

THE ROLE OF THE STATE IN IMPROVING THE EFFICIENCY OF SMALL BUSINESS AND ENTREPRENEURSHIP IN UZBEKISTAN

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Abstract. This article examines the need and importance of government support for the development of small businesses and entrepreneurship. It analyzes research and scientific studies by Uzbek scholars and presents the experience of foreign countries in this area. It also examines the state of the industry's development as a result of the measures adopted to support small businesses and entrepreneurship in recent years. Practical proposals for addressing existing problems in the industry and ways to effectively address them are provided.

Keywords: Small business and entrepreneurship, government support, international experience, regulatory framework, business climate, reduction of administrative barriers, simplification of financial procedures, digitalization of public services, tax incentives, lending, economy of Uzbekistan, sustainable development of small businesses.

Introduction. Small businesses and entrepreneurship are the foundation of sustainable economic growth, providing employment, innovation, and social stability. In Uzbekistan, this sector has undergone significant changes over the past five years thanks to active reforms aimed at liberalizing the economy and reducing administrative barriers. However, to reach the level of developed countries, further improvement of state support measures is necessary, including financial mechanisms, digitalization, and integration into global markets.

By participating in the socioeconomic development of any country, small businesses and entrepreneurship ensure its competitiveness and stability, which ultimately impacts economic growth, increased employment, and the adoption of new technologies.

Literature review. An analysis of the research and scientific developments of domestic scholars and specialists on issues of state support for small business and entrepreneurship in Uzbekistan identified a number of interrelated research areas, which were divided into the following groups.

The first group appropriately includes works devoted to theoretical and methodological foundations. The theoretical aspects of harnessing the potential of economic mechanisms for state regulation of the economy and small business development have been comprehensively analyzed in the research works of scholars such as A. Ulmasov, M. Sharifkhuzhaev, A.V. Vakhobov, S.S. Gulamov, K. Muftaidinov, G. Abdurakhmanova, Kh.P. Abulkosimov, A.A. Kulmatov, N. Murodova, Sh. Yuldashev, U. Gafurov, D. Sobirzhanova, O. Aripov, O. Musaev, and others.

Research by U.V. Gafurov [2] focuses on the evolution of concepts and models of government regulation; a retrospective analysis of the transformation of ideas about the role of the state in the economy is offered. In a similar vein, Sh. Yuldashev, D. Sobirzhanova, O. Musaev, and O. Aripov [3] work, classifying existing economic development schemes according to the degree of state participation in management, identifying the corresponding

paradigms. Kh. P. Abulkosimov and A. A. Kulmatov emphasize the role of small business as a driver of economic growth in Uzbekistan. At the same time, they draw attention to the importance of legislative flexibility and the need to provide small businesses with access to international markets to expand their opportunities [4].

The second group of studies focuses on a comparative analysis of international experience in state support for entrepreneurship. K. Kurpayanidi and H. Zhuraev [5.6] conduct a comparative analysis of relevant measures in foreign countries and Uzbekistan, focusing on the institutional nuances of developing an entrepreneurial ecosystem. D. Makhmudova, I.A. Bakieva and A.A. Fayzieva [7.8] examine the experience of various countries in crisis conditions and the possibilities of adapting them to Uzbek realities.

The third group of works focuses on support mechanisms specifically in Uzbekistan. A. Abdurakhmanov emphasizes the need to improve the business climate by reducing administrative barriers and simplifying financial procedures for small entrepreneurs [9]. G.M. Shadieva [10] analyzes the tools for stimulating entrepreneurship, noting the need for a systemic approach combining financial, tax, and infrastructural measures. V. Ivanov emphasizes the importance of state support, including the creation of special economic zones and improving infrastructure for small businesses. He argues that although small businesses in Uzbekistan are demonstrating positive dynamics, limited financial resources and complex administrative procedures remain the main problems [11]. Sh.M. Babaeva and N.V. Yuldasheva describe the directions and schemes of state support in modern conditions, emphasizing increasing the availability of finance and the information and consulting component [12]. M.I. Almardonov, N.B. Ashurova, A.A. Botirov, B.R. Sanakulova [13] studied the solution to the problem of small business and entrepreneurship development through tax mechanisms. T. Smirnova in her research studies the influence of legislation and tax policy on the development of entrepreneurship in Uzbekistan and emphasizes the importance of a balanced tax burden, which should support the growth of small businesses, and not become a limitation on it [14]. A. Sharipov emphasizes the need to adapt legislation and tax policy to support such forms of business [15]. R. Khodjaev, F.K. Shoyusupova, A. Egamberdiev [16] study the role of the state in the development of small business and entrepreneurship, emphasizing the importance of improving the regulatory framework, as well as reducing administrative barriers.

The fourth group of works consists of studies devoted to individual aspects of the state's influence on the business environment. Boltabaev M.R., Kosimova M.S., Ergashkhodzhaeva Sh.Zh. and Goyibnazarov B.K. [17] focus on the problem of the effectiveness of state programs. Sh. Islamova [18] analyzes the influence of initiatives on the innovative development of small and medium-sized businesses, noting the insufficient coordination between various support institutions. S. Salaev, I.U. Ibragimov, and M.M. Abdurakhmanova [19.20] characterize the role of the state in ensuring the sustainable development of entrepreneurship at the regional level, highlighting the need to take into account territorial specifics when developing measures.

Relevance of the topic. Small business and entrepreneurship have powerful potential, and if built upon, all of society's needs can be met fully and promptly. Small business and entrepreneurship play a crucial role not only in the economies of developing countries but also in developed countries such as the United States, Great Britain, Germany, France, China, Japan, South Korea, Singapore, and others, where they are considered the main driving force

of the economy. In these countries, a well-developed legislative framework in this area, systemic government support measures, the development of an innovative infrastructure, and broad access to financial resources form the foundation for the rapid development of small businesses.

Table 1 lists the key institutions involved in regulating and supporting small businesses in economically developed countries.

Table 1

Experience of institutions and measures supporting small businesses and entrepreneurship in foreign countries [21], [22].

Country	Regulatory and support bodies	Specific measures to support SME development
European Union	Business Matching Bureau; Entrepreneurship and Know-How Centers; Small and Medium Business Department of the Ministry of Economy	Providing small and medium-sized enterprises with a comprehensive range of services (staff training, product and technology promotion); Issuance of preferential loans, franchising, and subcontracting; Tax incentives; Business support.
United Kingdom	Ministry of Small Business; Small Business Services; Local agencies; Job centers; Initiative groups for promoting the development of small businesses	Providing consulting services and scientific and technical information; Assistance with start-ups; Regulating and fostering a positive public attitude toward the small and medium-sized enterprise sector.
USA	Committees in the House of Representatives and the Senate; SME support units in federal ministries; SME Administration.	Coordinating the activities of government agencies and public organizations to regulate SMEs; Organizing SME development centers
Japan	The Small and Medium Enterprise Board and regional services under the Ministry of Foreign Trade and Industry; Small Business Investment Corporations; Loan Guarantee Association; Fair Transactions Commission	Assistance in the development of production
South Korea	Government executive bodies; Individual Bank of Korea; Citizens' National Bank; Korea Credit Guarantee Fund; Korea Foreign Trade Association of Small Businesses;	Providing credit guarantees to small businesses; Assistance in implementing new technologies at small businesses; Stimulating small business exports, market research, providing entrepreneurs with information, assistance in entering the global

		market, assistance with customs clearance, and advice on taxes and fees.
Singapore	Unified ecosystem of Business Grants Portal	Allows entrepreneurs to access government programs, complete documents online, and track the status of applications
Uzbekistan	Ministry of Investment and Foreign Trade; Agency for Entrepreneurship Support; Chamber of Commerce and Industry; Business Development Bank (joint-stock commercial bank)	Preferential loans for small businesses, export subsidies, tax breaks for new businesses, and educational programs to improve the skills of entrepreneurs

The analysis reveals that most developed countries have specialized organizations dedicated to supporting and developing small businesses and entrepreneurship. These structures possess a variety of tools designed to facilitate the development of small business entities.

In today's economic realities, the relationship between the state and the business sector is particularly significant. One of the pressing issues is the ambiguity of the impact of state institutions on the business environment: excessive intervention distorts market mechanisms, while insufficient support hinders the development of competitive businesses, especially during times of crisis.

Despite numerous studies in this area, a conceptual gap exists between theoretical models and their practical application in various contexts. The paradox is that the state simultaneously acts as a regulator establishing the "rules of the game" and an active participant in economic processes through state-owned enterprises, public procurement, and targeted programs. This duality creates methodological difficulties in developing optimal approaches to stimulating entrepreneurial activity [23].

Methodology. The methodological basis of the study consists of several key approaches. First, a monographic analysis of scholarly works devoted to the problems of small business and entrepreneurship in Uzbekistan is used. This allows for a deeper understanding of the theoretical and practical aspects of small business and entrepreneurship development, as well as the identification of key factors influencing the growth and sustainability of these entities in the country.

Second, a systems analysis is applied using collected statistical data. This approach allows for a comprehensive assessment of the current state of small business and entrepreneurship in Uzbekistan, identifying its strengths and weaknesses, and evaluating the impact of economic and social factors on entrepreneurial activity. Furthermore, logical and comparative methods are used for analysis, allowing for systematization of information, identification of patterns, and comparisons between regions of Uzbekistan, as well as with a number of other developing countries, to evaluate the effectiveness of various support models for small business and entrepreneurship.

Analysis and Results. The development of small business and entrepreneurship in Uzbekistan acquired strategic importance after 2017, when a large-scale transformation of the country's economic model began. The small business and entrepreneurship sector (SBE) has become a key driver of economic growth, accounting for over 54.3% of GDP and approximately 78% of employment. This makes it not just important, but a systemically important element of the national economy [25].

In recent years, open dialogue between the head of state and entrepreneurs has laid the foundation for a favorable business environment, further development, and improved performance in the sector. These meetings strengthen trust between the state and the private sector, providing a direct channel for discussing pressing issues and jointly finding solutions. Following these dialogues, specific measures are being taken to simplify business activities, reduce administrative barriers, digitalize public services, and expand business access to financial resources.

In recent years, this approach has yielded tangible results: small business and entrepreneurship account for more than half of GDP, approximately a third of exports, and a significant share of employment. According to the National Statistics Committee, the number of registered small business entities increased from 220 thousand in 2018 to more than 358.2 thousand in 2024. At the same time, the sector's share in GDP increased from 45% to 54.3%, and the volume of small business lending tripled – from 10 trillion soums in 2018 to 35 trillion soums in 2024 [25].

The past year has confirmed the key role of small business and entrepreneurship in Uzbekistan's economy. In 2024, its contribution to GDP was 54.3%, to exports – 33.3%, and to industry – 32.4%. Small businesses experienced the most dynamic growth in trade, where growth reached 84%, construction – 76.5%, and services – 57% [19]. These indicators demonstrate that entrepreneurial activity is the driving force behind economic growth and diversification.

The steady growth of these indicators confirms that the business sector is becoming the main driver of economic diversification and is opening up new opportunities for expanding Uzbekistan's foreign economic relations. These processes are creating a more sustainable and competitive market, ensuring a long-term contribution to the country's development.

According to the National Statistics Committee, 76,800 new enterprises were created in the country in 2024, bringing the total number of operating enterprises to 358,200. Retail led the way in terms of the number of newly created businesses, with 28,000 established. Industry accounted for 12,800 enterprises (16.6%), agriculture for 9,100 (11.8%), and accommodation and food services for 6,500 (8.4%). Construction accounted for 5.1% of new enterprises, information and communications for 3.8%, transportation and storage for 3.5%, and healthcare for 1.9%. Other activities accounted for 9,400 enterprises, or 12.2% (Table 2).

Table 2

Number of newly created enterprises in 2024 by type of economic activity (in thousands) [25].

№	Activities	Quantity
1	Trade	28,0
2	Industry	12,8
3	Agriculture	9,1

4	Accommodation and meals	6,5
5	Construction	3,9
6	Information and communication	2,9
7	Transportation and storage	2,7
8	Medicine	1,5
9	Others	9,4

Regional dynamics also demonstrate a noticeable recovery. The largest number of new businesses were established in the city of Tashkent – 16,300, followed by 6,800 in the Tashkent region, 6,700 in the Samarkand region, 5,900 in the Fergana region, and 6,800 in the Khorezm region. Furthermore, the number of new businesses in the Bukhara (4,900), Surkhandarya (4,800), Kashkadarya (4,400), Jizzakh (4,300), and Andijan (4,200) regions exceeded 4,000, while 3,900 businesses were registered in the Namangan region.

Table 3
Number of SMEs in the regions of Uzbekistan in 2024
(in thousands) [25]

№	Regions established SMEs	Newly of	Amount of SMEs	Newly established SMEs
1	Republic Karakalpakstan	of	17,2	3,1
2	Andijan		20,0	4,2
3	Bukhara		22,6	4,9
4	Jizzakh		13,5	4,3
5	Kashkadarya		22,5	4,4
6	Navoi		16,2	2,9
7	Namangan		19,5	3,9
8	Samarkand		31,5	6,7
9	Surkhandarya		19,1	4,8
10	Syrdarya		8,6	1,8
11	Tashkent city		84,5	16,3
12	Tashkent region		34,4	6,8
13	Fergana		28,1	5,9
14	Khorezm		20,5	6,8
	Total for the Republic		358,2	76,8

Even in comparatively less active regions—the Republic of Karakalpakstan (3.1), Navoi (2.9), and Syrdarya (1.8) regions—positive growth in new business creation continues. This trend indicates that entrepreneurial activity is becoming widespread.

When looking at the total number of operating enterprises by region, the city of Tashkent has the highest concentration—84,500, accounting for almost a quarter of all enterprises in the country. Next comes the Tashkent region with 34,400, Samarkand with 31,500, and Fergana with 28,100. More than 22,000 enterprises operate in the Bukhara and Kashkadarya regions, 20,500 in Khorezm, and about 20,000 in Andijan and Namangan.

In regions with relatively small populations, such as the Jizzakh and Syrdarya regions, there are 13,500 and 8,600 enterprises, respectively [25].

These data confirm that small businesses and entrepreneurship in Uzbekistan not only remain the main driver of the economy but are also becoming increasingly sustainable. The growth in the number of enterprises, their diversification by sector and region, and their active participation in exports are a direct result of ongoing reforms and efforts to liberalize the business environment.

However, despite the positive dynamics, a number of structural problems remain:

- Lack of competitiveness in international markets, particularly in exports and technological development.
- Limited access to financing, especially for start-up entrepreneurs and innovative projects.
- Bureaucratic barriers in the regions, interference by local authorities, including complex licensing, registration, and reporting procedures.

To create favorable conditions for the accelerated development of small and medium-sized businesses, further improve the business environment in the regions, facilitate the implementation of new business initiatives that boost economic growth, and support the expansion of competitive products into new segments of the foreign market, Presidential Decree No. UP-50 "On Measures to Enhance the Role of Small and Medium-Sized Businesses in the Economy" was adopted on March 19, 2025. The decree lists the key targets for small and medium-sized business development for 2025:

- Increasing the share of small and medium-sized businesses in the gross domestic product to 55 percent, in industry to 34 percent, in exports to 34 percent, and in employment to 75 percent;
- Transforming at least 600 small and medium-sized businesses into "entrepreneur champions" by facilitating their consolidation;
- At least doubling the share of small businesses in drinking water supply and sanitation services, road construction, recycling, migration services, utilities, culture, and social services;
- Increasing the number of businesses with over 100 employees to 4,000;
- Implementation of branded product production in at least 100 small and medium-sized businesses through the creation of Project Offices for Accelerated Industrial Development;
- Implementation of at least 200 startup projects involving small businesses, etc.

The following mechanisms to stimulate the consolidation of business entities based on the chain "self-employed person - individual entrepreneur - small business - medium business - large enterprise" were introduced on May 1, 2025.

Thus, the sustainable development of small businesses in Uzbekistan is becoming not only a pressing issue but also part of the state strategy aimed at increasing economic resilience, innovation, and social inclusion.

Conclusions and proposals. The experience of countries with developed small businesses shows that successful public policy is built on three key elements: financial support, reducing the regulatory burden, and developing infrastructure.

In Poland, for example, small businesses account for approximately 50% of GDP, and the government actively supports startups through preferential loans and grants. The Polish fund "Gwarancja biznesowa" (Business Guarantee) provides loan guarantees, reducing bank risks

and increasing the availability of loans. A similar mechanism is just beginning to be implemented in Uzbekistan, but so far it covers a smaller percentage of entrepreneurs.

Singapore, ranked first in the ease of doing business rankings, has placed a strong emphasis on digitalization. Company registration takes less than 24 hours, and all administrative procedures are conducted online. Digitalization is also advancing in Uzbekistan, but access to the internet and e-services remains a challenge in the regions.

South Korea is a successful example of integrating small businesses into global value chains. The government subsidizes export projects and provides tax incentives to companies entering international markets. In Uzbekistan, similar programs (such as the "Export Premium") have not yet achieved the same widespread impact due to the lack of competitiveness of local products.

Despite positive trends, barriers to small business growth persist in Uzbekistan. Corruption and bureaucracy remain key challenges, particularly when obtaining permits. According to the World Bank, Uzbekistan has improved its Doing Business rankings over the past five years, but still lags behind many Eastern European and East Asian countries in terms of ease of doing business.

Another challenge is the lack of long-term financing. Although lending has increased, most loans are issued for short terms (1-3 years), making it difficult to implement large-scale projects. By comparison, in Turkey, small businesses actively use leasing schemes and government guarantees, which helps attract investment in production.

In summary, Uzbekistan's state policy in supporting small businesses and entrepreneurship has yielded significant results in recent years: the number of enterprises has grown, the sector's share of GDP has increased, and lending conditions have improved. However, to reach the level of developed countries, further reduction of bureaucratic burdens, expanded access to long-term loans, and accelerated digital transformation are necessary.

Therefore, integrating international practices into the national small business support strategy will allow Uzbekistan not only to accelerate economic growth but also to enhance the resilience and competitiveness of the business sector globally.

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