

## **Strategies for Increasing the Competitiveness of Small and Medium Businesses in the Digital Economy**

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**Abstract:** This article analyzes effective strategies for increasing the competitiveness of small and medium-sized businesses in the digital economy. At a time when the economy is transitioning to a digital basis on a global scale, the use of innovative technologies, e-commerce, digital marketing and automated management systems is becoming an important factor for small and medium-sized businesses. The study examines the opportunities for small and medium-sized businesses to reduce costs, expand their customer base, and improve the quality of products and services through modern technologies. The importance of digital infrastructure, state support and digital literacy is also highlighted. Using the example of Uzbekistan, strategies are developed to strengthen the competitiveness of regional small and medium-sized businesses in national and international markets through digital transformation.

**Keywords:** Digital economy, small business, medium-sized businesses, competitiveness, digital transformation, e-commerce, innovation, digital marketing, technological development, strategic management.

Global digital transformation is covering all layers of the modern economic system. In this process, small and medium-sized businesses are emerging as the main driving force. They play an important role in creating jobs in the economy, introducing innovations and stimulating competition in the domestic market. In the context of a digital economy, the success of SMEs directly depends on how they implement digital technologies and adapt their business strategies.

In the context of the digital economy, in an information environment where the development of entrepreneurship and small businesses is rapidly entering, in order to further develop the development of the state and society, the President of the Republic of Uzbekistan, in his Address to the Oliy Majlis on the most important priorities for 2020 dated January 25, 2020, also mentioned the following regarding the development of the digital economy in our country: "In order to further develop science in our country, educate our youth as people with deep knowledge, high spirituality and culture, and to continue the work we have begun on forming a competitive economy and raise it to a new, modern level, I propose to name 2020 in our country the "Year of Science, Enlightenment and the Development of the Digital Economy."

In addition, in order to implement the Decree of the President of the Republic of Uzbekistan No. PF-5349 dated February 19, 2018 "On measures for the further development of the sphere of information technologies and communications", as well as to create conditions for the rapid development of modern information technologies for the implementation of the digital economy in the state administration system in the Republic, as well as to ensure information security, the Cabinet of Ministers adopted a Resolution on August 31, 2018 "On additional measures for the introduction and further development of the digital economy in the Republic of Uzbekistan",

which defines the goals and objectives of the digital economy, and the Resolution of the President of the Republic of Uzbekistan No. PQ-3832 dated July 3, 2018 "On measures for the development of the digital economy in the Republic of Uzbekistan" can also be included in these measures.

This article analyzes the strategic directions necessary to increase the competitiveness of small and medium-sized businesses, ways to use digital infrastructure and modern technologies, as well as practical situations in the conditions of Uzbekistan.

Digital technologies are increasingly playing an important role in the modern global economy. The concept of a digital economy refers to an economic system operating on the basis of information and communication technologies (ICT). In recent years, Uzbekistan has also paid great attention to the development of the digital economy. The Strategy for the Development of the Digital Economy in Uzbekistan for 2020-2030 has been adopted, in which the digitization of small and medium-sized businesses (SMEs) is identified as one of the priority areas.

SMEs provide a large part of jobs in the country and make a significant contribution to gross domestic product. Therefore, increasing their competitiveness and improving their efficiency is of great importance for the economy of Uzbekistan. Digital technologies, while creating new opportunities for SMEs, also pose certain challenges.[1]

Digital economy and small and medium-sized businesses: new opportunities and challenges

The digital economy is a system of economic activity created and managed using digital technologies. Its main features are:

Speed of data and information flow;

Platforms and services operating on the Internet;

Automated management systems

Digital payment and trade systems.

For small and medium-sized businesses, these changes open up new opportunities: they will be able to enter the global market at low cost, work with online customers, and reduce marketing costs. However, for businesses that have not fully mastered digital technologies, the risk of falling behind in competition is also high.

Key strategic directions for small and medium-sized businesses

a) Step-by-step implementation of digital transformation

SMEs can increase efficiency by gradually introducing digital technologies into their activities. For example:

Using automated systems in accounting and bookkeeping;

Selling products and services online through e-commerce platforms;

Improving the quality of customer service using CRM (Customer Relationship Management) systems.

b) Developing digital marketing strategies

Unlike traditional advertising tools, digital marketing tools (social media, email marketing, SEO, contextual advertising) can be used to advertise more economically and effectively. This increases brand visibility and attracts new customers.

c) Introducing innovative services and products

SMEs that introduce digital or technological innovations to the market are always one step ahead. This can be a new platform, type of service, or form of online service provision.

d) Improving the digital literacy of personnel

The success of digital transformation depends on the ability of employees to work with these technologies. Therefore, it is necessary to organize continuous training and advanced training courses.

Directions for increasing the competitiveness of small and medium-sized businesses in Uzbekistan

In recent years, great attention has been paid to the development of the digital economy in Uzbekistan. In this process, small and medium-sized businesses are increasing their competitiveness in the following areas:

Expansion of e-commerce platforms: Thousands of SMEs operate on "Uzum Market", "Zoodmall", "Asaxiy", "Texnomart" and others.

Convenient service provision through mobile payment systems: Payment systems such as "Payme", "Click", "Apelsin", "UzumPay" provide convenient opportunities for small shops and service enterprises.

Support through state programs: Grants, subsidies and loans are being allocated for small and medium-sized businesses within the framework of initiatives such as "Youth Notebook", "Women's Notebook".[2]

Problems and strategies to overcome them

a) Limited technological infrastructure

In some remote areas, the lack of internet speed and technical equipment is becoming an obstacle to the introduction of digital technologies.

Solution: improving technological infrastructure in cooperation with the public and private sectors, providing subsidies.

b) Lack of digital literacy

The lack of skills in using digital tools among owners and employees of small and medium-sized businesses slows down development.

Solution: creating a system of continuous professional development through trainings, master classes, online courses.

c) Limited access to financial resources

Technological transformation often requires initial investment, which is not available to all small and medium-sized businesses.

Solution: expanding preferential loans, subsidies, and leasing opportunities for technological equipment.

Digital cooperation and innovation clusters

Small and medium-sized businesses can strengthen digital cooperation among themselves and share common IT resources. For example:

Technoparks and startup incubators: in these places, small and medium-sized businesses can test innovative ideas and use the necessary infrastructure.

B2B platforms: create opportunities for cooperation with other companies to deliver products, exchange services, and use logistics services.[5]

In short, increasing the competitiveness of small and medium-sized businesses in the Digital Economy is a matter of time, requiring not only technological innovation, but also strategic thinking, flexibility, and an innovative approach. For the small and medium-sized business sector of Uzbekistan, the decisive factors on this path are state policy support, the expansion of digital infrastructure, and most importantly, the initiative and openness to innovation on the part of entrepreneurs themselves.

In addition, it is necessary to eliminate the “digital infrastructure” imbalance between urban and rural areas. Some regions have access to high-speed Internet and modern digital services, while others lag behind. Bridging the digital divide is essential to ensuring that all small businesses, regardless of their location, have equal opportunities to participate in the digital economy.

By consistently implementing these strategies, small and medium-sized businesses can find their place not only in the domestic market, but also internationally.

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