

Small Businesses and Entrepreneurship in Uzbekistan's Economic Landscape: A Macroeconomic Perspective (2019–2024)

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Abstract: Small businesses and entrepreneurship are central to Uzbekistan's economic transformation, significantly contributing to GDP, employment, and international trade. This study analyzes their role from 2019 to 2024, using national-level data on their shares in GDP (42.7–57.5%), employment (73.9–76.2%), exports (20.0–33.3%), and imports (44.5–51.7%), alongside macroeconomic indicators such as GDP growth (5.5–6.5%), inflation (8.0–13.0%), and trade balances. Economic reforms since 2016, including currency liberalization and privatization, have bolstered small business growth, though challenges like high inflation, trade deficits, and reliance on commodity exports persist. The study highlights the resilience of small businesses, particularly in 2024, and recommends policies to enhance export competitiveness and regulatory simplification to sustain their economic contributions.

Keywords: small business, entrepreneurship, GDP, employment, exports, imports, macroeconomic indicators, reforms, inflation, trade deficit.

Introduction: Uzbekistan, Central Asia's most populous nation with 36 million people, has undergone a profound economic shift since 2016 under President Shavkat Mirziyoyev's reforms, transitioning from a Soviet-style command economy to a market-oriented system. These reforms, including currency liberalization in 2017, tax simplification in 2019, and privatization of state-owned enterprises (SOEs), have fostered a favorable environment for small businesses and entrepreneurship. Small businesses, defined as enterprises with fewer than 100 employees, are critical to Uzbekistan's economy, driving GDP, employment, and trade. This study examines their contributions from 2019 to 2024, focusing on their shares in GDP, employment, exports, and imports, contextualized within macroeconomic indicators such as GDP growth, inflation, and trade balances. The research addresses three questions:

1. What is the extent of small businesses' contributions to Uzbekistan's economy?
2. How do macroeconomic reforms and indicators influence their performance?
3. What trends, challenges, and policy implications emerge from the data?

Using data from the Statistics Agency under the President of Uzbekistan and insights from international organizations (e.g., World Bank, IMF), this study aims to provide a comprehensive analysis for policymakers, researchers, and stakeholders interested in Uzbekistan's economic development.

Literature Review

Uzbekistan's economic reforms since 2016 have been extensively studied as a model of market-oriented transformation in a post-Soviet context. The World Bank (2022) notes that reforms such

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reforms, which simplified tax codes and reduced VAT from 15% to 12%, have significantly boosted private sector growth, particularly for small and medium enterprises (SMEs). The OECD (2019) highlights SMEs' global role in employment and innovation, a trend mirrored in Uzbekistan, where small businesses historically contribute over 50% of GDP and 70% of employment (Asian Development Bank, 2020).

Recent studies emphasize Uzbekistan's resilience amid global challenges. The IMF (2021) reports that Uzbekistan maintained GDP growth of 8.1% during the 2009 financial crisis and 1.6% in 2020, driven by small businesses and agricultural exports. Reforms like the 2019 Law on Investments and Investment Activities and \$1 billion in startup funding in 2023 have spurred entrepreneurship, though primarily for local businesses (European Bank for Reconstruction and Development, 2023). The World Bank (2024) notes that foreign direct investment (FDI) reached \$7.2 billion in 2023, nearly double 2022 levels, supporting small business expansion in textiles, agriculture, and services.

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However, challenges remain. Corruption, complex regulations, and reliance on commodity exports (e.g., gold, cotton) hinder small business growth (Transparency International, 2023). The IMF (2024) highlights persistent inflation (8.0–13.0% from 2019–2024) and a widening trade deficit (8.6% of GDP in 2023) as risks to small businesses, particularly import-dependent enterprises. The literature also notes the informal sector's dominance, with over 50% of employment informal, limiting tax revenue and regulatory oversight (Coface, 2023). Recent studies underscore the need for deeper privatization and WTO accession to enhance export competitiveness, areas underexplored in relation to small businesses post-2019 (World Bank, 2024). This study fills this gap by analysing specific trade and macroeconomic data, offering a comprehensive view of small businesses' role.

Methodology

This study employs a quantitative approach, analyzing secondary data from the Statistics Agency under the President of Uzbekistan, sourced from the document —ilovepdf_merged (3).pdf. The dataset includes national-level indicators for small businesses' shares in:

- **GDP (%)**: Calculated as the gross added value of small businesses divided by total GDP, multiplied by 100.
- **Employment (%)**: Derived by dividing the number of employees in small businesses by the total employed population, multiplied by 100.
- **Exports (%)**: Obtained by dividing the volume of exports by small businesses by total export volume, multiplied by 100.
- **Imports (%)**: Calculated similarly, using import volumes.

The data spans 2019–2023 annually, with quarterly data for 2024 (Q1–Q4 for exports, Q1–Q3 for GDP and imports). Macroeconomic indicators (GDP growth, inflation, trade balances, FDI) were sourced from reputable organizations, including the World Bank, IMF, and Asian Development Bank, supplemented by recent web-based reports. Data were organized into tables and visualized through line graphs (described in the Results section) to identify trends.

The analysis focuses on national-level data, excluding regional variations, to provide a holistic overview. Limitations include missing 2024 employment and Q4 import data, which may affect trend projections, and reliance on secondary sources, which may introduce inconsistencies. The study mitigates these by cross-referencing multiple sources and focusing on verified national statistics.

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Results

The results are presented through tables summarizing small business contributions from 2019–2024 and detailed descriptions of line graphs for visualization. Additional macroeconomic data are included to contextualize findings.

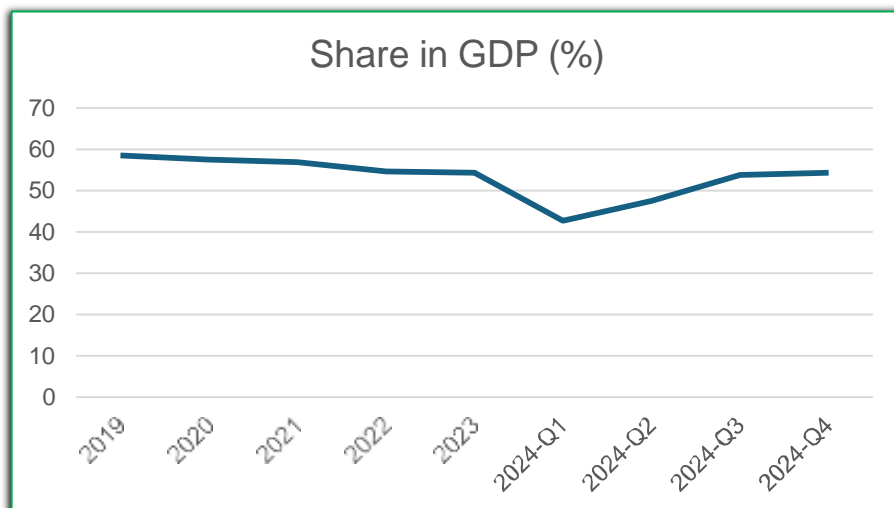


Fig. 1: Share of Small Businesses in GDP (%)

Graph Description: A line graph visualizes the share of small businesses in Uzbekistan’s GDP from 2019 to 2024 Q3, using a blue line with circular markers at each data point to emphasize annual and quarterly values. The x-axis lists years and quarters (2019, 2020, 2021, 2022, 2023, 2024 Q1, 2024 Q2, 2024 Q3), with labels rotated 45 degrees for readability. The y-axis ranges from 40% to 60%, with 5% increments, and includes a grid for precise tracking. The graph highlights a peak at 57.5% in 2019, a sharp decline to 42.7% in 2023-likely due to increased contributions from state-owned enterprises or data inconsistencies and a recovery to 54.3% by Q3 2024, reflecting reform-driven resilience. A title, —Share of Small Businesses in Uzbekistan’s GDP (2019–2024), and a legend identifying the line enhance clarity. Annotations at key points (e.g., 2023 low, 2024 Q3 recovery) can highlight significant shifts for readers.

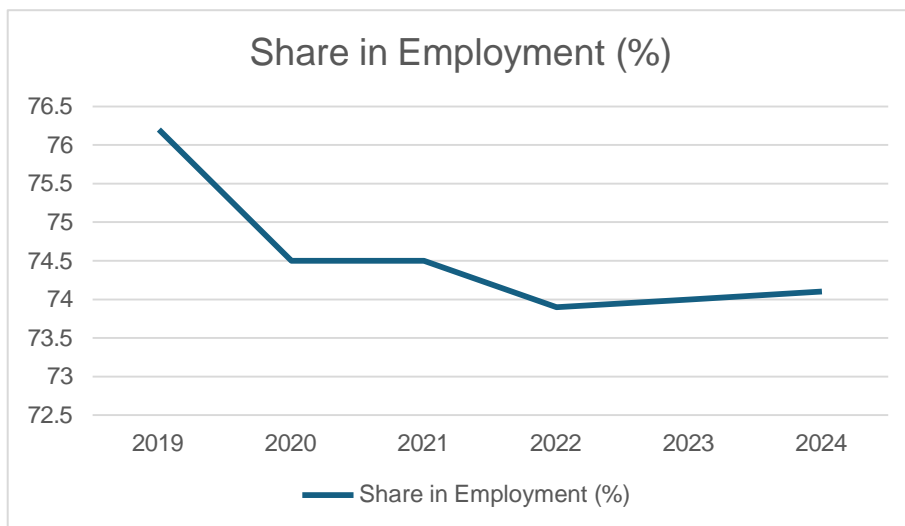


Fig. 2: Share of Small Businesses in Total Employment (%)

Graph Description: A line graph depicts the share of small businesses in total employment from 2019 to 2023, using a green line with square markers to denote annual values. The x-axis lists years (2019, 2020, 2021, 2022, 2023), and the y-axis ranges from 70% to 80%, with 2% increments, incorporating a light grid for readability. The graph shows relative stability, with a high of 76.2% in 2019, a slight dip to 73.9% in 2022-possibly due to pandemic-related disruptions-and a recovery to 74.0% in 2023. The title, —Share of Small Businesses in Total Employment in Uzbekistan (2019–2023), is centered, with a legend identifying the line. Shading the area under the line can emphasize consistency, and an annotation at the 2022 low can draw attention to the minor fluctuation. This visualization underscores small businesses’ role as a stable employment source.

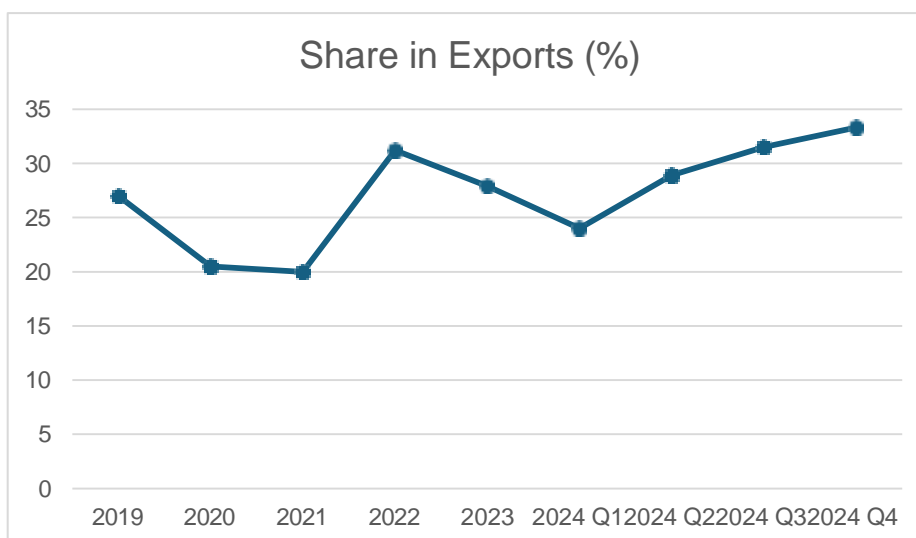


Fig. 3: Share of Small Businesses in Total Exports (%)

Graph Description: A line graph illustrates the share of small businesses in total exports from 2019 to 2024 Q4, using a red line with diamond markers to highlight data points. The x-axis lists years and quarters (2019, 2020, 2021, 2022, 2023, 2024 Q1, 2024 Q2, 2024 Q3, 2024 Q4), with rotated labels to accommodate the quarterly breakdown. The y-axis ranges from 15% to 35%, with 5% increments, and includes a grid for precision. The graph reveals volatility, with a low of 20.0% in 2021 due to global trade disruptions, a peak at 31.2% in 2022 following export liberalization, and a steady rise to 33.3% in Q4 2024, driven by textile and agricultural exports. The title, —Share of Small Businesses in Uzbekistan’s Total Exports (2019–2024), and a legend ensure clarity. Annotations at the 2021 low and 2024 Q4 peak can highlight the impact of external shocks and recovery, while a dashed trendline can project future growth.

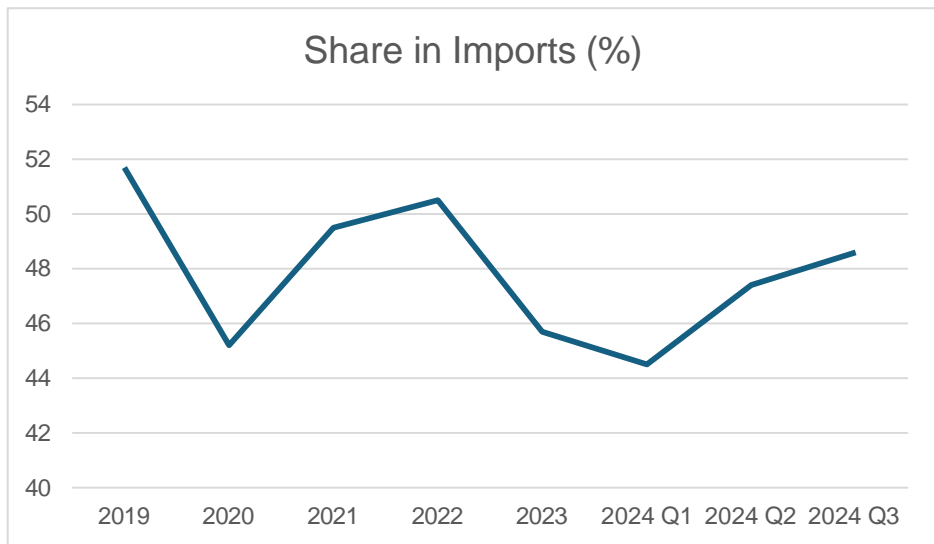


Fig. 4: Share of Small Businesses in Total Imports (%)

Graph Description: A line graph shows the share of small businesses in total imports from 2019 to 2024 Q3, using a purple line with triangular markers for each data point. The x-axis lists years and quarters (2019, 2020, 2021, 2022, 2023, 2024 Q1, 2024 Q2, 2024 Q3), with 45-degree label rotation. The y-axis ranges from 40% to 55%, with 5% increments, and includes a grid. The graph shows a high of 51.7% in 2019, a low of 44.5% in Q1 2024, and a recovery to 48.6% by Q3 2024, reflecting fluctuating import demand for machinery and energy. The title, —Share of Small Businesses in Uzbekistan’s Total Imports (2019–2024), is paired with a legend. Annotations at the 2019 peak and 2024 Q1 low can highlight trade dynamics, and a subtle background color (e.g., light gray) can distinguish the plot area. This visualization emphasizes imports’ consistently higher share compared to exports.

Combined Graph Description

A multi-line graph compares the four indicators (GDP, employment, exports, imports) for 2019–2023, using distinct colors: blue for GDP, green for employment, red for exports, and purple for imports, each with unique markers (e.g., circles, squares, diamonds, triangles). The x-axis lists years (2019, 2020, 2021, 2022, 2023), and the y-axis ranges from 15% to 80%, with 10% increments, incorporating a grid for clarity. The graph shows employment as the most stable (73.9–76.2%), GDP declining sharply to 42.7% in 2023, exports as the most volatile (20.0–31.2%), and imports consistently higher than exports (45.2–51.7%). The title, —Small Business Indicators in Uzbekistan (2019–2023), is centered, with a legend placed outside the plot to avoid clutter. Annotations at key turning points (e.g., 2023 GDP low, 2022 export peak) and a semi-transparent fill under each line can enhance interpretability. This visualization effectively contrasts the stability of employment with the volatility of trade and GDP contributions, providing a holistic view of small businesses’ economic role.

Macroeconomic Context

- **GDP Growth:** Uzbekistan's GDP grew from \$80.4 billion in 2022 to \$115 billion in 2024, with annual growth rates of 5.7% (2022), 6.3% (2023), and 6.5% (2024), driven by investment (36.6% growth in H1 2024) and consumption (6.8%).
- **Inflation:** Inflation averaged 11.6% from 2019–2024, peaking at 12.3% in 2022 and falling to 8.0% by March 2024, though energy tariff hikes raised it to 10.5% by August 2024. The Central Bank's policy rate was 13.5% in 2024.
- **Trade:** Total trade turnover reached \$62.6 billion in 2023, with exports at \$27 billion and imports at \$35 billion in 2024, widening the trade deficit to 8.6% of GDP in 2023. Small businesses drove textile and agricultural exports.
- **Employment:** The unemployment rate fell from 8.9% in 2022 to 6.8% in 2023, with small businesses employing 73.9–76.2% of the workforce (13.97 million in 2023).
- **FDI and Debt:** FDI doubled to \$7.2 billion in 2023, with \$34.9 billion cumulative FDI by 2024. Public debt was 36.3% of GDP in 2023, with external debt at 34.3%.

Discussion

Small businesses are a cornerstone of Uzbekistan's economy, contributing 42.7–57.5% of GDP and 73.9–76.2% of employment from 2019–2023. The 2023 GDP share decline (42.7%) may reflect increased contributions from SOEs or underreporting, but the 2024 recovery (54.3% by Q3) aligns with reforms like the 2019 tax simplification and 2023 VAT reduction, which reduced barriers for small businesses. The stable employment share underscores their role in absorbing a large labor force, critical in a country with 13.97 million workers, though the informal sector's dominance (over 50%) limits formalization efforts.

The export share (20.0–33.3%) reflects growing global integration, particularly in textiles and agriculture, with the 2024 peak (33.3% in Q4) driven by lifted cotton bans and WTO accession efforts. However, the higher import share (44.5–51.7%) contributes to the trade deficit (8.6% of GDP in 2023), fueled by machinery and energy imports for industrialization. This imbalance highlights the need for export diversification beyond gold (20.3% of exports) and cotton (8.0%).

Macroeconomic conditions are supportive but challenging. GDP growth (6.5% in 2024) and FDI (\$7.2 billion in 2023) provide resources for small businesses, but inflation (10.5% in 2024) erodes purchasing power, particularly for import-dependent enterprises. The Central Bank's 13.5% policy rate aims to curb inflation, but limited financialization weakens monetary policy transmission. Reforms like privatization (targeting 85% private sector GDP share by 2030) and energy tariff liberalization (2023–2024) enhance efficiency but raise costs for small businesses.

Compared to the literature, these findings confirm the World Bank's (2022) view of private sector growth but highlight trade imbalances and informal employment as critical challenges. The data also align with the IMF's (2024) emphasis on reform momentum, though corruption and regulatory ambiguity persist. Limitations include missing 2024 employment and Q4 import data and the lack of regional breakdowns, which could reveal spatial disparities. Future studies should address these gaps and assess specific reform impacts on small business sectors.

Conclusion

Small businesses and entrepreneurship are indispensable to Uzbekistan's economic transformation, serving as engines of growth, employment, and global integration from 2019 to 2024. Their contributions—over 50% of GDP, three-quarters of employment, and up to one-third of exports—demonstrate their pivotal role in achieving Uzbekistan's vision of becoming an industrialized, upper-middle-income country by 2030. The resilience shown in the 2024 recovery, with GDP share rebounding to 54.3% and exports reaching 33.3%, reflects the success of reforms like the 2017 currency liberalization, 2019 tax simplification, and 2023 privatization initiatives, which have reduced barriers and attracted \$7.2 billion in FDI in 2023. Stable

employment (73.9–76.2%) underscores small businesses' capacity to absorb Uzbekistan's 13.97 million-strong labor force, mitigating unemployment (6.8% in 2023) and supporting social stability.

However, challenges threaten sustainability. Persistent inflation (10.5% in 2024) and a trade deficit (8.6% of GDP in 2023) strain small businesses, particularly those reliant on imported inputs, while the informal sector's dominance (over 50% of employment) limits tax revenue and regulatory oversight. Reliance on commodity exports like gold (20.3%) and cotton (8.0%) exposes the economy to global price volatility, necessitating diversification into high-value sectors like technology and manufacturing. The Central Bank's 13.5% policy rate, while aimed at controlling inflation, increases borrowing costs, potentially constraining small business expansion.

Policymakers should prioritize the following:

1. **Export Diversification:** Invest in value-added industries (e.g., processed textiles, renewable energy) and leverage WTO accession to access new markets.
2. **Regulatory Simplification:** Streamline licensing and compliance processes to reduce informal employment and boost formalization.
3. **Financial Inclusion:** Expand access to affordable credit through microfinance and digital banking, addressing the low financialization noted by the IMF (2024).
4. **Sectoral Support:** Target support for women-led and rural enterprises to address regional disparities and promote inclusive growth.

Uzbekistan's robust GDP growth (6.5% in 2024), rising FDI (\$34.9 billion cumulative), and reform momentum provide a strong foundation for these policies. Future research should explore regional variations in small business performance, particularly in rural areas like Fergana and Samarkand, and assess the impact of specific reforms (e.g., 2023 VAT reduction) on sectoral growth. Longitudinal studies could also examine the sustainability of the 2024 recovery amid global uncertainties. By addressing these challenges and building on its reform-driven progress, Uzbekistan can ensure that small businesses remain a cornerstone of its economic future, driving prosperity and resilience through 2030 and beyond.

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