, 2020).meanwhile, the median income of owners whose small business isn't incorporated is \$26,084 (sba, 2020). Overall, as of January 2021, the median income of small business owners is \$65,476 (PayScale, 2021). Amid covid-19, only 34% of small businesses reported being profitable, which is a huge drop from 2019's 55% (small business trends, 2020). As of q4 2020, 65% of small business owners believe that their company's cash flow will be very good or somewhat good in the next 12 months, 23% think it will be neither good nor poor, and 12% say that it will be somewhat poor or poor (Statista, 2020).

**Demographics.** Female entrepreneurs in the us own 11.2 million businesses, of which 10.1 million are nonemployer firms and 1.1 million are employer firms (sba, 2020). 41% of nonemployer small business owners and 20% of employer small business owners are women (sba, 2020). Female-owned businesses generated over \$1.9 trillion in revenues in 2019 (America express, 2019). There is a 4% year-on-year increase of female business owners (Guidant financial, 2020). 351,237 businesses in the us are owned by veterans (sba, 2020). 31% of firms with employees are family-owned businesses (sba, 2020). Immigrant owners account for 17% of businesses with employees (sba, 2020). African-American women own 2.7% of all businesses (fit small business, 2020). 35% of small business owners are in the 50-59 age brackets, the most common age range (national business capital & services, 2020). Around 50% of businesses in the us are home-based (fundera, 2020). About 1 in 20 businesses with employees in the us are franchises (sba, 2020). 9.7% of employer firms in the us are owned by Asians (sba, 2020). 5.6% of employer firms in the us are hispanic-owned (sba, 2020).

## RESULTS AND DISCUSSION

It is from the dreams of entrepreneurs that economies are built. As the foundation of any economy, business owners are the lifeblood of any progressive society. They are the ones who create new streams of income, add value to the national income, realize social change, and drive community development. COVID-19 may have put a damper on the global economy, but given the entrepreneurs' resiliency, they are bound to outlast the global pandemic. We've collected over a hundred entrepreneurship statistics for you to understand the state of the sector as well as where the industry is headed in the future. Moreover, with these valuable data, you'll know how small businesses are thriving in the digital economy.Small business involves the development of a set of marketing, trading, industrial, transport and intermediary systems, which allow the local economy to change its structure, developing in various functional areas. The effect of the investment attractiveness of the region on small business is evident; however, enterprises possessing innovation potential also increase this regional attractiveness. Investment attractiveness reflects the fact of the conformity of the region to the aims of the potential investors groups determining the investment climate of the territory and thus directly influences capital rising for the development of the business units. Investment attractiveness of the region is essential and implies active investment activity and as a result efficient social economic development of the regional economy. The estimation of the investment attractiveness of the region is a complex multifactor model which implies the estimation of the region on the whole including its normative and legislative bases, specific economic regulators as well as the activity of the specific subjects.

Thus innovation potential of the specific business unit has a direct influence on the interest of the potential investors. Considering the backward influence of small business on the peculiarity of the regional production the enterprises which might increase the scale of production have a direct effect on the regional structure of the production. Infrastructure entrepreneurship complexes which are a subsystem of the regional economy are set up during the process of scaling of the commercial activity determining fluctuations of the general structure of the regional business. Considering the

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structure of small business and the basic transformational elements of the digital economy we can speak about creation of both additional and growing reserves of development. In this context the authors define the basic trends in the change of the economic system which have the largest influence on the small business: a. Active development of the service market including outsourcing influenced by “deletion” of production boundaries. b. Robotization c. Change of interaction channels “business-state” d. Rapid growth of the uber-model Thus, to maintain the competitive advantage, small businesses should continuously monitor changes in the external environment under the influence of digitalization to assess potential opportunities and threats, as well as develop preventive protection measures and / or organic changes in the company under the conditions of the new reality.

**Conclusion.** The experience of leading European countries confirms the role of small business in the economic system as a whole. The current state of the small business does not correspond to the objectives set for the national economy, which actualizes the task of creating conditions for its hyperactive growth. At the same time, small business is the most sensitive to any changes in the external environment and falls under the significant influence of the digitalization of the economic space. Changes in the production structure and the expansion of the boundaries of the entity’s activities in the economic system have the greatest influence on small business through the universal development of the industrial Internet and cloud technologies. These are the key ones.

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