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DIGITAL TRANSFORMATION AS A FACTOR IN IMPROVING SMALL BUSINESS COMPETITIVENESS

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Abstract. The thesis examines digital transformation as an important factor in strengthening the competitiveness of small businesses. It considers the role of digital technologies in reducing operating costs, improving customer relations, accelerating business processes and expanding access to markets. Particular attention is paid to the conditions under which digital tools can create sustainable competitive advantages for small enterprises in Uzbekistan.

Keywords: digital transformation, small business, competitiveness, digital economy, innovation, Uzbekistan.

The development of the digital economy is changing the competitive environment for small businesses. Traditional factors such as price, location and product quality remain important, but the ability to use digital technologies is increasingly becoming a source of competitive advantage. Electronic commerce, digital payment systems, customer relationship management tools, cloud technologies and social media allow small enterprises to organize their activities more flexibly and respond more quickly to changes in market demand.

Digital transformation should be understood not simply as the introduction of individual technologies, but as the integration of digital tools into the main business processes of an enterprise. For small businesses, this may include online sales, electronic payments, digital accounting, automated communication with customers, online advertising and data-based decision-making. The effectiveness of these tools depends on how well they are connected with the firm's overall development strategy.

One of the main effects of digital transformation is the possibility of expanding market access. A small enterprise can reach customers outside its traditional geographical market without establishing additional physical branches. Digital communication also allows businesses to receive customer feedback more quickly, personalize offers and improve service quality. These factors can strengthen customer loyalty and increase the firm's ability to compete with larger market participants.

Digitalization can also contribute to cost efficiency. Electronic document management, automated accounting, online communication and digital payment systems may reduce administrative and transaction costs. At the same time, digital transformation creates new expenses related to software, online advertising, cybersecurity, staff training and platform commissions. Therefore, the competitiveness effect should be evaluated not by the number of digital tools used, but by their contribution to productivity, profitability, market share and customer retention.

For small businesses in Uzbekistan, digital transformation has particular importance because it can reduce geographical barriers and support access to wider national and international markets. However, differences in digital skills, infrastructure, financial resources and managerial capacity may limit the ability of enterprises to benefit equally from digitalization. Strengthening digital competencies among entrepreneurs is therefore an important condition for increasing the effectiveness of digital transformation.

The competitiveness of a digitally transforming small business can be assessed through a system of indicators, including sales growth, labour productivity, operating cost ratio, customer acquisition

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cost, repeat-purchase rate, online sales share and speed of order fulfilment. Monitoring these indicators before and after the introduction of digital solutions can help identify whether technological changes create real economic benefits.

In conclusion, digital transformation can become an important factor in improving small business competitiveness when digital technologies are integrated with effective management, financial planning and market strategy. For Uzbekistan, supporting the digital transformation of small enterprises requires not only technological infrastructure but also practical training, digital literacy and access to appropriate business services. Further empirical research should focus on measuring the relationship between the intensity of digital transformation and the competitiveness indicators of small businesses across different sectors and regions.

An important element of digital transformation is the development of data-driven management. Even small enterprises can use information from electronic sales, customer requests and online promotion to identify demand trends and make more accurate decisions. The systematic use of such data helps businesses plan inventories, select effective marketing channels and adapt products or services to customer preferences. As a result, digitalization can strengthen not only operational efficiency but also the strategic flexibility of small firms.

Another significant factor is the use of digital financial services. Electronic payments, mobile banking and online financial management tools can accelerate settlements, improve the transparency of cash flows and simplify interaction with customers and suppliers. For small businesses, better financial information may support more effective control over revenues and expenses. At the same time, entrepreneurs need sufficient financial and digital literacy to use these instruments safely and efficiently.

The successful digital transformation of small businesses also requires an appropriate institutional environment. Reliable internet access, secure payment infrastructure, protection of digital transactions and accessible advisory services can reduce barriers to technology adoption. Cooperation between universities, business support institutions and entrepreneurs can contribute to the dissemination of practical digital skills and innovative business models. In this context, the development of digital entrepreneurship should be considered an important component of broader economic modernization in Uzbekistan.

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