



THE ROLE OF SMALL BUSINESSES IN ECONOMIC DEVELOPMENT IN UZBEKISTAN

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Abstract: *Small businesses play a crucial role in promoting economic development and ensuring sustainable growth in both developed and developing countries. They contribute significantly to job creation, income generation, and poverty reduction. By encouraging entrepreneurship and innovation, small enterprises stimulate competition and increase productivity within the market. Furthermore, they support local communities by utilizing domestic resources and responding flexibly to consumer demands.*

This article examines the economic impact of small businesses, focusing on their contribution to employment, regional development, and economic diversification. It also analyzes the challenges they face, including limited access to finance, regulatory barriers, and market competition. The study concludes that effective government support, financial accessibility, and a favorable business environment are essential to strengthen the role of small enterprises in national economic growth.

Keywords: *Small businesses; Economic development; Entrepreneurship; Job creation; Innovation; Sustainable growth; SMEs; Market competitiveness; Regional development; Access to finance.*

Introduction

Small businesses play a fundamental role in the economic development of many countries around the world. They contribute to job creation, income generation, and market competition, which are essential for sustainable growth. In developing economies, small and medium-sized enterprises (SMEs) are particularly important because they stimulate entrepreneurship and support regional development.



In Uzbekistan, small businesses have become one of the main pillars of the national economy. Over the past decade, government reforms and financial support programs have strengthened the SME sector and increased its contribution to GDP and employment. This paper examines the role of small businesses in Uzbekistan's economic development, focusing on their impact on employment, innovation, and economic diversification.

Literature review.

The president [announced](#) the launch of a large-scale SME development program, created with the involvement of foreign experts. The program will allocate approximately \$10 billion, or 120 trillion UZS, from all available sources — an unprecedented amount, according to Mirziyoyev.

A total of 22 trillion UZS will be directed toward preferential loans aimed at encouraging citizens to engage in entrepreneurship. Of this amount, 2.5 trillion UZS will be allocated to youth business projects, and an equal amount will be set aside for women-led businesses.

The interest rates on loans provided to women entrepreneurs will be reduced by 2%. The president described this as a gesture of appreciation for women who manage businesses while also handling household responsibilities and caring for their children.

Entrepreneurs will be eligible for unsecured loans of up to 150 million UZS if they expand a microenterprise into a small business or a small business into a medium-sized company. A key requirement is that applicants must not have outstanding overdue loans. Under family business programs, entrepreneurs can also receive up to 50 million UZS without collateral.

Additionally, discussions covered the promotion of venture capital investments as an alternative financing option. Over the past five years, venture funds have invested \$145 million in 53 startup projects — an amount the president deemed insufficient.

At the beginning of this year, state banks established three venture capital firms with a total fund volume of \$50 million. The head of state called this initiative



a "great opportunity" for aspiring entrepreneurs and emphasized the importance of such projects in introducing innovation and technology into the economy.

Successful products and services developed by startups will be incorporated into technical regulations and standards, granting them access to government contracts. The president also supported the idea of directing part of the venture capital funds toward artificial intelligence projects.¹

In recent years, Uzbekistan has undertaken significant economic reforms aimed at improving the business environment, supporting small and medium-sized enterprises (SMEs), and attracting foreign investments. As a result, the country has witnessed a steady increase in the number of operating businesses, particularly in the trade, services, and industrial sectors. This article provides an in-depth analysis of the key trends shaping entrepreneurship in Uzbekistan based on the latest statistical data.

Current Business Landscape: Growth and Expansion

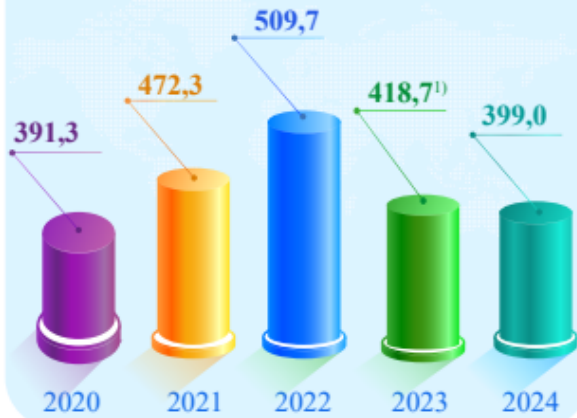
¹ <https://ich.kun.uz/en/news/2025/03/19/uzbekistan-to-allocate-nearly-10-billion-for-development-of-small-and-medium-sized-businesses?>



Number of newly created small businesses and micro-firms

In January-September 2024, 62.5 thousand new small enterprises and microfirms (excluding dehqan and farm enterprises) were created.

Dynamics of the number of operating small enterprises and microfirms, thousand units.
(as of October 1, excluding farms and dehqan farms)



The number of operating small enterprises and microfirms by region

(as of October 1, 2024, units)

Republic of Uzbekistan	399 031
Tashkent city	87 778
Tashkent	36 484
Samarkand	35 203
Fergana	32 050
Bukhara	26 307
Kashkadarya	25 500
Khorezm	24 067
Andijan	23 267
Namangan	22 324
Surkhandarya	21 220
Republic of Karakalpakstan	20 200
Navoi	18 829
Jizzakh	15 826
Syrdarya	9 976

Number of operating small enterprises and microfirms by types of economic activity

(as of October 1, 2024, units)



²[According to data](#) from the Agency of Statistics under the President of the Republic of Uzbekistan, as of February 1, 2025, the number of registered enterprises and organizations in Uzbekistan reached 431.5 thousand, with 363.6 thousand being small enterprises and microfirms. Compared to the same period in 2024, the growth rate of new business registrations was 105.5%, indicating a thriving entrepreneurial environment.

Among the regions, the highest increase in the number of new enterprises was observed in:

- Khorezm region(+216 new enterprises)

² https://stat.uz/img/ishbilarmonlikdan-eng-mb-press-reviz_p86983.pdf



- Fergana region(+198 new enterprises)
- Kashkadarya region(+179 new enterprises)

The steady increase in new business formations reflects the effectiveness of Uzbekistan's pro-business policies and economic incentives.

Industry Breakdown: Where Businesses Are Thriving

Entrepreneurial activity is distributed across various sectors, with the highest concentration in:

- Trade (32.2%)– A dominant sector reflecting the growth of retail and wholesale businesses.
- Industry (13.0%)– Driven by manufacturing and industrial production.
- Agriculture, Forestry, and Fisheries (7.3%)– Essential for food security and exports.
- Construction (6.5%)– Supported by government infrastructure projects.
- Health and Social Services (6.2%)– A rapidly growing sector, adding 1,044 new enterprises in January 2025 alone.

Additionally, the information and communication sector (3.7%) is expanding, highlighting Uzbekistan's increasing digital transformation.

Regional Business Distribution

Business activity is concentrated in key economic hubs, with Tashkent city (22.6%), Tashkent region (9.5%), Samarkand region (8.8%), and Fergana region (8.1%) accounting for over half of all registered enterprises.

While business growth is strong in urban centers, rural and less-developed regions such as Navoi, Syrdarya, and Karakalpakstan still require targeted economic support to boost local entrepreneurship.

Foreign Investments: A Key Driver of Growth

Uzbekistan has made significant progress in attracting foreign investments, with 15,163 enterprises now operating with foreign capital, an increase of 1,000 enterprises compared to 2024. The leading investor countries include:



- China (22.9%)
- Russia (19.6%)
- Turkey (12.3%)
- Kazakhstan (7.0%)
- South Korea (4.4%)

Foreign direct investment (FDI) has played a crucial role in expanding Uzbekistan's industrial and trade sectors, bringing new technologies and international expertise.

The Role of Small and Medium Enterprises

SMEs form the backbone of Uzbekistan's economy, representing over 84% of all registered businesses. As of early 2025, there were 363.6 thousand active small enterprises and microfirms.

Sector-wise SME distribution:

- Trade (37.9%)
- Industry (15.3%)
- Agriculture (8.4%)
- Construction (7.5%)
- Accommodation and Food Services (7.2%)

Government initiatives such as tax incentives, loan programs, and digitalization efforts continue to facilitate SME growth and innovation.

Challenges and Areas for Improvement

Despite strong growth, several challenges need to be addressed to ensure sustained business expansion:

- **Bureaucracy and Administrative Barriers**– Although the business environment has improved, further simplification of registration and licensing procedures is needed.
- **Digitalization Gaps**– Many businesses still rely on outdated accounting and management systems.
- **Regional Disparities**– Economic development is uneven, with some regions lagging behind in business activity.



Addressing these issues through automation, e-governance, and infrastructure investment will be key to long-term success.

Future Outlook for 2025-2026

Entrepreneurial activity in Uzbekistan is expected to continue growing, supported by:

- Government programs for start-ups and innovation
- Expansion of SME financing and credit accessibility
- Development of industrial zones and free economic areas
- Simplification of tax regulations and business administration

Additionally, increased trade cooperation within Central Asia and new foreign investment partnerships will provide further opportunities for expansion.

Conclusion

Uzbekistan's business sector is experiencing a period of strong growth, driven by policy reforms, foreign investment, and SME development. While challenges remain, such as bureaucratic inefficiencies and regional disparities, ongoing efforts to improve the business climate and promote digitalization are setting the stage for long-term economic success.

By fostering innovation, supporting local entrepreneurs, and enhancing investment attractiveness, Uzbekistan is positioning itself as a dynamic hub for business and economic activity in the region.³

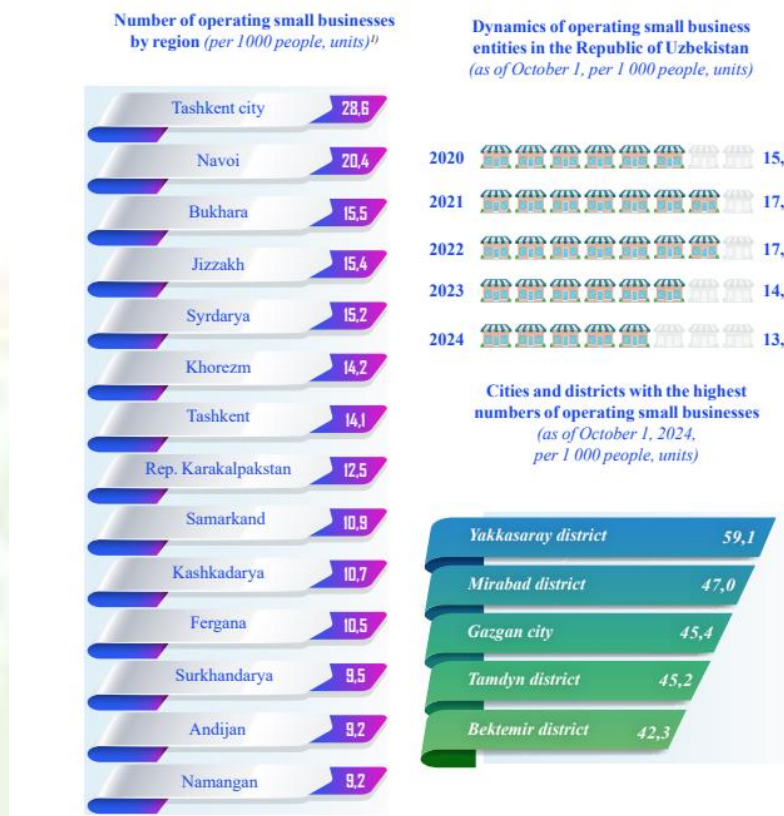
Research methodology.

This research employs a mixed descriptive-analytical methodology. Secondary data sources, including official statistics, policy documents, and economic reports, were systematically reviewed. Quantitative indicators such as GDP contribution, employment rates, and sectoral distribution were examined to measure the economic impact of SMEs in Uzbekistan.

³ <https://invexi.org/press/dynamics-of-entrepreneurship-development-in-uzbekistan-trends-and-prospects/>

Additionally, a comparative analysis was conducted to evaluate changes before and after recent economic reforms. The study aims to provide an evidence-based assessment of the role of small businesses in national economic development.

Discussion.



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As of 1 October 2025, there were 1.21 million active small business entities operating in Uzbekistan, according to data from the National Committee of Statistics. These included 479,000 small enterprises and microfirms, 281,900 individual entrepreneurs, 422,300 dehqan farms, 5,800 family businesses, 22,100 artisans, and 900 import goods sellers. The density of small businesses reached 32.1 units per 1,000 people, with the highest figures recorded in Khorezm region (43.5), Tashkent city (43.4), Syrdarya region (37.7), and Bukhara region (37.5). In January–September 2025, 62,200 new small enterprises and microfirms were established, excluding dehqan and farm enterprises. The majority of new entities were created in trade (22,918), industry (8,088), agriculture, forestry, and fisheries (7,714), and

⁴ https://stat.uz/img/ishbilarmonlikdan-eng-mb-press-reviz_p86983.pdf



accommodation and food services (5,513). During the first nine months of 2025, small businesses contributed 51.5% to Uzbekistan's GDP. The largest sectoral shares were recorded in agriculture, forestry, and fisheries (96.9%), construction (77.6%), services (45.1%), and industry (26.4%). Industrial output produced by small businesses reached 258.5 trillion soums, accounting for 33.4% of total industrial production and increasing by 16.7% compared to the same period in 2024. Construction work totaled 169.99 trillion soums (75.7% of the total, +11.3%), while investment in fixed capital amounted to 270.14 trillion soums (60.9% of total, +29.2%). In agriculture, forestry, and fisheries, small enterprises produced 355.7 trillion soums worth of goods, representing 97.1% of the sector's total output, a 4.1% increase compared to the same period of 2024. Retail trade turnover among small businesses reached 258.77 trillion soums (81.8% of total, +9.6%), and services amounted to 397.49 trillion soums (55.0% of total, +12.3%). Exports by small business entities totaled US\$8.5 billion (32.0% of total exports), while imports reached US\$17.77 billion (53.7%). In the transport sector, small businesses accounted for 51.8% of total freight transport (+7.0%), 77.0% of freight turnover (+7.3%), 90.9% of passenger transport (+3.8%), and 95.4% of passenger turnover (+3.2%) compared to January–September 2024.

These figures underscore the growing role of small and medium-sized enterprises in Uzbekistan's economy, serving as key drivers of employment, innovation, and regional development.⁵

Small businesses are the engine for job creation, innovation, and economic growth across Uzbekistan. But in the country's rural areas, aspiring entrepreneurs face steeper obstacles turning ideas into successful ventures: limited finance, smaller markets, higher transport costs, and sparser ecosystems for networking and mentoring.

The [Second Rural Enterprise Development Project](#), funded by the World Bank and implemented by the Ministry of Employment and Poverty Reduction, has

⁵ <https://www.uzdaily.uz/en/small-business-in-uzbekistan-accounts-for-over-half-of-gdp-in-2025/>



been working to support rural micro, small and medium-sized enterprises. Since launching in July 2022, the project has reached more than 15,000 entrepreneurs nationwide, including those operating in Uzbekistan's most economically and environmentally vulnerable areas, to establish new businesses and expand existing ones.

Through financing and advisory support, the project has helped unlock the country's rural entrepreneurial potential—boosting employment, creating new opportunities for women and youths often excluded from the labor market, and narrowing the urban-rural divide by bringing new goods and services to remote communities.

Supporting Small Businesses Creates Local Jobs

For many beneficiaries, the project has reshaped their communities by helping them turn an idea into a new business. **Ulugbek Ibragimov, a 60-year-old small business owner from Khanka District in Khorezm region**, was one such aspiring entrepreneur. After receiving a loan through a local bank partnering with the project, he set up a bottled water production facility in an area struggling with water scarcity and high salinity levels.

With his loan, Ulugbek purchased modern bottling equipment, including advanced filtration systems that can process high-salinity water for safe drinking. He now employs 10 locals, including four women.

For other beneficiaries, the project has supported the expansion of existing operations. **Rasulbek Yusupov, a 50-year-old businessman from Khanka District**, specializes in manufacturing ropes. He had been running his business since 2016, but the COVID-19 pandemic severely impacted demand. Rasulbek's sales dropped and supply chains were disrupted, nearly forcing him to shut down.

"I'm glad that with a loan from the project we restarted production, and now we have a stable rope manufacturing operation," Rasulbek relays, emphasizing that he has hired six new employees in his workshop.

Rasulbek's ropes, which are used widely by local farmers for horticulture and livestock farming, are a cost-effective alternative to expensive imports. *"Our process*



is zero-waste. We recycle all raw material scraps into finished products and sell them as well," he explains, underscoring his operation's eco-friendly approach.⁶

Conclusion

In conclusion, small businesses play a vital role in Uzbekistan's economic development. They contribute significantly to GDP, employment, and regional growth, while also fostering entrepreneurship and innovation. The government's support programs, financial incentives, and reforms have strengthened the SME sector, making it a key driver of sustainable economic development.

However, challenges such as limited access to finance, technological gaps, and regulatory barriers still exist. Addressing these issues through targeted policies, digital infrastructure development, and entrepreneurship training programs is essential to maximize the potential of small enterprises. Ultimately, supporting SMEs will not only enhance economic growth but also ensure long-term social and regional development in Uzbekistan.

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