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VALUING GREEN SERVICE BUSINESSES: A NEW APPROACH TO BUSINESS VALUATION IN UZBEKISTAN'S TRANSITION TO A GREEN ECONOMY

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Abstract: As Uzbekistan accelerates its shift toward a green economy, service-oriented businesses adopting environmentally sustainable practices are gaining prominence. However, traditional business valuation methods often fail to capture the full worth of "green" intangible assets—such as eco-certifications, carbon reduction capabilities, and sustainability reputations. This article proposes a revised valuation framework that integrates environmental performance into standard financial models. Using data from Uzbek service firms (2020–2025), the study demonstrates that green-certified businesses command a 15–28% valuation premium over conventional peers. The research combines financial analysis, sustainability metrics, and investor surveys to validate this premium. The findings support the need for updated valuation guidelines in Uzbekistan that reflect the economic value of sustainability in the services sector.
Keywords: green economy, business valuation, sustainable services, intangible assets, ESG, Uzbekistan, valuation premium, green transition.

Introduction

Imagine two nearly identical tourism companies in Samarkand. Both offer guided tours, accommodations, and local cuisine. But one uses solar energy, recycles all waste, employs local artisans, and holds an international eco-certification. The other follows standard practices with no environmental strategy.

Which business is worth more?

Traditionally, accountants and investors might say "the same"—because both generate similar revenue and profit. But in today's world, where climate risks, consumer preferences, and government policies increasingly favor sustainability, the "green" company is likely more valuable. Yet, this added value is rarely reflected in official business valuations—especially in emerging economies like Uzbekistan.

Uzbekistan has committed to a green economy transition through its *Strategy for Transition to a Green Economy (2019–2030)* and recent tax reforms (e.g., the 2024 Tax Code) that incentivize eco-friendly services. The services sector—including tourism, IT, consulting, and education—is central to this shift due to its low carbon footprint and high innovation potential. However, when entrepreneurs, banks, or investors assess the worth of a "green service" business, they often rely on outdated models that ignore environmental performance.

This gap matters. If green businesses are undervalued, they receive less investment, struggle to access loans, and fail to attract top talent. Conversely, accurate valuation can unlock capital, encourage sustainable innovation, and support national green goals.

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This article addresses a critical question: **How can we fairly value service businesses that contribute to Uzbekistan's green economy?** We argue that traditional valuation methods must evolve to include "green intangibles"—non-financial assets that deliver real economic benefits. We test this idea using real data from Uzbek service firms and propose a practical, easy-to-use valuation adjustment method.

Methods

To explore the link between sustainability and business value, we used a mixed-methods approach combining quantitative and qualitative data.

1. Sample Selection

We analyzed 68 service businesses in Uzbekistan (2020–2025), including:

- 24 eco-certified tourism or hospitality firms
- 18 IT or digital service companies with green practices (e.g., remote work, carbon tracking apps)
- 15 environmental consulting or education providers
- 11 conventional (non-green) service firms as a control group

All firms had annual revenues between $50,000 and $2 million and operated for at least three years.

2. Valuation Comparison

We calculated each business's market value using two methods:

Traditional DCF (Discounted Cash Flow): Based on projected profits, growth rates, and risk—standard in Uzbek banking and investment practice.

Green-Adjusted DCF: Added a "sustainability premium" based on:

Eco-certifications (e.g., EarthCheck, national green labels)
Energy/water savings (verified by utility bills)
Waste reduction rates
Customer satisfaction scores related to sustainability
Access to green subsidies or tax benefits

The premium was quantified using a scoring system (0–100), converted into a 0–30% valuation uplift, consistent with global ESG (Environmental, Social, Governance) valuation models.

3. Investor and Bank Survey

We surveyed 42 investors, bank loan officers, and business appraisers in Tashkent and Samarkand. They were asked:

"Would you pay more for a green-certified service business with identical profits?"
"What sustainability factors matter most in your valuation?"

4. Official Data Sources

We incorporated:

National Statistics Committee of Uzbekistan (2024): Growth rates in green services
Ministry of Ecology (2025): Number of certified green businesses
World Bank (2025): Investor sentiment on sustainability in Central Asia

All methods were reviewed for reliability and bias. The green-adjusted model was tested against actual sale prices of 5 businesses that changed ownership in 2024–2025.

Results

1. Green Businesses Are Growing Faster

From 2020 to 2025, green service firms in Uzbekistan grew revenues **22% faster** than conventional peers. Eco-tourism alone saw a 35% annual increase in bookings (Ministry of Tourism, 2025). This growth translates into higher future cash flows—already a key valuation input.

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2. The "Green Valuation Premium" Is Real

Our analysis showed that green-certified service businesses received a **15–28% higher valuation** under the Green-Adjusted DCF model. For example:

Business	Traditional DCF Value	Green-Adjusted Value	Premium
EcoHotel "Sogdiana" (Samarkand)	$1.2M	$1.5M	+25%
IT Firm "GreenData" (Tashkent)	$850K	$1.05M	+23.5%
EcoTour Operator "Zarafshan Trails"	$600K	$770K	+28.3%

The premium came mainly from:
Lower operating costs (e.g., 30% less electricity due to solar panels)
Higher customer loyalty (72% of tourists said they'd pay 10–15% more for eco-friendly tours)
Access to tax benefits (e.g., 3-year property tax exemption under Art. 352 of Tax Code)
Reduced regulatory risk (less likely to face future carbon taxes or bans)

3. Investors Are Willing to Pay More

In our survey:
68% of investors said they would pay at least 15% more for a green service business with the same profits.
82% of bank officers agreed that sustainability reduces loan default risk.
Top valuation factors: energy efficiency (76%), customer perception (68%), and government incentives (61%).

4. Real-World Validation

In 2024, an eco-lodge in Bukhara was sold for $920,000—**21% above** its traditional DCF value. The buyer explicitly cited its solar system, zero-waste policy, and UNESCO eco-partnership as key reasons.

Discussion

Our findings confirm that **sustainability adds measurable economic value** to service businesses in Uzbekistan's green economy. But why does this matter beyond individual companies?

1. Bridging the Valuation Gap

Currently, most Uzbek banks and auditors use traditional models that treat a green hotel and a conventional one as equal if profits match. This leads to **systematic undervaluation** of green assets. For example, an eco-certification might cost $10,000 but generate $50,000 in extra annual revenue—yet it appears as a cost, not an asset, on the balance sheet.

Our Green-Adjusted DCF model fixes this by converting sustainability efforts into financial terms. It's simple enough for local appraisers to use—no complex algorithms, just clear metrics.

2. Policy Implications

Uzbekistan's 2024 Tax Code already supports green businesses, but valuation guidelines haven't caught up. We recommend:
The Ministry of Finance to issue **national guidelines for green business valuation**.
The Central Bank to encourage banks to use **sustainability-adjusted collateral values** for loans.
Business schools (including Samarkand Institute of Economics and Service) to teach **integrated valuation methods**.

3. Global Context

Our results align with global trends. In the EU, green-certified SMEs receive 20–30% higher valuations (European Commission, 2024). In Kazakhstan, "green" startups raised 40% more venture capital in 2024 (ADB, 2025). Uzbekistan is on the same path—but needs tools to make sustainability "visible" in financial terms.

4. Limitations and Future Research

This study focused on services, not manufacturing. Future work could expand to agriculture or logistics. Also, long-term data (10+ years) would strengthen the model. But even now, the evidence is strong enough for practical use.

5. A Message for Entrepreneurs

If you run a service business in Uzbekistan: **go green not just for the planet—but for profit**. Every solar panel, recycling bin, and eco-label boosts your business's true worth. And soon, the financial system may finally recognize it.

Conclusion

Uzbekistan's green economy is not just about cleaner air or renewable energy—it's also about smarter economics. Service businesses that adopt sustainable practices are not only more resilient and customer-friendly but also more valuable. However, this value remains hidden under traditional accounting and valuation methods.

By integrating environmental performance into business valuation—through simple, transparent adjustments—we can ensure that green entrepreneurs receive fair recognition, access to capital, and market rewards. This, in turn, accelerates the national transition to a green economy.

The time has come to update how we measure business success. In the green economy, **sustainability isn't a cost—it's an asset**. And like any asset, it should be counted.

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