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## Assessing the Relationship Between Financial Stability and Crisis Risk in Small Business Entities

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### ABSTRACT

This article evaluates the relationship between financial stability and crisis risk in small business entities using official statistics and scientific articles. The aim is to identify indirect indicators of financial stability through the ratios of registration, actual activity, inactivity, creation and liquidation of small business entities, and to reveal their link with crisis risk.

**Keywords:** small business, financial stability, crisis risk, coverage coefficient, inactivity share, liquidation pressure, renewal ratio, sectoral analysis.

### Introduction

Assessing the relationship between financial stability and crisis risk in small business entities is of particular scientific and practical significance under current conditions. Although small businesses are an important pillar of economic growth, employment, and market flexibility, this segment is more vulnerable to short-term cash flow disruptions, shortages of working capital, interruptions in debt discipline, and fluctuations in external demand. Therefore, financial stability in small businesses should be assessed not only through balance sheet or profit indicators, but also through broader institutional and demographic shifts [1].

Tarasova and Zhidkova (2011) characterize economic risks in small entrepreneurship through reversibility, stage-based development, internal system dependence, and reliance on the human factor.

In their view, when the financial foundation of a small business is weak, risks accumulate and investment potential declines. This approach explains the relationship between financial stability and crisis risk through the chain of “resource weakness – risk density [2, 3].”

Davaasuren (2013), using the case of Mongolia, demonstrates that high lending interest rates, short-term financing, and limited access to financial resources weaken the stability of small and medium-sized businesses [4]. In our opinion, the high cost and unfavorable maturity structure of financing sources are among the main external factors that intensify crisis risk for small businesses. Based on this approach, the assessment of financial stability should consider not only internal profit indicators but also external financing conditions [5].

## **Methodology**

Rubtsova (2018) examines the development of small and medium-sized entrepreneurship in relation to regional socio-economic factors, emphasizing the connection between turnover, profitability, and economic security. Her regression-based approach leads to the conclusion that the financial stability of small businesses is determined not only by internal management but also by the regional environment. Therefore, the relationship between crisis risk and financial stability should be interpreted in conjunction with regional factors.

Donetskova and Sadykova (2021), in their study of the financial risk insurance market, note that large businesses use insurance more actively, whereas small businesses often remain outside this mechanism. The authors demonstrate that the weak use of financial risk protection instruments in small businesses undermines stability. This view highlights the factor of “insufficient protection instruments – deepening losses” in explaining the relationship between financial stability and crisis risk.

Prutkoy and Savin (2021) assess the risks of high-tech small and medium-sized enterprises entering foreign markets through scenario modeling and factor analysis. In their approach, the concepts of a risk passport and preemptive response mechanisms occupy a central place. Based on this perspective, maintaining financial stability is inseparably linked to monitoring crisis risks and selecting appropriate responses before risks intensify.

Trotskovskiy, Rodionova, and Perekarenkova (2023) show that under sanctions conditions, while the number of small enterprises may decline, their economic potential and adaptability remain in certain sectors. They emphasize that small enterprises may be more adaptable to some external shocks than medium and large enterprises. Thus, financial stability should be studied not only through quantitative indicators but also through the adaptive capacity of the active business layer.

## **Results and Discussion**

Dusembayeva (2020) highlights the role of small entrepreneurship in maintaining economic stability and employment. In our view, the growth and uninterrupted operation of small businesses directly affect socio-economic stability. From this perspective, crisis risk is not merely a problem of small businesses themselves, but also a factor affecting regional economic stability [6].

The relationship between financial stability and crisis risk is not unidirectional. It is shaped by financing conditions, risk management practices, regional factors, protection instruments, and adaptability. Therefore, in this article, this relationship was assessed through official statistical proxy indicators [7].

As a first step in evaluating the relationship between financial stability and crisis risk, the overall demographic dynamics of small businesses were examined. Particular attention was paid to the ratio between registered entities and the реально active business layer. This is because growth in registration figures does not necessarily indicate economic health; a decline in the active layer and an

expansion of the inactive layer signal financial weakening [8].

Table 1.

**Key Demographic Indicators of Small Business Entities in Uzbekistan, 2019–2025**

Years	Registered	Operating	Non-operating	New Established	Liquidated
2019	276 237	262 930	13 307	92 874	15 646
2020	353 921	334 767	19 154	93 214	9 895
2021	436 981	411 203	25 778	98 886	46 985
2022	488 936	462 834	26 102	90 177	23 049
2023	555 971	523 556	32 415	86 030	30 229
2024	614 897	417 080	197 817	77 046	36 456
2025	651 807	358 116	293 691	82 386	139 310

The indicators presented in the table demonstrate that the ratio between registered and operating small business entities in Uzbekistan remained relatively balanced during 2019–2023, whereas a sharp imbalance emerged in 2024–2025. Until 2023, the number of operating entities showed consistent growth; however, it subsequently declined significantly from 523,556 to 358,116. During the same period, the number of non-operating entities increased dramatically from 32,415 to 293,691. This situation indicates that the weakening of financial stability and the intensification of crisis risk are occurring simultaneously. Although the number of newly established entities was maintained in 2025, the flow of liquidated businesses was not offset by newly created enterprises [9].

Table 2.

**Indicators Reflecting the Relationship Between Financial Stability and Crisis Risk, 2019–2025**

Year	Coverage Ratio, %	Inactivity Share, %	Liquidation Pressure, %	Renewal Ratio	Interpretation of the Relationship
2019	95.2	4.8	6.0	5.94	High stability, low risk
2020	94.6	5.4	3.0	9.42	Strong stability
2021	94.1	5.9	11.4	2.10	Stability maintained, exit pressure increased
2022	94.7	5.3	5.0	3.91	Relatively stable
2023	94.2	5.8	5.8	2.85	Relatively stable, risk signals increasing
2024	67.8	32.2	8.7	2.11	Stability weakened, risk increased
2025	54.9	45.1	38.9	0.59	Weak stability, risk

					approaching critical level
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The calculations show that during 2019–2023, the coverage ratio remained above 94%. During this period, the share of inactive entities stayed below 6%, while the renewal ratio remained above 2.0. In 2024–2025, however, the relationship became sharply pronounced: as the coverage ratio declined, both the inactivity share and liquidation pressure increased. In 2025, the renewal ratio fell to 0.59, indicating that the inflow of newly established entities was no longer sufficient to offset the outflow of liquidated businesses [10].

This demonstrates the existence of an inverse relationship between declining financial stability and increasing crisis risk: the narrower the active business layer becomes, the stronger the pressure from inactivity and market exits.

At the third stage, the relationship was assessed across sectors. The purpose was to identify in which sectors the inverse relationship between financial stability and crisis risk is stronger and more evident. For this purpose, the sectors of agriculture, forestry and fisheries, mining and quarrying, and manufacturing industry were selected. These sectors were chosen because complete data series are available for registered, operating, non-operating, newly established, and liquidated entities. As a result, the relationship between financial stability and crisis risk became much clearer in sectoral terms [11].

The analysis in the third stage thus made it possible to distinguish the sectors where the weakening of financial stability most clearly corresponds with the intensification of crisis risk.

**Table 3.**

**The Relationship Between Financial Stability and Crisis Risk in Selected Sectors in 2025**

Sector	Registered	Operating	Non-operating	Newly Established	Liquidated	Coverage Ratio, %	Inactivity Share, %	Liquidation Pressure, %	Renewal Ratio
Agriculture, Forestry and Fisheries	65,191	30,369	34,822	9,924	18,094	46.6	53.4	59.6	0.55
Mining and Quarrying	3,501	2,069	1,432	433	558	59.1	40.9	27.0	0.78
Manufacturing Industry	106,637	51,319	55,318	9,508	26,679	48.1	51.9	52.0	0.36

The table shows that crisis risk is more highly concentrated in sectors where financial stability is weak. In agriculture, forestry, and fisheries, the coverage ratio fell to 46.6%, the share of inactive entities reached 53.4%, and liquidation pressure amounted to 59.6% relative to active entities. This

indicates that in this sector, the inactive layer has expanded beyond the active business layer.

In mining and quarrying, the coverage ratio is relatively higher at 59.1%, the inactivity share is 40.9%, and liquidation pressure is 27.0%. Although pressure exists in this sector, it appears relatively milder compared to manufacturing and agriculture [12].

In the manufacturing industry, the coverage ratio stands at 48.1%, the inactivity share at 51.9%, and liquidation pressure at 52.0%, demonstrating a very sharp inverse relationship between weakening financial stability and increasing crisis risk. In particular, the decline of the renewal ratio to 0.36 indicates that the inflow of new entities is insufficient to compensate for the outflow of liquidated businesses.

The following scientific conclusion can be drawn from these observations: in small business entities, the relationship between financial stability and crisis risk is inverse in nature. In other words, as the coverage ratio and renewal ratio decline, the share of inactive entities and liquidation pressure increase. This suggests that financial stability should be assessed not only through profit or loss indicators, but also through the degree to which entities remain active in the economic environment. In particular, in agriculture and manufacturing, weakening financial stability directly coincides with a rise in crisis risk [13].

The analytical indicators obtained show that the relationship between financial stability and crisis risk can be sufficiently interpreted through statistical proxy indicators. Previous academic studies emphasized the high cost of financing, the gradual intensification of risks, the limited availability of insurance protection instruments, and the role of regional factors. The calculations in this article complement these theoretical perspectives with official statistics: as the active layer contracts, inactivity and liquidation flows expand, while the inflow of newly established entities becomes insufficient to restore stability.

To determine the financial stability of small businesses, it is advisable to use the coverage ratio, inactivity share, liquidation pressure, and renewal ratio jointly. Each indicator provides a separate signal, but when interpreted as part of a unified system, the depth of financial weakening becomes much clearer. For example, a decline in the coverage ratio alone may reflect a temporary slowdown; however, if it coincides with an increase in inactivity share and liquidation pressure, it indicates a significant intensification of crisis risk within the segment [14, 15].

## **Conclusion**

Sectoral differences demonstrate that a uniform package of financial measures is not suitable for all sectors. In agriculture, seasonal liquidity is more influential; in manufacturing, working capital and inventory turnover play a greater role; while in mining and quarrying, capital intensity and project duration have a stronger effect on financial stability. Therefore, assessing the relationship between crisis risk and financial stability should rely simultaneously on both general and sector-adjusted indicator systems.

Based on these findings, the following recommendations are proposed: A permanent monitoring system based on the coverage ratio, inactivity share, liquidation pressure, and renewal ratio should be introduced to assess the financial stability of small businesses. Warning thresholds should be established for these indicators, and mechanisms should be defined to automatically activate financial recovery measures when such thresholds are breached. In agriculture and manufacturing, supporting working capital, restructuring debt burdens, and strengthening operational liquidity should be treated as priority areas. For small business entities, insurance protection, short-term liquidity instruments, and internal financial control mechanisms should be considered as an integrated package.

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