

**ASSESSMENT OF THE IMPACT OF THE BUSINESS ENVIRONMENT ON THE  
PERFORMANCE OF ENTREPRENEURIAL ENTITIES IN UZBEKISTAN AND  
MECHANISMS FOR ITS IMPROVEMENT**

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**Annotation.** This study examines the impact of the business environment on the performance of entrepreneurial entities in Uzbekistan and explores mechanisms for its improvement. The research is based on data from the World Bank Enterprise Survey Uzbekistan 2024 and the Business Indicator system used to assess the level of entrepreneurial development across regions. Comparative analysis was conducted to identify major obstacles affecting business activities in Uzbekistan and neighboring countries. The findings indicate that tax rates, limited access to finance, insufficiently skilled labor, and electricity supply remain significant constraints to business development. Regional analysis reveals substantial disparities in entrepreneurial development, reflecting differences in institutional quality and business conditions.

**Key words:** entrepreneurial entities, business environment development index, assessment methods, economic growth, business success

### **Introduction**

Small and medium-sized enterprises (SMEs) are the backbone of today's globalized economy. According to data from the World Bank and the International Labour Organization, SMEs account for more than 90% of all businesses worldwide and employ approximately 70% of the global workforce. In developed countries, particularly among members of OECD, SMEs contribute more than 50% of gross domestic product (GDP), with this share reaching up to 70% in some economies. In developing countries, however, the contribution of SMEs to GDP is generally lower, averaging around 30–40%. According to the World Trade Organization, SMEs in developing economies contribute approximately 35% of GDP[13]. These enterprises also play a leading role in creating new jobs and fostering employment growth in many countries.

According to statistical analyses examining the survival duration of newly established small businesses and the factors influencing their sustainability, only approximately 67.9% of new enterprises remain operational during their first two years of activity. By the fifth year, the survival rate declines to 49.2%, while after ten years only 33.8% of enterprises continue to operate successfully.[13]

In Uzbekistan, the development and support of small and medium-sized enterprises (SMEs) have been identified as one of the strategic priorities of the state's economic policy. Within the framework of the "Uzbekistan–2030" Strategy, Objective 56 aims to gradually transform monopolized sectors based on market principles, increase the share of the private sector in the economy, and create favorable conditions for entrepreneurial activity. As part of these efforts, a target has been established to increase the proportion of SMEs that have been operating for three years or longer to 60%.

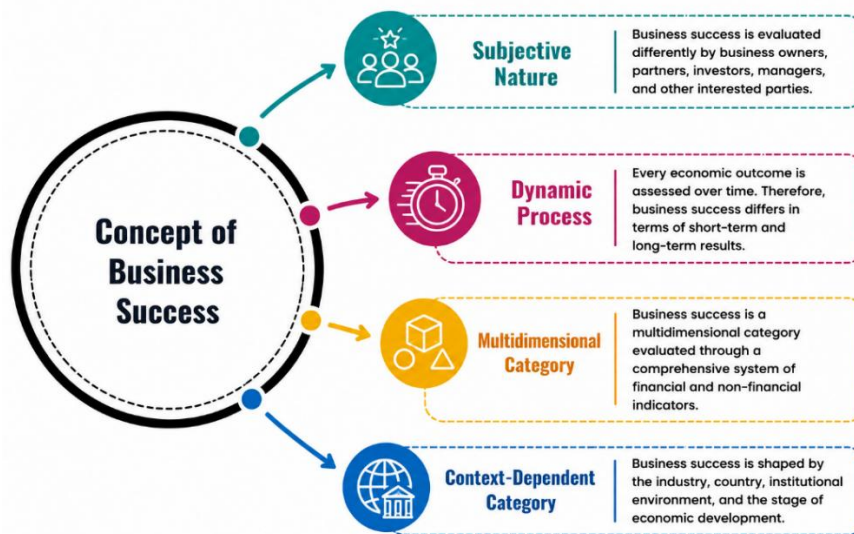
The effectiveness of these policy measures is reflected in the performance indicator related to increasing the share of small business and private entrepreneurship in gross domestic product (GDP), which reached 52.2% in 2025[11]. This achievement can be regarded as a tangible outcome of the reforms and support measures implemented under the leadership of the Government of Uzbekistan to promote small business development and private entrepreneurship.

Such results, in turn, contribute to strengthening economic stability, enhancing competitiveness, and improving the overall welfare and living standards of the population.

In the economic literature, the concept of “success” is not interpreted as an absolute and immutable category; rather, it is regarded as a relative and dynamic concept. Researchers emphasize that the time dimension plays a crucial role in evaluating business performance [6]. Furthermore, success is considered a multidimensional and subjective phenomenon, which may be assessed differently by various stakeholders.

An entrepreneur’s personal goals and expectations play a significant role in evaluating business outcomes. According to his perspective, success for entrepreneurs may be reflected in achieving financial independence or personal freedom through business ownership, whereas for investors, success is primarily assessed in terms of the return generated on invested capital. Similarly, Howard H. Stevenson defines entrepreneurial success as a concept closely associated with the interests and expectations of multiple stakeholders[4].

Business success is also directly influenced by the broader economic and institutional environment. Scott Shane emphasizes that entrepreneurial outcomes are shaped by a country’s institutional framework, market infrastructure, and level of economic development[3]. Likewise, Zoltan J. Acs argues that entrepreneurial success is closely linked to the innovation ecosystem, government policies, and the overall economic system[7].



**Figure 1. The Subjective, dynamic nature, context-dependent, and multidimensional characteristics of business success**

These perspectives suggest that a business model considered successful in one country or industry may not necessarily achieve the same results under different economic and institutional conditions[8]. Business success is a multidimensional economic concept that is assessed through a combination of financial and non-financial indicators, reflecting the performance outcomes of an enterprise from the perspectives of various stakeholders. It is a dynamic concept that evolves over time and is shaped by specific economic and institutional conditions within which a business operates. Therefore, business success is understood as a multi-criteria economic category whose evaluation depends on stakeholder expectations, temporal factors, and the broader business environment.

### Methodology

In this study, descriptive, comparative, and institutional analysis methods were employed to assess the impact of the business environment on the performance of entrepreneurial entities. The empirical basis of the research consisted of data obtained from the World Bank Enterprise Survey Uzbekistan 2024 (WBES), indicators generated by the Business Indicator automated information system, and international experiences related to the assessment of entrepreneurial performance.

### Results and discussion

In May 2025, the World Bank Enterprise Surveys Uzbekistan 2024 report was published, based on a survey conducted among 1008 business owners and top managers across Uzbekistan. The World Bank Enterprise Survey is designed to comprehensively assess the key aspects of the business environment that influence firm performance and development. Table 1 presents the factors identified as major obstacles to business operations based on the survey results for Uzbekistan, Kazakhstan, Turkmenistan, and Kyrgyzstan. In addition, the inclusion of average values across all surveyed economies provides an opportunity to evaluate Uzbekistan's position relative to both economically comparable countries and the broader international business environment. Using the WBES 2024 dataset, a comparative analysis was conducted to identify and assess the principal constraints affecting business activities in Uzbekistan and other selected countries. This comparison enables a better understanding of the challenges faced by enterprises and highlights areas where improvements in the business environment may contribute to enhancing business performance and competitiveness.

The results indicate that tax rates (23.9%) represent the most significant obstacle to business operations in Uzbekistan. This figure is considerably higher not only than those reported for neighboring countries in the region but also than the average across all surveyed economies (13.2%). The findings further suggest that the development of financial infrastructure and the stabilization of energy supply should remain key policy priorities for improving the business environment.

**Table 2. Business Constraints Reported by Respondents in the World Bank Enterprise Survey (% of respondents)**

Business Environment Constraints (% of firms identifying as the biggest obstacle)	Uzbekistan	Kazakhstan	Turkmenistan	Kyrgyzstan	economically comparable countries
Access to finance	11.8	16.7	26.2	1.1	
Access to land	7.1	1.2	4.6	1.9	
Business licensing and permits	8.8	8.1	2.0	2.0	
Corruption	9.1	8.4	11.6	13.5	
Courts	2.0	0.5	0.0	2.9	

system					
Customs and trade regulations	3.9	5.1	1.2	2.2	
Electricity supply	9.5	8.6	2.3	8.9	
Inadequately educated workforce	10.5	14.0	31.6	10.4	
Political instability	0.9	1.8	0.0	20.4	
Informal sector practices	2.8	6.9	8.4	7.1	
Tax administration	4.0	0.9	0.0	10.3	
Tax rates	23.9	17.6	0.3	5.8	
Transport infrastructure	1.5	7.8	8.5	1.7	

In addition, the survey highlights challenges related to the shortage of skilled and experienced labor, as well as inefficiencies in customs procedures, the judicial system, and legal institutions. These constraints may hinder business growth, reduce operational efficiency, and negatively affect the overall competitiveness of enterprises. Therefore, addressing these issues is essential for fostering a more conducive business environment and supporting sustainable private sector development (Figure 2).



**Figure 2. Regional Indicators of Entrepreneurial Development in the Republic of Uzbekistan**

To provide a more in-depth assessment of the level of entrepreneurial development across regions, including the Republic of Uzbekistan, the city of Tashkent, and district-level administrative units, it is useful to examine data generated through the “Business Indicator” automated online information system. The evaluation of regional entrepreneurial development is carried out in accordance with the regulations jointly established by the Ministry of Economy

and Finance of the Republic of Uzbekistan and the Ministry of Justice of the Republic of Uzbekistan.

The system is based on data collected from anonymous and open surveys conducted among business entities, enabling the measurement and assessment of entrepreneurial development across different territorial units. The Business Indicator platform serves as an automated software tool designed to calculate and evaluate indicators reflecting the level of entrepreneurial development in regions, cities, and districts. As such, it provides an important analytical basis for identifying regional disparities in the business environment and formulating targeted policy measures aimed at improving entrepreneurial activity and business conditions.

The development of the entrepreneurial environment across the regions of Uzbekistan is uneven, with significant disparities observed among different territories. Higher performance levels are generally recorded in regions where the institutional framework is more developed, public services are delivered more effectively, and property rights are better protected. The findings suggest that regional differences in entrepreneurial development are closely associated with variations in the quality of the business environment and institutional conditions. To reduce these disparities, particularly in lower-performing regions, it is essential to expand access to financial support mechanisms, promote the development of the service sector, and further improve the institutional environment for business activities. Implementing such measures would contribute to creating more balanced regional development and enhancing the overall competitiveness of entrepreneurship across the country.

In addition to evaluating the external business environment at the regional level, it is equally important to assess the sustainability and development capacity of individual enterprises. Such assessments enable policymakers to identify business-specific challenges and design targeted support measures. Within this context, the Business Stability Rating System currently implemented in Uzbekistan serves as an important instrument for evaluating the performance of entrepreneurial entities. However, the current Business Stability Rating System implemented in Uzbekistan is primarily focused on the assessment and monitoring of entrepreneurial entities, serving as a tool for evaluating their financial and institutional stability. However, the system provides limited mechanisms for diagnosing business weaknesses and offering development-oriented recommendations aimed at improving enterprise performance.

International experience, particularly the SME Competitiveness Rating for Enhancement (SCORE) system implemented in Malaysia, demonstrates a more comprehensive approach. In addition to assessment, the SCORE incorporates diagnostic mechanisms that identify the strengths and weaknesses of enterprises and provide targeted recommendations to address existing deficiencies. Consequently, enriching Uzbekistan's current rating system with diagnostic elements similar to those employed by SCORE could become an important avenue for enhancing the sustainability and competitiveness of entrepreneurial entities.

In Malaysia, the SCORE system is centrally administered by SME Corporation Malaysia and operates through close integration with government agencies, financial institutions, and business support organizations. The fundamental principle of the system is based on conducting a comprehensive diagnosis of enterprises, identifying their strengths and weaknesses, and developing tailored improvement strategies that support long-term business growth and competitiveness. Such an approach enables enterprises not only to be evaluated but also to receive practical guidance for continuous development and performance enhancement.

### **Conclusion**

Analysis revealed that the level of entrepreneurial environment development is not uniform across Uzbekistan and that significant disparities exist among regions. Higher performance levels were observed in regions with more developed institutional environments, higher-quality public services, and stronger protection of property rights. Therefore, reducing regional disparities

requires the development of financial infrastructure, improvement of business support services, and strengthening of mechanisms that promote and support entrepreneurship.

Furthermore, the study demonstrated that the business stability rating system currently implemented in Uzbekistan plays an important role in evaluating and monitoring the performance of enterprises. However, the system lacks sufficiently developed diagnostic and developmental mechanisms aimed at identifying and addressing the weaknesses of business entities. In this regard, adopting elements of Malaysia's SCORE system, particularly linking assessment results with practical recommendations and individualized development programs, could contribute significantly to enhancing the sustainability and competitiveness of entrepreneurial entities. Overall, improving the business environment, reducing regional disparities, and introducing diagnostic assessment and enterprise development mechanisms constitute important prerequisites for ensuring the sustainable growth of the private sector in Uzbekistan.

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