



DIRECTIONS FOR IMPROVING THE ECONOMIC EFFICIENCY OF INVESTMENT ACTIVITIES OF SMALL BUSINESS ENTITIES BASED ON CHINESE EXPERIENCE

Javlonbek Butayev

Doctor of Philosophy (PhD) in Economics,
Tashkent State University of Economics

Abstract

This article examines the directions for improving the economic efficiency of investment activities of small business entities based on the experience of China. The study substantiates the importance of digital financing, credit-service platforms, alternative collateral mechanisms, multi-criteria evaluation of investment projects, technological modernization, and performance monitoring in increasing the investment efficiency of small businesses. The article analyzes the scholarly views of Chinese economists Lin Yifu and Yao Lianying, as well as Uzbek economists D.G. Gozibekov and N.G. Karimov, on investment efficiency, financing mechanisms, digital finance, and risk assessment. The practices of China and Uzbekistan are comparatively analyzed, and practical recommendations are developed in line with the priorities of the “Uzbekistan — 2030” Strategy, including building a strong economy, strengthening the role of the private sector, promoting innovation, digitalization, and integration into global production chains.

Keywords: Small business, investment activity, economic efficiency, Chinese experience, digital finance, credit-service platform, alternative collateral, investment monitoring, “Uzbekistan — 2030” Strategy.

Introduction

Small business entities play an important role in modern economies by supporting economic growth, employment, regional development, innovation, and competitive market formation. Compared with large enterprises, small



*Modern American Journal of Business,
Economics, and Entrepreneurship*

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

*This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.*

businesses are more flexible, more capable of adapting to changing market conditions, and more closely connected with local resources and consumer needs. Therefore, increasing the investment activity of small businesses is one of the key factors in achieving sustainable economic development.

Investment activity is a fundamental driver of small business development. Through investment, small business entities can expand production capacity, introduce new technologies, improve product quality, reduce production costs, increase export potential, and strengthen their competitive position in the market. However, ensuring the economic efficiency of investment activity is a complex process. It depends on access to financial resources, credit conditions, the quality of investment project evaluation, risk management, innovation capacity, and the institutional environment.

In practice, small business entities often face serious barriers to accessing investment resources. These include insufficient collateral, complicated credit procedures, limited transparency of financial statements, high perceived credit risk for banks, weak investment project evaluation skills, and insufficient performance monitoring mechanisms. As a result, many economically promising small business projects remain underfinanced, while available resources may be directed toward projects with relatively low efficiency.

Chinese experience is of particular importance in addressing these challenges. In China, the financing of small and micro businesses is supported through digital credit-service platforms, credit information-sharing mechanisms, movable asset collateral, receivables-based financing, fintech services, and investment performance monitoring tools. A key feature of the Chinese model is that small businesses are assessed not only on the basis of traditional collateral, but also through their real economic activity, sales turnover, payment discipline, tax history, and digital data.

In Uzbekistan, the “Uzbekistan — 2030” Strategy defines several priority areas directly related to improving the investment efficiency of small businesses. These include building a strong economy, turning the country into an important link in global production chains, increasing the role of the private sector, improving the investment climate, accelerating digitalization, promoting innovation, and strengthening regional economic potential [9]. These strategic priorities require a more efficient system for evaluating, financing, and monitoring investment projects in the small business sector.



*Modern American Journal of Business,
Economics, and Entrepreneurship*

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

*This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.*

The purpose of this article is to analyze the directions for improving the economic efficiency of investment activities of small business entities based on Chinese experience, compare the practices of China and Uzbekistan, and identify which mechanisms should be strengthened and which practices should be reduced or eliminated in order to improve investment efficiency.

Literature Review

The issue of improving the economic efficiency of investment activities of small business entities has been widely studied within the fields of economic theory, investment management, financial management, digital finance, and institutional economics. Within the scope of this article, the views of two Chinese scholars and two Uzbek scholars most relevant to the research topic are analyzed.

Chinese economist Lin Yifu, within the framework of New Structural Economics, argues that economic development should be based on an industrial structure that corresponds to a country's factor endowments, existing resources, and comparative advantages [1]. According to Lin, the state should act as a facilitating institution that complements market mechanisms by improving infrastructure, financial systems, technological modernization, and the overall business environment. This approach is important for small business investment activity, because small enterprises can achieve higher economic efficiency when their investment projects correspond to regional resources, sectoral potential, and market demand.

Lin Yifu's approach provides two important conclusions for small business development. First, investment projects should correspond to the existing production capacity and comparative advantages of the region or country. Second, instead of directly distributing financial resources to small businesses, the state can achieve higher efficiency by developing financial infrastructure, credit information systems, technological services, and market-supporting institutions. This is consistent with China's experience in developing credit-service platforms and digital assessment mechanisms for small businesses.

Yao Lianying is one of the scholars who has studied the impact of digital finance on the innovation activity of small and medium-sized enterprises. Her research shows that digital finance can ease financing constraints, improve access to external financing, and stimulate innovation-oriented investment among SMEs



*Modern American Journal of Business,
Economics, and Entrepreneurship*

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

*This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.*

[2]. This approach explains small business development through the chain of “digital finance — reduction of financing constraints — innovation activity — economic efficiency.”

Yao Lianying’s views are also relevant for Uzbekistan. Many small business entities may not have sufficient traditional collateral, but their sales turnover, electronic payments, tax history, customer base, and banking operations reflect their real economic activity. Therefore, in financing small businesses, it is more efficient to move from a system based mainly on immovable property collateral to an investment-credit rating system based on digital economic data.

Stiglitz and Weiss argue that credit markets are often characterized by imperfect information, which leads to credit rationing even when borrowers are willing to pay higher interest rates [5]. This view is directly relevant to small business investment activity, as SMEs frequently face financing constraints due to insufficient collateral, limited credit history, and information asymmetry. Therefore, reducing information gaps through digital credit ratings, transparent financial data, and credit-service platforms can improve access to investment resources and increase the economic efficiency of small business projects.

Berger and Udell emphasize that small business financing changes across the firm’s financial growth cycle, moving from internal funds and informal finance at early stages to bank loans, leasing, private equity, and other formal financial instruments as the firm grows [6]. This approach supports the need to diversify financing sources for small business investment activity. In the context of Uzbekistan, combining bank loans, leasing, guarantee mechanisms, fintech instruments, and venture financing can strengthen investment efficiency and reduce excessive dependence on traditional bank credit.

Among Uzbek scholars, D.G. Gozibekov studied the issues of investment financing and emphasized the importance of stable financing sources, rational use of capital, and reduction of investment risks in improving investment efficiency [3]. According to his approach, investment is not merely the process of allocating funds, but the purposeful direction of resources toward activities that generate future economic or social benefits.

Gozibekov’s views are particularly important for small business entities. Since small businesses usually operate under limited financial resources, each investment decision must be directed toward achieving maximum economic results. Therefore, when selecting investment projects, it is necessary to evaluate



*Modern American Journal of Business,
Economics, and Entrepreneurship*

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

*This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.*

capital return, payback period, risk level, financing source, and expected economic effect in a comprehensive manner.

N.G. Karimov analyzed market mechanisms for financing investments and emphasized the need to consider cash flows, profitability, payback period, cost of capital, and risk level when making investment decisions [4]. His approach shows that investment activity in small businesses should not be evaluated only by the possibility of obtaining credit or by the project cost, but also by its real economic return and impact on long-term financial stability.

Karimov's approach is compatible with Chinese experience. While China uses digital credit ratings and credit-service platforms in financing small businesses, Karimov emphasizes the economic justification of investment decisions, cash flow analysis, and risk assessment. Therefore, in the context of Uzbekistan, it is advisable to integrate China's digital financing mechanisms with national investment evaluation criteria.

In general, the views of Chinese scholars connect small business investment efficiency mainly with digital finance, innovation, the reduction of financing constraints, and the state's role in creating financial infrastructure. The views of Uzbek scholars, on the other hand, emphasize the formation of investment resources, financial stability, capital return, profitability, and risk assessment. Integrating these two approaches creates a strong scientific basis for improving the economic efficiency of investment activities of small business entities.

Methods

The study uses systematic analysis, comparative analysis, institutional analysis, logical generalization, and economic analysis methods. China's experience in digital financing of small businesses, credit-service platforms, movable asset collateral, credit information exchange, and performance monitoring mechanisms is compared with the current needs of Uzbekistan's small business sector.

The research was carried out in three stages. In the first stage, the views of Chinese and Uzbek scholars related to the topic were analyzed. In the second stage, the practices of China and Uzbekistan were compared according to key criteria of small business investment efficiency. In the third stage, based on the priorities of the "Uzbekistan — 2030" Strategy, the mechanisms that should be



strengthened and the practices that should be reduced or eliminated were identified.

Results

The results of the study show that the use of Chinese experience in improving the economic efficiency of investment activities of small business entities is important for Uzbekistan in several key directions: introducing a digital credit rating system, diversifying financing sources, expanding movable asset collateral, providing targeted support for technology-oriented small businesses, and implementing KPI-based investment performance monitoring.

Table 1. Comparative Analysis of Chinese and Uzbek Practices in Small Business Investment Efficiency [1; 2; 3; 4; 8; 9]

Evaluation criterion	Chinese experience	Current practice in Uzbekistan	Key problem	Solution for improving efficiency
Credit information	Small business data are integrated into digital platforms	Data are fragmented across banks, tax authorities, and other systems	Banks cannot fully assess small business risk	Create a unified investment-credit rating system
Collateral mechanism	Movable assets, equipment, inventories, and receivables are used in financing	Immovable property collateral remains dominant	Small businesses with insufficient collateral are excluded from financing	Expand lending based on movable assets and cash flows
Financing sources	Bank loans, guarantees, leasing, fintech, and venture capital are used together	Financing relies mainly on bank loans and concessional lending	Financing sources are insufficiently diversified	Strengthen leasing, guarantee funds, fintech, and venture finance
Innovative small business	Technology-oriented and innovative firms receive targeted support	Innovative and ordinary projects are often evaluated by the same criteria	High value-added projects are not sufficiently distinguished	Create a separate rating and grant-credit line for technology-oriented small businesses
Monitoring	Economic outcomes after financing are monitored	Monitoring is mainly focused on loan repayment	Profit, employment, export, and tax effects are not fully measured	Introduce KPI-based monitoring for investment projects

Table 1 compares the practices of China and Uzbekistan. The analysis shows that the main advantage of Chinese experience lies in the extensive use of digital



data and financial infrastructure in assessing small businesses. In China, the economic potential of small businesses is assessed not only through collateral, but also through real operating indicators. In Uzbekistan, however, traditional collateral requirements still play a dominant role in credit decisions.

This leads to an important conclusion: banks and state support institutions should evaluate investment decisions based on digital data, cash flows, market potential, and project performance. Such a system would expand financing opportunities for small businesses while reducing risks for banks.



Figure 1. Integrated Investment Efficiency Model Based on Chinese Experience and Uzbek Scholarly Approaches [1; 2; 3; 4; 9]



Figure 1 presents an integrated model of investment efficiency based on Chinese experience and Uzbek scholarly approaches. The first stage of the model involves the formation of a digital database. This corresponds to China's practice of using credit-service platforms. In the second stage, an investment-credit rating is developed on the basis of the collected data. This reflects Yao Lianying's idea that digital finance can reduce financing constraints. In the third stage, the appropriate source of financing is selected. This stage is connected with the views of Gozibekov and Karimov, who emphasize the need to correctly choose financing sources and assess capital return, risk, and profitability. In the fourth stage, the investment project is implemented, while in the fifth stage its performance is monitored. At the final stage, economic efficiency is evaluated through capital return, competitiveness, innovation development, and sustainable growth.

Table 2. Directions to Be Strengthened and Reduced in Uzbekistan Based on Chinese Experience

Area	Should be strengthened	Should be reduced or eliminated	Expected economic effect
Lending	Digital credit rating, cash-flow-based lending, guarantee funds	Excessive dependence on immovable property collateral	Wider access to credit and lower banking risks
State support	Result-based grants, subsidies, and interest compensation	General incentives without measurable outcomes	Public resources are directed to efficient projects
Platforms	A unified investment-credit window	Fragmented and non-integrated digital platforms	Lower time and transaction costs for entrepreneurs
Investment evaluation	Profitability, cash flow, risk, employment, export, and tax KPIs	Evaluation based only on business plan text or application form	Fewer inefficient projects receive financing
Collateral system	Movable assets, receivables, inventories, and equipment collateral	Priority requirement of land and building collateral	Businesses with limited collateral but strong potential gain access to finance
Innovation	Separate rating and financing for technology-oriented small businesses	Evaluating innovative and ordinary trade projects by the same criteria	More high value-added projects emerge
Monitoring	Post-financing economic performance monitoring	Control limited only to loan repayment	The real economic effect of investments is identified

Source: Developed by the author based on the research findings.



Table 2 shows that improving small business investment efficiency requires not only the introduction of new mechanisms, but also the reduction or elimination of inefficient practices. For example, lending based only on immovable property collateral creates a financial barrier for small businesses. Many small business entities may not possess sufficient immovable collateral, but they may have stable sales turnover, a strong customer base, and predictable cash flows. In addition, general incentives without measurable outcomes reduce efficiency. Incentives generate real economic value only when they are linked to specific KPIs such as new jobs, export growth, tax revenue, innovative products, cost reduction, and capital return.

Table 3. Alignment Between the “Uzbekistan — 2030” Strategy and Chinese Experience [7; 9; 10]

Priority area of the “Uzbekistan — 2030” Strategy	Mechanism from Chinese experience	Adaptation for Uzbekistan	Efficiency indicator
Building a strong economy	Digital financing of small businesses	Unified investment-credit platform	Number of investment projects and capital return
Integration into global production chains	Support for technology-oriented small businesses	Grant-credit line for export-oriented small producers	Export volume and local value added
Strengthening the role of the private sector	Diversification of financing sources	Combination of credit, leasing, guarantees, fintech, and venture tools	Volume of private investment
Digitalization	Credit rating based on enterprise data	Integration of tax, banking, e-commerce, and export data	Time required to review credit applications
Innovation development	Financial support for technoparks and startups	Separate rating for technology-oriented small businesses	Number of new products and patents
Regional development	Integration of local platforms into a unified system	Linking regional project offices to the national platform	Quality of investment projects in regions

Table 3 demonstrates the logical connection between the “Uzbekistan — 2030” Strategy and Chinese experience. The analysis shows that Chinese experience should not be copied mechanically, but should be adapted to Uzbekistan’s



***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

***This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.***

national economic priorities. In particular, digital credit rating, alternative collateral, support for technology-oriented small businesses, and performance monitoring are consistent with the strategic goals of Uzbekistan.

Discussion

The results of the analysis show that the main problem in improving the economic efficiency of investment activities of small business entities is not only the shortage of financial resources. A more serious issue is the insufficient quality of financing, weak project evaluation criteria, and underdeveloped investment performance monitoring systems.

Chinese experience demonstrates that effective small business financing is based on three pillars: data-driven assessment, customized financing, and performance monitoring. In Uzbekistan, if tax, banking, e-commerce, payment discipline, export, and asset-related data of small businesses are analyzed within a unified system, banks and state institutions will be able to make more accurate investment decisions.

The views of Uzbek scholars Gozibekov and Karimov provide an important theoretical foundation for this process. They associate investment efficiency with capital return, profitability, cash flows, financing sources, and risk levels. The views of Chinese scholars Lin Yifu and Yao Lianying, in turn, emphasize digital finance, the infrastructural role of the state, and the reduction of financing constraints for innovation activity. Therefore, improving small business investment efficiency requires the integration of these two scholarly approaches. From a practical perspective, one of the most important directions is to reduce excessive reliance on immovable property collateral. Although such an approach may appear safe for banks, it excludes small businesses with strong economic potential but insufficient collateral. Expanding cash-flow-based lending, movable asset collateral, receivables-based financing, and guarantee funds would increase small businesses' access to investment resources.

Another important direction is to eliminate the practice of evaluating innovative and ordinary trade projects by the same criteria. Innovative small business projects may involve higher risks, but in the long term they can generate higher value added, export potential, and technological development. Therefore, technology-oriented small businesses need a separate rating system, separate grant-credit lines, and specific monitoring indicators.



Conclusion

The results of the study show that, based on Chinese experience, the following directions should be strengthened in Uzbekistan in order to improve the economic efficiency of investment activities of small business entities.

First, a digital investment-credit rating system should be introduced. The credit and investment potential of entrepreneurs should be assessed on the basis of their tax history, bank turnover, e-commerce activity, export indicators, assets, and payment discipline.

Second, financing based on movable assets and cash flows should be expanded. Excessive dependence on immovable property collateral limits small businesses' access to finance. Equipment, vehicles, inventories, receivables, and cash flows should be recognized as alternative forms of collateral.

Third, a unified investment-credit platform should be created. Credit, grants, leasing, guarantees, consulting, and monitoring services should be integrated into a single digital system. This would reduce time and transaction costs for entrepreneurs.

Fourth, technology-oriented small businesses should be evaluated and financed separately. Small business projects in innovative manufacturing, agrotechnology, e-commerce, digital services, and energy-saving technologies require separate rating and financing mechanisms.

Fifth, result-based support mechanisms should be strengthened. Subsidies, grants, and interest compensation should be linked to specific KPIs such as profit, employment, exports, tax revenue, cost reduction, and innovation outcomes.

At the same time, the following practices should be reduced or eliminated in order to increase efficiency:

- using immovable property collateral as the dominant criterion for lending;
- providing broad general incentives without measurable outcomes;
- limiting credit monitoring only to loan repayment;
- increasing fragmented and non-integrated digital platforms;
- evaluating innovative and ordinary trade projects by the same criteria.

In general, Chinese experience shows that digital financing, alternative collateral, credit information exchange, and performance monitoring are essential for improving the economic efficiency of investment activities of small



***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

***This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.***

business entities. In Uzbekistan, this experience should be integrated with the investment efficiency, financial stability, capital return, and risk assessment criteria emphasized by Gozibekov and Karimov. Such an approach corresponds to the priorities of the “Uzbekistan — 2030” Strategy, including building a strong economy, developing the private sector, accelerating digitalization, promoting innovation, and integrating into global production chains.

References:

1. Lin J.Y. New Structural Economics: A Framework for Rethinking Development // The World Bank Research Observer. — 2011. — Vol. 26, No. 2. — pp. 193–221. URL: <https://academic.oup.com/wbro/article-abstract/26/2/193/1642270>
2. Yao L., Yang X. Can Digital Finance Boost SME Innovation by Easing Financing Constraints? Evidence from Chinese GEM-Listed Companies // PLOS ONE. — 2022. — Vol. 17, No. 3. URL: <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0264647>
3. Gozibekov D.G. Issues of Investment Financing. Monograph. — Tashkent: Moliya, 2003. URL: https://openlibrary.org/books/OL16281185M/Investitsiialarni_moliialashtirish_masalalari
4. Karimov N.G. Problems of Introducing Market Mechanisms for Investment Financing under Conditions of Economic Integration. Doctoral dissertation in economics. — Tashkent, 2007.
5. Stiglitz J.E., Weiss A. Credit Rationing in Markets with Imperfect Information // The American Economic Review. — 1981. — Vol. 71, No. 3. — pp. 393–410. URL: <https://www.jstor.org/stable/1802787>
6. Berger A.N., Udell G.F. The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle // Journal of Banking & Finance. — 1998. — Vol. 22, Issues 6–8. — pp. 613–673. URL: <https://www.federalreserve.gov/pubs/feds/1998/199815/199815pap.pdf>
7. The State Council of the People’s Republic of China. Better Financing Credit Platforms to Support MSMEs. — 2024. URL:



***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 2, Issue 5, May, 2026

Website: usajournals.org

***This work is Licensed under CC BY 4.0 a Creative Commons
Attribution 4.0 International License.***

https://english.www.gov.cn/policies/latestreleases/202404/02/content_WS660be605c6d0868f4e8e5afb.html

8. State Council Information Office of the People's Republic of China. China Enhances Credit Financing Services for Small Businesses. — 2025. URL: https://english.scio.gov.cn/pressroom/2025-04/03/content_117804327.html

9. Decree of the President of the Republic of Uzbekistan No. PF-158 “On the Uzbekistan — 2030 Strategy”. — September 11, 2023. URL: <https://lex.uz/uz/docs/-6600413>

10. Government Portal of the Republic of Uzbekistan. Uzbekistan — 2030 Strategy. URL: https://gov.uz/uz/pages/2030_strategy