



## DEVELOPMENT OF SMALL BUSINESS IN UZBEKISTAN

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**Abstract:** *This article examines the development of small business in Uzbekistan as a crucial component of the country's economic transformation and modernization. It explores the institutional reforms, state programs, and statistical trends that shape the entrepreneurial environment. Emphasis is placed on employment creation, poverty reduction, and the role of small businesses in strengthening social stability. The article highlights government initiatives such as digitalization of services, tax incentives, financial support mechanisms, and targeted programs for youth and women. Statistical evidence demonstrates the growing share of small enterprises in GDP and employment. The study concludes that small business development in Uzbekistan is not only an economic necessity but also a foundation for sustainable development, inclusive growth, and the emergence of a resilient civil society.*

**Keywords:** *Uzbekistan, small business, entrepreneurship, reforms, employment, innovation, poverty reduction, business environment, sustainable development.*

**Introduction:** The role of small business in modern economies is universally acknowledged. It provides flexibility, fosters innovation, generates employment, and stabilizes local communities. For Uzbekistan, where economic reforms are accelerating in line with the “New Uzbekistan” development strategy, small business has emerged as a strategic driver of transformation. Over the past decade, the government has recognized entrepreneurship as not merely an economic activity but a socio-political instrument for enhancing public welfare and reducing poverty. The Uzbek experience demonstrates that small businesses play a dual role: they contribute to economic growth while also serving as a mechanism for social inclusion. By creating jobs, reducing unemployment, and involving women and youth in economic activities, small business ensures stability at both the national and community level.

Small business is often described as the “engine of growth” in transition economies. Unlike large enterprises, small firms are more adaptable to market demands, require less capital, and stimulate competition. Scholars argue that in countries with a history of centrally planned economies, small business development is particularly vital to ensure a balanced shift toward market-oriented systems. In Uzbekistan, the theoretical foundation of small business development is rooted in three dimensions:

1. Economic dimension – diversification of GDP and reduction of dependence on large industries;



2. Social dimension – poverty reduction, employment growth, empowerment of vulnerable groups;

3. Political dimension – strengthening civil society, fostering a culture of initiative, and reducing reliance on state subsidies.

Over the last decade, Uzbekistan has introduced a wide range of reforms to simplify business activity and create a favorable climate for entrepreneurs. Key developments include:

- Simplification of registration procedures: Since 2017, entrepreneurs can register their businesses within a few hours through online platforms, reducing bureaucracy.
- Tax reforms: The introduction of a simplified taxation regime for small businesses and reduced tax burdens for start-ups encouraged thousands of new enterprises.
- Legal framework: The adoption of the “Entrepreneurship Code” and several presidential decrees established stronger guarantees for private property rights, reducing administrative pressure.
- Regulatory reforms: Licensing requirements have been eased, while inspection and reporting procedures have been optimized to encourage entrepreneurial initiative.

These measures collectively reduced barriers to entry, improved transparency, and stimulated confidence among entrepreneurs.

The development of small business requires access to capital and knowledge. Uzbekistan has gradually introduced both financial and non-financial mechanisms of support:

1. Financial mechanisms:

State-guaranteed loans and microcredits for start-ups and self-employed individuals;

Subsidies for business initiatives by youth and women, particularly those registered in the “Women’s Notebook” and “Youth Notebook” programs;

Preferential leasing and grant programs for innovative enterprises.

2. Non-financial mechanisms:

Business incubators and technology parks that provide mentoring and infrastructure;

Entrepreneurship education through institutions like the Higher School of Business and Entrepreneurship;

Digital platforms for tax reporting, customs clearance, and e-commerce development.

For example, in 2023, more than 200,000 individuals received training in financial literacy and entrepreneurial skills, supported by state and international organizations.

Statistical data confirm the growing importance of small business in Uzbekistan’s economy:

- Small business accounts for over 50% of GDP.
- Nearly 75% of employment is provided by small enterprises, family firms, and private entrepreneurship.
- The number of newly registered small enterprises increased by 15% in 2022–2023, particularly in the services sector.





- Regional programs demonstrate strong outcomes: in Jizzakh region alone, more than 2,000 citizens were trained in entrepreneurship in 2023, with over 400 new enterprises established as a result.

These figures underline that small business development is both quantitatively and qualitatively expanding, contributing directly to poverty reduction and income growth.

Despite significant achievements, a number of challenges remain:

- Access to finance: Many entrepreneurs, especially in rural areas, still face difficulties in securing affordable loans.
- Infrastructure gaps: Limited access to modern logistics, transport, and communication services restricts competitiveness.
- Informal economy: A large share of small enterprises still operate informally, limiting their contribution to tax revenues and formal employment.
- Global competitiveness: Many Uzbek small businesses are not yet integrated into international value chains and require technological modernization.
- Bureaucratic inertia: Despite reforms, some local authorities continue to impose administrative burdens, slowing down entrepreneurial initiative.

Small business in Uzbekistan is not merely an economic actor but also a social stabilizer. Programs targeting women and youth entrepreneurship help expand opportunities for groups traditionally underrepresented in the labor market. For example, state-subsidized training programs and microloans have allowed thousands of women to launch family businesses, while youth entrepreneurship programs reduce migration risks by creating jobs at home.

By fostering self-employment and community-based initiatives, small business development also contributes to the strengthening of civil society and the creation of a middle class, which is essential for political stability.

Conclusion: The development of small business in Uzbekistan is a cornerstone of the nation's economic and social transformation. Through comprehensive reforms, state support mechanisms, and active promotion of entrepreneurship, small business has become a vital contributor to GDP, employment, and innovation. However, long-term success depends on addressing persistent challenges such as financial access, technological modernization, and integration into global markets. By continuing reforms, investing in entrepreneurial education, and strengthening public-private partnerships, Uzbekistan can unlock the full potential of its small business sector. Ultimately, the growth of small business represents not only an economic priority but also a pathway to sustainable development, social inclusion, and the building of a resilient middle class in Uzbekistan.







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