

2-TOM, 6-SON

**THEORETICAL FOUNDATIONS AND SPECIFIC FEATURES OF SMALL
BUSINESS AND PRIVATE ENTREPRENEURSHIP**

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ABSTRACT

In the reliable functioning of market principles, the businessman is primarily interested in the introduction of significant innovations. For the development of these innovations, large, complex centralized economic systems do not provide enough material and moral incentives of private property. The importance of economic problems in realizing the reuse of small business development is increasing, with its significant advantage in terms of cost and speed of use of new ideas over large bureaucratic associations. So, without consumer signals coming from the rapid expansion of a strong middle class with significant purchasing power as the main direction of modern economic growth, the effective solution of modern economic problems becomes impossible. Consequently, the perpetuation of the successes achieved earlier by the economy becomes impossible.

Key words: Small business, private entrepreneurship, economic development, innovation, job creation, market flexibility, risk-taking, entrepreneurial behavior, business management.

АННОТАЦИЯ

При надежном функционировании рыночных принципов предприниматель заинтересован прежде всего во внедрении значимых инноваций. Для развития этих инноваций крупные, сложные централизованные экономические системы не обеспечивают достаточных материальных и моральных стимулов частной собственности. Возрастает значение экономических проблем в реализации повторного использования развития малого бизнеса, имеющего его существенное преимущество по стоимости и скорости использования новых идей перед крупными бюрократическими объединениями. Итак, без потребительских сигналов, исходящих от быстрого расширения сильного среднего класса со значительной покупательной способностью как основного направления современного экономического роста, эффективное решение современных экономических проблем становится невозможным. Следовательно, закрепление достигнутых ранее экономикой успехов становится невозможным.



2-TOM, 6-SON

Ключевые слова: Малый бизнес, частное предпринимательство, экономическое развитие, инновации, создание рабочих мест, гибкость рынка, принятие риска, предпринимательское поведение, управление бизнесом.

The article outlines the theoretical foundations of small business and private entrepreneurship, including the peculiarities of the object of research and the level of abstraction. It also summarizes theories according to the nature of the functioning, the essence of small business, and the role of private entrepreneurial activity in the market economy. The content and essence of small business as an activity of economic entities are disclosed. The recognition of different economic schools' ideas on the role and functions of small business in the economy and the classification of scientific approaches that served as a theoretical basis for their development are presented. The entrepreneurial spirit in the economy, along with governance and capital accumulation, is one of the factors that ensure its dynamic growth. The functional role of private entrepreneurship is primarily associated with the latter. This value is due to the ability of private entrepreneurship, in contrast to centralized management, to effectively use the principle of self-regulation of the economy.

Small businesses and private entrepreneurship play a crucial role in modern economies. They are often considered the backbone of economic development, contributing significantly to job creation, innovation, and market diversity. This thesis explores the theoretical foundations underpinning small business and private entrepreneurship, highlighting their characteristics, economic significance, and the challenges they face. By examining the core principles and theories, this research aims to provide a comprehensive understanding of the dynamic nature of small businesses and the entrepreneurial spirit driving private ventures.

Main part. 1.1 Economic Theories on Entrepreneurship:

The theoretical framework for understanding small business and private entrepreneurship is rooted in classical and contemporary economic theories. Joseph Schumpeter's theory of economic development emphasizes the role of the entrepreneur as an innovator who disrupts market equilibrium through new combinations of production factors. Frank Knight's theory of risk and uncertainty underscores the entrepreneur's unique ability to bear uncertainties, distinguishing them from routine business managers.

1.2 Characteristics of Small Business:

Small businesses are defined by various characteristics, including limited scale of operations, personalized management, and significant local market influence. They typically operate with fewer employees and lower revenue compared to larger corporations, yet their



2-TOM, 6-SON

flexibility allows for rapid adaptation to market changes. Key characteristics include:

Flexibility: Ability to quickly adjust to market conditions.

Innovation: Often more innovative due to closer customer interaction.

Resource Constraints: Limited access to capital and resources.

Personalized Service: Direct relationships with customers and personalized services.

2. Economic Significance

2.1 Job Creation:

Small businesses are vital for job creation, particularly in emerging and developing economies. They absorb a significant portion of the labor force, offering employment opportunities that contribute to reducing unemployment rates.

2.2 Innovation and Competition:

Private entrepreneurship fosters innovation, leading to the development of new products and services. This innovation drives competition, enhancing market efficiency and consumer choice. Entrepreneurs are often at the forefront of technological advancements and creative business models.

2.3 Market Diversity and Local Economies:

Small businesses enhance market diversity, catering to niche markets and specialized customer needs. They play a crucial role in supporting local economies by retaining profits within the community and promoting regional development.

3. Challenges and Barriers

3.1 Financial Constraints:

Access to financing remains a primary challenge for small businesses. Entrepreneurs often struggle to secure capital from traditional financial institutions due to perceived higher risks and lack of collateral.

3.2 Regulatory and Administrative Burden:

Complex regulatory environments and administrative burdens can impede small business growth. Entrepreneurs must navigate a maze of legal requirements, which can be time-consuming and costly.

3.3 Market Competition:

Intense competition from larger, established firms poses a significant threat to small businesses. Without the economies of scale and marketing power of larger corporations, small businesses must find unique value propositions to survive and thrive.

Conclusion. Small businesses and private entrepreneurship are integral to economic vitality, offering numerous benefits such as job creation, innovation, and market diversity. Despite facing significant challenges, their resilience and adaptability underscore their



2-TOM, 6-SON

importance in the economic landscape. Understanding the theoretical foundations and characteristics of these entities provides valuable insights into their operations and contributions. Policymakers and stakeholders must recognize and support the unique needs of small businesses and entrepreneurs to foster a thriving economic environment.

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