

## FACTORS AFFECTING THE EFFICIENCY AND SUSTAINABILITY OF SMALL INDUSTRIAL ENTERPRISES

Amirov Zubaydulla Toir o'g'li

Independent Researcher, Tashkent Institute of Architecture and Construction

E-mail: zubaydullaa@gmail.com

Tel: +99897 751 56 66

### Abstract

The article highlights the issues of enhancing the competitiveness of small business entities under market economy conditions, efficient use of resources, implementation of innovative technologies, and improvement of labor productivity. It also examines external and internal factors determining production efficiency, government support policies, and the social conditions of enterprise employees.

**Keywords:** Small business, industrial enterprises, production efficiency, economic factors, social factors, innovative technologies.

### INTRODUCTION

In the context of a market economy, small business industrial enterprises are considered one of the key pillars of a country's economic development. They contribute to increasing production volumes, creating new jobs, improving the standard of living of the population, and ensuring the sustainable growth of the economy. Therefore, the efficient operation of small business entities and the enhancement of their production efficiency have gained particular importance today.

Production efficiency depends on numerous economic and social factors. In particular, the rational use of resources, the introduction of innovative technologies into production processes, the improvement of labor productivity, and the social security and motivation of employees play an important role. Moreover, the privileges and support mechanisms provided by the state also serve as decisive factors in increasing the competitiveness of small businesses.

From this perspective, conducting an in-depth study of the economic and social factors affecting the production efficiency of small business industrial enterprises, determining their practical significance, and developing effective management mechanisms are among the most urgent tasks of today. This research serves as an important theoretical and practical basis for further improving the activities of small businesses and ensuring the sustainable development of the economy.

### LITERATURE REVIEW

The issue of developing the production capacity of small business entities and industrial enterprises is regarded as one of the pressing directions in the process of structural modernization of Uzbekistan's economy. Therefore, many scientific studies in this field have been carried out by leading scholars and researchers in our country.

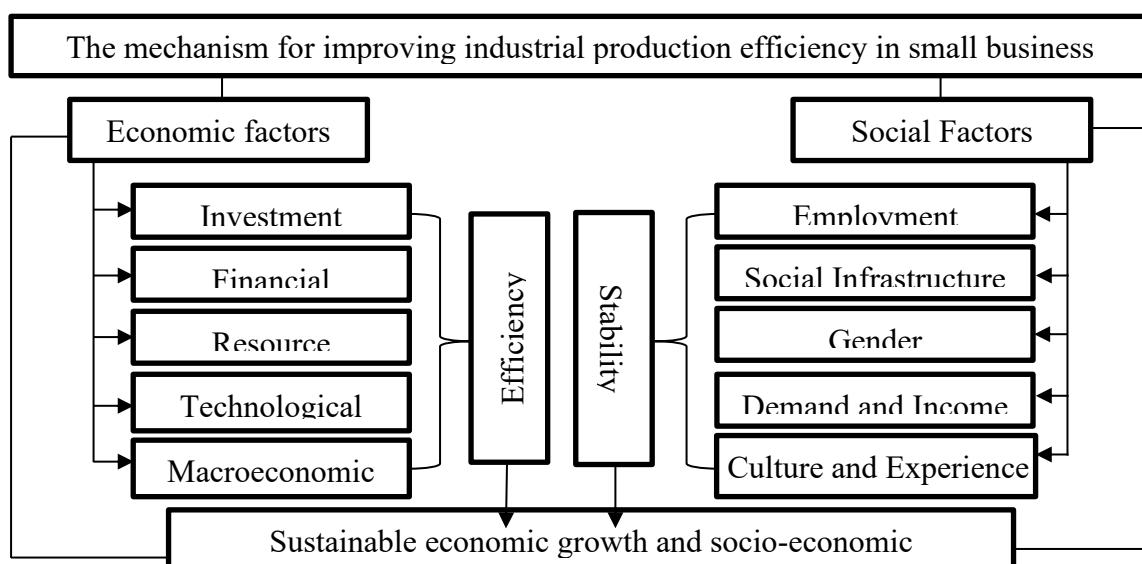
For instance, G'.Kh. Ermatov's dissertation on "The Development of Investment Activity in Textile Industry Enterprises" is aimed at ensuring production efficiency and competitiveness in Uzbekistan's textile industry by increasing investment activity. The relevance of this research is directly linked to the priority directions of the country's economic strategy.

Similarly, S.S. Ergashev's dissertation on "Improving the Organizational and Economic Mechanisms for Ensuring Resource Efficiency in Industrial Enterprises" focuses on the effective use of resources in industrial enterprises, improving their management mechanisms, and analyzing their role in production processes.

In addition, Timothy McLean's monograph provides an in-depth analysis of practical management in manufacturing enterprises and the optimal use of resources. Particular attention is given to issues of improving production efficiency through technical, material, and human resources.

## ANALYSIS AND RESULTS

The increase in industrial production efficiency with the participation of small business entities is shaped by the interaction of various economic and social factors. The following key aspects illustrate the mechanism of achieving socio-economic development through ensuring production efficiency and sustainability (Figure 1).



**Figure 1. Economic and Social Factors Affecting Sustainable Development in Small Business Industrial Entities**

The diagram systematizes the key economic and social factors that contribute to enhancing industrial production efficiency within small business entities. Among the economic factors, investment activity holds a priority position, as it underpins the renewal of production capacities, accelerates technological modernization, and enhances the competitiveness of production processes. Among social factors,

employment levels and social infrastructure play a crucial role. The synergy of these factors ensures efficiency and sustainability, resulting in the stable economic growth of small industrial enterprises and their socio-economic development. This, in turn, directly influences regional equality, economic diversification, and the well-being of the population.

The operation of small business entities in the industrial sector is recognized as an important driver for diversifying the economy, making efficient use of local resources, and ensuring regional stability. Their efficiency indicators are shaped by criteria different from those of large industrial enterprises and possess unique characteristics. These aspects have made small businesses a key driver of industrial development in the modern economy.

Firstly, small industrial enterprises possess a high degree of flexibility, enabling them to respond swiftly to market conditions, customer demands, and technological changes. Secondly, small business enterprises typically operate with limited resources, which compels them to adopt management approaches based on efficient and targeted resource utilization. Due to relatively low capital capacity, compact production facilities, and minimal bureaucratic procedures, productivity in small enterprises tends to be high.

Thirdly, small industrial entities are generally closely linked to the regional economy. By utilizing local raw materials, reducing transportation costs, and quickly adapting to domestic market needs, they achieve economic efficiency.

Fourthly, small industrial enterprises play a significant role in employment creation and fostering social stability. The jobs they provide create economic opportunities for socially vulnerable groups such as youth, women, people with disabilities, and low-income families. As a result, social efficiency indicators—such as employment levels, household income, and quality of life—are directly improved.

Fifthly, another critical factor affecting the efficiency of small industrial enterprises is their openness to innovation. Due to simplified organizational structures, short decision-making chains, and direct involvement of managers, these enterprises can adopt scientific and technological advancements more rapidly. This leads to improvements in product quality, modernization of production technology, and labor productivity.

Sixthly, although small industrial entities often produce goods with limited export potential, their cooperative relationships with larger enterprises provide opportunities to access external markets. This is particularly evident in cluster-based industrial sectors.

Seventhly, the activity of small business entities significantly contributes to reducing regional disparities. In regions with slower economic development, the growth of small industrial enterprises increases local economic activity and mitigates interregional economic differences.

The factors influencing the sustainable development of small industrial enterprises are systemic and complex, making their analysis based on economic and social criteria a

relevant scientific and practical issue. These factors serve as key indicators determining the efficiency of the entities. Particularly for small business entities operating within the industrial sector, the synergy of these factors becomes a crucial determinant of sustainability and competitiveness (Table 1).

**Table 1. Classification of Economic and Social Factors Affecting Sustainable Development in Small Industrial Enterprises**

Economic Factors	Social Factors
Costs / Investments	Job stability
Production volume	Workforce skills / qualification
Net profit	Social protection
Export potential	Employee motivation
Technological innovations	Status of local social infrastructure

The level of sustainable development of small industrial enterprises primarily depends on the economic and social conditions specific to their location, the availability of infrastructure, proximity to production resources, and the degree of connection with domestic and external markets. In other words, the efficiency of small industrial enterprises varies across different regions.

Regional analyses indicate that in some regions, small industrial enterprises outperform others in terms of export potential, technological innovation, and workforce employment, playing a leading role in ensuring economic and social stability. The following table shows the leading sectors of small industrial enterprises with high economic efficiency across the regions of the Republic of Uzbekistan (Table 2).

**Table 2. Leading Sectors of Small Industrial Enterprises with High Efficiency by Regions of the Republic of Uzbekistan**

Region	Leading Sectors of High-Efficiency Small Industrial Enterprises
Tashkent City	Technological production, pharmaceuticals, packaging
Andijan	Auto parts, textile industry
Fergana	Chemical, plastics, and textile industry
Namangan	Light industry, ready-made clothing, and export-oriented enterprises
Samarkand	Food industry, agro-processing
Bukhara	Construction materials, agro-industry

Economic and social factors play a decisive role in the sustainable development of industrial enterprises in the form of small business entities. These factors contribute not only to the growth of production capacity and labor productivity but also to sustainable economic growth and the integral support of regional socio-economic development. At the same time, various risks and uncertainties arising in the modern economic environment can lead to financial weakening of industrial enterprises, inefficient allocation of production resources, and even cases of bankruptcy. Therefore, identifying,

assessing, and preventing risks is a critical strategic task to ensure the competitiveness and continuous operation of small industrial enterprises.

By minimizing risks in the process of economic and social development, it is possible to achieve stable operation of industrial entities, enhance their investment attractiveness, and strengthen social stability. In this regard, the Uzbek scholar Sh.Z. Mukhiddinov conducted in-depth scientific research on "Improving Organizational and Economic Mechanisms for Risk Management in Manufacturing Enterprises (Based on the Example of Light Industry Enterprises in the Fergana Valley)." This research primarily focuses on risks directly affecting the production process, the application of effective management systems for risk prevention, and proposals for minimizing economic losses arising from uncertainties.

Small enterprises engaged in industrial production face resource scarcity, fluctuating market demand, financial instability, and strong external influences. On one hand, these factors reduce production efficiency; on the other hand, they limit the entrepreneur's ability to make strategic decisions. One of the inherent characteristics of small businesses is their limited capital and resource base, which makes them highly vulnerable to any negative shocks. A risk is defined as the uncertainty of expected outcomes, i.e., the possibility of incurring losses instead of profit from economic activity, which directly negatively impacts efficiency.

## Conclusion and Recommendations

Small business entities play a crucial role in enhancing efficiency and ensuring economic stability within the industrial sectors of our country. The interaction and harmonization of economic and social factors in their activities lead to increased production efficiency, regional stability, and social development.

### Research indicates that:

- Among economic factors, investment activity, production volume, technological modernization, and export potential are of primary importance.
- Among social factors, employment level, workforce skills, social protection, and infrastructure play a decisive role.
- Across regions, small industrial enterprises demonstrate varying levels of efficiency in different sectors, contributing to economic diversification and regional development.
- However, due to resource scarcity, financial instability, fluctuating demand, and external influences, small industrial enterprises face various risks. Implementing effective risk management mechanisms is essential for ensuring sustainable development.

Overall, small industrial enterprises should be regarded as a key factor in enhancing economic competitiveness, strengthening regional welfare, and contributing to the social stability of society.

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