

THE FINANCIAL RESILIENCE OF SMALL BUSINESS: NAVIGATING RISKS AND REWARDS

Juraboev Haliljon Xamidjon ugli

Management Development Institute of Singapore in Tashkent lecturer,

Namangan State Technical University researcher

ORCID: 0009-0003-5316-7955

e-mail: juraboevhaliljon@gmail.com

phone: +998-93-596-05-94

***Abstract:** This article explores the economic resilience of small businesses, shedding light on the common hurdles they face and proposing actionable pathways toward greater stability. Drawing on existing research, data, and international examples, we examine why small businesses are crucial, what threatens their sustainability, and how support systems can be strengthened. The discussion concludes with practical recommendations for fostering a more robust small business sector.*

***Keywords:** small business, economic sustainability, business problems, financial risk, government programs, foreign experience.*

Introduction. Small businesses are the cornerstones of thriving economies. They drive job creation, fuel innovation, support local communities, and contribute significantly to national tax bases. Yet, despite their importance, these enterprises frequently grapple with formidable challenges—from financial pressures and managerial gaps to intense competition and regulatory complexity. These issues directly undermine their economic resilience and longevity.

In our current era, marked by global uncertainty, health crises, and geopolitical shifts, the pressures on small businesses have only intensified. This reality demands thoughtful, evidence-based strategies to secure their sustainable growth and continuity.

The Importance of Small Businesses. Typically characterized by limited staff size and capital, small businesses are agile entities capable of adapting quickly to market changes. Their health is a direct barometer of the broader economy's health. In the United States, for instance, small businesses contribute about 44% to GDP and are responsible for generating 60-80% of new employment opportunities (U.S. Small Business Administration, 2023).

In Uzbekistan, the significance of this sector is also on the rise. Guided by presidential resolutions and the National Plan for the Development of Small Business and Individual Entrepreneurship, the aim is for small businesses to account for 35% of the nation's GDP (Entrepreneurship Development Agency under the Prime Minister, 2023).

Understanding Economic Sustainability. Economic sustainability refers to a company's capacity to weather external shocks, maintain consistent revenue streams, and shield itself from severe financial risks. Simply put, a sustainable business can turn a steady profit and adapt to evolving market conditions over the long term (Sharpe, 2021).

For a small business, this resilience starts with financial health—the ability to manage debt, sustain sales, and attract necessary investment.

Key Challenges

1. **Limited Access to Capital.** The most pervasive issue is a shortage of funding. Traditional bank loans are often out of reach due to stringent collateral requirements and burdensome, time-consuming application processes (Tadjibaev & Khudaiberdiev, 2022).
2. **Gaps in Financial Management.** Many entrepreneurs struggle with essential financial practices like accurate bookkeeping, budgeting, and cash flow management. This knowledge gap can lead to costly mistakes that jeopardize stability (Karimov, 2021).
3. **Weak Competitive Edge.** While competing directly with larger firms, small businesses often lack the resources and expertise for effective marketing, advertising, and brand building, leaving them at a market disadvantage (Ahmedov, 2020).
4. **An Unpredictable Regulatory Landscape.** Frequent changes in tax laws, complex compliance procedures, and the burden of regulatory inspections create a climate of uncertainty that can stifle operations and growth (Khojiyev, 2021).
5. **Ineffective Government Support.** Even when support programs exist, they are often hampered by bureaucracy, making grants or subsidies difficult to access and failing to deliver meaningful, on-the-ground results (Bukhoro Usmonova, 2022).

Pathways to Solutions

1. **Broadening Financial Avenues.** We must cultivate alternative and accessible funding sources. This includes strengthening microfinance institutions,

designing dedicated small business loan products with realistic terms, and piloting unsecured lending models. The success of systems like South Korea's "Small and Medium Business Administration" offers a valuable blueprint (OECD, 2022).

2. **Building Financial Literacy.** Implementing practical training programs in financial management, accounting, and planning is essential. Partnerships between local governments, universities, and business associations to create community-focused entrepreneurship workshops can make this knowledge widely available.
3. **Empowering Marketing Capabilities.** Small businesses need support in developing modern marketing strategies, including digital branding, social media engagement, and e-commerce. Promoting local products and heritage brands can also help them carve out a unique market position.
4. **Streamlining the Legal Framework.** Sustainability requires a stable and simple operating environment. This can be achieved by rationalizing tax codes, simplifying business registration, coordinating inspections, and fully leveraging digital government services.
5. **Reforming State Support Programs.** Government aid must be transparent, accessible, and results-oriented. Efficiently delivered grants, targeted subsidies, and thoughtful tax incentives can provide the necessary breathing room for businesses to stabilize and grow.

Conclusion. In summary, the economic resilience of small businesses is fundamental to national economic security. These enterprises face a multifaceted set of challenges, from funding crunches and stiff competition to regulatory hurdles and skill shortages. The solutions, however, are within reach. By improving access to finance, boosting entrepreneurial skills, enhancing market competitiveness, simplifying regulations, and refining support mechanisms, we can build a far more resilient small business sector.

Achieving this goal depends on committed collaboration between entrepreneurs, government bodies, and international partners. Ultimately, investing in the sustainability of small businesses is an investment in the foundation of a durable and prosperous economy for all.

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