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## CHALLENGES AND PROSPECTS OF SMALL BUSINESS MANAGEMENT IN THE DEVELOPMENT OF THE DIGITAL ECONOMY

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**Abstract:** The article emphasizes the importance of small business management at the current stage of the digital economy's development, as well as its role in accomplishing vital socio-economic goals such as sustainability. This sector will not only boost the population's economic growth, income, and well-being, but it will also boost the national economy's growth rate and strengthen its economic power of the state. The digitalization of business in the current industry 4.0 stage is exemplified by a number of enterprises in developed countries. The stages of development of industry and their importance are also highlighted. The socio-economic development of the country - the stage of development of the digital economy and the role of small business in it is analyzed on the basis of international statistics. Scientific conclusions have been drawn on the digitization of small business management in the digital economy.

**Keywords:** digital economy, small business, management, industry 4.0, smart management, socio-economic growth, industrial evolution, e-commerce.

### Introduction

The development of small business and private entrepreneurship is intricately tied to the numerous macroeconomic developments taking place in the economy under the governance of a market economy. Small businesses, in particular, have a significant feature in that they can thrive at every stage of society's growth, in any tough situation : in times of economic depression, crisis (inflation), lack of necessary infrastructure, high interest rates on loans, high risk and uncertain future, it can build, carry out economic activities and serve as a key tool to get the country out of crisis situations. In the development of the state, small business and private entrepreneurship are a key factor in achieving sustainable socio-economic growth in the near and long term, and a powerful catalyst for development.

As a result of drastic measures taken to further improve the activities of small business and private entrepreneurship, the share of this

sector in the GDP of Uzbekistan increased significantly and in 2019 amounted to 56.5%, and 76.2% of the population employed in the economy. The share of this sector in GDP in developed countries is 55% in Japan, 54% in Germany, 52% in the United States, 25.6% in Kazakhstan and 20.0% in Russia. This means that the share of small business in GDP varies in different countries, and the share of small business in Uzbekistan is more than half of GDP. According to the World Trade Organization, in developed countries, small and medium enterprises account for more than 90% of the business population, 60-70% of the employed and 55% of GDP. This, in turn, is a very important area for small business, especially in the current digital economy, and requires a scientific and theoretical study of its features.

## Main part

The macroeconomic changes taking place in the national economy have led to a huge turn in all areas, including small business management.

This, in turn, began with the beginning of the fourth industrial revolution in the world, the radical transformation of the economies of all countries, and the development of the digital economy, which is the main manifestation of this revolution. In particular, the digitization of the economy has opened up new opportunities and prospects for small business. While small businesses are forced to use elements of the digital economy to maintain an acceptable level of competitiveness, on the other hand, it is noteworthy that the industry creates the conditions for the development of these elements. It should be noted that small business has become not only a powerful catalyst for socio-economic development of the country, but also one of the main drivers in the formation of the digital economy. As this stage of the economy is currently in its infancy, the research shows that our topic is relatively new, and especially in our country, no significant progress has been made in this direction.

Therefore, the main goal of our research is to identify the positive and negative aspects of the impact of the digital economy on small business, as well as to further improve the management of the industry in the process of studying the scientific and theoretical views of researchers and local scientists. The experience of developed countries clearly demonstrates the rapid formation of the digital economy, as well as its rapid development in the short term, as a result of the advent of the fourth industrial revolution in the world (Industry 4.0).

With the rapid development of the digital economy around the world, its theory lags far behind. Therefore, scientific research on

this topic is in the focus of many scientists. Including K.Shvab, J.K.Ramo, V.D.Markova, I.Shpurov, A.V.Keshelava, L.V.Lapidus, A.V.Lukyanova, G.B.Novoseltseva, N.Molotkova, A.I.Borodin, L.Gurieva, G.F.Varnakova, A.O.Fadeeva, E.B.Babalyan, L.V.Shlexova, S.K.Sharma and local scientists S.S.Gulamov, R.H. Ayupov, OM Abdullaev, GR Baltabaeva, AA Fattakhov, K. Akhmedov, Sh.N. Akhunova, EA Muminova are conducting research in this area.

Scientific and theoretical research has shown that, first and foremost, "Improving small business governance cannot be achieved without understanding the importance of the concepts of "Industry 4.0", "digital economy" and "smart management". After all, in the digital economy, the structure, structure, forms, characteristics and management activities of small business in general are gradually improved and implemented in new business models. Today, with the beginning of the fourth industrial revolution in the world, countries around the world are going through a period of "industrial evolution" (Table 1.1). The most developed countries of the world, especially the United States, Germany, China and South Korea, are implementing economic reforms based on the digital economy. Based on the Digital Evolution Index, Norway, Sweden, Switzerland, Denmark, Finland, Singapore, South Korea, the United Kingdom, Hong Kong and the United States are the leaders in the development of digital technologies. In particular, Tesla and SpaceX, based in California, or Fujitsu Siemens, Adidas and Harley-Davidson in Germany, the production process is controlled by a digital system. This, in turn, is a strategy to turn factories and plants into "smart" enterprises, creating great convenience in management, reducing labor, time, and a lot of costs.

**Table 1.1**

**Stages of development of industrial evolution**

Stages of the Industrial Revolution	Economic development processes are sequential
<b>Phase I</b> XVIII-XIX centuries 1760- 1840 years	Beginning with the construction of railways, the invention of the jet engine led to the development of mechanical production.
<b>Phase II</b> Late 19th and early 20th centuries 1860s	The spread of electricity and the invention of the conveyor (F. Taylor system) provided a tremendous increase in labor productivity and led to the emergence of mass production.
<b>Phase III</b> The end of the XX century 1960s	Electronics, information technology industry, automated production.
<b>Phase IV</b> XXI century 2011	Deep integration of the digital economy into the production process. "Smart enterprise", improvement of cyberphysical systems.

Of course, with each industrial revolution, there is a growing concern about rising unemployment. However, as each stage of the revolution passes, the number of prestigious, high-demand professions will increase and the demand for mature specialists will increase. The main feature of the Industrial Revolution, ie Industry 4.0, is that with the reduction of human labor in all components of production, the digital-cyberphysical system becomes more active and "leads to the development of human-machine interfaces."<sup>1</sup>

This can lead to a huge turn in socio-economic life that even the human mind cannot comprehend. In this regard, the chairman of the World Economic Forum K. Schwab said that "uncontrolled development of technology can pose a threat to the economy, so Germany has developed an industrial concept that studies the state of the economy and society after the revolutionary changes, including the emergence

of smart devices." provides effective technology management.

**Discussions:**

The digital revolution, which is emerging as a new stage of economic and technological development, has dramatically changed human life and created a wide range of opportunities, as well as ushered in a period of high competition in the world market. That is, if countries that are based on digital technologies or have moved to a system of "smart governance" continue to develop, their economies will become more impoverished. In particular, in his speech at the United Nations Conference on Trade and Development (UNCTAD) in Geneva in 2019, Secretary General M. Kituyi said: "The rapid spread of digital technologies is changing many economic and social activities. However, the expansion of the digital divide threatens to lag behind developing countries, especially the least developed ones. " Therefore, the study and gradual introduction of the practice of foreign

<sup>1</sup> Shpurov I. Industry 4.0 // Expert. 2016. No. 40. 61 p.



countries in the formation of the digital economy in developing countries and least developed countries is a priority. The strategic policy of the state is also crucial in the country's transition to this stage of development.

In particular, the importance of digital transformation of small businesses was emphasized by the governments of various countries, providing for the development and implementation of state programs aimed at the introduction of these information and communication technologies. As an example, it is appropriate to cite the program to support the digitization of small businesses in the European Union - "Horizon 2020". 80 billion euros were allocated from the budget for 2014-2020 for this program.

Klaus Helmrich, a member of the Siemens Board of Directors for V20 digitization, also came to the following conclusion on this issue: - "digitization is cross-border, which means that it is full of potential opportunities, as well as potential problems that may arise. That is why the state and business should work closely together to jointly solve these obstacles through actions aimed at the future."

Based on these definitions, it should be concluded that it is necessary to implement state programs for the development of the digital economy, adapt new technologies to the needs of business, and further develop a favorable environment for the formation of new types of entrepreneurs. According to experts, economic growth will be achieved in the near future thanks to digitalization. The digital economy is projected to grow from 4.5% to 15.5% of global GDP, and by 2025, thanks to Internet technologies, China's GDP will grow to 22%. The expected growth of digital technologies in the United States will be \$ 1.6-2.2 trillion. dollars, and in Russia-4.1-6.9 trillion. it is established that GDP growth,

having increased by the ruble, will reach from 19% to 34%.

It is noteworthy that the digital economy is relatively actively formed in countries with a rapidly growing national economy. For example, the most active digital activity is carried out by representatives of small and medium-sized businesses in the United States (expenses amount to \$ 186 billion), China is in second place (\$56 billion). Among the countries of Central and Eastern Europe, the leaders in the use of digital technologies in the segment of small and medium-sized businesses are the Czech Republic, Greece, Poland and Slovakia, where on average 75% of enterprises have at least one digital option. According to the European Central Bank, 6,155 digital services provided by small and medium-sized businesses in Russia account for 1 million citizens. And for the countries of Central and Eastern Europe, the average figure reaches 17909.

The above international statistics show at what stage the country's socio-economic industry - the Digital Economy-developed and at what level is the role of small business in it. However, a number of scientists and researchers recognize that the introduction of digital economy achievements in small businesses has more negative aspects than positive ones. This, in turn, causes various disputes in scientific circles and indicates how relevant the topic is.

Professor Tatyana Chernikovskaya, a Soviet-Russian scientist, called the "digital economy an anthropological problem," a global problem that affects the evolution of the entire human mind, thinking, and activities. In the absence of experience, the use of digital technologies significantly increases the risk of entrepreneurship. Many researchers say that the use of digital technologies in the activities of small

businesses, which significantly increase entrepreneurial risks and lead to significant changes in the financial side of the issue related to the production of high products, leads to such problems as weak management, insufficient experience in enterprise management, market conditions associated with competition, imperfection of the tax system., many scientists, expressing a positive opinion, note that there is no need to be afraid of the digital economy, it is necessary to recognize it, and also the importance of digital technologies for

understanding and overcoming its problem (table 1.2). Taking into account that” since the digital economy is at the stage of formation, research and business practice have not yet given a single definition of what digital technologies are and what business digitization is,” we have studied the views of researchers conducting scientific research in this field on this concept.(Table 1.2)

### The importance of the introduction of the digital economy into the business process

Researchers - scientists	Definitions of the importance of business in the digital economy
Markova V.D. <sup>2</sup>	A distinctive feature of the application of digital technologies in business is the combination of physical and digital resources of the organization in solving business problems, which leads to the formation of new business models, creates new value for consumers, changes competitive strategies and consequently increases business competitiveness. Accordingly, the digital economy can be defined as a new stage of economic development based on the integration of physical and digital objects in the field of production and consumption, economy and society.
Lapidus L.V. <sup>3</sup>	The digital economy has allowed businesses to find new ideas and interact with customers on the basis of rapid analytics - business analysis. As a result of this research, Google Analytics and Yandex. Free services such as metrics have been created.
Gulyamov S.S. <sup>4</sup>	The digital economy is emerging in new business models, and this is causing a chain reaction with other market participants. The most popular among them are the desire to acquire personal products and services, commercial tools for the development strategy of companies such as Freemium-model, Tree-to-play, On-on-Print.
Axunova Sh.N., Muminova E.A. <sup>5</sup>	Under the influence of the digital economy and new technologies of e-commerce, business models are clearly changing. For example, aggregate companies in the passenger transport market (GettTaxi, Yandex.Taxi) have made many changes in the carrier business and made them more attractive

<sup>2</sup> Markova V. D. Digital economy. Textbook Moscow. INFRA-M 2019 12 p.

<sup>3</sup> Lapidus L. Digital economy: e-business and e-commerce management. M.: INFRA-M, 2017 -281 p.

<sup>4</sup> Gulyamov S.S., Eyupov R.The H., Abdullaev O.Location, Baltabaeva G.The R. Blokcheyn technologies in the digital economy. - Instruction manual-Tashkent: 2019 year. 396 B.

<sup>5</sup> Akhunova Sh. N., Muminova E. A. DIGITAL ECONOMY: PROBLEMS AND SOLUTIONS (17-20) Eurasian Union of Scientists. <https://euroasia-science.ru/pdf-arxiv/17-20-akhunova-sh-n-muminova-e-a-digital-economy-problems-and-solutions/>

to consumers.

The analysis of the given table and the views of research scholars show that the digital economy not only creates many conveniences for small business, but also determines the socio-economic development of the country. The basis for the formation of the digital economy is the process of digitization of the economy and society, which involves the mass introduction and adoption of digital technologies. This leads to socio-economic change in society.

Initially, the introduction of digital technologies was a priority for large and medium-sized enterprises. However, today it is possible to observe the introduction of modern information and communication technologies by small businesses, which will increase efficiency, open access to new markets and allow to fully realize the innovative potential.<sup>6</sup>

It is clear that the impact of digital technologies around the world will be felt in most small and medium-sized businesses as they change rapidly. In small businesses, unlike large corporations, the replacement procedure is very simple. Large corporations are not as fast at implementing digital innovations. On the other hand, such a delay prevents large companies from participating in the sharing of high returns in the new business segment.

According to Russian experts, the digital revolution in small and medium-sized businesses has already begun. Many small business owners are already using online technology to grow their business. In this regard, small businesses specialize in introducing innovations faster than other industries, attracting customers and delivering cheaper products to customers online. For

example, the management model of Aliexpress or Airbnb is increasing competition and even squeezing out the world's leading companies<sup>7</sup>.

The development of small business in the context of the formation of the digital economy is also carried out in the research of foreign scientists. In her scientific work, one of the most widespread areas of the digital economy, which is currently being implemented all over the world, the development of e-commerce, with an emphasis on the main attention, brought out the following points. E-commerce continues to develop actively, and this affects the social and economic growth of peoples, further increasing its importance in the future. Those who came to the conclusion that e-commerce technologies have helped countries accelerate economic growth and create more opportunities for business development. However, due to the digitalization of their activities, small and medium-sized enterprises face certain difficulties associated with high tax rates, an unfavorable investment climate, and limited access to sources of financing. The study of these characteristics and methods of using positive aspects, which will allow overcoming the influence of negative aspects, will allow increasing the level of digitalization of the activities of small enterprises and, consequently, the level of innovation.

## Conclusion

While small firms are compelled to adopt parts of the digital economy in order to retain a reasonable level of competitiveness, they also provide the conditions for their development. The effective development of corporate entities necessitates the

<sup>6</sup>Novoseltseva G. B., Rasskazova N. V. Prospects of small business in the digital economy // Issues of innovative economy. - 2020. - Vol. 10. - No. 1. - pp. 521-532 -- doi: 10.18334/vinec.10.1.100580.  
<https://elibrary.ru/item.asp?id=42676121>

<sup>7</sup> Lukyanova Anna Vasilyevna, Trends and opportunities of digitalization of small and medium-sized businesses UDC 330.341.1 GRNTI 06.52 www.esa-conference.ru



employment of cutting-edge digital technologies in the workplace. In general, it's worth noting that small businesses and medium-sized businesses are currently addressing three strategic objectives in order to ensure competitive positions and further digitalization of their activities are more likely to succeed.

- firstly, to establish closer ties with suppliers and customers;
- secondly, increase the level of its operational efficiency;
- thirdly, to increase the competitiveness of products.

It is clear that these three tasks would not be possible without the introduction of information systems and digital technologies into manufacturing. The introduction of digital technologies by small businesses is beneficial for both consumers and the business itself.

Although some of the above-mentioned researchers have mentioned some of the negative aspects of the introduction of digital technologies in small business, its positive aspects and socio-economic significance are clearly proved by our scientific and theoretical views, which are very important for the country's development.

Of fact, each stage of the revolution stimulates humanity to reflect and seek. The present 4th phase of the revolution will assure the digital economy's quick growth and penetration into all sectors of the economy. After all, one of the most important variables in societal growth is the improvement and development of production relations. As a result, whether digitalization is positive or negative, whether it is a small business or any economic sector, is objective, inevitable and cannot be stopped.

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