THE ROLE OF SMALL BUSINESS AND ENTREPRENEURSHIP IN THE NEW UZBEKISTAN ECONOMY

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Annotation. *The article analyzes the current state of small business in Uzbekistan, its role in the country's economic development, as well as key challenges and prospects. Particular attention is paid to issues of access to financing, infrastructure improvement, digitalization and personnel training. The existing barriers faced by entrepreneurs are considered and possible strategies for overcoming them are proposed. The work emphasizes the importance of state support for creating a favorable business climate and reveals opportunities for integrating small businesses into the international economy.*

Keywords: *Small business, entrepreneurship, New Uzbekistan economy, financial services, bank lending, digital transformation, fintech, Islamic finance, government guarantees, export, international experience, innovations, artificial intelligence, microfinance, credit policy.*

Аннотация. *Статья посвящена анализу современного состояния малого бизнеса в Узбекистане, его роли в экономическом развитии страны, а также ключевым вызовам и перспективам. Особое внимание уделено вопросам доступа к финансированию, улучшению инфраструктуры, цифровизации и подготовки кадров. Рассматриваются существующие барьеры, с которыми сталкиваются предприниматели, и предлагаются возможные стратегии их преодоления. В работе подчёркивается значимость государственной поддержки для создания благоприятного бизнес-климата и раскрываются возможности для интеграции малого бизнеса в международную экономику Ключевые слова: малый бизнес, Узбекистан, вызовы, перспективы, государственная поддержка, цифровизация, финансирование, предпринимательство.*

Ключевые слова: *Малый бизнес, предпринимательство, экономика Нового Узбекистана, финансовые услуги, банковское кредитование, цифровая трансформация, финтех, исламское финансирование, государственные гарантии, экспорт, международный опыт, инновации, искусственный интеллект, микрофинансирование, кредитная политика.*

Annotatsiya. *Maqolada O'zbekistonda kichik biznesning bugungi holati, uning mamlakat iqtisodiy rivojlanishidagi o'rni, shuningdek, asosiy vazifalari va istiqbollari tahlil qilinadi. Moliyaviy manbalardan foydalanish, infratuzilmani yaxshilash, raqamlashtirish va kadrlar tayyorlash masalalariga alohida e'tibor qaratilmoqda. Tadbirkorlar oldida turgan mavjud to'siqlar ko'rib chiqilib, ularni bartaraf etishning mumkin bo'lgan strategiyalari taklif etiladi. Maqola qulay ishbilarmonlik muhitini yaratishda davlat tomonidan qo'llab-quvvatlash muhimligi ta'kidlanib, kichik biznesning xalqaro iqtisodiyotga integratsiyalashuvi imkoniyatlari ochib berilgan.*

Kalit so'zlar: *Kichik biznes, tadbirkorlik, Yangi O'zbekiston iqtisodiyoti, moliyaviy xizmatlar, bank krediti, raqamli transformatsiya, fintech, islomiy moliyalashtirish, davlat kafolatlari, eksport, xalqaro tajriba, innovatsiyalar, sun'iy intellekt, mikromoliyalashtirish, kredit siyosati.*

Introduction.

The role of Small business in the national economy cannot be underestimated. Small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established. Small businesses also help to stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations. Small businesses tend to attract talent who invent new products or implement new solutions for existing ideas. In other words, they provide to the people opportunities to achieve financial independence, encourage innovation, and create employment opportunities. So The Government of Uzbekistan is trying to develop small business by simplifying and increasing the transparency of licenses and permits, and the provision of public services. Also it is strengthened measures of legal protection of business entities, their financial support.

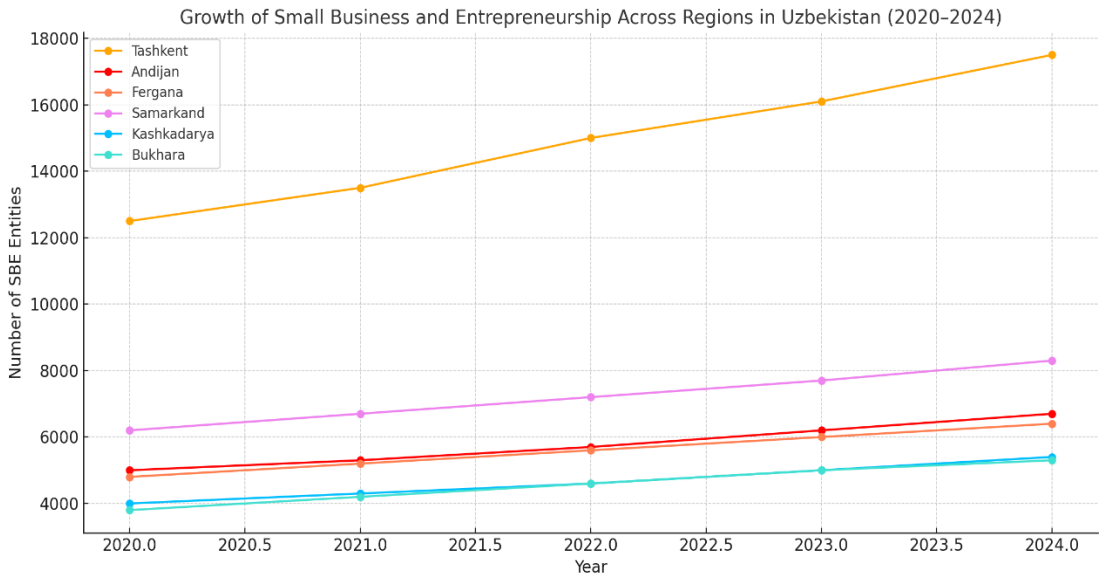

Figure 1. Analysis of the Growth of Small Business and Entrepreneurship by Region (2020–2024):

Between 2020 and 2024, the number of small business entities steadily increased across several key regions of Uzbekistan. This growth was largely driven by the country's reforms aimed at supporting entrepreneurship, the expansion of financing opportunities, the easing of tax and licensing procedures, and the implementation of digital technologies.

The highest growth was observed in Tashkent city. In 2020, there were 12,500 small business entities operating in the capital, and by 2024, this number had reached 17,500. This represents a growth of more than 40% over five years. The city's modern infrastructure, broader access to financial resources, and favorable technological environment were key drivers of this growth.

Samarkand, Fergana, and Andijan regions also demonstrated significant entrepreneurial activity. In particular, the number of small business entities in Samarkand rose from 6,200 to 8,300, reflecting approximately 34% growth. This increase was largely supported by the development of tourism and service industries in the region.

Qashqadarya and Bukhara regions also showed positive trends, though their growth rates were relatively lower compared to other regions. In Bukhara, the number of small business entities rose from 3,800 in 2020 to 5,300 in 2024—an increase of about 39%. Nevertheless, these regions

still face challenges, including limited access to financial tools and insufficient technological infrastructure.

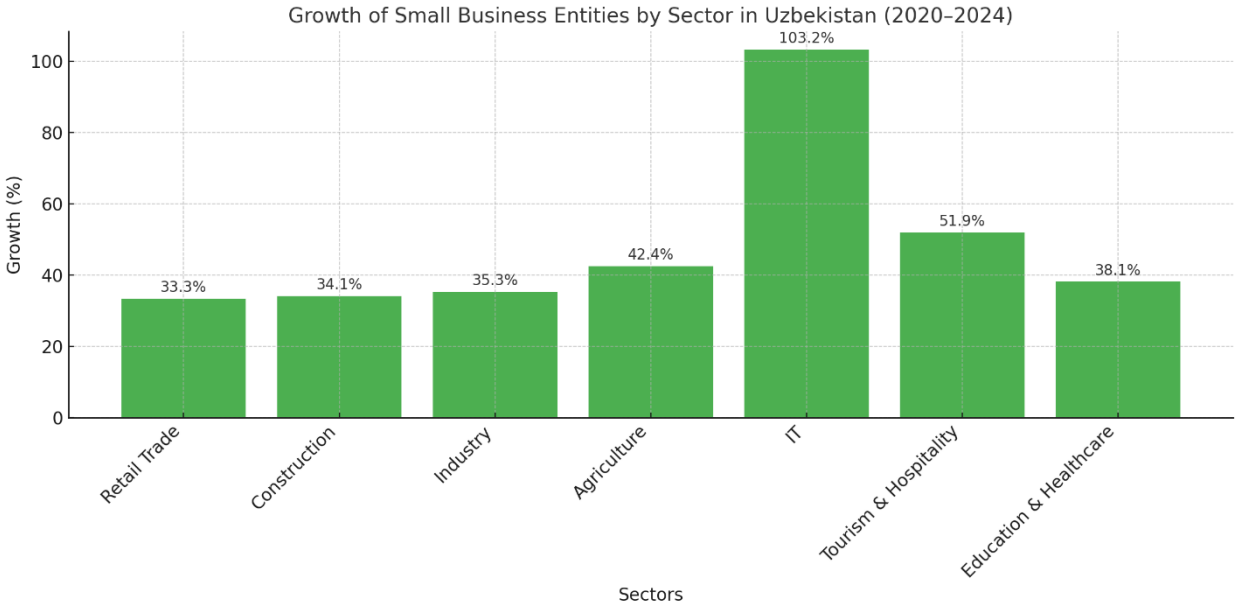

Figure 2. "Dynamics of Small Business and Entrepreneurial Growth Across Economic Sectors in Uzbekistan (2020–2024)"

Between 2020 and 2024, small business entities in Uzbekistan demonstrated notable growth across various sectors. The most significant growth was observed in the **Information Technology (IT)** sector, which saw a staggering **103.2%** increase. This reflects the rapid development of digital infrastructure, widespread digitization policies, and innovation programs targeting youth entrepreneurship. The **Tourism and Hospitality** sector ranked second with a **51.9%** growth rate. This growth was largely driven by the post-pandemic recovery, government support for tourism infrastructure, and the establishment of digital platforms for hospitality services. Steady growth of **33% to 43%** was recorded in other sectors such as **agriculture, manufacturing (industry), construction,** and **retail trade**. These increases can be attributed to accessible government subsidies, preferential loans, and simplified business procedures.

The **Education and Healthcare** sector also saw a **38.1%** increase, reflecting the growing demand for private schools, clinics, and health-focused startups. These trends show a diversification in Uzbekistan's small business landscape and the effectiveness of sector-targeted policy support.

Main part: Key Challenges in the Development of Small Business and Entrepreneurship in Uzbekistan

In recent years, Uzbekistan has made significant strides in supporting small business and entrepreneurship. However, a range of persistent challenges continues to hinder their full potential. One of the most pressing issues is the limited access to financing. Although several banks and institutions provide loans, many small business entities struggle to meet collateral requirements and face high interest rates. The loan application process often remains time-consuming and bureaucratic. Moreover, alternative financial instruments such as fintech solutions, Islamic finance, venture capital, and crowdfunding are still in their early stages and not yet widely accessible across the country.

Regional disparities also pose a substantial challenge. While cities like Tashkent, Samarkand, and Fergana have seen a noticeable increase in small business activity due to better infrastructure and access to financial services, other regions such as Surkhandarya, Karakalpakstan, and Jizzakh continue to lag behind. This imbalance is driven by uneven development in digital and physical infrastructure, human capital, and institutional support.

Despite ongoing efforts under the "Digital Uzbekistan – 2030" initiative, digital transformation among small businesses remains slow. Many enterprises continue to rely on manual systems for bookkeeping, tax reporting, and administrative procedures. The adoption of online banking, digital payment platforms, and remote lending tools is progressing gradually but has not yet reached full nationwide coverage.

Another critical challenge is the shortage of skilled professionals within the small business sector. Entrepreneurs and employees often lack essential knowledge in financial management, digital technologies, marketing, and business strategy. The existing vocational training ecosystem does not adequately address these gaps, limiting the capacity for innovation and competitiveness.

Additionally, the regulatory environment still presents difficulties. Although some procedures have been streamlined, businesses continue to report issues with administrative burdens, inconsistent enforcement of regulations, and occasional delays in licensing and inspections. These factors can create uncertainty and deter entrepreneurship, particularly among start-ups and informal sector participants.

Finally, the innovation ecosystem supporting small businesses is still underdeveloped. Business incubators, tech hubs, and startup accelerators are few in number and mostly concentrated in major urban centers. There is a notable lack of tailored support for youth- and women-led enterprises, which are key drivers of inclusive economic growth.

Overall, while Uzbekistan has laid a strong foundation for the advancement of small business and entrepreneurship, addressing these structural and institutional weaknesses is essential for unlocking their full contribution to national economic development.

Conclusion: Small business and entrepreneurship are playing an increasingly vital role in the economic landscape of Uzbekistan. In recent years, various reforms, improvements in the legal framework, the adoption of digital technologies, and the enhancement of the business environment across regions have all contributed to positive changes in this sector. However, progress remains uneven, with some regions advancing rapidly while others continue to face systemic challenges.

One of the most significant barriers is limited access to financing, particularly for newly established enterprises. While traditional bank lending remains the dominant source of funding, its effectiveness is hindered by collateral requirements and administrative complexities. Without the widespread introduction of modern financial instruments—such as fintech platforms, Islamic finance, online lending, and innovation-driven grant systems—the full potential of the sector cannot be realized.

The level of entrepreneurial skills and business literacy also plays a critical role. Without targeted support in areas such as financial management, strategic planning, marketing, and digital transformation, small businesses may struggle to remain competitive in a rapidly evolving market environment.

Regulatory stability, simplified tax and licensing systems, and the digitalization of interactions with public institutions are essential to further growth. Reducing bureaucratic obstacles,

ensuring transparency, and creating equal conditions across all regions will enhance the effectiveness of policy initiatives.

International experience shows that a comprehensive, state-supported approach—combining financial, advisory, digital, and innovation support—yields the most impactful outcomes in developing small businesses. Uzbekistan should continue deepening such integrated support mechanisms to create an inclusive, competitive, and enabling environment where every entrepreneur can fully realize their potential.

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