

LEGAL REGULATION OF SMALL BUSINESSES AND ITS IMPACT ON ECONOMIC EFFICIENCY**Isakov Ulugbek Alimkhanovich**

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This article analyzes the theoretical and practical aspects of the legal regulation of small business entities and its impact on economic efficiency. In particular, the importance of the regulatory framework, state policy and reforms aimed at supporting small business in Uzbekistan is revealed. It also substantiates the positive impact of improving the mechanisms for regulating entrepreneurial activity on economic growth, employment levels and the investment climate. The article puts forward legal conditions necessary for the effective organization of the activities of small business entities and proposals for their further development.

Keywords

small business, entrepreneurship, legal regulation, economic efficiency, state policy, regulatory framework, investment climate, employment, economic growth, business climate.

Annotatsiya

Ushbu maqolada kichik biznes subyektlarini huquqiy tartibga solishning nazariy va amaliy jihatlari va uning iqtisodiy samaradorlikka ta'siri tahlil qilinadi. Xususan, O'zbekistonda kichik biznesni qo'llab-quvvatlashga qaratilgan me'yoriy-huquqiy baza, davlat siyosati va islohotlarning ahamiyati ochib berilgan. Shuningdek, unda tadbirkorlik faoliyatini tartibga solish mexanizmlarini takomillashtirishning iqtisodiy o'sish, bandlik darajasi va investitsiya muhitiga ijobiy ta'siri asoslanadi. Maqolada kichik biznes subyektlari faoliyatini samarali tashkil etish uchun zarur bo'lgan huquqiy shart-sharoitlar va ularni yanada rivojlantirish bo'yicha takliflar keltirilgan.

Kalit so'zlar

kichik biznes, tadbirkorlik, huquqiy tartibga solish, iqtisodiy samaradorlik, davlat siyosati, me'yoriy-huquqiy baza, investitsiya muhiti, bandlik, iqtisodiy o'sish, biznes muhiti.

Аннотация

В данной статье анализируются теоретические и практические аспекты правового регулирования субъектов малого бизнеса и его влияние на экономическую эффективность. В частности, раскрывается важность нормативно-правовой базы, государственной политики и реформ, направленных на поддержку малого бизнеса в Узбекистане. Также обосновывается положительное влияние совершенствования механизмов регулирования предпринимательской деятельности на экономический рост, уровень занятости и инвестиционный климат. В статье изложены правовые условия, необходимые для эффективной организации деятельности субъектов малого бизнеса, и предложены пути их дальнейшего развития.

Ключевые слова

малый бизнес, предпринимательство, правовое регулирование, экономическая эффективность, государственная политика, нормативно-правовая база, инвестиционный климат, занятость, экономический рост, деловой климат.

Introduction. In today's conditions of globalization and the digital economy, small business entities are gaining special importance as an important component of the national economy. Especially in developing countries, including Uzbekistan, the development of small business and private entrepreneurship is an important factor in ensuring economic stability, creating new jobs and increasing the income of the population.

In recent years, large-scale reforms have been implemented in our country to support small business. In particular, liberalization of entrepreneurial activity, elimination of excessive bureaucratic obstacles, simplification of the taxation system and creation of a favorable legal environment for doing business are identified as priorities.

The system of legal regulation of small business entities plays an important role in the effective development of them. This system not only determines the legal basis of entrepreneurial activity, but also directly affects economic efficiency. That is, through perfect legal mechanisms, the stable operation of business entities is ensured, investment attractiveness increases and the basis for the formation of a competitive environment is created[10].

In this context, one of the urgent tasks is to deeply study the impact of legal regulation of small businesses on economic efficiency, identify existing problems and develop scientifically based proposals to eliminate them.

Literature review. The issue of legal regulation of small business entities and its impact on economic efficiency is one of the important areas widely studied in the world and national scientific literature. Within the framework of this issue, researchers mainly analyzed the relationship between state regulatory mechanisms, the institutional environment and the efficiency of entrepreneurial activity.

The importance of the legal environment in the development of small business is emphasized in world literature. In particular, according to the institutional theory put forward by D. North, the level of economic development is directly dependent on the efficiency of formal and informal institutions in the country. In his opinion, an excellent legal system ensures the stability of entrepreneurial activity and stimulates economic growth[1].

Also, J. Schumpeter in his theory of innovative development evaluates small business as the "driving force" of the economy. According to him, a favorable legal environment created by the state supports entrepreneurial initiatives and enhances innovative activity[2].

Modern studies, in particular, the World Bank's "Doing Business" reports, show a direct relationship between the ease of doing business, the level of legal regulation and economic efficiency[3]. Based on these reports, it is scientifically proven that reducing unnecessary administrative procedures has a positive impact on the development of small businesses.

Studies conducted by Uzbek scientists also extensively cover the specific aspects of the legal regulation of small businesses[4]. In particular, local economists emphasize the importance of the regulatory framework, tax incentives and financial support mechanisms created by the state

in the development of small businesses. In their opinion, the simplification of the legal regulatory system increases the economic activity of business entities.

In recent years, a number of decrees and resolutions have been adopted in Uzbekistan aimed at the development of small businesses and private entrepreneurship. In particular, the “Action Strategy”, approved by the Decree of the President of the Republic of Uzbekistan No. PF-4947 dated February 7, 2017, served as an important programmatic document for the development of entrepreneurial activity in the country. This document identified support for small businesses, strengthening their legal protection, and improving the business environment as priorities[5].

In addition, within the framework of the Development Strategy for 2022–2026, special attention is paid to the development of small businesses, support for entrepreneurship, and reduction of excessive regulatory mechanisms. These programmatic documents are emerging as an important factor serving to increase the economic efficiency of small businesses.

In general, the analyzed global and national literature shows that effective legal regulation of small businesses plays an important role in ensuring economic growth, increasing employment, and improving the investment climate. At the same time, there are still some institutional problems in this area, the elimination of which will further increase the relevance of scientific research[6].

Methodology. This study used complex scientific methods to study the impact of legal regulation of small business entities on economic efficiency. The research methodology includes three main areas: theoretical-analytical, legal-documentary and empirical analysis.

At the first stage, using the theoretical-analytical method, world and Uzbek literature, as well as previously conducted scientific research on entrepreneurship and legal regulation, was analyzed. At this stage, theoretical foundations were developed to determine the effectiveness of legal mechanisms in the development of small businesses.

At the second stage, using the legal-documentary method, decrees of the President of the Republic of Uzbekistan, resolutions of the Cabinet of Ministers, regulatory legal acts and state programs were analyzed. This method made it possible to determine the level of impact of the regulatory legal framework, tax and financial mechanisms regulating entrepreneurship on economic efficiency. At the same time, world practice and reports of international organizations (World Bank, OECD) also served as the basis for comparative analysis[9].

At the third stage, empirical analysis methods were used. At this stage, statistical data, activity reports of small business entities, the number of jobs, tax indicators and investment volumes were analyzed. Through this data, the direct impact of legal regulation on economic efficiency was determined and problem areas were identified.

The study also used comparative and inductive methods to compare world experience and regulatory mechanisms in the conditions of Uzbekistan. This approach helped to identify effective legal measures in the development of entrepreneurial activity.

As a result of the methodological approach, the impact of legal regulation of small businesses on economic efficiency was determined and a basis was created for developing practical recommendations in this area.

Results and discussion. The results of the study showed that small businesses in the Republic of Uzbekistan have become an integral part of the economy, and their support through legal regulation has a significant impact on economic efficiency. According to national statistics, as of October 1, 2025, about 1.21 million small businesses were operating in Uzbekistan,

including small enterprises, microfirms, peasant farms, artisans and individual entrepreneurs. The density of these entities per thousand population is 32.1 units, with the highest figures recorded in the Khorezm and Tashkent regions.

Statistical analysis confirms that small businesses make a significant contribution to the gross domestic product (GDP) of Uzbekistan: in the first nine months of 2025, small businesses accounted for more than 51.5% of GDP. This indicator reflects the stability of economic activity, along with a high sectoral share in agriculture, construction, services and industry.

Small businesses also have a significant impact on attracting investments, increasing production volumes and expanding trade and economic activities. For example, the total volume of industrial products produced by small businesses amounted to 258.5 trillion soums, which is 33.4% of total production in this sector, and the volume of construction work was 169.99 trillion soums. At the same time, capital investments by small businesses also showed a significant increase, which is associated with increased investor confidence in this sector.

Empirical indicators show that business entities have also increased their export potential: small business exports amounted to about 8.5 billion US dollars, covering 32% of total exports. This indicates that small businesses, in addition to serving the domestic market, are actively participating in international trade.

The discussion revealed that the economic efficiency of small businesses is increasing as a result of the simplification of legal regulation and support mechanisms. Tax incentives, optimization of procedures and improvement of business registration processes through legal mechanisms have stimulated the activities of small businesses and directed them towards economic integration[8].

The analysis also showed that the growth dynamics of small businesses, increasing employment levels and their contribution to economic growth are the result of the effectiveness of state policy. Documents and program measures adopted by the state are aimed at supporting small businesses, strengthening their legal protection and improving the investment climate. This, in turn, contributes to the sustainable growth of the economy.

Overall, the results obtained based on empirical statistics and legal frameworks show that effective legal regulation of small businesses is an important tool for increasing economic efficiency. This process not only supports local entrepreneurs, but also strengthens the competitiveness of the national economy and improves the investment climate.

Conclusion. The results of the study showed that the legal regulation system of small businesses in Uzbekistan has a direct impact on economic efficiency. Small businesses make up a significant part of GDP, contribute to job creation, investment attraction and export potential. Simplification of legal regulation, optimization of tax and administrative procedures, as well as a favorable business environment created by the state ensure the stable operation of small businesses and stimulate economic growth.

Also, world experience and analysis of national practice show that innovative approaches, government programs supporting entrepreneurship and the regulatory framework serve to increase the efficiency. The development of small businesses not only ensures the stability of the local economy, but also expands the opportunities for integration with international markets.

Recommendations. Based on the above research, we can recommend the following:

1. Improve the legal framework: Develop entrepreneurship by simplifying the registration, tax and licensing processes for small businesses.

2. Expand financial support: Increase the investment potential of small businesses through microloans, grants and subsidies.
3. Develop entrepreneurial capacity: Strengthen entrepreneurial skills through training courses, business incubators and innovation centers.
4. Improve monitoring and statistical data: Continuously monitor the activities of small businesses and formulate policies based on empirical data.
5. Introduce international experience: Study successful regulatory and support mechanisms from world experience and adapt them to local conditions.
6. Improve the investment climate: Improve infrastructure and logistical capabilities to make small businesses competitive and increase export potential.

Overall, if these recommendations are implemented, the sustainable development of small businesses in Uzbekistan, increased economic efficiency, and the competitiveness of the national economy will significantly improve.

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