



THE IMPACT OF SMALL BUSINESS AND ENTREPRENEURIAL ENTITIES ON THE COUNTRY'S EXPORT AND IMPORT

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ANNOTATSIYA / АННОТАЦИЯ / ANNOTATION

This article shows the impact of small and medium enterprises (SMEs) on national export and import activities, highlighting their role in export diversity, employment generation, and regional economic growth. SMEs contribute uniquely by adapting to niche market demands and integrating into global value chains, despite facing challenges such as financial constraints and regulatory barriers. Government support in financing, training, and infrastructure is essential to enhance SME trade participation. Findings suggest that empowering SMEs through strategic support can boost economic resilience and foster sustainable growth in emerging economies.

Introduction. Small and medium enterprises (SMEs) and entrepreneurial entities are increasingly recognized as critical components in driving economic growth, employment, and innovation worldwide. These businesses, often characterized by their adaptability and innovative spirit, play a central role in both developed and emerging economies. Their contributions are especially significant in the context of international trade, where they can serve as engines of export growth diversifying and strengthening national economies¹.

In many countries, the active participation of SMEs in export activities helps reduce trade deficits, improves domestic employment rates, and stimulates broader economic development. However, the path to international markets is fraught with unique challenges for these smaller enterprises, such as limited access to capital, logistical obstacles, and complex regulatory frameworks².

Research on SMEs and their role in export and import dynamics has expanded significantly over recent years, emphasizing the need to support these entities in an increasingly globalized market. Unlike large multinational corporations, SMEs can often react to market changes with greater agility, allowing them to tailor their products and services to fit foreign market demands swiftly. This flexibility, paired with innovative capacities, often makes SMEs well-suited for niche markets, particularly where products or services can be adapted to meet local consumer preferences. Despite these advantages, SMEs face substantial barriers in the global marketplace, including high initial costs for market entry, limited managerial experience in international trade, and challenges in meeting foreign regulations and standards.³ Government policies play a vital role in supporting SMEs by offering export incentives, reducing regulatory burdens, and providing funding for market research and technology upgrades to increase competitiveness abroad.

In recent years, digitalization has emerged as a transformative factor in the ability of SMEs to engage in international trade. The adoption of digital tools allows small businesses to overcome geographic limitations, streamline operations, and engage with customers in global markets. For instance, e-commerce platforms and digital marketing tools have enabled SMEs to connect directly with consumers and retailers abroad, often bypassing traditional intermediaries.⁴ This digital shift has reduced the costs associated with international trade, thereby encouraging more SMEs to pursue

export opportunities. Furthermore, digitalization has not only expanded the reach of SMEs but has also fostered innovation by allowing these businesses to gather data on consumer preferences, adapt their products accordingly, and provide personalized customer experiences on a global scale. Another important area of research concerns the role of innovation in driving SME export success. Studies indicate that SMEs with a strong innovation orientation are more likely to enter and succeed in foreign markets compared to those that rely on traditional business models. For example, SMEs involved in product and process innovations are better positioned to differentiate themselves in competitive international markets, contributing to increased exports and a favorable trade balance. Innovation not only helps SMEs establish a foothold in foreign markets but also enhances their resilience to market fluctuations, such as changes in consumer demand or shifts in trade policies. By investing in innovative practices, SMEs can create unique value propositions that appeal to international customers, giving them a competitive edge over other firms.

Government support is also crucial in fostering SME participation in exports. Policy interventions, including subsidies, tax relief, and export promotion programs, have been shown to mitigate some of the challenges faced by SMEs in international markets. In many emerging economies, governments have established specialized agencies to support SME internationalization, helping these businesses access new markets, navigate regulatory challenges, and secure financing. For instance, government-backed financial and training programs have facilitated SME growth in foreign trade, especially for businesses in sectors with high growth potential. Such policies not only help SMEs establish a presence in international markets but also contribute to overall economic stability by diversifying the export base. The integration of SMEs into global value chains is another critical aspect of their contribution to export and import activities. SMEs that become part of international supply chains benefit from access to resources, technology, and expertise that might otherwise be out of reach. This integration can be particularly beneficial for SMEs in sectors like manufacturing and technology, where collaboration with larger firms provides an opportunity for growth and

¹ Au-Yong-Oliveira, M., et al. (2023). SME Internationalization and Export Performance: A Systematic Review. *Sustainability*, 15(11), 8473.

² Kang, Y., & Lee, H. (2021). Government Support for SMEs in Export Markets. *Journal of International Business Policy*.

³ Lopez, F., & Alvarado, M. (2022). Digitalization and Trade Participation in SMEs. *Small Business Economics*.

⁴ Hossain, M., et al. (2021). Entrepreneurial Orientation and Export Growth in SMEs. *International Journal of Entrepreneurial Behavior & Research*.

innovation.⁵ Participation in global value chains allows SMEs to learn from international partners, improve their production processes, and adopt best practices in management and operations. In turn, this fosters the competitiveness of SMEs in global markets, thereby enhancing their ability to contribute to national exports.

Despite these benefits, challenges remain for SMEs looking to engage in international trade. Financial constraints are one of the most significant barriers, as many SMEs struggle to access the funding needed to enter and compete in foreign markets. The lack of affordable financing options often prevents SMEs from making necessary investments in technology, market research, and staff training that could facilitate international expansion. In response, some governments and financial institutions have introduced funding programs specifically designed for SMEs, including low-interest loans and grants for export-related activities. Such programs are essential for leveling the playing field, allowing smaller businesses to compete with larger, more established companies on the global stage. In addition to financial challenges, SMEs often lack the managerial experience required to navigate foreign markets effectively. Studies show that SMEs led by managers with international experience are more likely to succeed in exporting, as these leaders possess the knowledge and skills needed to address the complexities of global trade. Managerial experience can significantly impact a firm's ability to adapt to different cultural, regulatory, and economic environments, making it an important factor in export performance. To address this, some countries have introduced training programs aimed at enhancing the managerial capabilities of SME leaders, helping them develop the competencies needed to succeed in international markets.

Literature review.

A systematic review by Au-Yong-Oliveira et al. (2023) examines the factors driving international success for SMEs, emphasizing the role of entrepreneurial orientation, market knowledge, and adaptability in export performance.⁶ The study highlights how SMEs use innovative approaches to penetrate foreign markets, making them significant contributors to trade activities (Au-Yong-Oliveira et al., 2023)

Kang and Lee (2021) explore the impact of government policies, such as subsidies and tax incentives, on SME participation in exports. The research shows that state support can reduce trade barriers and boost SME contributions to national exports, especially in developing economies where businesses face resource constraints (Kang & Lee, 2021).

The role of digital technologies in enhancing trade capacity for SMEs is investigated by Lopez and Alvarado (2022). This study finds that digital tools allow SMEs to streamline operations and reach global customers, thus increasing their export activities. The findings indicate that digital transformation is crucial for SMEs to compete in international markets (Lopez & Alvarado, 2022).

A study by Hossain et al. (2021) investigates how entrepreneurial orientation affects SME export growth. The research highlights that risk-taking, innovation, and proactive market behavior are key determinants of successful international expansion for SMEs, especially in competitive industries (Hossain et al., 2021).

Analysis and results.

Code	Klassifikator_en	2019	2020	2021	2022	2023	2024-Q1	2024-Q2	2024-Q3
1700	Republic of Uzbekistan	27	20,5	20	29,6	29	24	28,9	31,5
1735	Republic of Karakalpakstan	20,5	21,6	20,3	16,4	27,6	31,5	27,4	28,1
1703	Andijan region	57,8	43,2	36,5	37,4	29,2	37	40,7	39,2
1706	Bukhara region	68,6	43,7	38,7	54,5	45,9	51	50,5	52,6
1708	Jizzakh region	67,1	61,6	46,3	49,3	43,5	53,5	50,2	55,5

In their study, Kumar and Singh (2022) identify the main obstacles that SMEs face in export markets, including financing constraints, regulatory hurdles, and limited market knowledge. The authors argue that addressing these issues could significantly enhance SME contributions to the export sector (Kumar & Singh, 2022).

Martine and Gomez (2021) focus on how innovation drives SMEs' success in international markets. Their findings suggest that innovative products and processes enable SMEs to differentiate themselves in foreign markets, contributing to higher export volumes and improved trade balance (Martine & Gomez, 2021)⁷.

A study by Lin and Chen (2020) examines how SMEs integrate into global value chains, enhancing their export potential. The authors suggest that participation in these chains provides SMEs with access to international markets and allows them to build competitive capabilities (Lin & Chen, 2020)⁸.

Bai et al. (2023) analyze the role of managerial experience in boosting SME export activities. The study concludes that managers with international experience are better equipped to navigate foreign markets, enhancing the SME's export success (Bai et al., 2023).

The impact of financial limitations on SME internationalization is explored by Thomas and Raj (2022). Their research indicates that lack of access to affordable financing remains a significant barrier for SMEs in export markets, limiting their ability to expand and sustain international operations (Thomas & Raj, 2022)⁹.

Aliyev and Mammadov (2021) analyze the export contributions of SMEs in emerging markets, with a focus on Central Asia. Their findings indicate that SMEs are essential for diversifying exports in these regions, but face challenges related to infrastructure and market access (Aliyev & Mammadov, 2021)¹⁰.

Methodology.

The research method was carried out to review the obtainable literature of this work. The study is exclusively based on secondary data. Secondary data has been collected from several sources including relevant books, journals and websites. Also, the analysis and evaluation were conducted based on official statistical data provided by the **State Committee of the Republic of Uzbekistan on Statistics** (Stat.uz). The annual and quarterly reports published by the Statistical Committee, as well as statistics related to the small business and entrepreneurship sector, the country's economic indicators, export-import volumes, and data by regions, were used as the primary sources for this study. The data was collected through **official annual reports, quarterly statistical data, and online statistical platforms** provided by the **State Committee of the Republic of Uzbekistan on Statistics**. Based on the **small business and entrepreneurship data**, the volumes and structure of exports, as well as the imported goods, were analyzed. Using data from **Stat.uz** on export and import activities, the contribution of small businesses to external trade over the past years was assessed. The **analysis results** helped evaluate the impact of small businesses on exports and assess the effectiveness of government policies aimed at reducing imports and boosting domestic production.

⁵ Martine, L., & Gomez, R. (2021). The Role of Innovation in SME Export Performance. *Journal of Innovation and Entrepreneurship*.

⁶ Hossain, M., et al. (2021). Entrepreneurial Orientation and Export Growth in SMEs. *International Journal of Entrepreneurial Behavior & Research*.

⁷ Bai, W., et al. (2023). Managerial Experience and Export Performance in SMEs. *International Business Review*.

⁸ Lin, J., & Chen, S. (2020). Global Value Chains and SME Exports. *Journal of International Economics*.

⁹ Thomas, D., & Raj, M. (2022). Financial Constraints and SME Internationalization. *Entrepreneurship Theory and Practice*.

¹⁰ Aliyev, T., & Mammadov, F. (2021). Export Performance of SMEs in Emerging Markets: A Central Asian Perspective. *Central Asian Business Journal*.

1710	Kashkadarya region	39,7	56,7	51,5	39,3	22,2	18,4	19,3	17,5
1712	Navoi region	26,2	11,8	11,6	8,7	9	6,1	6,7	7,1
1714	Namangan region	81,8	52	49,7	44,4	41	45,2	44,6	47,1
1718	Samarkand region	76,7	57,2	45,7	50,8	42,3	44,2	38,5	38,2
1722	Surkhandarya region	73,4	63,1	60	64	72,4	77,7	84,9	86,9
1724	Syrdarya region	79,7	79,9	76,3	69,2	63,4	60,4	61,3	65,4
1727	Tashkent region	29,8	28,1	23,4	29,8	32,5	35,1	30,6	32,8
1730	Fergana region	53,4	57,4	49	51,6	68,4	69,1	57,7	61,3
1733	Khorezm region	89,3	70,2	51,8	58,2	64,2	65,5	57,5	63,5
1726	Tashkent city	23	19,8	17,8	21,7	24,1	21,6	20,3	20,7

Share of small businesses in the total export of goods.(Table-1)

Code	Klassifikator_en	2018	2019	2020	2021	2022	2024-Q1	2024-Q2	2024-Q3
1700	Republic of Uzbekistan	56,2	61,6	51,7	45,3	49,4	45,7	44,5	47,4
1735	Republic of Karakalpakstan	60,8	70,7	71	56,3	44,1	66,5	72,2	68,7
1703	Andijan region	16,7	15,2	12,9	13,1	11	18,1	18,1	18,6
1706	Bukhara region	40	50,9	46,7	64,2	48,3	52	60,2	59,3
1708	Jizzakh region	93,3	96,9	93,4	84,4	87,5	57	33,2	26,6
1710	Kashkadarya region	24,6	68,7	52	44,2	50,2	72,4	68,9	73,3
1712	Navoi region	15,3	65,1	35,1	26,1	34,5	41,5	36,5	36,7
1714	Namangan region	46,8	83,9	76,3	78,6	71,9	63,7	61,2	64,5
1718	Samarkand region	69,7	69,7	45,9	37,9	37,2	34,4	35,8	36,1
1722	Surkhandarya region	91	75	92,9	89,4	72,6	81,8	87,7	89,6
1724	Syrdarya region	93,3	76	69	66,5	72,1	82,7	80,5	82,8
1727	Tashkent region	43,3	48,1	45,8	38,3	48,4	59	53,4	54,2
1730	Fergana region	54,7	77,4	73,8	72,6	72,5	76,5	74,6	79,6
1733	Khorezm region	96	70,1	71,1	74,7	35	64,7	50,1	47,8
1726	Tashkent city	66,5	62,1	54	49,3	48,7	42,1	41,5	41,7

Share of small businesses in the total volume of imports of goods. (Table-2)

According to the table-1 (from sources such as Stat.uz and Uzbekistan's Ministry of Economy), small businesses exporting in significant quantities of Uzbekistan's total exports. Let's take the Khorezm region as an example: in 2019, small businesses' share of total exports was 89.3%. However, in recent years, due to the coronavirus, we can observe a decline of several percentage points in the region's exports. **Accordingly, in 2020, the share of small businesses in the region's exports was 70.2%, and in 2021, it was 51.8%.** This sentence provides a clear comparison of the share of small businesses in exports over three consecutive years. In the last two years, we have witnessed positive changes in the region's exports. This is undoubtedly the result of government support for small business entities. In 2023, and in the first quarter of 2024, we can see that it reached 64.2% and 65.5%, respectively. This sentence indicates a gradual increase in the percentage over the specified time period.

The share of small business entities in the total import of the Khorezm region also holds a significant proportion. The second table presents the share of small businesses in the total import of Khorezm region over the last 5 years. This sentence refers to a table that shows how small businesses have contributed to the region's total imports in the past five years. In 2018, small business entities held a dominant share (96%) in the region's imports. This sentence indicates that small businesses played a leading role in the import activities of the region during 2018. **In the last two years, similar to imports, a decline in the region's imports occurred due to the impact of COVID-19.** This sentence highlights the negative impact

of the COVID-19 pandemic on the region's import activities over the past two years. **This table shows that the share of imports in 2019 and 2020 was 70.1% and 71.1%, respectively.** This sentence refers to a table providing data on the share of imports for the specified years. Looking at the dynamics of the share of small businesses and private entrepreneurs in the region's exports from 2018 to 2024 (January-June), we can observe a decline in the sector's contribution to imports in recent years. This sentence highlights a trend in the changing role of small businesses and private entrepreneurs in exports and imports, with a decline in the sector's share of imports in recent years.

Small and medium enterprises (SMEs) play a significant role in diversifying a nation's exports, contributing to economic growth and stability. According to recent studies, SMEs are responsible for creating a variety of unique, specialized products that can cater to international markets, which often seek out niche or artisanal goods. Their adaptability allows them to respond more flexibly to shifting market demands abroad, particularly in consumer-driven industries such as textiles, food processing, and specialized manufacturing. In markets where larger firms cannot efficiently serve niche demands, SMEs find opportunities to thrive, enhancing export diversity. SMEs also have a notable impact on employment generation in export sectors. As they scale to meet export demands, they create jobs, benefiting the domestic economy. SMEs active in export markets are responsible for a significant portion of employment growth within export-driven industries, with a notable impact in developing countries where labor-intensive production is key. While SMEs have substantial export potential, they face significant barriers to participating in international markets.

Financial constraints are among the most commonly cited obstacles, limiting the ability of these businesses to expand. Research shows that SMEs often lack the necessary capital to cover initial export costs, including logistics, compliance with foreign market standards, and the need for additional working capital. Furthermore, many SMEs struggle to secure affordable financing due to stringent bank lending criteria, particularly when they are viewed as high-risk borrowers in emerging markets. Additionally, the regulatory environment poses challenges, as many SMEs are not equipped to navigate the complexities of international trade regulations. The need to comply with varying standards in different countries, such as health and safety codes or environmental regulations, can increase operational costs significantly. As a result, smaller firms often avoid high-regulation markets, which restricts their potential export destinations and impact.

Innovation is a major factor in enabling SMEs to succeed in the global marketplace. Studies highlight that SMEs with a strong innovation culture are more likely to enter international markets, offering products that meet unique foreign market needs or that improve on existing options. For example, product innovations that leverage local cultural knowledge or materials help SMEs create a distinct brand identity, which enhances their appeal in global niche markets. This approach allows SMEs to compete not on volume, but on product differentiation, which has been a successful strategy in industries such as fashion, handicrafts, and eco-friendly products. Digitalization has further expanded SME capabilities by reducing the costs and logistical barriers traditionally associated with international trade. Digital platforms such as e-commerce websites and social media enable SMEs to reach customers worldwide without establishing a physical presence abroad, reducing their reliance on costly intermediaries. Additionally, technologies like customer relationship management (CRM) systems and online payment solutions streamline the export process, helping SMEs provide better customer service and manage sales data more effectively. This technological adoption has allowed SMEs to participate more actively in global trade, with digital exports becoming a significant component of their revenue streams.

Government support plays a crucial role in enhancing the ability of SMEs to contribute to export growth. Various forms of support—such as export financing programs, tax incentives, and reduced regulatory burdens—help SMEs overcome initial barriers to market entry. A study suggests that government-backed financial assistance, in particular, can significantly increase an SME's likelihood of successfully expanding into international markets. For example, in regions where export credit agencies provide guarantees or subsidies, SMEs are more likely to secure loans for overseas expansion.

In many countries, government agencies provide export training programs and market information services tailored for SMEs, helping them gain the necessary skills and insights to navigate international markets effectively. Such initiatives have proven effective in emerging economies where access to trade expertise may otherwise be limited. Government export promotion agencies often play an intermediary role, connecting SMEs with foreign buyers and helping them adapt their products to meet the preferences and standards of specific export markets. Global value chains (GVCs) provide another pathway for SMEs to enhance their export capacity and contribute to the national trade balance. When SMEs integrate into GVCs, they gain access to foreign markets indirectly by supplying components, parts, or services to larger firms that operate internationally. This integration benefits SMEs by providing them with reliable, often long-term customers and allowing them to adopt more advanced production techniques through collaborations with larger firms.

Participation in GVCs has been particularly impactful in manufacturing sectors, where SMEs frequently act as suppliers for major corporations. This arrangement not only boosts their export figures but also drives technology transfer and skill development, strengthening their competitive position in both domestic and international markets. Moreover, involvement in GVCs helps SMEs become more resilient by diversifying their revenue sources and improving their production standards. Examining case studies of SMEs in different countries reveals substantial variations in how they impact exports and imports based on local economic conditions and government support structures. In developed countries, where SMEs have access to robust infrastructure and financial systems, they play a larger role in high-value export

sectors, such as technology and pharmaceuticals. For example, SMEs in South Korea and Germany are well-integrated into high-tech industries, contributing significantly to these countries' export profiles. Conversely, in emerging economies, SMEs often operate in labor-intensive industries, such as textiles and agriculture, where they contribute to exports by leveraging cost advantages. Central Asian SMEs in particular are essential players in sectors like food processing and textiles, where they cater to demand in neighboring markets. Although they operate with fewer resources, these SMEs demonstrate significant growth potential, especially when government support is available to assist with regulatory compliance and market access.

In addition to exports, SMEs influence national import profiles by sourcing goods and materials that are not readily available domestically. This import activity enables SMEs to maintain competitive pricing and access high-quality raw materials, especially in industries that depend on specialized inputs, such as manufacturing and pharmaceuticals. Furthermore, imports driven by SMEs often reflect consumer demand for diverse goods, indicating a dynamic market that adapts quickly to changing consumer preferences. Importing high-quality components also allows SMEs to improve their own product standards, which can enhance their competitiveness in both domestic and export markets. The broader economic contributions of SMEs extend beyond trade metrics to include job creation, skills development, and regional economic growth. SMEs generate substantial employment opportunities, particularly in rural and semi-urban areas where large corporations may not have a presence. Export-oriented SMEs contribute to employment stability by expanding their workforce as they scale up production for international markets. This job creation is critical in emerging economies, where population growth and urban migration create a constant demand for employment opportunities.

Additionally, SMEs contribute to human capital development through on-the-job training, particularly in sectors requiring specialized skills, such as manufacturing and digital services. As SMEs engage more in international trade, their employees gain valuable experience in areas such as quality control, export logistics, and foreign customer service. This experience not only benefits the individuals but also enhances the overall skill level within the economy, making it more attractive to foreign investment. In summary, the analysis demonstrates that SMEs have a multifaceted impact on a country's export and import landscape. They contribute to export diversification, job creation, and economic resilience while simultaneously strengthening their competitive position through innovation and digitalization. Despite facing significant challenges, such as financial constraints and regulatory barriers, SMEs have increasingly found pathways to success in international trade with the support of government policies and digital tools. Integration into global value chains and targeted government assistance are particularly effective in enhancing SME trade impact, providing a roadmap for countries aiming to boost their economic growth through small business development.

Conclusion.

This study highlights the substantial influence of small businesses and entrepreneurial entities on national export and import activities. SMEs contribute significantly to export diversity, economic resilience, job creation, and regional development. Their flexibility enables them to adapt to niche demands in international markets, while digitalization allows them to expand their global reach cost-effectively. However, challenges persist, including financial constraints and regulatory complexities, which limit some SMEs' ability to grow internationally. Government support in the form of export financing, training, and access to global value chains can mitigate these challenges, helping SMEs thrive in international markets.

Moreover, SMEs not only support export activities but also play a role in import dynamics by sourcing essential materials, enhancing product standards, and catering to local consumer preferences. As these businesses grow and develop through international trade, they contribute to human capital development, provide employment, and enrich the economy through innovation and regional economic expansion. The findings suggest that fostering SME engagement in international trade is crucial for economic growth, particularly for developing nations. Supporting SMEs with accessible financing, favorable policies, and digital

infrastructure can boost their export capacity and resilience, ultimately leading to a more dynamic and sustainable economy.

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