

**DIGITALIZATION PROBLEMS IN THE DEVELOPMENT OF SERVICE  
PROVISION BASED ON PRIVATE ENTREPRENEURSHIP**

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**Abstract:** This article analyzes the role and significance of digitalization in the development of services based on private enterprise. The introduction of modern technologies into the service sector contributes to increased business efficiency and the creation of more convenient customer service opportunities. The article examines the application of digitalization processes in business, methods for improving the efficiency of service delivery through digital technologies, and the challenges that arise in this regard.

**Keywords:** private enterprise, service provision, digitalization, digital technologies, business efficiency, public-private partnerships, digital services.

**Аннотация:** В данной статье проанализированы роль и значение цифровизации в развитии услуг, основанных на частном предпринимательстве. Внедрение современных технологий в сферу услуг способствует повышению эффективности предпринимательской деятельности, созданию более удобных возможностей обслуживания клиентов. В статье рассматриваются применение процессов цифровизации в предпринимательской деятельности, методы повышения эффективности предоставления услуг посредством цифровых технологий, а также проблемы, возникающие при этом.

**Ключевые слова:** частное предпринимательство, оказание услуг, цифровизация, цифровые технологии, эффективность бизнеса, государственно-частное партнерство, цифровые услуги.

**Introduction.** Today, digitalization processes play an important role in all sectors of the economy, in particular in the field of private entrepreneurship-based services. In our country, great attention is paid to digitizing the economy, improving the quality of services and improving entrepreneurial activity through the introduction of information and communication technologies. A number of resolutions and decrees adopted by our President are also aimed at the rapid development of digitalization processes in the service sector and supporting the active participation of the private sector.

In particular, Decree No. PF-6079 "On Approval of the Strategy "Digital

Uzbekistan – 2030”<sup>1</sup>, signed on October 5, 2020, stipulates the introduction of innovative technologies and the implementation of digital transformation of service sectors through the digitization of all sectors of our country’s economy. Within the framework of this strategy, the opportunities for creating convenience for customers through digital technologies in the service sector, as well as the rapid and high-quality provision of services are being expanded.

In addition, favorable conditions for the development of the private sector in the service sector were created by the Decree of the President of the Republic of Uzbekistan “On Measures to Fundamentally Improve the System of Support and Protection of Entrepreneurship”<sup>2</sup> dated May 14, 2019 No. PF-5718. Within the framework of these documents, special attention is paid to the issues of increasing the efficiency of entrepreneurship through the use of digital technologies and establishing effective cooperation between the state and the private sector.

Therefore, the urgent need for digitization in the service sector issues create broad opportunities for the development of private entrepreneurship, not only increasing economic efficiency, but also playing an important role in the formation of a convenient and effective service delivery system through digital services in society. The article attempts to analyze the characteristics, opportunities and problems of this process.

**Analysis of literature on the topic.** Entrepreneurship and business are recognized in Aristotle's work "Economy"<sup>3</sup> as the main and honorable activities of those engaged in agriculture, crafts, and small trade. Amir Temur in his treatise "The Rules" noted that "One determined, enterprising, vigilant, courageous and ambitious person is better than a thousand careless and indifferent people"<sup>4</sup>. According to the definition given by R. Cantillon, an entrepreneur is a farmer, craftsman, merchant, poor person, etc. who does not have a permanent income and seeks to buy other people's goods at a certain price and sell them and his own goods at a higher, not necessarily higher price. His main economic task is to introduce a supply that meets demand in various commodity markets.

Joseph Schumpeter (1883-1950) denied that the status of property ownership was a prerequisite for an entrepreneur, justifying its peculiarity to different classes of people. In his book “Theory of Economic Development”, he defined an entrepreneur as an innovator, that is, a person who creates innovations. According to him, “the task of an entrepreneur is to reform (renew) the method of production by implementing new discoveries. In a broad sense, the task of an entrepreneur is to use new technologies to

<sup>1</sup> <https://lex.uz/acts/-5525180>

<sup>2</sup> <https://lex.uz/ru/docs/-4335622>

<sup>3</sup> [https://renessans-edu.uz/files/books/2023-12-09-05-04-41\\_57df60248b445d5a91ff2e084b0c00a5.pdf](https://renessans-edu.uz/files/books/2023-12-09-05-04-41_57df60248b445d5a91ff2e084b0c00a5.pdf)

<sup>4</sup> [https://renessans-edu.uz/files/books/2023-12-09-05-04-41\\_57df60248b445d5a91ff2e084b0c00a5.pdf](https://renessans-edu.uz/files/books/2023-12-09-05-04-41_57df60248b445d5a91ff2e084b0c00a5.pdf)

produce new goods or to modernize old ones on the basis of a newly opened market or raw material base.

**Research methodology.** The topic of this article is “Issues of digitalization in the development of services based on private entrepreneurship”, and a comprehensive methodological approach was used in the research process. The main scientific task of the article was to determine the dynamics of the development of private entrepreneurship entities operating in the service sector, assess the effectiveness of digitalization processes, and analyze existing problems.

The following methods were used in the study:

theoretical-analytical method;

statistical-methodological analysis;

comparative analysis;

sociological methods;

elements of the econometric approach.

Such a combination of methodological approaches ensured the reliability of the research results and served to reveal the practical effects of digitalization in the process of developing private entrepreneurship.

**Analysis and results.** The concepts of entrepreneur and entrepreneurship are of particular importance in modern economic theory and practice. In economic literature, the term “entrepreneur” was first introduced into scientific circulation in the 18th century by the French economist R. Cantillon, who defined an entrepreneur as a person who initiates new activities on the basis of risk.

In the modern interpretation, an entrepreneur is a person who is proactive, innovative, effectively manages resources, assumes risks, and organizes activities aimed at bringing economic profit. Entrepreneurship is an independent form of economic activity, the main goal of which is to meet market needs, make a profit, and thereby create new jobs in society.

Entrepreneurial activity is not limited only to the production of material wealth, but also includes areas such as providing services, implementing innovative ideas, and implementing social projects. Therefore, entrepreneurship is considered the driving force of the economy, an important factor in competitiveness and innovative development.

An entrepreneur performs the following tasks:

- introducing new forms of organizing economic activity;
- capturing new sales markets and expanding the use of existing ones;
- introducing new production methods that were not previously used in the existing industry;
- using new types of raw materials in production;
- producing new products or qualitatively improving existing ones.

Uzbek scientists A. Olmasov and M. Sharifkhodjaev define “business in a broad sense as an activity aimed at earning income in a legal way... Entrepreneurship is an economic activity aimed at earning income by actually putting the material and monetary resources (capital) of people (property entities) into economic circulation. They define entrepreneurship as not making money at all, but rather earning income through creative activity.

According to the type of business activity, in addition to entrepreneurship, it is also manifested in consumer business, professional business, that is, profit and profit based on the use of opportunities of profession and position, wealth extraction from wealth, commercial and intermediary business and other forms. According to the type of ownership, business occurs in public, private and mixed forms, and from a legal and legal point of view, in open, official, informal, hidden (secret) forms.

The following forms of entrepreneurship are allowed in our republic:

- individual activity;
- entrepreneurship carried out on the basis of attracting hired labor;
- collective entrepreneurship or partnership entrepreneurship carried out by a group of citizens and legal entities.

In all countries of the world, small businesses are the foundation of the national economy. The growth rates of gross domestic product (GDP) depend to a large extent on them, in fact, the level of well-being of the population is also determined by its level of development.

The average annual number of employees employed in the following sectors:

- in the light and food industry, metalworking and construction, woodworking and furniture industry, and the building materials industry - from 200 people;
- in mechanical engineering, metallurgy, fuel and energy and chemical industries, production and processing of agricultural products, construction and other industrial and manufacturing sectors - from 50 people;
- in the fields of science, scientific services, transport, communications, services (except for insurance companies), trade and catering, and other non-manufacturing sectors - small enterprises with no more than 25 people.

In many countries with a market economy, small businesses and private entrepreneurship actively participate in the activities of export markets, contribute to the growth of GDP, provide employment, and form the basis of the economy. In developed countries, a large part of the employed population is employed in small businesses, and their share in the production of the country's GDP is high. Therefore, it is not for nothing that in developed countries, small businesses and private entrepreneurship are considered one of the main levers for ensuring economic growth and an increase in the standard of living of the population. Small businesses are today becoming a decisive factor in the economic development of countries around the world.

They not only create new jobs, but also play an important role in increasing the volume of gross domestic product, introducing innovations, and expanding sources of income for the population. According to data for 2023, the number of small businesses in developed countries, their per capita ratio, employment, and share in GDP differ. The table below shows the levels of small business development in the UK, USA, Germany, Italy, France and Japan. This can also be seen from the data presented in Table 1.

**Table 1****Level of development of small business in foreign countries<sup>5</sup>**

Country	Number of small businesses	Number of small businesses per 1,000 people	Share in employment (%)	Share in GDP (%)
Great Britain	5,594,000	82	50	52
USA	33,200,000	99	47	43
Germany	3,440,000	41	53	50
Italy	4,980,000	85	63	55
France	4,520,000	66	62	48
Japan	3,580,000	29	67	52

As can be seen from the table, the United States is the absolute leader in the number of small businesses - there are more than 33 million entities, which means that there are 99 small businesses per 1,000 people. The UK and Italy also have high figures, with 82 and 85 small businesses per 1,000 people, respectively. Although the number of small businesses is relatively small in Germany and France, their share in employment remains high (53% and 62%, respectively). In Japan, the number of small businesses is smaller than in other developed countries (3.58 million), but they provide about 67% of total employment. In general, the share of small businesses in GDP in all countries varies from 43% to 55%. This indicates that small businesses play a stable role in the economy. At the same time, in countries with a high population, the large number of small business entities also determines the level of their economic activity.

Due to the policy of encouraging and supporting the development of small business and private entrepreneurship in Uzbekistan, its place and role in the economy is increasing.

<sup>5</sup> The table was prepared by the author, using information from the following sources: UK Business Population Estimates 2023 — GOV.UK (ONS). / 2023 Small Business Economic Profile / SBA Office of Advocacy (AQSH). / IFM Bonn / Destatis / BMWK — Germaniya SME hisobotlari (2023). / ISTAT, EU va tahliliy hisobotlar — Italiya (faol kompaniyalar haqida). / INSEE / SIRENE — Frantsiya (biznes demografiyasi, 2023 yaratilgan korxonalar). / METI / SMEA — Yaponiya 2023 SME hisobotlari. / US Chamber; boshqa tahliliy manbalar iqtisodiy ulushlar bo'yicha.



Thus, the role of small business in the economic potential of any country is extremely large. In other words, it is a guarantee of the successful development and prosperity of the state. Therefore, great attention is paid in Uzbekistan to stimulating the development of small business, individual entrepreneurship, farms and peasant farms.

**Conclusions and recommendations.** Digitalization processes are of great importance in the development of private entrepreneurship-based services, which allow increasing economic efficiency and providing high-quality services to customers. As analyzed in the article, the introduction of modern digital technologies into the service sector creates many advantages in business activities: service processes are automated, customers are provided with convenience, and service quality control is facilitated. Digitalization also helps to strengthen cooperation between the state and the private sector, as a result of which the country's economy will further accelerate its digital development.

At the same time, there are also difficulties encountered in the process of digitalization, including problems such as the lack of sufficient technological infrastructure, low digital literacy, and insufficient financial resources, which hinder the full digitalization of private entrepreneurship-based services. Solving these problems will ensure greater progress in the digital development of the business sector.

Below, as a result of the above analysis, we found it necessary to make the following recommendations. These are:

- ❖ Development of technological infrastructure - it is necessary to form a modern technological infrastructure for the digitalization of entrepreneurship in the service sector. Therefore, it is advisable for the state to support projects aimed at expanding the Internet network, improving the quality of communication and ensuring easy access to digital services.

- ❖ Increasing digital literacy - it is necessary to organize special educational programs and trainings to increase digital literacy among private entrepreneurs and their employees. This will expand the opportunities for the effective use of digital technologies, improving the quality of service provision and meeting customer requirements.

- ❖ Strengthening public-private partnerships - it is important to establish close cooperation between the state and the private sector in the digitalization of the service sector. Through this cooperation, it is possible to finance projects aimed at the development of entrepreneurship, introduce new technologies into practice, and support programs that help automate service processes.

- ❖ Providing financial support and incentives - providing financial support and tax incentives by the state for private entrepreneurs in implementing digitalization processes will accelerate digital transformation. At the same time, it is necessary to

introduce special subsidies and credit programs to reduce the costs of purchasing and implementing digital technologies.

❖ Creating digital service platforms - creating large digital platforms and systems in the service sector will open up new opportunities for private entrepreneurs. These platforms will create opportunities for providing services online, attracting customers and expanding marketing activities.

These proposals will serve to accelerate the process of digitizing services on an entrepreneurial basis and will make a significant contribution to the development of the digital economy in the future.

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