
Problems Constraining the Development of the Small Business Sector in Central Asia

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Abstract: This article is a comprehensive analysis of the current state and problems of development of the small business sector in the countries of Central Asia. The introduction substantiates the relevance of the topic in the framework of economics, and also formulates the main problem - constraints on the development of small business in the region. The aim of the study is to develop strategies to overcome these problems, taking into account the variety of factors affecting entrepreneurial activity in Central Asia.

Key words: Small business, Central Asia, Economics, Economic development, Entrepreneurship problems, Financial support, Administrative procedures, Infrastructure, Technological development, Environmental sustainability, Government support, Innovation.

Given the current changes in the global economy, special attention is paid to the growth of small businesses in various areas, especially in the context of the economy. Small businesses play an important role in the economy, contributing significantly to GDP production, job creation and maintaining social stability. Nevertheless, this sector, despite its potential, faces a number of challenges, especially in Central Asian countries.

A complex micro- and macroeconomic context accompanies small business development in the region. The main challenges include limited access to finance, problems with the legislative system, low level of infrastructure development and the impact of environmental factors. These challenges cause problems that require further attention from researchers and practitioners.

The objective of this study is to scrutinize and identify the major problems hindering the development of small business sector in different countries. In order to achieve this objective, the following objectives are set:

1. Analyze the current state of the small business sector in Central Asian countries, identifying key characteristics and trends.
2. Analyze the factors that have the greatest impact on the development of small business in the region, with a focus on environmental aspects.
3. To offer practical recommendations for overcoming problems and stimulating sustainable development of the small business sector in Central Asia.

This study suggests the elaboration of constructive approaches to the development of the small business sector, taking into account the peculiarities of environmental sustainability, which, in turn, can contribute to a more efficient use of resources and create a favorable environment for entrepreneurial activity in the region.

Small business in Central Asian countries represents a key element of the economic structure, influencing the social and economic development of the region. However, despite its potential,

this sector faces a number of systemic problems. Limited access to finance, high administrative barriers, difficulties in obtaining qualified personnel, as well as lack of institutional support - all these factors together create challenges that slow down the development of the small business sector.

The current situation also has a negative impact on the sustainability and competitiveness of enterprises, especially in the context of modern austerity requirements. It is important to conduct an in-depth analysis of the current state, identifying vulnerabilities and potential for sustainable development of small businesses in Central Asia. [1]

Review of existing studies and publications on the topic:

A number of studies, conducted both in academic and practical circles, are devoted to the problems and prospects of small businesses in the Central Asian region. Analysis of the available publications allows us to identify several key research directions on this topic.

The article "Small Business in the Economy of Central Asia" by H.S. Hajayev and B.U. Shermukhamedov is an important contribution to the study and understanding of the role, problems and prospects of small business in this region. The authors analyze the economic context and peculiarities of the business environment, focusing on Central Asian countries. [2]

One of the key aspects discussed in the article is the assessment of the impact of government policies on small business development. The authors analyze the obstacles faced by entrepreneurs, including administrative barriers and restrictions, examining their impact on small businesses in the region. The authors offer a perspective on the role of businesses in sustainability and environmental responsibility in the face of today's demands of austerity.

Other publications also draw attention to the issues of sustainability and the impact of small businesses on the environment, which becomes a key aspect in the context of modern requirements for environmental responsibility. The comparative analysis of the literature allows us to identify gaps in current knowledge and identify areas that require additional research.

Problems of small business sector development in Central Asia

The small business sector in Central Asia faces a number of systemic problems that constrain its development. Analysis of the main problems includes consideration of economic, legal, social and other factors.

Limited access to finance: High requirements of credit institutions and low financial literacy of entrepreneurs lead to difficulties in obtaining financial support. This is due to the lack of effective mechanisms to incentivize the banking sector to provide loans to small businesses.

Administrative barriers and legal complexities: Frequent changes in legislation and complicated procedures for obtaining permits create uncertainty and administrative barriers for entrepreneurs. Lack of transparency in legislation reduces entrepreneurs' confidence in the stability of the legal environment.

Insufficient infrastructure: Insufficient infrastructure, especially in remote regions, slows down the development of small enterprises. This is due to lack of investment in infrastructure projects, which limits access to markets, increases transportation costs and reduces business competitiveness.

Inadequate government support: Lack of effective support programs, including training and counseling, weakens entrepreneurial activity. This is due to poor government instruments that fail to provide the right resources and knowledge to support small business development.

Environmental issues: Growing awareness of environmental responsibility is placing new demands on entrepreneurs. Failure to comply with environmental standards can lead to fines and a deterioration of the company's image. Lack of incentives to introduce environmentally friendly

technologies and practices makes it difficult for businesses to adapt to modern economic requirements..

The overall background of these challenges is due to a complex combination of factors, including economic, social and legal. These problems are interrelated and mutually reinforcing, creating a complex context that requires comprehensive strategies and long-term measures on the part of government and business structures to stimulate sustainable small business development in Central Asia.

In Central Asian countries, the small business sector is an integral part of the economic structure, with high economic activity. There is a diversity of enterprises, including both small family businesses and companies with a limited number of employees. The main focus of the sector is shifting towards trade and services, which is reflected in the structure of enterprises.

However, despite its significant contribution to employment and the economy, there are key issues that limit the development of small businesses in the region. Limited access to finance is a significant factor inhibiting growth and investment, particularly for businesses in the early stages of development. Financial constraints, in turn, affect the financial sustainability of businesses.

Administrative barriers, such as complex authorization procedures and frequent changes in legislation, create uncertainty and administrative difficulties for entrepreneurs. This reduces confidence in the stability of the legal environment and complicates enterprise management.

Despite the significant number of people employed in small businesses, the lack of infrastructure in the region limits access to markets and increases transportation costs. Such conditions hamper business processes, especially for enterprises in remote regions.

Technological integration in the small business sector remains relatively low. Despite some companies adopting modern technologies, there is a need for incentives and support to actively use digital tools, which could increase efficiency and competitiveness. [1]

In recent years there has been an increasing interest in environmental responsibility, but the adoption of environmentally friendly technologies and practices requires additional support and incentives. Environmental aspects are becoming increasingly important in light of today's requirements for sustainable business. [3]

State programs to support small businesses exist, but their effectiveness requires further improvement. Differences in approaches to entrepreneurship support in different countries of the region may create heterogeneity in the development of the sector.

Summarizing the above-mentioned aspects, improving the conditions for small business development in Central Asia requires comprehensive strategies and coordinated efforts on the part of government and business structures. Effective measures may include facilitating access to finance, simplifying administrative procedures, developing infrastructure and stimulating technological innovation, taking into account environmental aspects. This will create a favorable environment for sustainable small business development and contribute to overall economic and social progress in the region.

Small Business Sector Development Strategy for Central Asia: Overcoming Current Challenges and Transitioning to Sustainable Growth

With a vibrant small business sector, Central Asia faces challenges that require careful analysis and the development of focused strategies. Let's take a closer look at each recommendation for creating a balanced growth strategy. [4]

Financial Support:

Comprehensive support is needed to effectively overcome limited access to finance. The introduction of government loan guarantees can be successful if a model similar to that used in

Singapore is used. Here, the government acts as a guarantor to banks, which reduces lending risks for enterprises and incentivizes banks to provide more affordable lending terms.

Simplification of administrative procedures:

An example of introducing efficient electronic services for the benefit of entrepreneurs can be found in Estonia. This small Baltic state has become an “e-society” where business processes, from company registration to tax reporting, are fully digitalized. This approach reduces bureaucracy and makes it easier to do business.

Infrastructure development:

Regional projects, such as the Transit and Trade Perspective in Kazakhstan, are a shining example of how infrastructure investments can support businesses. Transport infrastructure development helps reduce transportation costs for businesses and improves their competitiveness.

Technological development:

Israel is an excellent example of a country where active technological development has become a key driver of economic growth. Here, companies receive support and incentives from the government and venture capitalists to innovate. This creates a favorable environment for startups and technology companies.

Environmental sustainability:

Sweden is an example of a country where environmental responsibility is firmly embedded in business practices. Here, companies with environmentally friendly operations not only receive tax incentives but also enjoy consumer support, which creates a favorable environment for sustainable business.

Government support:

The US has an effective system of government support for small businesses through the Small Business Administration. This body pools resources and provides financial, informational and advisory support to entrepreneurs, which can serve as an example for Central Asian countries.

Stimulating innovation:

Germany has successfully implemented a strategy to stimulate innovation through high-impact research centers and government innovation support programs. Involving the private sector in innovation projects can be a key element of a successful strategy.

Formation of educational programs:

Korea has implemented a system of educational programs for entrepreneurs. Training includes management skills, financial literacy and the basics of technological entrepreneurship. Such programs can develop entrepreneurs' competencies and create favorable conditions for their success.

To summarize the above examples, the Central Asian context must be taken into account by adapting strategies to local conditions. Effective implementation of these measures implies careful planning, coordination and cooperation between public and private actors. The integration of these recommendations can be the key to sustainable small business development in Central Asia, contributing to a favorable environment for entrepreneurship, innovation and overall economic progress.

Summarizing the above, the strategy for small business development in Central Asia should be comprehensive and long-term oriented. Interaction between the government and the business community, active innovation, entrepreneurship support and education are key elements of a successful strategy. The implementation of these measures can make small business a driving force of economic progress, contributing to the creation of a sustainable and favorable environment for entrepreneurship in Central Asia.

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