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ASSESSING THE ECONOMIC EFFICIENCY OF SMALL BUSINESS AND ENTREPRENEURIAL ACTIVITY IN REGIONAL STRATEGIC DEVELOPMENT

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Abstract. The article developed an approach to assessing the economic efficiency of small businesses and entrepreneurial activity in regional strategic development. It employed a systemic approach, comparative analysis, index and coefficient methods, and logical modelling. Assessment combined entrepreneurial activity, economic outcomes and sectoral participation. An entrepreneurship efficiency index was proposed, and sectoral penetration coefficients were calculated. Uzbekistan's 2025 data highlighted small businesses' contribution to value creation, particularly in agriculture and construction. Opportunities for expansion in services were discussed. Application possibilities were considered for Namangan region. Recommendations addressed regional monitoring, production cooperation, export support and enterprise expansion, providing a methodological basis for setting regional programme priorities.

Keywords: small business, entrepreneurial activity, regional development, economic efficiency, value added, sectoral penetration coefficient, production cooperation, exports.

Annotatsiya. Maqolada mintaqaviy strategik rivojlanishda kichik biznes va tadbirkorlik faolligining iqtisodiy samaradorligini baholash yondashuvi ishlab chiqildi. Tizimli yondashuv, qiyosiy tahlil, indeks va koeffitsiyentlar usuli hamda mantiqiy modellashtirishdan foydalanildi. Baholash faollik, iqtisodiy natija va tarmoqlardagi ishtirok mezonlari asosida tashkil etildi. Tadbirkorlik samaradorligi indeksi taklif qilinib, tarmoqqa kirib borish koeffitsiyentlari hisoblandi. O'zbekistonning 2025-yilga oid ma'lumotlari asosida kichik biznesning qo'shilgan qiymat yaratishdagi o'rni yoritildi. Qishloq xo'jaligi va qurilishdagi yuqori ishtiroki ko'rsatilib, xizmatlarda kengayish imkoniyatlari muhokama qilindi. Namangan viloyatida metodikani qo'llash yo'nalishlari ko'rib chiqildi. Hududiy monitoring, ishlab chiqarish kooperatsiyasi, eksport va korxonalar yiriklashuvini qo'llab-quvvatlash bo'yicha tavsiyalar ishlab chiqildi. Taklif etilgan yondashuvning hududiy dasturlarda ustuvorliklarni belgilash uchun amaliy imkoniyatlari ochib berildi.

Kalit so'zlar: kichik biznes, tadbirkorlik faolligi, mintaqaviy rivojlanish, iqtisodiy samaradorlik, qo'shilgan qiymat, tarmoqqa kirib borish koeffitsiyenti, ishlab chiqarish kooperatsiyasi, eksport.

Аннотация. В статье был разработан подход к оценке экономической эффективности малого бизнеса и предпринимательской активности в региональном стратегическом развитии. Исследование опиралось на системный подход, сравнительный анализ, методы индексов и коэффициентов, логическое моделирование. Оценка объединила предпринимательскую активность, экономические результаты и отраслевое участие. Был предложен индекс эффективности предпринимательства и рассчитаны коэффициенты отраслевого проникновения. На данных Узбекистана за 2025 год была раскрыта роль малого бизнеса в создании добавленной стоимости. Было показано его высокое участие в сельском хозяйстве и строительстве, рассмотрены возможности расширения в услугах. Применение методики обсуждалось на примере Наманганской области. Были сформулированы рекомендации по региональному мониторингу, производственной кооперации, поддержке экспорта и укрупнению предприятий с учётом приоритетов региональных программ.

Ключевые слова: малый бизнес, предпринимательская активность, региональное развитие, экономическая эффективность, добавленная стоимость, коэффициент отраслевого проникновения, производственная кооперация, экспорт.

INTRODUCTION

In economic theory, entrepreneurship is interpreted as an internal force that disturbs market equilibrium and drives the economy towards a new equilibrium. By introducing a new product, technology, market or organisational form, the entrepreneur redirects resources from their traditional uses to new and more productive areas of application. Small business is the most widespread institutional form of this process: in sectors with

relatively low barriers to market entry, it turns the initiative of the population into economic activity. At the regional level, the density and activity of small business entities determine the flexibility of the regional economy, its employment potential and the diversity of income sources.

The concept of entrepreneurship capital proposed by D. Audretsch and M. Keilbach plays an important role in the theoretical justification of the place of entrepreneurship in regional economic development. The authors added a region's capacity to create new enterprises to the traditional factors of capital and labour and, using German regions as an example, found that labour productivity is also higher in regions with high entrepreneurship capital [1]. Entrepreneurship capital acts as an intermediary in the commercialisation of knowledge: ideas generated in universities and large companies often reach the market precisely through new small firms.

Summarising the scientific debate on the economic value of small business, M. van Praag and P. Versloot showed, on the basis of extensive empirical evidence, that entrepreneurial firms make an important contribution to society in terms of job creation, the introduction of innovations and productivity dynamics [2]. This conclusion confirms the need to assess small business not only as a sector performing a social function, but also as a structural component of economic growth.

The functions of small business in the regional economy manifest themselves in several closely interrelated directions. The employment function ensures that the region's labour resources, in particular young people and women, are involved in economic activity. The income function diversifies the sources of household cash income and raises household welfare. The structural function forms a network of suppliers and service providers around large enterprises and strengthens the internal linkages of the regional economy. The innovation function makes it possible to test new products and services quickly and to fill market gaps. Since each of these functions has its own measure of efficiency, limiting the assessment of small business to a single indicator is not scientifically sufficient.

In regional strategies, indicators of small business development are usually limited to the number of entities, the jobs created and the share in gross output. Although these indicators reflect the scale of activity, they do not fully reveal the economic efficiency of entrepreneurial activity, that is, the value created per entity and per employed worker, the depth of penetration across sectors and the dynamics of enterprise growth. The purpose of the article is to substantiate a multi-criteria methodology for assessing the economic efficiency of small business and entrepreneurial activity and to test it on the official statistical data of Uzbekistan.

LITERATURE REVIEW

Different positions have formed in the scientific literature on the causal relationship between small and medium-sized businesses and economic growth. In a cross-country analysis, T. Beck, A. Demircuc-Kunt and R. Levine found a strong positive association between the share of small and medium-sized businesses in manufacturing and economic growth, and showed that the main condition for growth is the quality of the business environment, including ease of market entry and exit, protection of property rights and access to financial services [3]. This result substantiated the need to combine the quantitative expansion of small business policy with the task of improving the institutional environment.

Z. Acs, D. Audretsch, P. Braunerhjelm and B. Carlsson introduced entrepreneurship into the theory of economic growth as a mechanism of knowledge spillover and showed that in economies with a large stock of knowledge but low entrepreneurial activity, a large part of the knowledge created remains uncommercialised [4]. The knowledge spillover theory provides a scientific basis for linking entrepreneurship support in regional strategies with innovation and education policy.

The study by M. Fritsch and P. Mueller established that the impact of new business formation on the regional economy unfolds gradually over time. Based on German data, the authors showed that the effect of new firm entry on employment consists of a direct short-term effect, an intermediate stage driven by stronger competition, and a long-term positive effect resulting from higher overall market efficiency [5]. This conclusion implies that an observation period of several years should be used when assessing the efficiency of entrepreneurial activity.

Using US cities as an example, E. Glaeser and W. Kerr explained the spatial distribution of entrepreneurship by local industrial conditions and found that the presence of suppliers and customers, the supply of skilled labour and a large number of small firms stimulate new business formation [6]. This approach supports analysing entrepreneurial activity together with regional specialisation and the sectoral ecosystem.

Uzbekistan has set target indicators for the development of small and medium-sized businesses for 2025, including raising the sector's share in gross domestic product to 55 per cent, its share in industry and exports to 34 per cent and its share in employment to 75 per cent, as well as increasing the number of business entities with more than 100 employees to 4 thousand [7]. The presence of enterprise growth and quality criteria among the target indicators is fully consistent with the approaches substantiated in the literature and confirms the

practical need for a multi-criteria methodology for assessing efficiency.

RESEARCH METHODOLOGY

The study applied a systemic approach, comparative analysis, index and coefficient methods, and logical modelling. The information base was formed from the analytical publication of the National Statistics Committee on gross domestic product and small business [8], official information on macroeconomic indicators for 2025 [9] and official data on measures to support small business [10].

The efficiency of entrepreneurial activity is assessed according to three criteria. The activity criterion is measured by the number of operating enterprises per thousand inhabitants and its growth rate. The economic outcome criterion is expressed by the share of value added created by small business in total value added and by value added per entity. The structural depth criterion reflects the participation of small business in manufacturing, exports and high-value-added services, as well as the share of enlarged entities. The entrepreneurship efficiency index is determined as follows:

$$EEI = 0.3 \times I_a + 0.4 \times I_n + 0.3 \times I_t$$

where I_a - activity index, I_n - economic outcome index, I_t - structural depth index. The higher weight assigned to the economic outcome criterion reflects the fact that value creation is the ultimate goal of strategic management. To assess the degree of small business penetration into sectors, a sectoral penetration coefficient is proposed:

$$SPC_i = S_i / S$$

where S_i - the share of small business in the value added of sector i , S - the share of small business in the value added of the whole economy. Sectors with a coefficient above one are considered areas of natural specialisation for small business, while sectors with a coefficient below one indicate promising directions in which small business can be expanded through cooperation, outsourcing and supply chains. The coefficient serves as a basis for adapting small business support instruments to sectoral characteristics in regional strategies.

ANALYSIS AND RESULTS

Small business entities have become one of the main participants in value creation in the economy of Uzbekistan. According to the National Statistics Committee, in January-September 2025 small business entities created value added of UZS 638,221.7 billion, which accounted for 51.5 per cent of gross value added in the economy; the share of small business was 96.9 per cent in agriculture, forestry and fishing, 77.6 per cent in construction and 45.1 per cent in services [8]. These figures clearly show the system-forming role of small business in the national economy.

When assessing the macroeconomic role of small business, it is important to interpret its dynamics together with the volume of large investment projects. In recent years, the commissioning of large capacities in the energy, mining and metallurgy, chemical and infrastructure sectors has led to rapid growth in the value added of large enterprises. Under these conditions, the fact that the share of small business in gross value added remains above one half means that its absolute volume is also expanding at a high rate. In other words, large and small businesses are growing simultaneously and complementing each other as the two supporting pillars of the economy.

Steady growth was also observed under the activity criterion. As of 1 January 2026, the number of operating enterprises and organisations in the republic reached 474.9 thousand, an increase of almost 50 thousand compared with 424.8 thousand a year earlier; in 2025 retail trade turnover grew by 11.2 per cent to UZS 482.4 trillion, and small business accounted for about 74 per cent of sales [9]. The growth in the number of operating enterprises by about 11.8 per cent in one year confirms the increasing attractiveness of the business environment.

Table 1. Key indicators of small business and entrepreneurial activity in Uzbekistan¹

Indicator	Value	Period	Source
Value added created by small business, UZS billion	638,221.7	2025, Q1-Q3	[8]
Share of small business in gross value added, per cent	51.5	2025, Q1-Q3	[8]
Share in agriculture, forestry and fishing, per cent	96.9	2025, Q1-Q3	[8]

¹ Source: compiled on the basis of the analytical publication of the National Statistics Committee [8] and official data for 2025 [9].

Share in construction, per cent	77.6	2025, Q1-Q3	[8]
Share in services, per cent	45.1	2025, Q1-Q3	[8]
Share in retail trade turnover, per cent	74	2025	[9]
Operating enterprises and organisations, thousand	474.9	2025	[9]

Based on the data in Table 1, the sectoral penetration coefficient was calculated. The coefficient was 1.88 in agriculture (96.9 / 51.5), 1.51 in construction (77.6 / 51.5) and 0.88 in services (45.1 / 51.5). While agriculture and construction have become areas of natural specialisation for small business, the services sector, including finance, information and communications, logistics and business services, was found to be a promising direction with great opportunities for the further expansion of small business. The share of almost three quarters held by small business in retail trade shows that entrepreneurial potential has been fully realised in the consumer-facing segments of the services sector.

The structural depth criterion has gained particular importance at the new stage of small business support policy. At a meeting chaired by the head of state, tasks were set to create 1.5 million permanent jobs through the development of small and medium-sized businesses and to raise small business exports from 9 billion to 12 billion dollars, and it was announced that UZS 22 trillion of concessional resources would be allocated to involve the population in entrepreneurship [10]. The inclusion among these tasks of the goal of increasing the share of small business in water supply, utilities, road construction and social services by 2-3 times reflects a strategic approach aimed at expanding sectors with a low penetration coefficient.

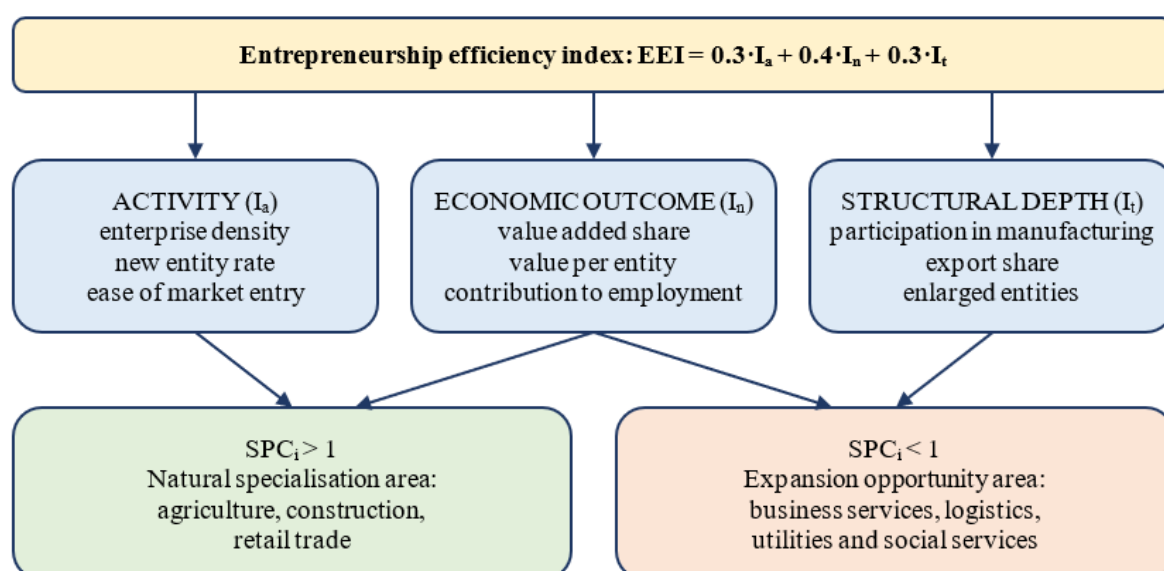


Figure 1. System for assessing the efficiency of small business and entrepreneurial activity²

The assessment system presented in Figure 1 makes it possible to address three tasks simultaneously in regional entrepreneurship strategies. The activity block reflects the openness of the business environment and the entrepreneurial initiative of the population, the outcome block reflects the real contribution of small business to the regional economy, and the structural depth block reflects the extent to which small firms penetrate high-value-added activities and external markets. The results of the sectoral penetration coefficient provide a clear direction for differentiating support instruments across sectors.

The applicability of the methodology is clearly illustrated by the example of Namangan region. Small enterprises are densely concentrated in the region in garment and knitwear production, food production, handicrafts and trade, which ensures high potential under the activity block. To strengthen the structural depth block, promising directions include integrating small sewing enterprises into cooperation chains with large textile clusters, expanding their participation in export orders and encouraging the production of branded goods.

The results obtained are consistent with the theoretical conclusions. The high share of small business and

² Source: developed by the author.

the steady growth in the number of enterprises support, under the conditions of Uzbekistan, the conclusion that entrepreneurship capital increases regional productivity [1]. The emphasis on enterprise growth and export targets is consistent with the evidence that the quality of the business environment and institutional conditions determine the effect of small business [3], and with the conclusion that the long-term impact of new enterprises unfolds gradually [5].

CONCLUSION AND SUGGESTIONS

The study showed that it is scientifically sound to assess the economic efficiency of small business and entrepreneurial activity not only by the number of entities or the overall share, but through the combination of activity, economic outcome and structural depth criteria. The proposed entrepreneurship efficiency index and sectoral penetration coefficient are instruments that rely on official statistics, are convenient for inter-regional comparison and are aimed at making strategic decisions more targeted.

Official data confirmed that small business has firmly established itself as the leading value-creating sector of the economy in Uzbekistan. Small business provides more than half of gross value added and holds a decisive share in agriculture, construction and retail trade, while the number of operating enterprises increased by almost 50 thousand in one year. State policy aimed at supporting the growth of small businesses, the expansion of their exports and their entry into new sectors is bringing the efficiency of the sector to a qualitatively new stage.

Based on the results of the study, the following recommendations are put forward. First, it is advisable to calculate the entrepreneurship efficiency index annually for each region and to use it as the main outcome indicator of regional small business development programmes. Second, setting special quotas for small business in public procurement and outsourcing orders for types of services with a sectoral penetration coefficient below one will increase the structural depth of the sector. Third, linking the regional incentive system for enlarged entities with more than 100 employees to their value added and export results will improve the quality of the enterprise growth process. Fourth, activating regional cooperation exchanges to integrate small enterprises into the supply chains of large clusters and industrial enterprises will expand the technological and export potential of small business.

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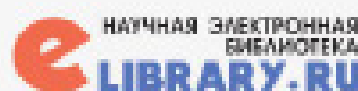
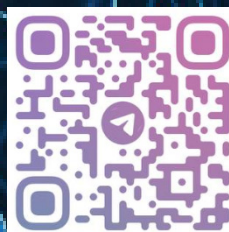
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