

THEORETICAL ASPECTS OF CLASSIFICATION OF SMALL BUSINESS ENTITIES

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Abstract. *Small businesses play a pivotal role in economic development, job creation, and innovation. However, the effective formulation of policies and strategies to support their growth requires a clear understanding of their diverse characteristics. This paper explores the theoretical aspects of classifying small business entities, highlighting the importance of accurate classification systems for effective economic analysis and policy-making. The study examines existing classification frameworks based on various criteria, including size, ownership structure, operational scale, and industry sector. It critically evaluates the advantages and limitations of these approaches and suggests a more comprehensive classification model that reflects the dynamic nature of small businesses in modern economies.*

Key words: *business, small business, business entities, categorization, assessment.*

1.Introduction

World practice reliably shows that in the conditions of a modern market economy, the small business sector has a significant impact on the development of the national economy, solving social problems and employment problems. In terms of the number of employees, the volume of products manufactured and sold, the volume of work performed and the services provided, small and medium-sized businesses occupy a very important place in almost all economically developed countries.[17]

In our country, targeted measures are being developed to improve the strategy for combating the economic crisis in small business entities, further develop production and social infrastructure, effectively use the natural and economic potential of the regions of the republic, as well as create new jobs, and localize production. Supporting business entities in the textile sector in our country and ensuring their stability in the pandemic "... last year, during the pandemic, the procedure for refunding value added tax to textile enterprises without waiting for foreign exchange earnings from exports was practically effective" [1]. The implementation of this reform requires further intensification of work to ensure the sustainable development of

small businesses and prevent economic crises that may arise under any circumstances. The implementation of the New Uzbekistan Strategy increases the relevance of expanding production in small businesses, further developing social infrastructure, state support for business entities, and comprehensive scientific research into the development of the sector.

2. Literature review

The theoretical and methodological foundations of the development of small business and private entrepreneurship and ensuring their stability, as well as issues of improving their management mechanism, are widely covered in the works of foreign economists J.B. Say, A. Smith [2], R. Cantillon, J. Schumpeter [3], R. Hirsch [4], M. Peters, A. Hosking, R. Ackoff, L. Vodacek [5], P. Drucker, L. Mises, F. Hayek, E. Hargadon, and others [6].

Scientists of the CIS countries L.I. Abalkin [7], D.V. Khodos, G.S. Seyalova, V.V. Radaev, V.M. Vlasova, A.M. Samozkin, V.G. Gutman, I.A. Rodionova, V.G. Medinskiy, L.G. Sharshukova, and A.V. Busygin conducted research on the essence, theoretical foundations, and territorial features of small business and private entrepreneurship.

Theoretical aspects of the development of small business and private entrepreneurship in Uzbekistan, the problems of their fight against the crisis were studied in the scientific works of domestic economists M. Sharifkhodzhaev [8], S.S. Gulyamov [9], Yo. Abdullaev [10], B. Yu. Khodiev, M.S. Kasimova, Sh.N. Zaynutdinov, A. Sh. Bekmurodov, Zh. Kambarov, N. Kh. Zhumaev, D.N. Rakhimova, N.K. Yuldashev, A. Gafurov [11], M.R. Boltabaev [12], B.K. Goyibnazarov, N.M. Makhmudov, S.K. Salaev [13], Sh. Ergashkhodzhaeva, U.V. Gafurov [14], D.A. Artikova, D.S. Alimatova, M.M. Ibragimov, O. Kazakov, K. Kurpayanidi, M. Ashurov.

3. Analysis and results

The term "business" was first used in economic literature in the late 17th and early 18th centuries by a famous English economist. R. Cantillon. He considered the source of wealth to be land and labor, which determine the true value of economic profit. Later, the famous economist B. France (1767-1832) formulated the definition of entrepreneurial activity in his work "Treatise on Political Economy." According to his definition, an entrepreneur is a person who, at their own risk, produces any product for their own benefit. An entrepreneur's income is a reward for their work, for the ability to organize production and sales to ensure the "spirit of order."

American economist John. B. Clark wrote: "Free competition, as a rule, is created by labor, capitalist - creates capital, and entrepreneurs - create a coordinating function. American economist Joseph Schumpeter wrote in his book "Theory of Economic Development." "The main driving force of economic development is new ideas and proposals, therefore small and medium-sized enterprises are the ones that promote and implement new ideas and proposals." According to British economist F.A. Hayek, "Business" is research. In He gave the following definition to forms of small entrepreneurship: "Small business is an integral part of the system of production economic relations of the market economy, ensuring its innovative activity and being the subject of entrepreneurship. "This provides a description of the business interests presented in the book Market Entrepreneurship." [17]

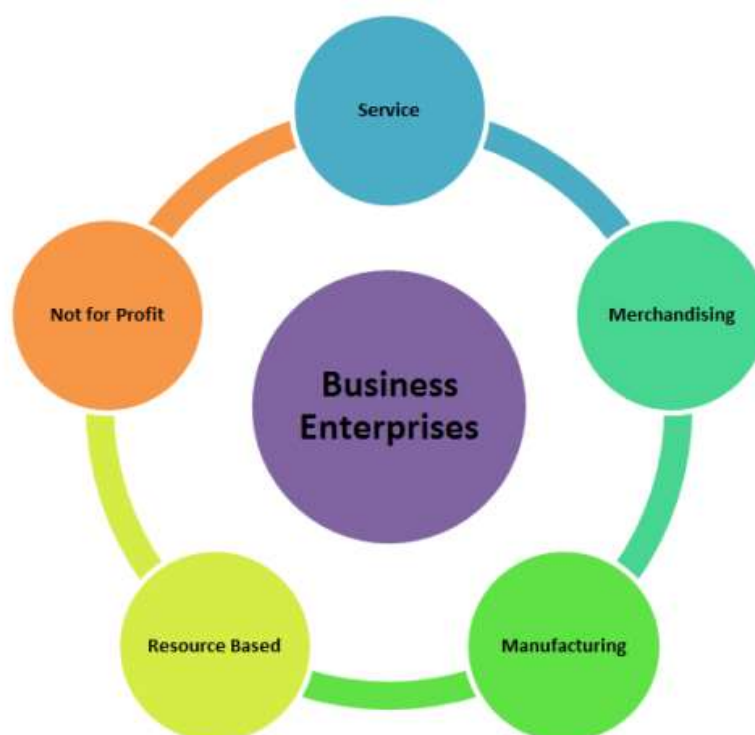
This approach ensures that we are among the most successful. This formula differs from the one indicated in Mongolia's Law "On Enterprises and Entrepreneurial Activity" of October 10, 1990, where entrepreneurship is not an important element of the definition - a sign of the need to combine personal interest with the public interest.



One of the criteria for business classification is its size. To clarify the research topic, consider the concept of "small enterprise" or "small business." Historically, small businesses relied on economic activity oriented towards the local market of goods and services. Its capital is limited by the owner and the entrepreneur and is often combined into one person. Such enterprises were independent of large businesses, paid taxes, did not need state support, and did not cooperate with each other. This is the classic definition of small business. In our opinion,

world economic science has not yet formed a unified system of criteria for classifying business entities into the category of small enterprises. Some experts believe that attempting to find a general or general definition is inherently insufficient. This is primarily due to differences in the objective conditions of economic development of individual countries and sectors, as well as the need for a differentiated approach to defining this category based on its purpose. Scientists K. Gray and John. Steniurt concludes on this issue: "The universal definition of a small enterprise cannot be sufficient to perform all tasks, it must be not only for the universal definition of such tasks as dividing the company into small, medium, or large enterprises, useful generalizations about small, medium, and large enterprises."

The issue of identifying small and medium-sized enterprises, their main features and characteristics is equally relevant for modern Mongolia. Identifying the problem of small and medium-sized enterprises is not only theoretical. A clear definition of the object, firstly, allows for analytical accounting of economic activity in this sector and ensures its contribution to the country's economic development, and secondly, allows for the development of tax, credit, and financial, administrative, and managerial programs for state support of small and medium-sized businesses.



The definition of small and medium-sized businesses can be formed using qualitative and quantitative criteria. Within the framework of the qualitative approach, the definition of a small enterprise is formed by identifying the characteristic features of its activities. This

approach allows us to consider small businesses not as various small companies, as well as organizations whose activities differ from the main life of the company in a number of specific features, in particular: a high degree of uncertainty, a potentially high degree of susceptibility to technical, organizational, managerial innovations, and constant and changeable nature, which is associated with the need to constantly adapt to changes in the external environment and, therefore, internally changed. Thus, you can, in particular, combine small and medium-sized enterprises, the typological forms of business differ from large corporations, the specific problems, methods, and techniques of organizing and conducting business, especially in the management house and the establishment of state-corporate relations in the economic sector. Quality criteria for small businesses are:

- a relatively small number of products (services) were produced;
- preferential use of relatively limited resources (financial, human, etc.) and decentralized (informal) sources of financing, which practically does not allow going beyond the main sphere of activity;
- High organizational and functional flexibility and mobility;
- relatively simple procedures for assessing and monitoring the strategic position of the company are underdeveloped;
- unsystematic management, widespread "sense of general management";
- concentration of most shares and, accordingly, management positions in the founders of the enterprise and/or their relatives (ownership and control are often not separated);
- the possibility of capturing only limited (local) market segments;
- strong desire to maintain the independence of the law firm;
- vulnerability to unfavorable changes in the macro and micro environment of the company, lack of stability in crisis situations, often forcing small business owners to stop their business or switching to a shadow sector that is not actually controlled by the state;
- focus on the competitive mechanisms of the market, free trade, and self-reproduction.

Within the quantitative approach, the most commonly used indicators are the number of employees, annual turnover (sales), and the book value of assets. Existing definitions are based on only one of these criteria, or a combination of them can be considered. The concept of small business, developed on the basis of quantitative criteria, is the most common. This is mainly due to the ease of their use and the relative ease of research. However, the consensus on specific parameters and the boundaries of these criteria varies and is rarely applied even within a single country, let alone internationally, which makes it difficult to use them for comparative analysis.

It is sufficient to use only quantitative criteria for the classification of CKD. In general, this can lead to a number of reasons, including the insufficiency of a quantitative approach to defining a business, in particular, the lack of a comparison of the goals of the business environment in different sectors of the economy, which requires a correction of the concept of business development of small business entities in each country and industry, this definition is not only a set of parameters used, but also the number of each of them; Differences between countries in the method of calculating quantitative criteria, such as sales volume, turnover, assets, etc., which can lead to a real change in the object of comparison when comparing the contribution of enterprises of this category to macroeconomic development; In different countries, there are clear differences in quantitative criteria (for example, the number of employees) when defining an enterprise as a small business.

4. Conclusion

In practice, the choice of a specific approach to characterizing the category of "small business" (or their joint use) is determined by the nature of the research problem: the solution of some problems requires a strictly formal definition, for others - a generally agreed approach to understanding the content of the reporting concept requires the use of indicators from two groups, the number of problem areas is sufficient; In particular, according to some experts, the simultaneous use of quantitative and qualitative criteria should be based on the study of any small business (at the micro and macro levels).

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