



**FACTORS AFFECTING THE SMALL BUSINESS AND PRIVATE  
ENTREPRENEURSHIP ENVIRONMENT**

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**Abstract:** This article provides ideas and feedback on the Small Business and Entrepreneurial Environment and the Factors Affecting It.

**Keywords:** small business, entrepreneurship, risk, capital, economic well-being

Any business is carried out in a specific region: country, province, city or village. In order to run a business effectively, there must be a certain working environment.

Such an environment is concentrated in some regions and includes the implementation of business functions. In general, the business environment is mainly the result of the interdependence of the following four factors: legal, political, social and economic factors. They can also take the form of positives or incentives. In this case, the existing conditions in the country or region are suitable for doing business. This is because such an environment gives the entrepreneur ample opportunity to anticipate the results of their work. The entrepreneur's ability to anticipate the results of his work is expressed inversely to the concept of risk. If an entrepreneur operates in a certain environment on a risk basis, then it is characterized by variability, instability, risk. Such an environment does not correspond to the positive environment mentioned above. In practice, in many cases, it cannot be said that a certain factor of the business environment has a major impact on the entrepreneur's performance. This is because the entrepreneur is more interested in the interdependence of the factors that determine the business environment.

Of the factors mentioned above, the legal factor is the main factor, as it reflects the rule of the game that can be played in a business environment to conduct business activities. The concept of the rule of the game includes the work (actions) that are allowed and performed. The rules of the game in relation to fixed work (action) are manifested in different ways. The rules of the game can be developed based on the principle of what can be done — what cannot be done. These rules must clearly state all the boundaries or restrictions on doing business. In general, the legal factor is a set of all laws (tax, land, labor relations) and guidelines for doing business, which regulates entrepreneurial activity and integrates the relationship of the entrepreneur with other actors in the economic process.

Incomplete or incomplete implementation of the legal framework can have a significant negative impact on the level of entrepreneurial activity. At present, the Republic of Uzbekistan has a single legal framework that forms the basis of economic reforms in practice.

The definition of the legal factor also includes the concept of "legal culture". Underlying this is the nation's full observance of the law, that is, the notion in the minds of the people that the requirements of the law must be obeyed. If all the necessary laws are passed, but they do not



work or are not implemented in practice, such a society cannot be considered subject to the law, and this must be taken into account by the entrepreneur in his activities.

The political factor determines the attitude of the state to all events in the business process and the influence of the state on them. The extent to which the state should influence or interfere in entrepreneurial activity is also included in the concept of the political factor. Such interference may be undefined or pre-determined. In general, the state's attitude to the level of entrepreneurial activity is manifested in the form of incentives or non-participation.

The stability of the political system in any country has a great impact on the development of entrepreneurship. If the political system is not stable, entrepreneurs will try to carry out a variety of short-term operations in order to obtain high returns without attracting large investments. The stability of the political situation allows the entrepreneur to strategically design his activities, that is, to carry out long-term work.

The social factor is more complex than others in terms of its composition. That is why its composition consists of many elements. If an entrepreneur ignores them, it can lead to negative consequences in the future. The following are the key elements of this factor:

- the state of ideology in society;
- national traditions;
- cultural and everyday customs of the nation;
- Attitudes of people around to entrepreneurship and entrepreneurial activity;
- The attitude of the state to entrepreneurship and entrepreneurial activity.

The economic factor reflects the competition in the market and the price situation. The pricing system, in turn, includes the price level, the factors of production involved in the production process by the entrepreneur, labor, the amount of the loan rate, as well as taxes and mandatory payments. At the same time, the competitive conditions in the market are analyzed qualitatively and quantitatively.

Entrepreneurship is possible only under certain conditions created by the state. Its composition depends primarily on the emergence of a certain situation in society, in which the political and economic situation is focused on the structure of entrepreneurial activity. Therefore, in order to support small business and private entrepreneurship in the Republic of Uzbekistan, President I.A. At the initiative of Karimov, the necessary laws, decisions, decrees and similar legal acts have been adopted and are being implemented. At the same time, in order to stimulate entrepreneurship, two funds have been established: entrepreneurship development funds and small business development assistance funds.

The future of entrepreneurial activity is determined by the business environment, which reflects the socio-economic situation in society. The socio-economic situation includes

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economic independence, the class of entrepreneurs, the dominance of the market in economic relations, the availability of conditions for the accumulation of entrepreneurial capital and the use of the necessary resources.

The level of social independence of entrepreneurship is characterized by the number of independent enterprises and organizations emerging in the market.

Creating a business environment is a manageable process. However, management methods cannot be administrative or directive. Their main business activity should not be measures that affect the subjects, but the creation of favorable conditions for the formation of such entities.

Creating a business environment is a multifaceted process that includes the following components:

- changes in social, economic and socio-economic philosophy and the psychology of members of society associated with them;
- Adoption of a national program to stimulate entrepreneurship.

The main goal of entrepreneurship development is to play a major role in overcoming social problems as an additional source of economic growth of the country, solving employment problems, increasing national wealth and serving the well-being of the nation. (Fig. 1.3.1)

In the current situation, the formation of the business environment is not only a national but also an international problem. Existing international groups, such as the European Union, are creating a single business environment. This means that doing business is becoming more and more similar in all countries of the European community.

The more productive the economic processes, the higher the material and spiritual level of society. The effectiveness of economic processes is determined by the number and quality of entrepreneurs actually operating and the number of people willing to engage in this activity. This, in turn, depends on the level of involvement of new entrepreneurs in business, liberalization of the economy and the business environment. The latter depends on the level of government intervention in business. The state must create conditions in which the interests, desires and aspirations of entrepreneurs and those who want to become entrepreneurs are reflected to the maximum. World experience also shows that in economically developed countries, all the conditions for entrepreneurship are created.

Doing business effectively does not like him to be interfered with from the outside environment. The slightest external interference in the conduct of business, even if it does not lead to its collapse, has a negative impact on the functioning of business structures. That is why the state should create all the necessary conditions for the economy and give more freedom to entrepreneurs. Working on this basis, Uzbekistan is finding its rightful place in the world economy.



With this in mind, the President of the Republic of Uzbekistan IA Karimov states: “It is necessary to create economic and legal conditions for free enterprise. All avenues need to be paved for the broad development of small business and private entrepreneurship. It is necessary to open the way for them to use raw materials, to establish a system that guarantees a market in which their products are sold both at home and abroad.

Taking into account the above, the factors related to the creation of the business environment are divided into groups, and on this basis, the organizational and economic model of the mechanism of its formation and development is created.

Factors affecting the business environment can be divided into the following groups:

- the ability of consumers to pay for a particular product. In this case, the expected demand differs from the current real demand in the market.

If a product (brand) differs from its predecessors by its features, the demand for it is determined by marketing methods:

- Entrepreneurs who are able to take risks and market risks and operate on the basis of property liability. They must be highly skilled and able to adapt to certain market conditions so that they can use their property, knowledge and capital effectively;

- Investors with capital. This includes individuals or enterprises, organizations and entrepreneurs with free capital. They fall into several categories: banks, funds, insurance companies, government agencies, foreign investors, etc .;

- Infrastructure that allows to conduct business in a balanced way. These include organizations providing financial and credit, audit, marketing, consulting, information, insurance and similar services;

- decision-making system. This system includes, first of all, a set of criteria, methods that allow you to assess the reliability and efficiency of the business. An entrepreneur should be able to check the results of his work through this system.

The laws of systemic and interaction of these factors activate entrepreneurship and it is carried out through the economic mechanism. As a result, new enterprises, production, service and other business facilities will be created in some regions and industries. Such activities become more active and adapt to the market due to the knowledge of the entrepreneur, investments, market demand, mutually beneficial actions of the state and other organizations.

In the process of analyzing the business environment, it is advisable for the entrepreneur to take into account the traditions, customs of each nation, what foods they eat and what they wear. It is also important to know the ability of the people to pay. This factor plays a major role in the organization of production of consumer goods. In a comprehensive analysis of this factor, the entrepreneur should consider the



market situation in his country, as well as the markets of neighboring countries, where this product can be exported in the future.

Every entrepreneur needs to start with his or her analysis in order to integrate into the environment around him or her. In the analysis of the business environment, the entrepreneur must determine what economic benefits he can pursue in order to operate professionally within certain limits. The realization of economic benefits depends primarily on the degree to which the entrepreneur has organized his business. The organization of one's own business is determined by the entrepreneur's independent access to a particular business environment.

When an entrepreneur enters a particular business environment, he or she should focus not only on implementing his or her ideas, but also on how to attract investors' funds to the business.

The main task of an entrepreneur in organizing his business is, first of all, to build the initial capital needed to apply his ideas to a particular environment.

The existence of a production process is required to implement an entrepreneurial idea.

The entrepreneur forms a new production structure based on the amount of capital involved and corresponding to the business ideas and goals. If an entrepreneur participates as an initiator and investor of his idea, he must determine in advance the organizational and legal form of his activity, his contribution to the enterprise. Thus, the principle of the entrepreneur to organize his business is to form a new production structure for society and determine the extent to which he participates in it.

Proper organization of their work is one of the main factors of entrepreneurship. Therefore, the entrepreneur must take into account all the components that make up this phenomenon. In studying these aspects of the entrepreneur's activity, it is especially important to observe the sequence of his activities. In this case, the sequence of the main actions of the entrepreneur can be as follows:

- First, the development of a business idea;
- second, in-depth study of the business environment;
- Third, the compatibility of the business idea with the economic interests of the entrepreneur, the compatibility of the business idea with the business environment;
- Fourth, to determine the amount of capital needed to implement the idea;
- Fifth, to create the necessary enterprise or organization to implement the business idea.

The basis of every entrepreneurial activity is a certain idea. These ideas are characterized by simplicity: someone gives the idea of a new packaging of the product, introduces innovations to the existing product in the market, and on this basis tries to increase the level of demand for it, and so on.

The idea of entrepreneurship often arises in people who are eager to achieve independence in their professional activities and get an extra background. To do this, one must conduct a comprehensive analysis of economic processes, identify existing shortcomings in it and direct its activities to it.

If an entrepreneur has any idea about how to organize his business, then he should analyze the level of compatibility of the business environment with his idea and economic interests.

First of all, the entrepreneur must determine the form of implementation of a specific idea in a particular environment. The type of such forms is very diverse. Entrepreneurial tasks can be performed individually or in groups. What forms to choose depends on the idea as well as the business environment.

A comprehensive analysis of the business environment and idea will help determine the amount of capital needed to implement that idea. In this case, the entrepreneur has to develop a business plan or feasibility study (TIA) to obtain a loan from a bank or business fund.

The business plan reflects the value of all the costs of implementing the conditions necessary for the production of goods or services, based on the entrepreneurial idea of the entrepreneur. In this case, it is a matter of determining the amount of primary capital needed to determine the financial resources that must be attracted to implement the business idea.

Once it is determined that the idea of entrepreneurship can be realized in a certain environment, and the source of funding for the organization of work is selected, the entrepreneur should focus on three areas of activity..

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