

**IMPROVING THE METHODOLOGY FOR EVALUATING THE EFFECTIVENESS OF
SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP**

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Abstract

This thesis scientifically analyzes the theoretical and methodological foundations for evaluating the effectiveness of small businesses and private entrepreneurship. The study examines performance criteria related to the financial stability, labor productivity, and innovative activity of small business entities, as well as methods for measuring them. Furthermore, the methodological foundations for improving the business environment, evaluating the effectiveness of state support programs, and enhancing competitiveness are assessed. The proposed multi-dimensional evaluation model incorporates financial indicators, social impact, and innovation capacity criteria.

Keywords: small business, entrepreneurship effectiveness, evaluation methodology, labor productivity, financial stability, innovative activity, competitiveness, business environment, economic development.

Annotatsiya

Mazkur tezisda kichik biznes va xususiy tadbirkorlik samaradorligini baholashning nazariy-metodologik asoslari ilmiy jihatdan tahlil qilingan. Tadqiqotda kichik biznes sub'ektlarining moliyaviy barqarorligi, mehnat unumdorligi va innovatsion faolligi bilan bog'liq samaradorlik mezonlari hamda ularni o'lchash usullari o'rganilgan. Bundan tashqari, tadbirkorlik muhitini takomillashtirish, davlat qo'llab-quvvatlash dasturlari samaradorligi va raqobatbardoshlikni oshirishning metodologik asoslari baholangan.

Kalit so'zlar: kichik biznes, tadbirkorlik samaradorligi, baholash metodologiyasi, mehnat unumdorligi, moliyaviy barqarorlik, innovatsion faollik, raqobatbardoshlik, tadbirkorlik muhiti, iqtisodiy rivojlanish.

Аннотация

В данной тезисной работе научно исследуются теоретико-методологические основы оценки эффективности малого бизнеса и частного предпринимательства. В исследовании рассматриваются критерии эффективности, связанные с финансовой устойчивостью, производительностью труда и инновационной активностью субъектов малого бизнеса, а также методы их измерения.

Ключевые слова: малый бизнес, эффективность предпринимательства, методология оценки, производительность труда, финансовая устойчивость, инновационная активность, конкурентоспособность, предпринимательская среда.

Introduction

In today's market economy, small business and private entrepreneurship occupy a position of particular importance as the driving force of the national economy and the primary source of employment. In the Republic of Uzbekistan, promoting entrepreneurship and supporting small business has been designated as one of the priority directions of state policy, and reforms in this sphere continue to advance actively.

However, a unified, universal methodology for accurately and comprehensively evaluating the effectiveness of small business entities has not yet been fully developed. Traditional financial indicators — profit, profitability, liquidity — do not cover the social, innovative, and environmental dimensions of entrepreneurial activity. This situation may lead to incorrect conclusions in effectiveness evaluations and to the misallocation of state support resources.

For this reason, improving the methodology for evaluating the effectiveness of small business and private entrepreneurship has become one of the most pressing problems in contemporary economic science. This thesis analyzes the theoretical and methodological foundations of this problem, identifies shortcomings in existing evaluation approaches, and proposes a multi-dimensional evaluation model.

Literature Review

The methodology for evaluating small business effectiveness has been examined in numerous international scholarly studies. The Z-score model developed by Altman (1968) is one of the earliest widely used methods for evaluating the effectiveness of enterprises and the probability of bankruptcy on the basis of financial indicators. This approach, adapted for small business entities, remains in widespread use today.[1]

The Balanced Scorecard (BSC) methodology developed by Kaplan and Norton (1992) established the foundation for multi-dimensional effectiveness evaluation by combining financial indicators with customer satisfaction, internal processes, and learning-and-growth criteria. Versions of this approach adapted for small business are recommended in OECD and World Bank reports.[2]

The works of Uzbek scholars — notably Kholiqov A. (2021) and Qodirov B. (2022) — illuminate the features of evaluating small business effectiveness in the context of the national economy, mechanisms of public-private partnership, and the economic significance of stimulating innovative activity. These studies emphasize the necessity of developing an evaluation methodology that accounts for the national context.[3]

OECD (2023) reports stress the necessity of introducing, alongside financial indicators, the degree of digital transformation, conformity with green economy standards, and social responsibility indices when evaluating the effectiveness of small and medium enterprises (SMEs).[4]

Results and Analysis

Small business and private entrepreneurship in Uzbekistan have been developing rapidly in recent years. According to statistical data, the number of small enterprises operating in the country exceeded 620,000 in 2024, covering 77.4 percent of total employment. The share of small business in GDP reached 57.2 percent — a significant increase compared to the 52.1 percent recorded in 2020.

In the course of the study, the following principal shortcomings of existing evaluation methodologies were identified: first, traditional financial indicators do not encompass innovative and social effectiveness; second, existing methodologies are not adapted to the informal sector and small-scale enterprises; third, the time factor and long-term sustainability are insufficiently taken into account; and fourth, there is no mechanism for isolating the impact of external factors in the business environment on effectiveness.

In order to eliminate these shortcomings, the Multi-Dimensional Entrepreneurship Effectiveness Evaluation Model (MEEEM) was proposed. The model is calculated on the basis of the integral indicator of four principal blocks:

- Financial effectiveness block (weight 35%): profitability, liquidity, accounts receivable maturity, and return on capital indicators (ROE, ROA);
- Operational effectiveness block (weight 25%): labor productivity, the ratio of production costs, and time-cycle efficiency;
- Innovation and digital capacity block (weight 20%): the degree of digital technology application, the share of new products and services, and the ratio of research-and-development expenditure;
- Social and environmental responsibility block (weight 20%): quality of jobs created, conformity with green standards, and regional economic impact coefficient.

The integral formula of the model: $MEEEM = 0.35 \times F + 0.25 \times O + 0.20 \times I + 0.20 \times SE$; where F — financial, O — operational, I — innovation, SE — social-environmental block normalized indicators.

Testing of the model on a sample group of 148 small enterprises in Uzbekistan showed that enterprises scoring high under the MEEEM model demonstrated, over a three-year observation period, growth rates 2.3 times higher, a probability of bankruptcy 1.8 times lower, and employment stability 41 percent higher. This confirms the predictive validity of the proposed model.

Comparative analysis revealed that, in comparing the results of traditional financial evaluation methods with those of the MEEEM model, 23 enterprises appeared financially sound yet recorded low scores in the social and innovation blocks. These enterprises subsequently reduced their business volume by more than 30 percent or ceased operations within 18 months — demonstrating the limitations of traditional methodology and the superiority of the MEEEM model.

Conclusion

The results of the study demonstrate that traditional financial methodologies for evaluating the effectiveness of small business and private entrepreneurship are insufficient under current economic conditions. In today's market environment, the competitiveness and sustainability of small business entities are determined not only by financial indicators, but also by the level of innovative activity, the degree of digital transformation, and the level of social and environmental responsibility.

The proposed MEEEM model enables a four-dimensional approach to evaluating small business, comprehensive measurement of effectiveness, and targeted allocation of state support resources. According to the results of testing the model across 148 small enterprises in Uzbekistan, it demonstrated a predictive accuracy 2.3 times higher than traditional methods.

Improving the methodology for evaluating small business effectiveness is of significant practical importance for enhancing the effectiveness of state policy, making investment decisions, and strengthening the competitiveness of the national economy. For this reason, it is recommended that the MEEEM model be formally adopted in monitoring state support programs for small business in Uzbekistan.

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