

FACTORS AFFECTING THE PROFITABILITY OF SMALL BUSINESSES AND MANUFACTURING ENTERPRISES

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Abstract: This article examines ways to improve the efficiency of small businesses and manufacturing enterprises within the framework of Uzbekistan's economic stability, as well as the possibilities of shaping economic policy. In addition, the advantages of using regression analysis, profitability indicators, and Cobb-Douglas functions in studying the interrelationship of economic indicators are analyzed. Based on scientific sources, the main directions for achieving enterprise efficiency in the context of modern innovative development are also highlighted.

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

ENTRANCE

Today, in the context of a developing market economy, the effective functioning of small businesses and production enterprises, occupying a leading position in their economic growth, is one of the most important factors. Small businesses constitute a significant part of the gross domestic product, increase employment, and rapidly develop a competitive environment. The level of profitability plays an important role in the stable operation of small businesses and manufacturing enterprises, as it shows the result of how effectively resources are used at enterprises. Identifying factors influencing profitability and assessing their role through econometric approaches is of great importance in the process of enterprise management, the formation of investment policy, and the optimization of production strategy.

LITERATURE ANALYSIS

In foreign and domestic research on the topic, special attention is paid to the issues of the influence of small business, manufacturing enterprises, and the digital economy on innovative development. The research was conducted in the following main areas:

1. Ruzmetov D. I., Saidov M. D. (2025). *Development of small businesses and private entrepreneurship through the allocation of concessional loans* - the article analyzes ways to increase the economic efficiency and achieve profitability of business entities through mechanisms and financial measures to support small businesses. [1].
2. Mukhibova G. Ya., Sharifkhodzhaeva O. U., Turabekova O. *Improving the efficiency of small business and entrepreneurial activity through strategic planning* - the study covers the assessment of the profitability and efficiency of small businesses, the importance of strategic planning, and the analysis of profitability indicators. [2].
3. Saparbayev A. M. *Criteria and indicators for assessing the effectiveness of small business and private entrepreneurship* - this study covers the analysis of criteria for assessing the effectiveness of small businesses and production enterprises, profitability indicators, and a number of indicators. [3].
4. Econometric analysis of sustainable development of the region - this study analyzes macroeconomic stability and increasing the role of small business through econometric modeling. [4].

RESEARCH METHODOLOGY

In the process of organizing the research, such methods as analysis-synthesis, economic model, economic analysis, mathematical modeling, and the Cobb-Douglas function were used. At the same time, based on scientific literature, the importance of profitability indicators in the process of innovative development and their priorities and practical application were considered.

ANALYSIS AND RESULTS

Profitability is one of the main indicators reflecting the level of profitability of the enterprise's activities. Profitability encompasses the enterprise's revenue, costs, production volume, and resource utilization efficiency. The most commonly used profitability indicators are: Net profit profitability, asset profitability (ROA), return on equity (ROE), sales profitability (ROS).

For small businesses, it is the cost optimization, increasing production productivity and ensuring financial stability that is one of the main tasks. Internal factors affecting profitability also vary. Labor productivity and production efficiency of the enterprise are directly determined by the qualifications of the workforce, modern technology, the organization of the production process. Increased labor productivity-leads to a decrease in the cost of production of one unit. And the volume of production in large volumes reduces the cost of production, since the costs that arise constantly are distributed over more products. The change in the price of raw materials and materials is the fastest factor affecting the level of profitability. And the increase in prices increases the cost, causing a decrease in profits.

Manufacturing technology is also considered to be a consideration in small businesses and manufacturing businesses. Because innovative techniques in production technologies, energy saving, automation of modern technologies, improving the quality of products increase the perception of profitability. The process of cost management is to organize effective management, reduce overhead costs, optimize resources, minimize logistics costs, increase the profit of small businesses and manufacturing enterprises.

External factors that affect profitability are also different. The higher the market demand, the higher the profitability. A decrease in demand, on the other hand, causes a decrease in the volume of production. The amount of tax policy directly affects the level of profit. Tax breaks for small businesses serve to increase profitability. The presence of credit resources, low-interest loans, preferential loans, all this expands the investment potential of the enterprise.

In the study of factors determining the profitability of small businesses and

manufacturing enterprises, the following multi-factor regression model is used:

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

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here: Y is the level of profitability, X₁ is labor productivity, X₂ is the price of raw materials, X₃ is the volume of production, X₄ is Investments.

Through the results of the econometric model, it is determined and analyzed which factor has the strongest impact on profitability. If the Cobb-Douglas function is used to determine profitability: $Q = A \cdot K^\alpha \cdot L^\beta$

with the help of this model, it is analyzed to what extent capital and labor affect the results of production.

Based on the analyzes carried out in small businesses and manufacturing enterprises, we can know that labor productivity has a direct positive effect on profitability, an increase in the cost of raw materials reduces profitability, an increase in new investments increases production capacity and expands profitability. with the help of this model, it is analyzed to what extent capital and labor affect the results of production.

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CONCLUSIONS AND RECOMMENDATIONS

In conclusion, in order to increase the profitability of small businesses and manufacturing enterprises, it is necessary to introduce innovative modern technologies, optimize enterprise costs, strengthen market analysis of business, use skilled labor at the enterprise, effectively use the benefits created by the state.

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