

Priority Areas For Attracting Investments In Small Business And Entrepreneurial Activity In Developed Countries

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Abstract. Attracting investment is of great importance as a key factor in the development of small business and entrepreneurship in developed countries. In this process, state policy, financial institutions, the banking system, and private capital play a significant role. Investments not only ensure the financial stability of businesses but also create opportunities for implementing innovative projects, generating employment, and stimulating economic growth. Strategies for attracting investment for small businesses are implemented through state support, tax incentives, digital financial instruments, and business incubators. As a result, entrepreneurial activity in developed countries develops in a sustainable manner.

Keywords: investment, small business, entrepreneurship, financial institutions, banking system, state policy, innovation.

Приоритетные Направления Привлечения Инвестиций В Деятельность Малого Бизнеса И предпринимательства В Развитых Странах

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Аннотация. Привлечение инвестиций имеет важное значение как ключевой фактор развития малого бизнеса и предпринимательства в развитых странах. В данном процессе значительную роль играют государственная политика, финансовые институты, банковская система и частный капитал. Инвестиции не только обеспечивают финансовую устойчивость бизнеса, но и создают возможности для реализации инновационных проектов, создания рабочих мест и стимулирования экономического роста. Стратегии привлечения инвестиций для малого бизнеса реализуются через государственную поддержку, налоговые льготы, цифровые финансовые инструменты и бизнес-инкубаторы. В результате предпринимательская деятельность в развитых странах развивается устойчиво.

Ключевые слова: инвестиции, малый бизнес, предпринимательство, финансовые институты, банковская система, государственная политика, инновации.

Introduction. According to global experience, the development of small businesses not only ensures socio-economic efficiency but also reflects in the political programs implemented in various countries. Promoting small business contributes to the growth of the middle class within society and serves as an important factor in ensuring economic, social, and political stability in a country. Small businesses play a significant role in stabilizing the economy in developed countries such as the United States, Germany, China, France, Japan, and Italy. According to the International Council for Small Business (ICSB), small business entities account for over 90% of all enterprises, employ 60–70% of the workforce, and contribute 50% of the gross domestic product.

These enterprises form the backbone of the economies of developed countries and play a crucial role in promoting economic growth, providing employment opportunities for women, young entrepreneurs, and socially disadvantaged groups.

In the current context of globalization, especially during global pandemics, unemployment has become a fundamental problem manifesting in various forms and scales. In this regard, small businesses are an

essential component in promoting domestic economic development and creating employment opportunities. The role of small business entities in reducing unemployment is particularly significant in achieving sustainable national economic development.

Analysis and Results

Small business entities are closely linked to globalization, job creation, and the economic development of a country. The role of small enterprises in the economy lies in generating higher revenues by utilizing limited resources, which, overall, contributes to national economic growth. This highlights that societal stability is reflected in the creation of new jobs through small businesses and in fostering socio-economic innovations.

The global business market continues to expand, with more than 358.7 million enterprises worldwide. Small businesses are a key driver of this growth; in the United States alone, 33.3 million small enterprises account for 99.9% of all businesses. This study examines the latest statistics on the number of enterprises worldwide, along with recent facts and figures regarding global companies and small businesses.



Figure 1. Number of Small Business Enterprises Worldwide (million units)

In 2023, there were 358.7 million businesses worldwide. In the United States, there were 33.3 million small business entities, accounting for 99.9% of all businesses in the country. According to data, the average annual income of small business employees was \$45,857. This represents a 3.29% increase in the number of enterprises worldwide compared to 347.29 million recorded in 2022.

By 2024, the number of small business entities in the United States reached 34.8 million, reflecting an annual growth of 4.5%. Small businesses account for 99.9% of all U.S. enterprises. Of the total number of small businesses, approximately 28.5 million (81.9%) are non-employer firms. Small businesses employ 59 million workers, representing 45.9% of the U.S. workforce. California leads the country with 4.2 million small businesses, accounting for 12.1% of all U.S. small businesses. Texas and Florida follow, each with 3.3 million small businesses.

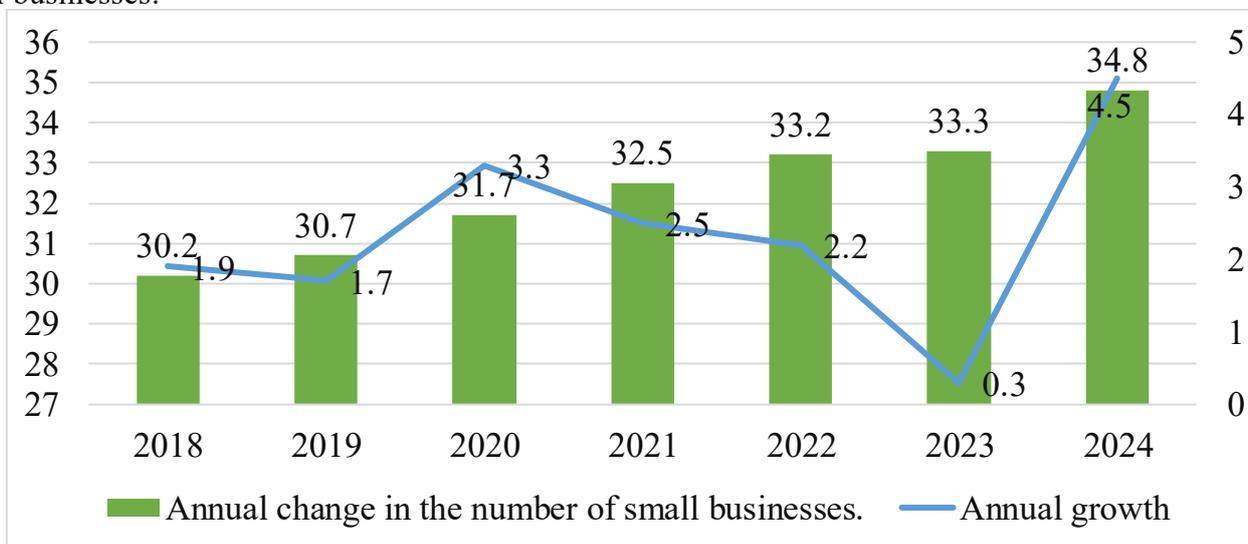


Figure 2. Number of Small Business Enterprises in the U.S. and Their Annual Change (2018-2024)

In 2024, the number of small business entities in the United States reached 34.8 million, accounting for almost all (99.9%) of U.S. enterprises. The growth in small business entities reflects a steady increase, with a 4.5% rise compared to the previous year and a total growth of 17.6% since 2017.

Small businesses play a crucial role in the U.S. economy, contributing significantly to economic development and the creation of new jobs. While most small enterprises employ fewer than 100 workers, they are responsible for millions of new jobs created over recent years. Currently, there are 59 million small business employees in the U.S., representing 45.9% of the national workforce.

As of 2024, the states with the highest number of small businesses are: California – 4.2 million, Texas – 3.3 million, Florida – 3.3 million, New York – 2.2 million, and Georgia – 1.3 million. Overall, the U.S. has 34,752,434 small businesses. These small businesses employ nearly 59 million Americans, which constitutes 45.9% of all workers, and contribute 43.5% of the gross domestic product.

Given that 290 million Americans have internet access, remote work has become considerably easier, especially for sole proprietors who do not need to worry about accommodating multiple employees. However, one of the challenges faced by small businesses is conducting effective marketing campaigns. To establish a strong customer base, business owners need to invest time and resources into organizational work and promotion.

Globally, many countries are geographically favorable, but their economic growth does not always align with their location. For instance, Liberia, Morocco, Nigeria, and other African countries are geographically well-positioned but have relatively low economic development. Conversely, Israel, located in a desert region, demonstrates strong development in the economy, technology, and military industry. Switzerland, mostly mountainous and landlocked, with a population of just 8.6 million, ranks among the top 20 global economies, with a GDP per capita of \$91,991, making it one of the wealthiest nations in Europe. This shows that geographic location alone is not a determining factor for economic development.

In China, the status of “Special Economic Zone” applies not only to Shenzhen, Zhuhai, and Shantou in Guangdong Province, but also to Xiang’an, Xiamen in Fujian Province, Kashgar in Xinjiang Uyghur Autonomous Region, and Hainan Province. Hainan, as the largest free trade zone in the country, continuously attracts knowledgeable, low-cost labor and investment capital, making it a highly desirable location. Other provinces are geographically comparable to Guangdong but have less satisfactory economic development. Guangdong’s economic growth is attributed to its favorable policies, strategic location, and the availability of skilled and affordable labor. Major reforms in the province focused heavily on infrastructure improvements, attracting entrepreneurs to establish operations. Eventually, specialized zones and industrial villages emerged.

Guangdong’s infrastructure policy remains among the best reforms today. With modern transport, travel from Guangzhou to any city in the Pearl River Delta takes less than three hours, whereas it was highly inconvenient before the reforms. In the 1980s, the Guangdong provincial administration used foreign credits to construct bridges, implementing a new investment system that included toll collection to maintain roads and bridges.

The newly constructed railways connected 17 districts and several cities in central and eastern Guangdong, solving connectivity issues between Huizhou, Heyuan, Chaozhou, Jieyang, and Shantou, increasing traffic capacity fivefold, with the total length of interconnected railways exceeding 580 km. Entrepreneurs provided food and housing for incoming workers, enabling a steady inflow of skilled and affordable labor. One solution, known as the “three-in-one” project, allowed workers to sleep in workplace buildings: the first floor served as storage, the second as offices, and the third as accommodation. By the 2000s, many companies adopted this model.

By 2021, a total of 11,179 private companies in Guangdong participated in the social welfare initiative “Ten Thousand Enterprises Help Ten Thousand Villages,” investing over 15.8 billion yuan and implementing more than 8,000 aid projects.

For small and medium-sized enterprises (SMEs), a key challenge is finding markets for their goods and services, selling them, and ensuring reliable delivery. Limited local markets and increasing competition create challenges for family-owned SMEs seeking to enter new markets. To address these challenges, the Chinese government has implemented effective systems for SMEs to access new markets, including online trading platforms and delivery services. Over the past 20 years, the government has heavily invested in delivery infrastructure, resulting in platforms such as Taobao, Tmall, AliExpress, 1688.com, JD.com, and Pinduoduo,

and delivery services including SF Express, Cainiao Network, JD Logistics, YTO Express, ZTO Express, and STO Express.

Such government support has enabled SMEs to deliver products to consumers affordably. Between 2019 and 2022, e-commerce transaction volume in China grew 171%, reaching \$3.85 trillion, and is projected to reach \$3.331 trillion in 2023.

To access global markets, private entrepreneurs in China receive practical support regarding international standards, customs, and transport. While significant opportunities exist for small business growth, certain conditions must be considered. China, as the world's second-largest economy, offers a large market and strong production capacity, but successful entrepreneurship requires understanding economic and social conditions.

Key aspects of small business and entrepreneurship in China include:

A population of over 1.4 billion, providing a massive market for small businesses.

Rapid growth in online commerce, enabling SMEs to compete globally.

Tax incentives and grants for startups, with regional variations to support small enterprises.

Government programs and business incubators offering financial aid, advisory services, and networking opportunities.

Strong technological innovation and digital commerce, with platforms like Alibaba, JD.com, and WeChat facilitating low-cost global operations.

Intense competition, requiring SMEs to adopt innovative approaches and provide high-quality services.

Advanced infrastructure, especially in transport, communications, and technology, benefiting manufacturing and logistics.

Popular sectors include e-commerce, AI, fintech, blockchain, health and beauty products, and tourism services.

In conclusion, China offers immense opportunities for small businesses and entrepreneurship. However, success requires navigating a highly competitive, rapidly changing market, complying with local laws, applying innovations, developing strong marketing strategies, and leveraging government support, tax incentives, and advanced infrastructure. Understanding local market dynamics and differentiating from competitors is essential for thriving in China.

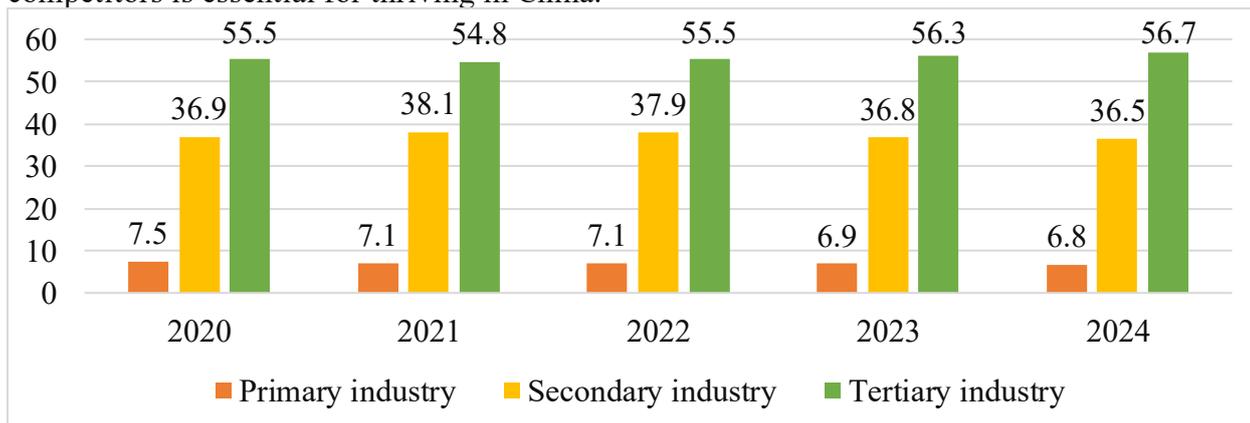


Figure 3. Share of the Three Industries in China's GDP (2020–2024)

According to the data shown in the figure, China's gross domestic product (GDP) in 2024 reached CNY 134,908.4 billion, representing a 5.0% increase compared to the previous year. The added value of the primary industry amounted to CNY 9,141.4 billion, an increase of 3.5% from the previous year. The secondary industry contributed CNY 49,208.7 billion, increasing by 5.3%, while the tertiary industry accounted for CNY 76,558.3 billion, up 5.0%.

In terms of GDP share, the primary industry contributed 6.8%, the secondary industry 36.5%, and the tertiary industry 56.7%. The contribution of final consumption expenditures to GDP growth was 2.2 percentage points, gross capital formation contributed 1.3 percentage points, and net exports of goods and services accounted for 1.5 percentage points of GDP growth.

In China, the government places significant emphasis on the development of small-scale entrepreneurial activities. Economically, the focus is on attracting investment funds and expanding credit provision to support

small business development. The government regulates small business entities by ensuring sustainable development through laws aligned with consumer market demand, and by improving the taxation system for small enterprises.

The economic and social policies are planned and managed by the “Administrative Chamber” and the “Council for Economic Planning and Development” of the People’s Republic of China. Small business activities are supervised by relevant governmental organizations under the Ministry of Economy, which oversees the administrative management of small and medium-sized enterprises (SMEs) in a centralized and coordinated manner.

Conclusion

In developed countries, attracting investment is a key strategic factor in the development of small businesses and entrepreneurship. Analysis indicates that investments not only ensure the financial stability of businesses but also facilitate the implementation of innovative projects, the creation of new jobs, and the stimulation of national economic growth. Priority areas for attracting investment in small businesses include state support mechanisms, tax incentives, financial institutions, and the banking system. Additionally, business incubators, accelerators, and digital financial tools enhance the attractiveness of entrepreneurial activities and improve investment efficiency.

Global experience shows that effective investment mechanisms are based on transparency, security, and robust monitoring systems, which increase investor confidence and encourage long-term investments in small business entities. Furthermore, government policies supporting innovation and entrepreneurship, along with fiscal and financial incentives, create a more favorable investment environment for small businesses.

As a result, the sustainable development of small businesses and entrepreneurship in developed countries is directly linked to investment attraction strategies. Investments increase the competitiveness of small businesses, enable the implementation of innovative projects, and stimulate the flow of capital into various economic sectors. In this way, entrepreneurship not only ensures financial stability but also contributes significantly to rapid economic growth and job creation. Priority directions for small business development are achieved through the formulation and practical implementation of investment strategies, yielding effective and sustainable results.

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