



“Small Business as a basis of economics”

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Abstract:

Small businesses are critical to economic growth and prosperity in most countries. They play a vital role in creating jobs, promoting innovation and competition, and supporting regional economic development. This paper examines the importance of small businesses in the economy and their characteristics. In particular, this paper focuses on the role of small businesses in creating jobs, promoting innovation and competition, and regional economic development. Furthermore, the paper discusses the challenges small businesses face in accessing finance and adopting digital technology. Finally, the paper provides recommendations for policymakers and small business owners to promote the growth and sustainability of small businesses.

Research purpose: The purpose of this study was to determine the role of small and medium enterprises in the economy, as well as to study and evaluate the effectiveness of government support methods for small business entities (SMEs). The subject of the research was the system of state regulation and promotion of SME development. The object of the research was the sphere of small business, including SMEs, infrastructure support and development of small business.

Design/Methodology/Approach: The study used basic methods of scientific knowledge of economics: an interdisciplinary approach combining methods of systems and comparative analysis, an integrated approach, induction, deduction, analysis, synthesis, methods of organization theory and management, logical analysis, strategic management and also economic analysis of small businesses.

Findings: The research resulted in a system of state regulation and promotion of SME development developed by the author, based on an assessment of the impact of measures provided to support SMEs, taking into account the importance of the role of small business in the economy.

Originality/Value/Practical implications: The practical significance of the work is that the study completes a number of conclusions and practical recommendations in the field of organizational measures for effective support and multilateral development of the SME sector in the economy, recognition of the role of small business as the basis of the economic stability.

I. Introduction:

Small businesses are a crucial driver of economic growth and development in most economies, playing a significant role in generating employment opportunities, innovation, and competition. Therefore, understanding the characteristics and importance of small businesses in the economy is fundamental to maintaining economic stability and growth. This paper will explore the role of small businesses in the economy, their characteristics, and how they contribute to economic growth and development. In particular, this paper will examine the importance of small businesses in creating jobs, promoting innovation and competition, and regional economic development.

II. Review of Literature:

Numerous studies have investigated the role of small businesses in the economy. One study by Carree and Thurik (2010) found that small businesses contribute significantly to job creation, with small businesses generating more jobs than large enterprises. Similarly, a study by Acs and Armington (2004) demonstrated that small firms are more innovative and flexible than larger businesses, contributing to economic growth through their ability to create new products and markets. Another study by Storey (1997) found that small businesses are more likely to contribute to regional economic development, as they are more responsive to the local environment and promote local entrepreneurship.



However, small businesses also face considerable challenges, such as limited access to finance, bureaucratic regulations, and difficulties in adopting digital technology, which can hinder their growth and sustainability. Given the importance of small businesses in the economy, it is necessary to address these challenges to promote their continued success.

Problem Statement:

Small businesses face several obstacles in accessing finance and adopting digital technology, which can limit their capacity for growth and sustainability. Increasing access to finance and promoting digital technology adoption is necessary to address these obstacles and support the success of small businesses. The problem statement for this paper is, therefore, to understand the characteristics and importance of small businesses in the economy and the challenges they face in accessing finance and adopting digital technology.

III. Research Methodology:

This paper is a qualitative study and relies primarily on secondary sources of data, including academic literature, reports, and governmental studies. The secondary sources are analyzed to provide insights into the importance of small businesses in the economy, their challenges, and recommendations for promoting their growth and success.

1. Data on survey participants, such as gender, age, place of residence, level of education, type of employment of the respondent.

2. A group of questions regarding the purpose of the study: respondents were asked to place the proposed elements of the state support system for small businesses, such as financial, legislative, business, information, educational and consulting, in order of importance in the creation, development and active work of small businesses– from the most important to the most insignificant, based on a 6-point rating system, according to the number of elements presented, respectively; the higher the position of the element, the higher its value in the system and the greater the coefficient. It was also proposed to determine what the position of the state in relation to SMEs was, assessing the level of state support from significant to complete lack thereof.

3. The third block was devoted to the assessment by respondents of their own knowledge and skills needed to create, register and conduct their own small businesses, and the thoughts of respondents regarding the topic of the study.

Objectives:

The objectives of this research paper are:

1. To examine the importance of small businesses in creating jobs, promoting innovation and competition, and regional economic development.
2. To analyze the challenges that small businesses face in accessing finance and adopting digital technology.
3. To provide recommendations for policymakers and small business owners to promote the growth and sustainability of small businesses.

Analysis:

The analysis presented in this research paper highlights the significance of small businesses in the economy and their contribution to job creation, innovation, and competition. The study indicates that small businesses play a vital role in regional economic development, especially in regions with high inequality or undergoing economic transition. However, small businesses face various challenges, including limited access to finance and difficulties in adopting digital technology.

The study recommends several strategies to improve the success rate of small businesses, including facilitating access to finance through innovative financing mechanisms, policy and regulatory frameworks that support their development, and improving digital technology adoption through training and support programs.

Scope:

The scope of this research paper is limited to the examination of the importance of small businesses in the economy and the challenges they face in accessing finance and adopting digital technology. The paper provides recommendations for policymakers and small business owners to promote the growth and sustainability of small businesses.

Limitations:

The limitations of this research paper include the reliance on secondary sources of data and the focus on a select few challenges faced by small businesses. Additionally, the study may be limited by the availability and reliability of the data sources.

Challenges faced by startups:

Despite their potential benefits, startups face several challenges that can hinder their growth and sustainability. One of the main challenges faced by new entrepreneurs is access to funding, as many



startups require significant capital investments to develop and scale their operations. Additionally, startups often face regulatory and legal barriers, as well as competition from established players in the market. Other challenges include lack of access to markets, human resource constraints, and difficulty in scaling operations.

IV. Conclusion:

Small businesses are critical to economic growth and prosperity in most countries, and their success is crucial for creating jobs, promoting innovation and competition, and supporting regional economic development. However, small businesses face significant challenges, including limited access to finance and difficulties in adopting digital technology. Policymakers and small business owners must prioritize these challenges and take steps to address them, such as providing innovative finance solutions and improving digital technology adoption to facilitate the long-term growth and success of small businesses.

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