



THE IMPORTANCE OF DIGITALIZING SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN THE CONDITIONS OF DIGITAL ECONOMIC DEVELOPMENT

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ABSTRACT. This article analyzes the process of economic digitalization, its impact on small business and private entrepreneurship, and its role in the modern economy. Digital technologies — including e-commerce, cloud services, artificial intelligence, IoT, and digital platforms — are highlighted as key factors in increasing enterprise efficiency, opening new markets, and reducing costs. In addition, the role of digitalization in data-driven decision-making, personalization of customer experience, and optimization of operational processes is examined. The study also analyzes the existing challenges of digitalization alongside its advantages, including initial investment requirements, lack of technological knowledge, and cybersecurity issues. The results indicate that digitalization is an important strategic factor in enhancing the competitiveness of small businesses and ensuring economic growth.

KEYWORDS: economic digitalization, small business, private entrepreneurship, digital technologies, e-commerce, artificial intelligence, cloud technologies, IoT, data analytics, digital economy, customer experience, innovation, cybersecurity, automation.

INTRODUCTION.

In today's global economy, digital technologies have become the main driver of growth. Economic digitalization refers to the process of automating, optimizing, and managing all economic processes, business activities, products, and services through digital tools. It not only increases the efficiency of companies and



enterprises but also plays a decisive role in ensuring the competitiveness of national and global economies. Financial systems, online payments, e-commerce, ERP and CRM platforms, artificial intelligence, IoT (Internet of Things), and cloud services are among the most important tools of economic digitalization.

The creative economy, in turn, creates value based on intellectual, cultural, and creative resources. From this perspective, economic digitalization serves as an important infrastructure for the development of the creative economy. For example, through digital platforms, musical, cinematic, design, and other creative products can be sold in global markets, while marketing and branding strategies can be implemented more effectively. Digital technologies also contribute to the development of startups, the commercialization of scientific innovations, and the protection of intellectual property.

At the same time, digitalization takes into account environmental and social aspects in improving the efficiency of the creative economy. Through online services, digital media, and virtual platforms, it becomes possible to use resources more efficiently, optimize human resources, and access global audiences. Thus, there is a close interconnection between digitalization and the creative economy, as they mutually reinforce one another: digitalization increases the efficiency of creative products, while the creative economy creates demand and new opportunities for digital platforms.

As a result, the integration of economic digitalization and the creative economy serves as a source of strategic advantage for countries and companies by creating new jobs, increasing economic efficiency, and contributing to cultural and social development. Therefore, modern states and business entities are increasingly focusing on the simultaneous development of digitalization and the creative economy.

RESEARCH METHODS. During the research process, methods such as the analysis of scientific and educational-methodological literature, pedagogical



observation, comparative analysis, generalization, programming, and digitalization models were used.

LITERATURE REVIEW.

This study highlights the importance and advantages of digitalization in small business and private entrepreneurship. Digital technologies provide opportunities to increase efficiency, open new markets, and reduce costs. At the same time, the challenges encountered in the process of digitalization, including initial investment, lack of technological knowledge, and security issues, are also discussed.

The article entitled “*Accelerated Development of Small Business and Private Entrepreneurship in Uzbekistan*” [1] emphasizes the importance of small business and private entrepreneurship in the economy. The article “*Digital Technologies in the Modern Economy*” [2], published in the *Journal of Economics and Innovative Technologies*, provides a broad explanation of the digital economy and its significance, highlighting both the advantages and disadvantages of economic digitalization. In addition, Khudaynazarov F.’s article “*The Economic Significance of Digital Technologies in the Activities of Small Business*” [3] thoroughly examines the achievements and shortcomings of economic digitalization.

RESEARCH RESULTS AND DISCUSSIONS.

Digitalization enables small businesses and private enterprises to reach a wider audience. With the development of e-commerce platforms and social networks, enterprises can now interact with customers worldwide and sell their products and services online. This has opened new markets and revenue streams for businesses that were previously limited by their physical location.

Furthermore, digitalization allows enterprises to collect and analyze data in real time, enabling them to make more informed decisions and adapt to changing market conditions [3]. By monitoring customer behavior, sales trends, and other key indicators, businesses can better understand their target audience and adjust their marketing strategies to reach them more effectively.



Another important aspect of digitalization in the real sector is the ability to personalize customer experience. By using data and analytics, businesses can create targeted marketing campaigns, provide personalized recommendations, and deliver more customized experiences for their customers. This not only improves customer satisfaction [4], but also increases customer loyalty and repeat business.

In addition to improving efficiency and customer relations, digitalization also helps enterprises reduce costs. By automating processes and reducing the need for manual intervention, businesses can lower operational expenses and improve profitability. This is particularly important for small businesses and private enterprises with limited resources and budget constraints.

Moreover, digitalization in the real sector enables businesses to adapt to changing consumer preferences and market dynamics. With the growth of online shopping and digital payments, enterprises must embrace digitalization to remain relevant and competitive in today's rapidly evolving market environment. Those that fail to do so risk being overtaken by more agile and innovative competitors.

At the same time, digitalization allows enterprises to scale their operations more easily. By utilizing cloud solutions and digital tools, businesses can expand their capabilities and grow without making large investments in infrastructure or physical locations. This flexibility enables companies to adapt to changing market conditions and seize new opportunities as they emerge.

In particular, digitalization in the real sector also contributes to increased transparency and accountability. By digitalizing financial transactions [5], supply chain management, and other essential processes, enterprises can improve governance and compliance practices, leading to greater trust and reliability among stakeholders.

Analysis and Results

Main Advantages of Digitalization

1. Increasing Efficiency



One of the most significant advantages of digitalization in the real sector is improved efficiency. By automating processes such as inventory management, sales tracking, and customer relationship management, enterprises can [6]:

- Simplify processes;
- Reduce the time and resources required for tasks;
- Increase production efficiency.

For example, when warehouse management is automated through digital systems, businesses gain access to accurate real-time information about product availability.

2. Opening New Markets

The development of e-commerce platforms and social media has enabled enterprises to communicate with customers around the world. This allows small business entities to enter new markets and expand revenue streams without being restricted by physical location.

For example, global e-commerce trade volume reached \$6.3 trillion in 2023, and this figure is expected to continue growing annually. In Uzbekistan, this process is also developing rapidly.

3. Data-Driven Decision Making

Digital systems enable enterprises to collect and analyze data in real time. This:

- Accelerates adaptation to market conditions;
- Helps better understand customer behavior;
- Improves the effectiveness of marketing strategies.

For instance, a small retail store can analyze which products are most frequently purchased by customers and increase profits by stocking products with the highest demand.

4. Reducing Costs

By automating processes, the need for manual intervention decreases, significantly reducing costs. For example, the introduction of electronic payment



systems saves both time and financial resources. In addition, digital documentation accelerates workflows and reduces paper consumption.

5. Personalizing Customer Experience

Through data analysis, enterprises can:

- Create personalized recommendations;
- Develop marketing campaigns tailored to customer needs.

This not only increases customer loyalty but also strengthens the likelihood of repeat purchases.

For example, online sales platforms analyze customers' previous purchases and recommend suitable products, thereby increasing sales volume.

Challenges Encountered

In the process of digitalization, small businesses and private enterprises may face the following problems [7]:

1. Initial Investment

The implementation of modern digital technologies requires significant financial investment.

2. Lack of Technological Knowledge

Many small business owners and employees do not possess the technical knowledge and skills necessary to implement digitalization effectively.

3. Privacy and Security Issues

Protecting data is of critical importance in the digitalization process, especially as the risk of cyberattacks continues to grow.

For example, a small store owner must establish effective security systems to ensure the safe storage of customer data.

4. Limitations of Local Infrastructure

In some regions, internet speed or access to digital technologies may be limited.

Future Prospects



Digitalization is expected to fundamentally transform the real sector in the future. New opportunities will emerge in the following areas [8]:

- **Artificial Intelligence (AI):** Opportunities for predicting customer behavior and offering automated services for small businesses will expand. For example, implementing AI-powered customer service chatbots can improve service quality while reducing costs.
- **Cloud Technologies:** Managing and expanding operations remotely will become easier. For instance, cloud-based applications allow employees to work from home.
- **Environmental Sustainability:** Digitalization contributes to environmental sustainability by reducing paper consumption and enabling more efficient use of resources.

In addition, government support programs for small businesses will accelerate the digitalization process. For example, the availability of subsidies and loans can help enterprises adopt digital technologies more effectively [9].

CONCLUSION.

For small business and private entrepreneurship entities, digitalization not only provides opportunities to improve efficiency and reduce costs but also opens pathways to new markets and revenue sources. However, successful digitalization requires improving technological knowledge, planning initial investments, and ensuring data security.

The role of digitalization in the real sector for small businesses and private enterprises cannot be underestimated [10]. From improving efficiency and customer relations to reducing costs and increasing transparency, digitalization offers a wide range of benefits for enterprises seeking to remain competitive in today's digital world. By embracing digitalization and adopting the latest technologies, businesses can position themselves for long-term success and growth in the digital economy.



At the same time, digitalization enables small business entities to enhance competitiveness and contribute to economic development. As small businesses adopt digitalization, this important sector of the economy will continue to grow and remain competitive in the future. Cooperation between the state and private sector will help accelerate this process.

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