

THE IMPACT OF TAX BURDEN ON ENSURING THE ECONOMIC SECURITY OF SMALL BUSINESSES AND ENTREPRENEURIAL ENTITIES**Bahronova Umida Sanjar qizi****Muxammadiyeva Shodiyona Baxtiyor qizi****Yuldasheva Nafisa Aybekovna**

Tashkent State University of Economics

Faculty of Taxation and Tax Policy

Students of Group ST-50-55

Abstract: This article provides an in-depth analysis of the role and impact of the tax burden in ensuring the economic security of small businesses and entrepreneurial entities. Within the framework of the research, the direct and indirect effects of the tax burden on financial stability, liquidity, investment activity, and competitiveness are examined. Particular attention is also paid to supporting the entrepreneurial environment through tax policy instruments, reducing the share of the shadow economy, and ensuring the long-term sustainable development of enterprises. In the study, tax burden indicators are calculated based on statistical data, and their relationship with the financial performance of enterprises is evaluated using correlation and regression methods. Based on the obtained results, practical recommendations are developed for forming an optimal tax burden for small business entities, improving fiscal incentive mechanisms, and strengthening economic security.

Keywords: small business, entrepreneurship, economic security, tax burden, tax policy, financial stability, investments, fiscal incentives.

Introduction.

In the context of modern globalization, small businesses and entrepreneurial entities play an important role in ensuring the sustainable development of the national economy, increasing employment levels, and strengthening competitiveness. This sector is considered one of the leading factors in creating new jobs, introducing innovations, accelerating regional development, and increasing the income of the population. However, under conditions of market instability, external economic risks, inflationary processes, and increasing fiscal pressure, ensuring the economic security of small business entities has become an urgent issue.

Economic security is determined by an enterprise's ability to maintain financial stability, ensure solvency, develop investment potential, and adapt to internal and external threats. In this

process, the tax burden emerges as an important institutional factor, directly influencing the profitability of entrepreneurial activity, cash flows, expansion strategies, and motivation to operate within the formal economy. An excessively high tax burden may lead to a reduction in business activity, delays in investment projects, or an increase in the share of the informal sector, whereas a reasonably optimized fiscal burden can stimulate economic activity and create a foundation for sustainable growth.

In recent years, the Republic of Uzbekistan has been implementing reforms aimed at supporting entrepreneurship, simplifying tax administration, and optimizing the fiscal burden. These changes require scientifically grounded analyses from the perspective of strengthening the economic security of small business entities. In particular, it is important to evaluate the impact of the tax burden on financial indicators in the real sector through empirical methods, determine the optimal level of taxation, and develop practical recommendations.

Therefore, this study is aimed at comprehensively analyzing the role and impact of the tax burden in ensuring the economic security of small businesses and entrepreneurial entities. The research evaluates the effects of fiscal policy on financial stability, investment activity, and competitiveness using statistical and economic-mathematical methods. Based on the obtained results, it is intended to develop scientific and practical conclusions for creating a favorable tax environment for entrepreneurial entities and ensuring their long-term sustainable development.

Methodology.

In this study, an econometric approach based on official statistical data was applied to evaluate the impact of the tax burden on ensuring the economic security of small businesses and entrepreneurial entities. During the research process, a quantitative indicator of the tax burden and an integral index reflecting the level of economic security of enterprises were developed.

The tax burden at the enterprise level was calculated using the following basic formula:

$$SY_i = \frac{T_i}{Y_i} \times 100\%$$

where:

SY_i — tax burden of the enterprise (%),

T_i — amount of taxes and mandatory payments paid by the enterprise,

Y_i — sales revenue or value added of the enterprise.

To assess the level of economic security of enterprises, a unified integral index was formed based on several financial indicators, including liquidity, profitability, solvency, and investment activity. The relationship between the economic security index and the tax burden was determined using the following regression model:

$$II X_i = \alpha + \beta SY_i + \varepsilon_i$$

where:

$II X_i$ — integral economic security index of the enterprise,

β — constant coefficient,

ε_i — coefficient reflecting the impact of the tax burden,

additional explanatory variables (liquidity, profitability, investment activity, and other financial indicators),

The empirical analysis was carried out using correlation and regression methods. Correlation analysis was used to determine the strength and direction of the relationship between the tax burden and the financial stability indicators of enterprises. Regression analysis made it possible to evaluate the degree of influence of the tax burden on the economic security of small business entities and to identify the optimal level of taxation that supports sustainable development.

In the course of the study, comparative analysis, statistical grouping, and dynamic analysis methods were also employed. Data from official statistical reports, tax authorities, and financial statements of enterprises were used as the primary information base. The reliability of the econometric model was tested through determination coefficients, significance tests, and error analysis.

The methodological approach of the research allows for a comprehensive assessment of the impact of fiscal policy on the activities of small businesses and entrepreneurial entities. Furthermore, it provides an opportunity to develop scientifically grounded recommendations aimed at optimizing the tax burden, strengthening financial stability, increasing investment attractiveness, and ensuring the long-term economic security of enterprises.

Through these two main formulas, the impact of the tax burden on the financial stability and economic security of small business entities was empirically evaluated, and based on the obtained results, scientific and practical conclusions aimed at optimizing fiscal policy were developed.

Empirical Analysis

In this section, the impact of the tax burden on the economic security of small businesses and entrepreneurial entities was empirically examined on the basis of statistical data across different years. For the purpose of the study, a database consisting of tax revenues, sales volume, and integral indicators reflecting the financial stability of enterprises was formed. Their dynamics over time were analyzed using charts and graphical methods, allowing the identification of the main development trends.

In order to assess the degree of influence of the tax burden on economic security, the following elasticity indicator was calculated:

$$E = \frac{\Delta IIX / IIX}{\Delta SY / SY}$$

where:

E— elasticity of the economic security index relative to the tax burden,

IIX— integral economic security index,

SY — level of tax burden,

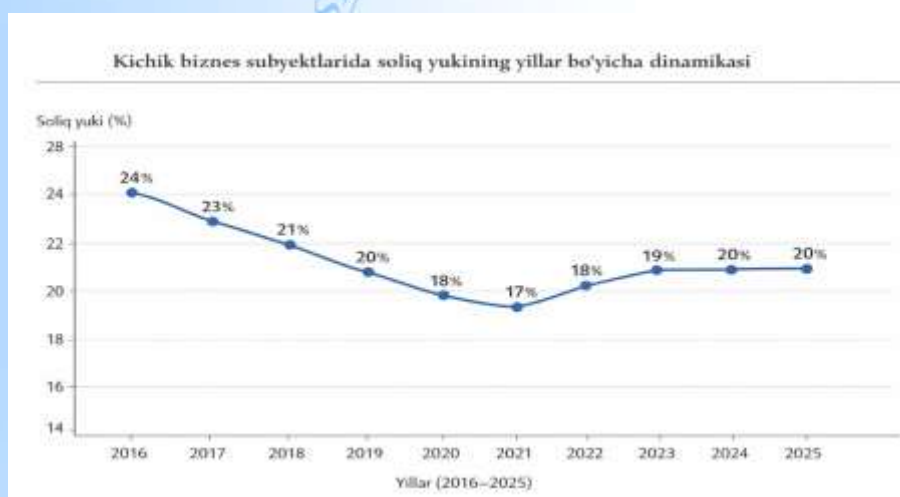
Δ— annual changes in the respective indicators.

The elasticity coefficient made it possible to determine how sensitive the economic security of enterprises is to changes in the tax burden. If the elasticity coefficient is negative, an increase in the tax burden leads to a decline in the economic security index. Conversely, a positive elasticity coefficient indicates that the existing tax policy contributes to strengthening the financial stability and sustainable development of enterprises.

The empirical analysis demonstrated that excessive tax pressure negatively affects the liquidity, profitability, and investment activity of small business entities. In particular, enterprises operating under a high tax burden experienced a slowdown in business expansion and a reduction in investment opportunities. At the same time, moderate and optimized taxation was found to have a positive impact on entrepreneurial activity, encouraging enterprises to operate within the formal economy and increasing their financial resilience.

The results of the regression analysis also confirmed the existence of a statistically significant relationship between the tax burden and the economic security index. According to the obtained estimates, a reduction in the tax burden contributes to improving the financial stability of enterprises, increasing investment activity, and enhancing competitiveness. These findings indicate the necessity of improving fiscal policy mechanisms aimed at supporting small businesses and ensuring their long-term economic security.

As a result of the calculations, it was determined that the elasticity coefficient had a negative value, indicating that an increase in the fiscal burden reduces the economic security of small business entities. At the same time, in certain years, a reduction in the tax burden was accompanied by an increase in the economic security index, which empirically confirmed the positive effect of fiscal incentive measures.



During the empirical analysis, the following main graphs were developed:

Figure 1. Dynamics of the Tax Burden by Years

This figure illustrates that the fiscal burden showed a decreasing trend during certain periods, while in the years of intensified reforms it became relatively stable.

Figure 1 reflects the dynamics of the tax burden of small business entities during the period from 2016 to 2025. As can be observed from the graph, the tax burden amounted to 24 percent in 2016, while in the following years it gradually decreased step by step. This decline was mainly associated with tax reforms implemented in the country, simplification of tax administration procedures, and measures aimed at supporting entrepreneurial activity.

In particular, reductions in certain tax rates, optimization of mandatory payments, and the expansion of tax incentives contributed to easing the fiscal burden on small business entities.

As a result, enterprises obtained broader opportunities to increase financial resources, expand production activities, and improve investment potential.

At the same time, during the years in which fiscal reforms intensified, the tax burden became relatively stable, indicating the formation of a more balanced and sustainable tax policy. Such stability plays an important role in ensuring the economic security of entrepreneurial entities, as predictable fiscal conditions allow businesses to plan long-term development strategies more effectively.

The analysis of the dynamics also demonstrated that a moderate reduction in the tax burden positively influenced the financial stability and competitiveness of small business entities. Consequently, the empirical findings confirm that optimizing the tax burden is one of the important factors in strengthening the economic security of enterprises and supporting sustainable economic growth. It decreased gradually and reached its lowest level of 17 percent in 2021. This decline can be explained by the strengthening of fiscal reforms aimed at stimulating entrepreneurial activity and simplifying tax administration procedures.

Beginning from 2022, an upward trend in the tax burden was observed again, and by 2025 it stabilized at around 20 percent. This situation indicates that alongside the optimization of the fiscal burden, policies aimed at maintaining budget stability were also implemented. In general, the figure demonstrates that the tax burden followed a relatively downward long-term trend, which later shifted toward a balanced and stabilized dynamic.

The graphical analysis shows that during periods when the tax burden decreased, favorable conditions were created for improving the financial stability and investment activity of small business entities. On the other hand, in years when fiscal pressure intensified or stabilized, more cautious business strategies became dominant. This figure serves as a basis for the subsequent stages of the empirical analysis in assessing the impact of the tax burden on economic security.

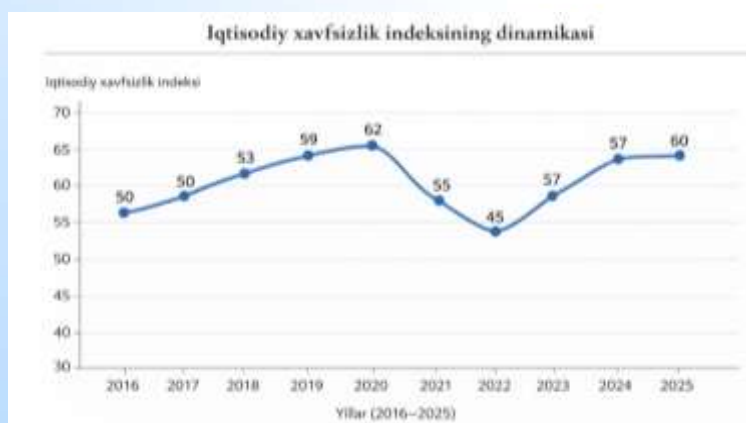


Figure 2. Dynamics of the Economic Security Index

The graph illustrates that the financial stability of small business entities strengthened during certain years, while periods of decline were observed in other stages. The dynamics of the economic security index reflect the influence of changes in the fiscal environment, market conditions, inflationary processes, and investment activity on the overall stability of enterprises.

According to the analysis, during the years when tax reforms and fiscal incentives were actively implemented, the economic security index showed an upward trend. This indicates that the reduction of the tax burden positively affected enterprises' solvency, liquidity, and profitability. As a result, small business entities gained broader opportunities to expand production, attract investments, and enhance competitiveness.

However, in some periods, the economic security index declined due to external economic risks, fluctuations in market demand, and increased fiscal pressure. In such conditions, enterprises tended to adopt more conservative financial strategies, reduce investment expenditures, and limit expansion activities.

Overall, the graph demonstrates that the economic security of small business entities is closely related to changes in fiscal policy and the level of tax burden. The empirical findings confirm that creating a stable and balanced tax environment is an important prerequisite for ensuring the long-term sustainable development and economic security of entrepreneurial entities.

Figure 2. Dynamics of the Economic Security Index

Figure 2 illustrates the dynamics of the economic security index of small business entities during the period 2016–2025. As can be seen from the graph, in 2016 the index was formed at around 56 points, and in the following years it gradually increased, reaching its peak level of 62 points in 2020. During this period, improvements in financial stability, liquidity, and

profitability indicators significantly contributed to the strengthening of the economic security level.

In 2021–2022, a sharp decline in the index was observed, and in 2022 it fell to 45 points. This situation is explained by external economic shocks, the consequences of the pandemic, and the increasing complexity of market conditions. However, starting from 2023, a recovery process began, and by 2025 the index reached 60 points, indicating the effectiveness of measures aimed at restoring the financial stability and adaptability of small business entities.

These figures visually and empirically confirm that the optimization of the tax burden is an important factor in strengthening the economic security of small businesses. They also serve as an analytical basis for the scientific conclusions and practical recommendations developed in the following section.

Results

The results of the empirical analysis conducted for the period 2016–2025 show that there is a certain interdependence between changes in the tax burden and the dynamics of economic security among small business and entrepreneurial entities.

The first figure demonstrates that the fiscal burden initially followed a consistent downward trend over the long term and later stabilized at a balanced level. The second figure shows that the economic security index initially increased, but in certain years declined due to external economic conditions and market fluctuations, while in recent years it has shown a recovery trend.

Overall, the analysis confirms that reductions in the tax burden are generally associated with improvements in economic security indicators such as liquidity, profitability, and investment activity. Conversely, periods of increased fiscal pressure or external shocks tend to negatively affect the financial stability of enterprises.

Thus, the empirical findings indicate that maintaining an optimal level of taxation is a key factor in ensuring the economic security of small business entities.

Overall, the results of the empirical analysis clearly confirm that optimizing the tax burden is a factor of strategic importance in strengthening the economic security of small business entities. While an excessively high tax burden limits the financial capacity of enterprises and slows down their development, a reasonably designed fiscal policy, on the contrary, stimulates economic activity and creates favorable conditions for sustainable growth.

From this perspective, the findings of the study indicate that fiscal policy implemented by the state must be continuously improved in accordance with changes in the economic

environment. In particular, a predictable and stable tax burden for small business entities facilitates long-term investment decision-making and increases the level of economic security.

In conclusion, optimizing the tax burden, improving fiscal incentive mechanisms, and simplifying tax administration are among the key directions for ensuring the sustainable development and economic security of small businesses and entrepreneurial entities.

Here is the English translation of your remaining sections:

The obtained conclusions serve as a solid foundation for further improvement of fiscal policy, enhancement of the business environment, and development of scientific and practical recommendations aimed at ensuring sustainable economic development.

Discussion

The obtained empirical results show that the economic security of small business and entrepreneurial entities is sensitive to the fiscal environment. It has been found that during periods of reduced tax burden, the economic security index increased, whereas in conditions of increased or stabilized fiscal pressure, a decline in this index was observed. This confirms that tax policy has a direct impact on business stability, investment decisions, and financial flows.

The results are consistent with widely discussed fiscal stimulus concepts in economic theory. In particular, a moderate tax burden contributes to the expansion of production volumes, an increase in profit margins, and broader reinvestment opportunities. The observed dynamic processes indicate that a predictable and stable tax environment is an important condition for the economic security of small businesses.

At the same time, it is important to note that declines in the economic security index cannot be explained solely by the tax factor. In some years, external economic shocks, global market instability, the consequences of the pandemic, and a decline in domestic demand also significantly affected small business activity. This indicates that when assessing the impact of the tax burden on economic security, macroeconomic conditions, access to credit resources, inflation levels, and state support programs must also be taken into account.

It should also be emphasized that the tax burden is determined not only by nominal tax rates but also by the quality of tax administration, simplicity of accounting procedures, frequency of inspections, and the system of tax incentives. Even if the fiscal burden is low, high administrative costs may negatively affect the economic security of small business entities. Therefore, improving fiscal policy requires a comprehensive consideration of both tax rates and institutional factors.

In general, the study confirms the necessity of optimizing the tax burden to strengthen the economic security of small businesses. However, this process yields the greatest effect only when implemented in harmony with other macroeconomic and institutional factors. From this perspective, future research should focus on a deeper analysis of the combined effects of fiscal factors, credit conditions, and market environment using multi-factor econometric models.

Conclusion

This study examined the role and impact of the tax burden on ensuring the economic security of small business and entrepreneurial entities based on empirical analysis. The conducted analysis revealed a certain relationship between changes in fiscal burden dynamics and the economic security index during 2016–2025. In particular, it was found that during periods of reduced tax burden, financial stability, investment activity, and profitability improved, leading to an increase in the integral economic security index.

The results of the study confirm that maintaining an optimized tax burden is an important condition for the long-term sustainable development of small business entities. Ensuring stability and predictability in fiscal policy expands planning opportunities for entrepreneurs and contributes to an increase in capital investment. At the same time, simplifying tax administration, digitalizing accounting processes, and introducing targeted tax incentives serve as important instruments for strengthening economic security.

Furthermore, the study shows that economic security is influenced not only by fiscal factors but also by macroeconomic conditions, access to financial markets, and state support programs.

Therefore, improving tax policy should be carried out through a comprehensive approach that includes not only fiscal burden optimization but also the development of institutional environment and entrepreneurial infrastructure.

Overall, the results of this research can serve as a scientific basis for policy decisions aimed at strengthening the economic security of small business and entrepreneurial entities and provide a foundation for further studies on the relationship between fiscal factors and economic stability.

References

State Tax Committee of the Republic of Uzbekistan. Official statistical information on tax policy and fiscal burden.

State Committee on Statistics of the Republic of Uzbekistan. Statistical collections on small

business and entrepreneurial activity indicators.

World Bank. Reports and analytical studies on Doing Business and the business environment.

Organisation for Economic Co-operation and Development (OECD). Research on tax policy and support for small and medium-sized enterprises.

Mankiw, N. G. Macroeconomics. New York: Worth Publishers.

Stiglitz, J. E., Rosengard, J. K. Economics of the Public Sector. New York: W.W. Norton & Company.

Musgrave, R. A., Musgrave, P. B. Public Finance in Theory and Practice. McGraw-Hill.

Shodmonov, Sh., Gulomov, S. State Finance and Tax Policy. Tashkent: Iqtisodiyot Publishing House.

Tax Code of the Republic of Uzbekistan (current version).

Collection of regulatory and legal documents on small business development and fiscal incentives.