

THE ESSENCE OF BUSINESS ACTIVITY AND IT IS ROLE IN MARKET ECONOMY

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Annotation: *This article examines the essence of business activity and its role in a market economy. It explains the concept of business, its main characteristics, and its importance in economic development. The article also highlights the role of business in creating competition, employment opportunities, and improving living standards. In addition, the advantages and challenges of business activity are briefly discussed. The study emphasizes that the development of business activity is essential for sustainable economic growth in a market economy.*

Keywords: *business activity, market economy, entrepreneurship, competition, economic development, employment*

INTRODUCTION

Business activity is one of the most important elements of a modern market economy. It includes the production, distribution, and sale of goods and services aimed at satisfying the needs of society while generating profit for entrepreneurs. Business is not only a source of income for individuals but also a driving force for economic development, innovation, and social stability.

In a market economy, businesses play a key role in creating jobs and reducing unemployment. They contribute to improving living standards by providing goods and services that meet consumer demands. The success of business activity depends on factors such as competition, effective management, market demand, and the ability to adapt to changing economic conditions.

Moreover, business encourages entrepreneurship, stimulates investment, and promotes technological progress. Small and private businesses, in particular, are essential for the economic growth of developing countries, as they create new opportunities, diversify the economy, and increase efficiency.

Understanding the essence of business and its role in a market economy helps to explain how countries develop, how resources are used effectively, and why entrepreneurship and private initiative are crucial for sustainable economic growth.

Main Part: Business activity is an important part of a market economy. It includes producing goods, providing services, and selling products to meet the needs of people while earning profit. Entrepreneurs organize resources, take risks, and make decisions independently.

Business is not only a way to earn money but also a key factor for economic growth, innovation, and social stability.

There are different types of business. Production business focuses on making goods such as food, clothing, furniture, or machines. Trade business involves buying and selling products to satisfy consumer demand.

Service business provides services such as restaurants, hotels, hairdressing, repair work, and transportation. Agricultural business includes farming, gardening, animal husbandry, and beekeeping.

Digital or online business is becoming more popular and includes online shops, freelancing, digital marketing, and online services. Each type of business plays an important role in the economy and society.

Business activity is very important for a market economy. It creates competition, which improves the quality of goods and services and lowers prices. Competition encourages businesses to work efficiently, introduce new technologies, and respond to consumer needs.

Businesses also create jobs, reduce unemployment, and contribute to government revenue through taxes. Small and private businesses are especially important in developing countries. They provide employment, encourage entrepreneurship, diversify the economy, and increase efficiency.

Business activity has many advantages. It allows flexibility, innovation, and quick response to market changes. Businesses can create new products, improve services, and adopt modern technologies. However, there are also challenges, such as financial risks, strong competition, changing consumer preferences, and economic instability. Successful businesses overcome these problems through careful planning, effective management, and adapting to market conditions.

Private and small businesses are particularly valuable. They provide jobs, support local communities, and help develop the economy. Governments often support them with training programs, financial assistance, and favorable policies. Developing private and small business is essential for sustainable economic growth and a strong market economy.

Business activity plays a crucial role in the socio-economic development of countries. It not only generates profit for entrepreneurs, but also directly affects employment and economic growth. In many countries, small and private businesses are important in creating jobs and supporting economic stability.

In fact, up to 90% of newly created jobs come from the private sector, showing how significant business activity is for employment and social life.

Small businesses often adapt quickly to changing market conditions and consumer needs. They provide a wide range of goods and services that help satisfy local demand, and they encourage competition within markets. Competition, in turn, improves product quality, lowers prices, and increases efficiency in the economy.

In developing countries, including Uzbekistan, the government pays special attention to supporting private and small businesses. For example, legal and financial

support, tax benefits, and simplified licensing are provided to help entrepreneurs grow their businesses and contribute to the national economy. This support helps to reduce unemployment, improve living standards, and stimulate investment in local communities.

Another important aspect of business activity is innovation. When businesses compete, they are motivated to introduce new technologies, create better products, and offer improved services. This not only benefits consumers but also strengthens the country's economic position in the global market.

Effective business activity also requires proper planning and management. A business plan helps entrepreneurs define goals, estimate financial needs, and identify strategies for growth and success. With a strong business plan, entrepreneurs can reduce financial risks, manage resources wisely, and adapt to economic challenges.

Business activity is not just about earning profit — it is an essential component of a dynamic and competitive market economy. It supports economic development, encourages innovation, and plays an important role in meeting the needs of society.

Global Statistical Facts about Business Activity:

Small and medium-sized enterprises (SMEs) play a central role in the world economy. According to global data, SMEs make up about 90 % of all businesses worldwide. This shows that most companies around the world are small or medium in size, and they are vital for economic activity.

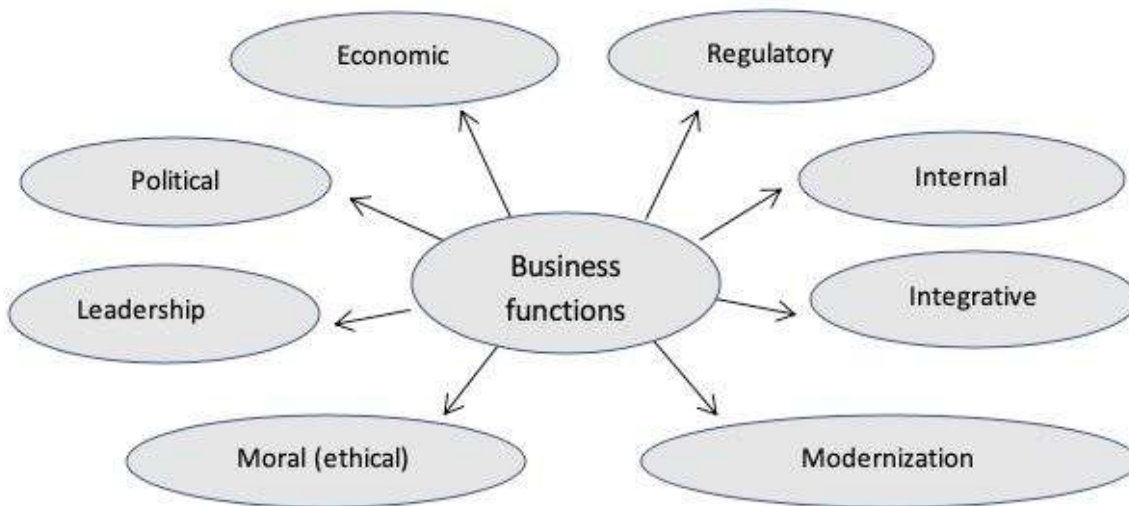
In terms of employment, SMEs are also extremely important. They are responsible for creating around 60 % to 70 % of jobs in many countries, especially in developed economies. This means that most people who work in the private sector are employed by small and medium enterprises.

Moreover, SMEs contribute significantly to the economy by producing goods and services. In many countries, SMEs generate more than 50 % of the total Gross Domestic Product (GDP). This indicates that these businesses are not only important for jobs but also for overall economic production and growth.

The World Trade Organization also highlights that SMEs represent roughly 90 % of all enterprises globally and contribute more than 50 % to employment, particularly in developing economies. ¹

Because of their large numbers and role in employment and production, SMEs are often referred to as the backbone of the global economy. They support innovation, meet local and international demand, and help societies recover from economic challenges.

¹ Global SME Fair. (2023). SME market overview. Retrieved from <https://globalsmefair.com/sme-market-overview>



Role and Importance of Business in Uzbekistan’s Market Economy:

In Uzbekistan, business activity is also a vital part of the country’s economic development. Small and medium-sized enterprises (SMEs) form a large part of the national business landscape, making up more than 84 % of all registered companies in the country. This shows that private enterprise is a major contributor to Uzbekistan’s market economy.

Recent statistics show that as of October 2025, there were about 1.21 million active small business entities operating in Uzbekistan, including individual entrepreneurs, small enterprises, microfirms, and agricultural producers. SMEs not only operate in trade and services but also in industry and agriculture, helping to meet a wide range of consumer and economic needs.

Small businesses in Uzbekistan contribute significantly to the country’s economic output. In the first nine months of 2025, small business activity accounted for around 51.5 % of Uzbekistan’s Gross Domestic Product (GDP), which highlights the major role of SMEs in national production and economic growth.

In addition, small business firms are important for job creation and employment. According to recent research, SMEs have provided up to 70 % of total employment in the country, which is a key factor in reducing poverty and improving living standards for many citizens. ²

The government of Uzbekistan continues to support business development through economic reforms that simplify business registration, improve access to finance, and encourage innovation and entrepreneurship. Recent policy efforts include tax incentives, loan programs, and initiatives to help businesses expand domestically and internationally. These reforms aim to further strengthen the private sector and increase the contribution of SMEs to the national economy.

The development of business activity in Uzbekistan is a major driver of economic modernization. Private and small businesses are crucial for improving competitiveness, creating new jobs, generating economic output, and supporting sustainable long-term growth in the market economy.

Business Activity and Its Role in the Market Economy: Examples from Uzbekistan

Business activity plays a central role in the development of both global and national economies. In Uzbekistan, small and medium-sized enterprises (SMEs) form the backbone of the private sector. According to recent data, SMEs account for more than 84 % of all registered companies in the country, and there are about 1.21 million active small business entities operating as of 2025. These include individual entrepreneurs, small and micro enterprises, as well as agricultural producers. Such a large number of business entities highlights the importance of private entrepreneurship in supporting economic growth and stability.

Small and medium-sized businesses contribute significantly to Uzbekistan's GDP. In the first nine months of 2025, SMEs accounted for approximately 51.5 % of the country's GDP, showing that they are not only important for employment but also for overall economic output. By producing goods and services across trade, manufacturing, services, and agriculture, these enterprises help satisfy consumer demand and support the functioning of the market economy.

Employment creation is another critical aspect of business activity. SMEs are responsible for providing up to 70 % of total employment in Uzbekistan. This contribution is essential for reducing unemployment, improving living standards, and supporting social stability. Many citizens rely on jobs created by SMEs, which demonstrates the social as well as economic significance of these businesses.

Innovation and competitiveness are key benefits of business activity. By competing in the market, enterprises are encouraged to introduce new technologies, improve the quality of goods and services, and respond effectively to consumer needs. This, in turn, strengthens the economy, increases productivity, and makes the market more dynamic. Private and small businesses also promote entrepreneurship by providing

² UzDaily.com (Uzbekistan Business Statistics) – Small Business in Uzbekistan Accounts for Over Half of GDP in 2025 — Rasmiy statistika asosida O'zbekiston kichik biznesining iqtisodiyotdagi ulushi va faoliyati haqida maqola.

opportunities for individuals to start their own ventures, take risks, and develop new ideas.

The government of Uzbekistan actively supports business development through various measures. These include tax incentives, simplified business registration, access to finance and credit programs, and training programs for entrepreneurs. Such policies help businesses overcome barriers, expand their operations, and contribute more effectively to economic development. For example, microfinance programs allow small entrepreneurs to start or grow their businesses even with limited initial capital.

Examples of Businesses in Uzbekistan:

➤ Trade Business

Example: Artel Electronics — a major company producing and selling electronics and household appliances. It illustrates how trade and manufacturing combine to create jobs and contribute to exports.

➤ Agricultural Business

Example: Shahrizabz fruit and vegetable producers — agricultural enterprises play a key role in meeting domestic food needs and exporting products, contributing to both employment and economic growth.

➤ Service Business

Examples: Lotte City Hotel Tashkent Palace and Afsona restaurant chain — these businesses improve tourism, provide jobs, and enhance the quality of services for consumers.

➤ IT and Digital Business

Example: Click.uz — a digital payment and e-commerce platform that demonstrates innovation, rapid growth, and opportunities for young entrepreneurs.

➤ Small Business and Startups

Examples: MyTaxi Uzbekistan and other small startups — these illustrate the role of small businesses in economic diversification, innovation, and employment creation.³

Measures Taken to Develop Business in Uzbekistan

The government of Uzbekistan has implemented various measures to support and develop business activities, especially small and medium-sized enterprises (SMEs). These efforts aim to create a favorable environment for entrepreneurship, increase employment, and strengthen the market economy.

- The process of registering a business has been significantly simplified to encourage more people to start their own companies. Entrepreneurs can now register online, reducing bureaucracy and administrative costs.

- Tax exemptions and reduced tax rates are provided for small and medium-sized businesses, especially in priority sectors such as manufacturing, agriculture, IT, and tourism. This encourages investment and growth.

³ Stat.uz (National Statistics Committee of Uzbekistan) – Main indicators of small business entities (2025) — Milliy Statistika

- Microfinance programs and government-backed credit facilities allow small businesses to obtain loans with low interest rates. This helps entrepreneurs expand their operations even with limited initial capital.
- Business training programs, workshops, and seminars are organized for entrepreneurs to develop management, financial, and marketing skills. Special programs are also available for young entrepreneurs and startups.
- The government encourages digitalization and the adoption of modern technologies in business. Special grants and incentives are provided for startups and IT-based projects.
- Programs have been developed to help businesses enter foreign markets, including export promotion, trade fairs, and international cooperation projects. This allows Uzbek businesses to compete globally.
- Recent legal reforms aim to reduce unnecessary regulations and improve the business climate, making Uzbekistan more attractive for both domestic and foreign investors.

Conclusion: The development of business in Uzbekistan has become a driving force for economic transformation and societal progress. Private enterprises and SMEs significantly enhance market activity by fostering competition, improving efficiency, and introducing modern technologies. They create diverse job opportunities across multiple sectors, including retail, agriculture, hospitality, and IT, which strengthens the labor market and helps improve household incomes.

Government initiatives play a key role in supporting business growth. Programs that facilitate easier access to funding, provide professional training, and promote innovative solutions enable entrepreneurs to expand their operations and adopt modern business practices. These efforts not only support existing enterprises but also encourage new ventures, helping to diversify the economy and integrate it into international markets.

By continuously investing in the private sector, Uzbekistan ensures that businesses remain adaptive, resilient, and capable of contributing to long-term economic stability. The growth of entrepreneurship promotes social mobility, stimulates technological advancement, and reinforces the overall competitiveness of the national economy. In essence, business activity has become a central mechanism for achieving sustainable development, increasing productivity, and creating opportunities for citizens throughout the country.

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