

ECONOMIC MECHANISMS OF ATTRACTING INVESTMENTS IN SMALL BUSINESS

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Abstract: This scientific article studies the economic mechanisms of attracting investments to small businesses. The content of the investment process, its importance in the development of small businesses, and the main economic tools used to attract investments are analyzed. Factors influencing the increase in investment activity in the small business sector are identified and the effectiveness of existing mechanisms is assessed. It is substantiated that expanding access to financial resources, improving the institutional environment, and strengthening state support measures are of great importance in the process of attracting investments to small businesses. The importance of improving investment policy aimed at the development of small businesses is highlighted.

Keywords: small business, investments, investment mechanisms, economic mechanism, investment environment, financial resources, entrepreneurship development.

INTRODUCTION

In the current globalization environment, small business and private entrepreneurship play an important role in ensuring the sustainable development of the economy. This sector is an important factor not only in creating new jobs, but also in increasing the income of the population, ensuring regional development, and forming a competitive environment. At the same time, the activities of small business entities largely depend on the availability of investment resources and the level of their effective use. Small business entities face a number of problems in attracting investments, such as financial constraints, lack of sufficient guarantees, and poor information provision. This situation creates the need for in-depth study of economic mechanisms that stimulate the investment process and their improvement. In particular, the formation of flexible and effective mechanisms for attracting investments, taking into account the specific characteristics of small businesses, is one of the pressing issues. Studying economic mechanisms for attracting investments in small businesses, analyzing their content and features of implementation, and developing proposals aimed at increasing investment activity are of scientific and practical importance. This article focuses on these issues and highlights the role of investment mechanisms in the development of small businesses.

Economic mechanisms for attracting investments in small businesses are an important component of the country's economic development. These mechanisms include the processes of formation, distribution and use of investment resources and serve to ensure the stability of small business activities. The specific characteristics of small businesses, including limited capital, high financial risks and rapid adaptation to market conditions, require a special approach to attracting investments.

One of the economic mechanisms for attracting investments is related to expanding access to financial resources. In practice, small businesses finance their activities mainly through bank loans, private investments, and financial support provided by the state. However, high interest rates on bank loans and insufficient collateral required as loan collateral remain significant obstacles for small businesses. Therefore, simplifying lending conditions and developing

alternative sources of financing are important in improving investment mechanisms. The institutional environment also plays an important role in attracting investments to small businesses. The stability of the legislative framework, protection of property rights, and transparency of the norms regulating entrepreneurial activity are important factors for investors. If there are uncertainties in the economic environment, this leads to a decrease in investment activity. In this regard, creating a favorable investment environment for small businesses increases the efficiency of economic mechanisms.

State support mechanisms are of particular importance in attracting investments in small businesses. Tax incentives, subsidies, grants and guarantee mechanisms serve to reduce risks for investors. Such measures, while strengthening the financial stability of small businesses, stimulate the investment process. At the same time, the effectiveness of state support mechanisms depends on their targeted and transparent implementation. Another important element of investment mechanisms is information provision. The skills of small businesses to prepare investment projects and present them in an understandable form for potential investors are not sufficiently developed. This leads to information asymmetry in the investment process. Therefore, the development of consulting services for drawing up business plans, preparing financial statements and evaluating investment projects is an important component of economic mechanisms.

Taking into account regional characteristics also increases the effectiveness of mechanisms for attracting investments in small businesses. Each region has its own economic potential, natural resources, and labor market. Therefore, it is necessary to take into account regional factors when developing investment mechanisms. Regional investment programs and special economic zones serve as important tools for stimulating small business activity. The role of innovative approaches in activating investment activities in small businesses is increasingly increasing. Digital financial technologies, including online lending platforms and crowdfunding mechanisms, are creating new opportunities for small businesses. These tools accelerate the process of attracting investments and expand access to financial resources. However, for the effective use of innovative mechanisms, it is important to increase the financial literacy of entrepreneurs.

Investment risk management is also an important aspect of economic mechanisms. Due to the high level of risks in small business, investors make decisions cautiously. Risk reduction mechanisms, including insurance systems and state guarantees, serve to ensure the stability of the investment process. This increases confidence in small business entities. In general, the economic mechanisms for attracting investments to small businesses are interrelated and complex. The investment process is effective when financial, institutional and organizational factors work in harmony. Therefore, continuous improvement of investment mechanisms in the development of small businesses is an important condition for ensuring economic stability.

METHODOLOGY

The issue of attracting investments to small businesses is widely covered in economic literature, and research conducted in this area reveals various aspects of investment mechanisms. Among Uzbek researchers, Sh.T.Bolliyev's¹ scientific works are devoted to the issues of financing small businesses and improving investment processes. In his research, he analyzes the

¹ Bolliyev Sh.T. (2025). IMPROVEMENT OF MECHANISMS OF ATTRACTING INVESTMENTS IN THE SMALL BUSINESS SECTOR. *The Role of Research and Development Factors in the Development of New Uzbekistan*, 15(2), 86-91. <https://journal-web.uz/index.php/05/article/view/132>

financial and organizational barriers to small business entities' access to investment resources, substantiates the importance of bank loans, government programs, and institutional mechanisms. Also, the research conducted by Z.D.Akmalova² considers the issues of adapting foreign experience in financing small businesses to the conditions of Uzbekistan. He analyzes investment mechanisms used in developed countries, including venture capital, grants, and preferential lending systems, and assesses the possibilities of adapting them to the local economic environment.

Studies conducted by scientists from the CIS countries also allow us to identify general trends in attracting investments in small businesses. In particular, J.Mingaleva et all.³ conducted a comparative analysis of the level of development of small businesses and investment mechanisms in the CIS countries. They show the interrelationship of state policy, financial resources and institutional conditions in supporting small businesses. The study conducted by V.Zarubina et all.⁴ analyzed the issues of sustainable development of small businesses in close connection with investments. They emphasize that not only financial mechanisms, but also social and institutional factors are important in attracting investments in small businesses.

Foreign scholars have extensively covered modern approaches to attracting small business investment in their research. An empirical study conducted by P.C.Nguyen⁵ reveals the role of financial strategies and social networks in small business investment activities. He substantiates the importance of informal financial ties and social capital in accessing investment resources. K.Fellnhofer⁶ also analyzed the level of investment readiness of small and medium-sized businesses. He points to the problems of information asymmetry and management quality in the investment process as the main obstacles.

In general, the analysis of the literature shows that attracting investments to small businesses is a complex and multifactorial process. While local studies shed light on national characteristics, the work of CIS and foreign scholars reveals general patterns of investment mechanisms.

This scientific article used a comprehensive methodological approach to studying the economic mechanisms of attracting investments in small businesses. In the research process,

² Akmalova Ziyoda Doniyorovna. (2025). WAYS OF ADAPTATION OF INTERNATIONAL EXPERIENCE IN FINANCING SMALL BUSINESSES TO THE CONDITIONS OF UZBEKISTAN. *IMRAS*, 8(9), 128–134. Retrieved from <https://journal.imras.org/index.php/sps/article/view/2547>

³ Mingaleva, Zhanna & Zhumabayeva, M. & Karimbayeva, G. & Demessinov, T.Z. & Kirdassanova, K.A. & Konuspayev, R.K. (2014). Small business development in CIS countries. *Journal of Life Sciences*. 11. 271-276. https://www.researchgate.net/publication/288297964_Small_business_development_in_CIS_countries

⁴ Zarubina, V., Zarubin, M., Yessenkulova, Z., Gumarova, T., Daulbayeva, A., Meimankulova, Z., & Kurmangalieva, A. (2024). Sustainable Development of Small Business in Kazakhstan. *Economies*, 12(9), 247. <https://doi.org/10.3390/economies12090247>

⁵ Nguyen, P.C., Nguyen, B., & Thanh, S.D. (2022). The importance of export diversification for national entrepreneurship intensity. *Structural Change and Economic Dynamics*, 62, 114-129. <https://doi.org/10.1016/j.strueco.2022.05.003>

⁶ Fellnhofer, K. Literature review: investment readiness level of small and medium-sized companies. *International Journal of Managerial and Financial Accounting*. <https://doi.org/10.1504/IJMFA.2015.074904>

systematic and logical analysis was chosen as the main method, and the financial, institutional and organizational aspects of investment mechanisms were considered in their interrelation. The study ensured a combination of qualitative and quantitative analysis methods, which allowed for a joint assessment of the theoretical and practical aspects of the investment process. Official statistical data, regulatory legal acts, and local and foreign scientific literature were used to form the database. Through the method of comparative analysis, small business investment mechanisms in the conditions of Uzbekistan were compared with the experience of the CIS and foreign countries. Using trend analysis, the dynamics of changes in investment volumes and sources of financing were assessed. Also, the study used generalization and scientific abstraction methods to identify the main features inherent in the economic mechanisms of attracting investments in small businesses. The methodology used ensures the reliability and scientific validity of the research results and allows the conclusions to be applied in practice.

RESULTS

The conducted analyses showed that the process of attracting investments to small businesses is multifactorial and is formed through complex economic mechanisms. It was found that the investment activity of small businesses is directly related to the availability of financial resources, the quality of the institutional environment, and the support measures provided by the state. In particular, the limited availability of financing sources was shown to be one of the main problems in the investment process of small businesses. Although bank loans remain one of the main sources of investment for small businesses, high interest rates and collateral requirements significantly limit the investment process. At the same time, it was observed that the level of use of alternative sources of financing, including private investments and innovative financial instruments, is insufficient. This situation prevents small businesses from fully realizing their investment potential.

The results showed that the stability and transparency of the investment environment are important factors in attracting investments in small businesses. The consistent development of the legislative framework, the simplicity of the norms regulating entrepreneurial activity, and the protection of property rights increase investor confidence. As these factors increase, the volume of investments directed at small businesses is also increasing. Also, the presence of state support mechanisms has a significant positive effect on increasing the investment activity of small businesses. Tax incentives, subsidies, and financial guarantees create favorable conditions for investors by reducing investment risks. In the presence of such mechanisms, the opportunities for small businesses to implement investment projects expand. In addition, the results of the analysis showed that the skills of small businesses to prepare and present investment projects are not sufficiently developed. This situation leads to information asymmetry and creates additional uncertainties for potential investors. Therefore, the results of the study indicate the need to strengthen institutional and organizational mechanisms to activate the investment process in small businesses.

DISCUSSIONS

The results obtained are somewhat consistent with and complement the conclusions put forward in the existing scientific literature. In particular, as noted by local and foreign researchers, financial constraints remain one of the main problems in attracting investments to small businesses. It shows the importance of diversifying financing sources in improving investment mechanisms. The increasing financial resources. Improving the institutional environment, ensuring stability in legislation and simplifying the mechanisms regulating entrepreneurial activity play an important role in increasing investment activity. These aspects

are consistent with the theoretical approaches outlined in the scientific literature. The results obtained on the importance of state support mechanisms also cause significant discussion. State participation creates an additional incentive for small businesses by reducing investment risks. However, during the discussions it is revealed that the effectiveness of these mechanisms directly depends on their targeted and transparent implementation. Otherwise, there is a risk that support measures will not produce the expected results. The need to focus on the quality of investment projects is also discussed. It was shown that small businesses lack knowledge and experience in preparing investment projects. This situation is directly related to the concept of the level of investment readiness noted in foreign studies. Therefore, the discussions confirm that improving financial literacy and management competencies in small businesses is an integral part of investment mechanisms. It shows that improving economic mechanisms for attracting investments in small businesses requires an integrated approach. The efficiency of the investment process increases when financial, institutional and organizational factors work in harmony with each other. These conclusions can serve as a scientific basis for the formation of investment policies aimed at developing small businesses in the future.

CONCLUSION

The economic mechanisms for attracting investments in small businesses were analyzed theoretically and practically. It was shown that the sustainable development of small businesses is directly dependent on access to investment resources, the quality of the institutional environment, and support measures implemented by the state. The investment process for small businesses is associated with many restrictions and risks, which requires constant improvement of investment mechanisms. Despite the leading position of bank loans in financing small businesses, their terms do not always correspond to the capabilities of entrepreneurs. Therefore, diversification of investment sources, expansion of private investments and the use of innovative financial instruments are of great importance. This will serve to increase the investment activity of small businesses and strengthen their financial stability. It was also substantiated that the stability and transparency of the investment environment are one of the important conditions for attracting investments in small businesses. Consistent development of the legislative framework, simplification of mechanisms regulating entrepreneurial activity, and reliable protection of property rights increase investor confidence. As these factors increase, the volume of investments directed to small businesses increases. The role of state support mechanisms was also emphasized. Tax incentives, subsidies and financial guarantees reduce investment risks for small businesses and expand the possibilities for implementing new investment projects. However, it was concluded that the effectiveness of these mechanisms directly depends on their targeted and transparent implementation.

In general, the results of the study show that improving the economic mechanisms for attracting investments in small businesses requires a comprehensive and systematic approach. The combination of financial, institutional and organizational factors increases the efficiency of the investment process and strengthens the role of small businesses in economic development. These conclusions have important theoretical and practical significance in the development of investment policies aimed at the development of small businesses in the future and in continuing scientific research.

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