



## Article

# Basis of Social Economic Development and its Necessity for Evaluating the Activities of Small Businesses

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**Abstract:** In this article, small businesses are seen as a segment of the economic system that adapts quickly, uses resources relatively economically, and supports regional employment. Therefore, assessing their activities is considered not only as a means of recording financial results, but also as a process that creates the main information base for economic policy, financing, and enterprise management.

**Keywords:** Cash flow, employment and exports, labor, capital, Labor productivity, cost of goods sold, small business, gross domestic product.

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## Introduction

Small business subjects in the economy employment, income, market filling, innovative initiatives and territorial balance "fast" in storage flexible as a syllable to the field It comes out. This because of small business subjects activity assessment issue only "report" for not 'measure', but from resources use efficiency detection, management decisions economic in terms of justification, risks management, credit and investment resources attraction to, and state policy the secret of the effect check such as to tasks service does [1].

The economic basis of valuation is manifested at three levels:

- (1) at the micro level - the sustainability of an enterprise is determined through resource utilization, cash flow, and profitability;
- (2) at the meso level - the share and qualitative indicators of small businesses in a region or sector indicate the composition of economic activity;
- (3) at the macro level - shares in GDP, employment, and exports provide the "signals" necessary for targeted planning of small business development measures.

Small businesses are an important component of the modern economy. Uzbek scientists note that small business is one of the main factors of the country's economic growth, it plays an important role in ensuring employment, increasing the income of the population and strengthening economic stability. In particular, S. Gulyamov and A. Vakhobov substantiated the importance of small businesses in socio-economic development in his scientific research [2].

In particular, the economic logic is consistently revealed and the mechanisms of influence of assessment results on management decisions are summarized.

In economic terms, valuation is the measurement and interpretation of how an enterprise's resources (labor, capital, materials, and information) are transformed into results. Therefore, valuation is not limited to "whether there is profit or not": questions such as how profit is formed, how sustainable it is, which processes are inefficient, and whether cash flow can cover risks also form the internal logic of valuation.

### Literature Review

From scientists J. K. Salayev small business and entrepreneurship modern as a "driver" of the economy seeing it, stable growth, work places and marriage level with directly connection emphasizes the author's to the logic according to, small business in the economy such role assessment methodology permanent improvement demand does: because KBS the results correct without measuring to stand up, encourage, support or restriction "economic" measures "is it coming back?" clear see difficult [3]. M. M. Tojiyeva in my opinion small business efficiency in evaluation issue only enterprise internal indicators with without limitation, territorial factors and conditions in unity approach offer He does. small business social - economic efficiency of determination purpose as three direction separates:

- (1) assessing the "vitality" of small businesses,
- (2) describe the impact on the quality of life of the population,
- (3) determining the level of development of the field under study [4].

and functions of small businesses in the economy expand, the evaluation system should also be multi-criteria: along with financial results (profit, profitability), resource efficiency (labor, capital, working capital), regional impact (employment, income), and innovative activity will also become the economic "pillar" of evaluation.

In addition, the economic basis for assessing the activities of small business entities is determined, first of all, by the need to make optimal decisions in the face of limited resources in the economy. Since small business entities are usually smaller in terms of capital and working capital than large enterprises, any cost fluctuations that occur in the process of their production and service provision quickly affect their profit margin and cash flow. Therefore, the assessment system should not only "record the result" in small business entities, but also identify the factors that caused the result and give an "early signal" to management. The primary economic content of assessment is to measure the return on resources (labor, time, capital, raw materials).

if sales are growing in an enterprise, if costs are rising rapidly, the result will not improve qualitatively. Therefore, in the assessment, the concepts of "growth" and "efficiency" should be distinguished: growth can often be related to market conditions or prices, while efficiency is directly determined by the quality of management.

### Materials and methods

In this study, scientific data were collected based on international financial reporting standards, official regulatory legal documents, and scientific works of leading foreign and local scientists. The obtained data were analyzed using comparative analysis, logical generalization, and a systematic approach, and the scientific and practical aspects of the accounting treatment of goodwill and acquisition profits were assessed.

One of the main risks for small businesses is the increase in cost pressure (raw material prices, transport and logistics costs, energy, rent, credit interest). Therefore, in the assessment system, it is important to view costs not as a "total amount", but as a structure: which item is growing, which item provides savings, which item requires alternative supply or technological upgrades. In this case, the assessment results accelerate the "cost audit" for the enterprise, justifying decisions on maintaining margins [5].

**According to the approach, three basic questions are at the heart of the evaluation:**

- (a) how much value was created,

(b) how efficiently resources were used to create value ,

(c) whether the result is repeatable and stable.

shows how to “translate” these questions into indicators (Table 1)

**Table 1.** The economic essence of assessment: question → indicator → management decision.

Key question	Example of indicators	Economic content	Connection to the decision
Was value created?	Gross value added, revenue growth, market share	Price formation in line with market demand	Review of product and service portfolio, pricing policy
resource efficient?	Labor productivity, cost, turnover rate	Result per unit of resource	Optimize processes, reduce costs
Is the result stable?	Cash flow stability, liquidity, debt burden	Risk tolerance and reengineering capability	Risk management, credit policy, reserve fund
What is the quality and duration?	Defective rate, returns, delivery time	Operational basis of competitiveness	KPI, quality control, supply chain

The economic essence of the assessment is explained not as a “list of indicators”, but as a “language of decisions”. That is, the choice of indicators is directly related to the needs of management: whichever problem is relevant for the enterprise , the assessment system allocates indicators that measure and explain this problem. In practice, this approach helps to connect the assessment result to operational management: for example, if “resource efficiency” is low , process mapping, cost analysis and strengthening production discipline become a priority; if the “sustainability” block is weak, the cash flow forecast and debt limits are revised.

The first economic basis for the need to assess small business is its weight in the economy. If the segment share is high, this indicates, on the one hand, flexibility and employment opportunities, and on the other hand, it also raises questions about the quality of economic growth (productivity, exports, innovation). In this regard, a comparison of the dynamics in 2020-2024 in the republic and the Fergana Valley shows the need for an assessment system for regional policy (Table 2).

**Table 2.** The share of small businesses in gross domestic product 2020-2024 in percent [6].

Area	2020	2021	2022	2023	2024
Republic of Uzbekistan	57.5	56.9	54.6	54.3	54.3
Fergana region	73.3	72.4	71.6	72.2	73.2
Andijan region	72.7	74.6	69.5	68.6	69.5
Namangan region	76.3	76.2	74.6	74.3	73.4

The results show that the share of small businesses in the gross domestic (regional) product at the republic level decreased from 57.5% in 2020 to 54.3% in 2024, i.e. the decrease was 3.2 percentage points. In the Fergana Valley regions, the share was much higher, and in the Fergana region in particular, the share was almost maintained (73.3% in 2020 , 73.2% in 2024). In Andijan and Namangan regions, the dynamics of the decrease were stronger: although the decrease in the share stabilized in Andijan after 2021, a significant difference remains in the comparison of 2020–2024; in Namangan, the share, despite being high, gradually decreased. Such differences indicate the incorrectness of using the “share” indicator as the sole criterion in the assessment system: a high share does not in itself guarantee high productivity or export. Therefore, in the next stage, evaluation indicators should reveal not only the “quantity” of the share, but also its “quality” aspects and opportunities for productivity, financial stability, innovation, and market penetration.

To quickly understand the dynamics of shares, a “trend map” (diagram map) has been developed. This figure shows the values for 2020 - 2024 and the difference ( $\Delta$ ) in one place (Figure 1).

Area	2020, %	2024, %	$\Delta$ (pp)	Note
Republic of Uzbekistan	57.5	54.3	-3.2	Share decline: A deeper analysis of the relative growth of major segments or changes in the accounting structure is necessary.
Fergana region	73.3	73.2	-0.1	The share is almost stable: small businesses are the backbone of the economic structure, but it is necessary to check with qualitative indicators (productivity/exports).
Andijan Province	72.7	69.5	-3.2	The decline is significant: the composition of the sector and the share of large-scale production may change; the assessment requires a cause-and-effect analysis.
Namangan region	76.3	73.4	-2.9	The share is high, but the trend is low: there is a need to strengthen resource efficiency and market access indicators.

**Figure 1.** Trend map of the share of small businesses in GDP 2020-2024 [7].

The picture clearly answers the question, “Where is the change stronger?” Even though the regions are in the same macro environment , the share dynamics are different.

Therefore, the assessment methodology should be adapted to regions, not with a “one-size-fits-all” approach, but taking into account regional composition, industry specialization , and access to markets.

At the same time, it once again shows that the share itself is not enough: a stable share is a positive signal, but it may not provide real income growth if productivity is low.

### Results and Discussion

The economic basis of the assessment is employment. Small businesses are often the main source of new job creation and play the role of a “pillar” in the regional labor market. However, employment itself cannot be the final criterion for assessment: the important

question is how effective the jobs created are, that is, how much value added and income growth per job. Therefore, in the assessment system, employment indicators should be analyzed in a package with indicators of productivity and financial sustainability (Table 4).

**Table 4.** General trend in the share of small businesses in employment 2020-2024 [8].

Area	2020	2024	Note
Republic of Uzbekistan	≈ 74.5% 2020-2024 stable around	≈ 74.5% Stable	The stability of the share indicates a strong role of small businesses in the labor market; quality (productivity) indicators are mandatory in the assessment.
Fergana Province	78.4%	80.4%	An increase in the share of employment indicates the strength of small businesses in the regional labor market; now the assessment result should also indicate the effectiveness of jobs.

The share of small businesses in employment remains high at the national level, and in Fergana region, the share has increased from 78.4 percent in 2020 to 80.4 percent in 2024. This situation further reinforces the need for assessment: if the main part of employment is in small businesses, then labor productivity remains low, and real income growth may slow down. Therefore, employment indicators are assessed in a package with “quantity” (how many jobs) and “quality” (income per job and value added) . As a result, the assessment system combines the social task (employment) with the economic result (productivity and sustainability).

As additional information indicating the need for regional assessment, it is noted that by the end of 2024, the number of small businesses in Fergana region reached 31,840, with 1,246.9 thousand of the employed population working in this segment [9]. This scale reinforces the need to link the results of the assessment to regional management and support programs.

Interpreting the assessment only through the final results (profit, share, export) leads to methodological risks, since the result is often determined by causal factors (resource efficiency, process quality, institutional conditions). Therefore, the conceptual model in the form of a pyramid is proposed, dividing the assessment indicators into layers in the logic of “result-cause”[10]. The idea of the model is that the strategic results at the top level are based on the causal indicators at the bottom level; the assessment system, in addition to recording the result, should also indicate the factors that explain it (Figure 2).

<b>Layer 5: Strategic Outcome</b>	(market share, export penetration, competitiveness)
<b>Floor 4: Financial result</b>	(profit, profitability, cash flow stability)
<b>Layer 3: Operational Efficiency</b>	(costs, turnaround time, quality, duration)
<b>Layer 2: Resource Productivity</b>	(labor productivity, return on capital, technological efficiency)

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**Layer 1: Institutional and market conditions** (access to finance, infrastructure, procedures, risks)
 

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**Figure 2.** Pyramid of economic bases of valuation [11].

The concept allows for a practical interpretation as follows. First, an increase in the “share” or “export” in the upper layer does not always guarantee financial stability; therefore, it is necessary to conduct a check with the indicators of cash flow and profitability in the 4th layer[12]. Second, the reason for changes in financial results is often hidden in the indicators of the 3rd-2nd layer: if the cost structure, turnover rate, labor productivity or technological efficiency decrease, the “appearance” of profit may be temporary[13]. Third, the 1st layer indicates the limitations for the correct interpretation of the assessment results: if access to finance is limited, investment will naturally be low; if there are problems with logistics and infrastructure, the costs of entering the market will increase[14]. Thus, the economic basis of the assessment methodology is to link the result with the causes, and based on this, start management measures from the lowest “point of impact”[15].

### Conclusion

Are one of the main factors in ensuring employment, increasing incomes and supporting regional development. The results of the study show that, despite the high share of small businesses in the economy, assessing their effectiveness should not be limited to quantitative indicators alone. It was determined that the assessment process should be carried out on the basis of a multi-level approach, analyzing the efficiency of using enterprise resources at the micro level, regional development indicators at the meso level, and shares in gross domestic product, employment and exports at the macro level. At the same time, the assessment system should be considered not only to record the result, but also to identify the factors that create this result and serve as an important information base for management decisions.

The analysis showed that a high share of small businesses does not always mean high efficiency. Especially in conditions where a large share of employment falls on this sector, increasing labor productivity and financial stability is of great importance. Therefore, in addition to quantitative indicators, the assessment system should comprehensively take into account qualitative indicators - labor productivity, resource efficiency, innovative activity and cash flow stability.

In general small business subjects activity evaluation improved system current to grow of the country stable social - economic development supply, regional politics effective take to go and economic growth quality in increasing important importance has is considered.

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