



IMPROVEMENT OF THE MECHANISMS OF DIGITAL
TRANSFORMATION OF THE SMALL BUSINESS SECTOR IN
UZBEKISTAN

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Abstract: This article analyzes the mechanisms for implementing the digital transformation of the small business sector in Uzbekistan. Strategies aimed at increasing economic efficiency and competitiveness through improving the process of digitalization of small businesses are considered. At the same time, existing problems and ways to overcome them, as well as the advantages of implementing innovative technologies, will be discussed.

Keywords: small business, digital transformation, innovation, e-commerce, digital technologies, business processes, Uzbekistan.

INTRODUCTION

Small business is an important part of the economy of Uzbekistan and plays a large role in the socio-economic development of the country. In recent years, digital technologies have been rapidly entering our lives, which creates opportunities for modernizing small business activities, increasing efficiency, and entering new markets. For the successful implementation of the digital transformation process, the development of effective mechanisms in the spheres of production, marketing, finance, and management is required. This article examines the main mechanisms of digital transformation of the small business sector in Uzbekistan and ways to improve them.

MAIN PART



The small business sector in Uzbekistan plays a crucial role in the country's economic growth, employment generation, and social stability. In recent years, the need for digital transformation in this sector has become more urgent due to the rapid globalization and technological advancements worldwide. Improving the mechanisms that support digital transformation will enable small businesses to become more efficient, competitive, and resilient to external shocks. This process involves not only the adoption of new technologies but also the development of supportive infrastructure, policies, training, and financial resources tailored to the needs of small enterprises in Uzbekistan.

One of the primary areas requiring improvement is technological infrastructure. Despite significant progress under the "Digital Uzbekistan 2030" strategy, many small businesses still face challenges such as limited internet access, low digital literacy, and insufficient availability of affordable digital tools. Expanding high-speed internet coverage across urban and rural areas, providing low-cost software solutions, and encouraging the use of cloud services will help bridge the digital divide. Furthermore, government initiatives to create digital platforms for easy access to business services can simplify administrative procedures and enhance business transparency.

Another essential mechanism is the enhancement of regulatory and institutional support. Current legislation and policies should be continuously refined to encourage innovation and protect the interests of digital small businesses. Simplifying tax reporting through e-government systems, offering legal frameworks for online contracts, and ensuring cybersecurity standards form a foundation for trust and stability in the digital environment. Additionally, establishing partnerships between public institutions, private sector players, and international organizations can facilitate knowledge exchange and the implementation of best practices. Capacity building remains a critical pillar for successful digital transformation. Many small business owners lack the necessary skills to fully leverage digital tools,



such as e-commerce platforms, digital marketing, and data analytics. Consequently, developing comprehensive training programs, workshops, and mentorship opportunities targeting entrepreneurs and their employees is vital. These programs should focus on practical digital skills, innovation management, and cybersecurity awareness to empower small businesses to adapt swiftly and sustainably in a digital economy.

Finally, financial mechanisms must be optimized to support the digital transition. Access to affordable financing, grants, and subsidies specifically directed at digitalization initiatives will motivate small businesses to invest in modern technologies. Collaboration between banks, microfinance institutions, and the government can lead to tailored financial products that address the unique challenges small businesses face. By integrating these financial instruments with advisory services, small enterprises can make informed decisions to successfully implement digital transformation and enhance their growth prospects in Uzbekistan's evolving economic landscape. Today, small business is one of the main pillars of the economy of Uzbekistan. This business sector plays an important role in ensuring employment, creating new jobs, as well as increasing domestic production and expanding export potential. However, against the backdrop of the global digital revolution, the need to modernize small businesses is increasing. The process of digital transformation makes it possible to improve the self-management system of small businesses, improve the quality of products and services, and create a competitive business model. Therefore, improving the mechanisms for digitalization of the small business sector in Uzbekistan has become an urgent task of today. When analyzing the digital transformation of small businesses, the availability and level of technological infrastructure comes first. The implementation of digital technologies will require high-quality internet, modern computer systems, and information and communication tools. In Uzbekistan, great attention is paid to this sphere, and within the framework of the state program "Digital Uzbekistan," favorable conditions are



being created for small businesses. At the same time, it is important to improve the skills of small business representatives in the application of technologies, since it will be difficult to effectively use advanced technologies without understanding or knowing them[1].

In the process of digital transformation, the automation of business processes is of great importance. Automation of the system of calculations, sales, inventory, and customer relations using digital tools will allow reducing the costs of small businesses and increasing work efficiency. For example, with the help of CRM (Customer Relationship Management) systems available to enterprises, it is possible to increase the level of customer service and increase the possibility of repurchase. The process of implementing such innovative solutions for small businesses in Uzbekistan is currently in the sustainability stage, but consistent work is underway to expand it. Institutional mechanisms also deserve special attention in the digitalization of small businesses. State policy, laws, the tax system, and financial support mechanisms are important factors in this area. Uzbekistan has a number of tax and credit benefits to support small and medium-sized businesses, but it is necessary to increase their profitability and integrate these mechanisms with digital systems. At the same time, e-government services are creating opportunities for small business entities to simplify the processes of document processing and data management [2].

One of the main tools that opens up new opportunities for small businesses in the digital transformation is e-commerce. In recent years, especially during the pandemic, e-commerce platforms have become known as a channel for small businesses to quickly enter markets and present products to a wide audience. In Uzbekistan, significant results are also observed in this area, however, most small entrepreneurs are still not sufficiently effective in using e-commerce platforms and online marketing. To solve this problem, it is necessary to provide training, mentoring programs, and technical assistance.



In the process of digital transformation of small businesses, it is very important to increase human resources. For the effective application of technologies, employees must have digital literacy, information security, data analysis, and other modern skills. Therefore, trainings, courses, and professional development programs organized by state and non-state organizations are of great importance. Special training programs serve to ensure the effective use of digital tools by representatives of small businesses [3].

Financial support and guarantee mechanisms also play a significant role in digital transformation. Small businesses often lack the necessary investments for the implementation of innovative technologies. Therefore, improving the mechanisms for allocating and guaranteeing grants, subsidies, and preferential loans by the state will significantly accelerate digital transformation. It is necessary to develop special programs in this area in cooperation with banks and financial institutions of Uzbekistan. Data and analytical services are an integral part of digital transformation. By collecting, storing, and analyzing data for small businesses, it is possible to develop a marketing strategy, identify customer requirements, and make effective management decisions. In the conditions of Uzbekistan, the development and accessibility of data analysis tools for small businesses is still in the development stage, however, it is important for the state to support talent in this area.

Security issues related to digital transformation are also an important factor in supporting small businesses. Information security, protection from cyberattacks, and data privacy are key components of digital business processes. It is necessary to introduce modern information security protocols for business entities in Uzbekistan and regularly update them. For this purpose, it is recommended to develop safety training and support programs for small businesses. In the process of implementing technological innovations, cooperation between the state, business, and international organizations is of great importance. In the digitalization of small businesses in Uzbekistan, it is necessary to study international experience, import advanced



technologies, and adapt them to local conditions. At the same time, the state's policy of supporting small businesses plays an important role in the formation of the country's digital economy.

In the future, the digital transformation of small businesses in Uzbekistan will lead to profound changes in all spheres. By implementing innovations such as cloud computing services, artificial intelligence, and blockchain technologies, small businesses can operate more efficiently and quickly. Such opportunities require a systematic approach, an increase in financial and personnel wealth, and openness to innovation. In general, the digital transformation of the small business sector in Uzbekistan creates great opportunities for economic development. By improving the mechanisms, it is possible to increase business efficiency and expand opportunities to enter new markets and clients. For this, it is necessary to carry out effective joint work in the areas of state policy, technological infrastructure, training of qualified personnel, financial assistance, and information security. Digital transformation will strengthen the competitiveness of small businesses and contribute to the sustainable growth of the Uzbek economy.

CONCLUSION

Digital transformation of small businesses in Uzbekistan increases the competitiveness of the economy and helps business entities gain new opportunities. In this process, the strengthening of technological infrastructure, human resources, and the legislative framework is of great importance. Through improved mechanisms, small business entities will be able to operate effectively, use digital services, and constantly enter markets. In the future, it is necessary to develop such areas as e-commerce, cloud computing services, and data analysis.

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