FACTORS AFFECTING THE PROFITABILITY OF SMALL BUSINESSES AND MANUFACTURING ENTERPRISES

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Annotatsiya: *Ushbu maqolada yurtimiz barqaror iqtisodiyoti sharoitida kichik biznes va ishlab chiqarish korxonalarining rentabelligiga erishish yo'llarini takomillashtirish hamda iqtisodiy siyosatni shakllantirishdagi imkoniyatlari tavsiflangan. Shuningdek barqaror iqtisodiy ko'rsatkichlarning bog'liqligida regression tahlil, rentabellik ko'rsatkichlari, Cobb-Dugglas funksiyalarining ishlatilishining afzalliklari haqida tahlil qilinadi. Bundan tashqari, ilmiy manbalar asosida bugungi innovatsion rivojlanish jarayonida korxonalar samaradorligiga erishishning asosiy yo'nalishlari keltirilgan.*

Kalit so'zlar: *Ekonometrika, barqarorlik, iqtisodiy model, ekonometrik model, rentabellik, Cobb-Dugglas funksiyasi, soliq siyosati.*

Abstract: *This article describes the ways of improving profitability of small businesses and manufacturing enterprises under the conditions of a stable national economy, as well as their potential role in shaping economic policy. It also analyzes the advantages of using regression analysis, profitability indicators, and the Cobb–Douglas function in examining the interrelationships of stable economic indicators. Furthermore, based on scientific sources, the main directions for achieving enterprise efficiency in the context of modern innovative development are presented.*

Keywords: *econometrics, stability, economic model, econometric model, profitability, Cobb-Douglas function, tax policy.*

INTRODUCTION

Today, in the context of a developing market economy, the effective functioning of small businesses and manufacturing enterprises and their strong contribution to economic growth are among the most important factors of economic development. Small businesses constitute a significant share of gross domestic product, increase employment, and actively foster a competitive environment.

The level of profitability plays a crucial role in ensuring the sustainable performance of small businesses and manufacturing enterprises, as it reflects how efficiently resources are utilized within these organizations. Identifying the factors that influence profitability and assessing their impact through econometric approaches is of great importance in the enterprise management process, in shaping investment policy, and in optimizing production strategies.

Profitability is one of the key indicators that reflects the level of efficiency and financial performance of an enterprise. It integrates such aspects as revenue, costs, production volume, and the efficiency of resource utilization. Profitability shows how effectively an enterprise converts its resources and activities into profit.

The most commonly used profitability indicators include: net profit margin, return on assets (ROA), return on equity (ROE), and return on sales (ROS).

For small businesses, optimizing production costs, increasing productivity, and ensuring financial stability are among the primary objectives. Internal factors affecting profitability are diverse. Labor productivity and production efficiency of an enterprise are directly determined by the qualifications of the workforce, the use of modern technologies, and the organization of the production process. An increase in labor productivity leads to a reduction in the unit cost of production.

At the same time, a higher production volume reduces the cost per unit, as fixed costs are distributed over a larger quantity of output. Changes in the prices of raw materials and inputs are among the most rapidly influencing factors on profitability. An increase in input prices raises production costs and, consequently, leads to a decrease in profit levels.

Production technology is also a key aspect to consider in small businesses and manufacturing enterprises. The adoption of innovative equipment, energy-efficient solutions, automation of modern technologies, and improvements in product quality can significantly enhance profitability. Effective cost management plays a critical role in increasing profits for small businesses and manufacturing enterprises. This includes establishing efficient management processes, reducing unnecessary expenses, optimizing resource utilization, and minimizing logistics costs, all of which contribute to higher financial performance and overall enterprise efficiency.

External factors influencing profitability are also diverse. The higher the market demand, the greater the profitability, while a decline in demand leads to a reduction in production volume. Tax policy directly affects profit levels, and tax incentives for small businesses help to increase profitability. The availability of credit resources, low-interest loans, and preferential financing all expand the investment potential of an enterprise.

To study the factors determining the profitability of small businesses and manufacturing enterprises, the following multiple regression model is commonly used:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

where:

- (Y) – profitability level,
- (X_1) – labor productivity,
- (X_2) – raw material price,
- (X_3) – production volume,
- (X_4) – investments,
- (\varepsilon) – error term.

This model allows for assessing the influence of multiple internal and external factors on profitability simultaneously and helps in making informed management and investment decisions. Through the results of the econometric model, it is possible to determine which factor has the strongest impact on profitability and analyze it. If the Cobb–Douglas function is applied to assess profitability:

$$Q = A \cdot K^\alpha \cdot L^\beta$$

Using this model, the extent to which capital and labor affect production results can be analyzed.

Based on analyses conducted in small businesses and manufacturing enterprises, it can be observed that labor productivity has a direct positive effect on profitability, an increase in the price of raw materials reduces profitability, and an increase in new investments enhances production capacity and expands profitability.

In conclusion, to increase the profitability of small businesses and manufacturing enterprises, it is necessary to implement modern innovative technologies, optimize enterprise costs, strengthen market analysis, utilize a skilled workforce, and effectively take advantage of government-provided incentives.

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