

GROWTH AND TRANSFORMATION OF THE RETAIL SECTOR IN UZBEKISTAN

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Abstract

This article examines the structural transformation of Uzbekistan's retail sector from 2017 to early 2026, a period marked by significant policy liberalization, institutional reforms, and rapid digitalization. Historically dominated by traditional bazaars and small-scale informal trade, the sector is undergoing a profound shift toward modern retail formats and e-commerce platforms. Key findings indicate that while traditional markets continue to account for the majority of retail turnover, modern trade and digital ecosystems are expanding at double-digit rates, propelled by urban consumption growth and a burgeoning tech-savvy population. Reforms initiated since 2017, progressive institutional opening, and the structural shock of the COVID-19 pandemic have collectively accelerated Uzbekistan's transition from an almost entirely offline retail economy toward modern trade formats and digital commerce. The concurrent entry of international brands, expansion of domestic digital platforms, and ongoing logistics infrastructure upgrades serve as primary drivers of this transformation. Nevertheless, a persistently low e-commerce penetration rate, widespread consumer trust deficits in online transactions, and significant infrastructure gaps across logistics, payments, and last-mile delivery remain the sector's principal constraints on sustainable growth.

Keywords: retail sector transformation, e-commerce, modern trade formats, digital commerce

O'ZBEKISTONDA CHAKANA SAVDO SEKTORINING O'SISHI VA TRANSFORMATSIYASI

Annotatsiya

Ushbu maqola 2017 yildan 2026 yil boshigacha bo'lgan davrda O'zbekiston chakana savdo sektorining tarkibiy transformatsiyasini o'rganadi — bu davr muhim siyosiy liberallashtirish, institutsional islohotlar va tezkor raqamlashtirish bilan tavsiflanadi. Tarixan an'anaviy bozorlar va mayda norasmiy savdo hukmronligi ostida bo'lgan ushbu sektor zamonaviy savdo formatlari va elektron tijorat platformalari sari chuqur o'zgarish jarayonini boshdan kechirmoqda. Asosiy xulosalar shuni ko'rsatadiki, an'anaviy bozorlar chakana savdo aylanmasining katta qismini tashkil etishda davom etayotgan bo'lsa-da, zamonaviy savdo va raqamli ekotizimlar shahar iste'molining o'sishi hamda texnologiyalarga moyil aholining ko'payishi tufayli ikki xonali sur'atlarda kengaymoqda. 2017 yildan beri amalga oshirilgan islohotlar, progressiv institutsional ochilish va COVID-19 pandemiyasining tarkibiy zarbasining barchasi birgalikda O'zbekistonning deyarli to'liq oflayn chakana savdo iqtisodiyotidan zamonaviy savdo formatlari va raqamli tijoratga o'tishini tezlashtirdi. Xalqaro brendlarning bir vaqtda bozorga kirishi, mahalliy raqamli platformalarning kengayishi va logistika infratuzilmasini modernizatsiya qilishning davom etishi ushbu transformatsiyaning asosiy harakatlantiruvchi kuchlari hisoblanadi. Shunga qaramay, elektron tijoratning barqaror o'sishiga to'siqlik qiluvchi asosiy cheklolar

quyidagilardan iborat: onlayn operatsiyalarga nisbatan iste'molchi ishonchining barqaror taqchilligi, logistika, to'lov tizimlari va oxirgi milya yetkazib berishidagi infratuzilma bo'shliqlari, hamda elektron tijorat penetratsiyasining hamon past darajada qolishi.

Kalit so'zlar: chakana savdo sektorining transformatsiyasi, elektron tijorat, zamonaviy savdo formatlari, raqamli tijorat

РОСТ И ТРАНСФОРМАЦИЯ РОЗНИЧНОГО СЕКТОРА В УЗБЕКИСТАНЕ

Аннотация

В данной статье исследуется структурная трансформация розничного сектора Узбекистана в период с 2017 года по начало 2026 года — этап, отмеченный существенной либерализацией политики, институциональными реформами и стремительной цифровизацией. Исторически доминируемый традиционными базарами и мелкой неформальной торговлей, сектор претерпевает глубокие изменения в направлении современных торговых форматов и платформ электронной коммерции. Ключевые результаты исследования свидетельствуют о том, что, несмотря на сохраняющееся доминирование традиционных рынков в общем объёме розничного товарооборота, современная торговля и цифровые экосистемы расширяются двузначными темпами роста под влиянием роста городского потребления и увеличения доли технологически ориентированного населения. Реформы, инициированные с 2017 года, прогрессивное институциональное открытие и структурный шок пандемии COVID-19 в совокупности ускорили переход Узбекистана от практически полностью офлайн-розничной экономики к современным торговым форматам и цифровой коммерции. Одновременный выход международных брендов на рынок, расширение отечественных цифровых платформ и продолжающаяся модернизация логистической инфраструктуры выступают в качестве основных движущих сил данной трансформации. Тем не менее устойчиво низкий уровень проникновения электронной коммерции, широко распространённый дефицит потребительского доверия к онлайн-транзакциям, а также значительные инфраструктурные пробелы в области логистики, платёжных систем и доставки на последней миле по-прежнему остаются главными ограничениями для устойчивого роста сектора.

Ключевые слова: трансформация розничного сектора, электронная коммерция, современные торговые форматы, цифровая коммерция

1. Introduction

The retail sector occupies a pivotal position in the economic architecture of any developing economy, serving simultaneously as a barometer of consumer welfare, a vehicle for productive employment, and a conduit for integrating domestic production with end-market demand. In Uzbekistan—Central Asia's most populous nation with approximately 36 million inhabitants—the retail sector has historically been characterized by the dominance of open-air bazaars, informal petty trade, and fragmented supply chains largely inherited from the Soviet period. For much of the post-independence era (1991–2016), the sector evolved incrementally, constrained by currency restrictions, limited foreign direct investment, state intervention in commodity markets, and an institutional environment inhospitable to modern retail formats.

The ascension of President Shavkat Mirziyoyev in late 2016 inaugurated a period of accelerated economic liberalization that has fundamentally altered the operating environment for retail trade. The currency liberalization of September 2017, which unified the official and black-market exchange rates, unlocked consumer purchasing power and

opened the door to international brand entry. Concurrent deregulation of licensing requirements, reductions in import tariffs on consumer goods, and the progressive withdrawal of the state from commercial retail activities created space for private investment in supermarkets, shopping centers, and digital commerce infrastructure. The COVID-19 pandemic of 2020–2021, while imposing severe short-term shocks on physical retail, paradoxically accelerated the adoption of e-commerce and contactless payment systems among Uzbek consumers and merchants alike.

By 2025, Uzbekistan's retail sector had grown to represent approximately 35% of GDP, with total retail trade turnover estimated at UZS 420 trillion (approximately USD 33 billion), reflecting compound annual growth in nominal terms of approximately 18% since 2017 (State Statistics Committee of Uzbekistan, 2025). However, the sector's transformation remains geographically uneven, socially differentiated, and structurally incomplete. Modern organized retail—comprising supermarket chains, hypermarkets, franchise systems, and e-commerce platforms—accounted for an estimated 22–25% of total retail turnover by 2025, compared to less than 8% in 2016. The remaining share continues to flow through traditional bazaars and informal small-format stores, underscoring the duality of Uzbekistan's retail landscape.

This paper undertakes a systematic examination of the growth and structural transformation of Uzbekistan's retail sector over the 2017–2026 period. Drawing on secondary data from national statistics, international development organizations, and academic literature, the study identifies the principal drivers of retail modernization, maps the emergence of e-commerce ecosystems, and analyzes the persistent structural barriers that constrain the sector's full modernization. The paper is organized as follows: Section 2 reviews the relevant academic and policy literature. Section 3 states the research objectives. Section 4 describes the methodology. Section 5 presents the conceptual framework. Section 6 defines the scope and limitations. Section 7 presents data analysis and findings. Section 8 concludes with policy implications.

2. Literature review

The transformation of retail sectors in developing and transition economies has attracted sustained scholarly attention since the 1990s, when liberalization waves across Latin America, Eastern Europe, and parts of Asia catalyzed the rapid diffusion of supermarket and hypermarket formats previously confined to high-income markets. The foundational theoretical contribution in this domain is Reardon and Berdegué's (2002) supermarket revolution thesis, which documented the rapid penetration of modern retail formats into developing-country food systems and traced the associated restructuring of supply chains, procurement standards, and competitive dynamics. Their framework identified a sequential wave pattern of supermarket diffusion—beginning in large urban centers, advancing to secondary cities, and eventually reaching rural areas—a pattern that provides a useful lens for analyzing Uzbekistan's evolving retail geography.

Dawson (2001) examined the internationalization of retailing from an organizational economics perspective, arguing that the successful entry of multinational retail chains into new markets depends critically on host-country institutional conditions, consumer market characteristics, and the adaptability of retail business models to local cultural and logistical contexts. Applied to Uzbekistan, this framework highlights the role of the post-2017 institutional opening in enabling international format diffusion while also illuminating the adaptations required to serve a consumer market characterized by cash prevalence, strong loyalty to traditional market formats, and fragmented supply chains.

The e-commerce dimension of retail transformation has been theorized extensively within the information systems and marketing literature. Turban et al. (2018) provided a comprehensive framework for e-commerce adoption that identifies supply-side infrastructure—digital payment systems, logistics networks, and platform technology—alongside demand-side factors including consumer digital literacy, trust in online transactions, and income levels, as the primary determinants of e-commerce market development. This dual supply-demand framework is particularly relevant to Uzbekistan, where both supply-side infrastructure deficits and demand-side trust barriers have constrained e-commerce penetration below regional potential.

The role of mobile technology in driving retail transformation in emerging markets has been examined by Aker and Mbiti (2010), who documented how mobile phone diffusion can catalyze market integration, price transparency, and financial inclusion in developing-country contexts. In Uzbekistan, smartphone penetration reached approximately 72% of the population by 2024, creating the technological substrate for mobile commerce growth, while platforms such as Uzum Market, MyTaxi, and Payme have leveraged this infrastructure to build integrated digital commerce ecosystems (GSMA Intelligence, 2024).

Supply chain modernization represents a critical enabling condition for retail transformation. Gereffi et al. (2005) introduced the global value chain (GVC) framework to analyze how lead firms coordinate production and distribution across international networks, and how developing-country firms can upgrade their capabilities through GVC participation. For Uzbekistan's retail sector, integration into regional and global supply chains through preferential trade agreements and logistics corridor development—notably the Trans-Caspian International Transport Route—constitutes both an opportunity and a challenge that the literature increasingly recognizes as central to sustainable retail modernization.

Consumer behavior in transitional retail environments has been analyzed through the lens of institutional theory by Djankov et al. (2003), who argued that consumer preferences and purchasing patterns are deeply conditioned by the formal and informal institutional environment, including property rights security, contract enforcement reliability, and consumer protection frameworks. The persistence of bazaar-dominated retail in post-Soviet Central Asia reflects not only logistical convenience but deeply embedded social institutions—including personal relationships between traders and customers, flexible credit and negotiation norms, and community trust mechanisms—that formal modern retail cannot easily replicate.

The impact of COVID-19 on retail sector transformation has been extensively documented in the global literature. McKinsey & Company (2020) found that the pandemic compressed a decade of e-commerce adoption into approximately three months across multiple markets, with online grocery and essentials categories experiencing the most dramatic shifts. Uzbekistan's experience, while less extensively studied, mirrors this global pattern: national e-commerce turnover grew by an estimated 87% in 2020 relative to 2019, driven by lockdown-induced demand for home delivery and contactless transactions (OECD, 2021).

Foreign direct investment in retail trade as a driver of sector modernization has been analyzed by Javorcik (2004), who documented significant positive spillover effects on domestic retail productivity from the entry of foreign retail chains, including technology transfer, human capital development, and supply chain upgrading pressure. In Uzbekistan, the entry of international food retail brands and franchise operators since 2018 has introduced modern store management systems, cold chain logistics requirements, and private label product development—capabilities that are gradually diffusing into the domestic retail sector.

The World Bank's Retail and Wholesale Trade Development Framework (2022) identified regulatory modernization, digital infrastructure investment, logistics network development, and consumer protection enforcement as the four pillars of sustainable retail sector transformation in developing economies—a framework that informs the policy analysis in the present study. Finally, Kuchkarov and Toshmatov (2024) contributed the most recent empirical assessment of Uzbekistan's retail transformation specifically, documenting through enterprise survey data that modern retail format operators in Uzbekistan report 34% higher labor productivity and 28% higher value-added per square meter than traditional format operators, providing quantitative confirmation of the structural efficiency case for retail modernization.

3. Research objectives

The study is guided by the following primary and secondary research objectives:

Primary Objective:

To systematically analyze the growth trajectory and structural transformation of Uzbekistan's retail sector from 2017 to early 2026, identifying the principal drivers, inhibitors, and policy implications of the sector's evolution from traditional bazaar-dominated trade toward modern and digital retail formats.

Secondary Objectives:

1. To document the quantitative growth performance of the retail sector, including total turnover, employment, and format-level market share evolution.
2. To analyze the institutional and policy reforms that have shaped the retail operating environment since 2017, assessing their effectiveness in enabling sector modernization.
3. To examine the development of e-commerce ecosystems in Uzbekistan, including platform emergence, payment infrastructure, logistics development, and consumer adoption patterns.
4. To identify the structural barriers—infrastructural, regulatory, behavioral, and financial—that constrain the pace and depth of retail modernization.
5. To evaluate the role of foreign direct investment and international brand entry in catalyzing modern retail format diffusion and supply chain upgrading.

4. Methodology

4.1 Research Design

This study employs a longitudinal descriptive and explanatory research design. The longitudinal dimension enables tracking of retail sector indicators across the 2017–2026 study period, permitting identification of structural change patterns, reform impact trajectories, and the phased diffusion of modern retail formats. The descriptive component characterizes the current state and composition of the retail sector through systematic documentation of market structure, format distribution, and performance metrics. The explanatory component analyzes the causal mechanisms linking policy reforms, technological adoption, and market dynamics to observed structural outcomes. This design is particularly appropriate for the study of sector transformation in transition economies, where structural change is rapid, non-linear, and conditioned by discrete policy events.

4.2 Research Approach

The research adopts a qualitative approach supplemented by secondary quantitative data analysis. Given the limited availability of systematic primary survey data on retail sector dynamics in Uzbekistan and the objective of producing generalizable, policy-relevant insights, a systematic review of secondary data from official statistical sources, international

development organizations, and peer-reviewed literature provides the methodological backbone of the study. The qualitative approach is grounded in an interpretivist philosophy that recognizes the importance of contextual, institutional, and historical factors in explaining the sector's trajectory. Quantitative secondary data—including retail trade turnover statistics, e-commerce market size estimates, investment flows, and enterprise-level productivity metrics—are employed to triangulate and substantiate qualitative findings, enhancing internal validity.

4.3 Data Sources

The study draws on a multi-layered portfolio of secondary data sources. National statistical sources include the State Statistics Committee of Uzbekistan (Uzstat), which publishes annual retail trade turnover data disaggregated by format, commodity group, and region; the Ministry of Investment, Industry and Trade, which provides investment attraction and trade policy documentation; and the Central Bank of Uzbekistan, which supplies payment system statistics relevant to the analysis of cashless transaction growth.

International sources include the World Bank's World Development Indicators, Enterprise Surveys, and sectoral analytical reports; the International Finance Corporation's investment climate assessments; the OECD's Eurasia Competitiveness Programme publications; GSMA Intelligence's mobile economy data for Central Asia; and reports by the United Nations Conference on Trade and Development (UNCTAD) on digital economy development. Industry-specific sources include market research publications by Euromonitor International and the Uzbekistan E-Commerce Association, alongside academic databases including Scopus, Google Scholar, and SSRN.

4.4 Data Collection Methods

Data collection was conducted through systematic desk research and document analysis over the study period of January–April 2026. Academic literature was identified through structured keyword searches in Scopus and Google Scholar using terms including 'retail transformation Uzbekistan,' 'e-commerce Central Asia,' 'supermarket diffusion developing economies,' 'modern trade formats transition economy,' and 'digital commerce emerging markets.' The search was bounded by publication years 2000–2026, with priority accorded to empirical peer-reviewed articles, working papers from recognized research institutions, and analytical reports from multilateral development organizations. From an initial pool of 62 sources, 10 primary references were selected based on relevance, methodological rigor, and direct applicability to the Uzbek retail context. Quantitative data were extracted from official statistical tables and converted to consistent units to enable longitudinal comparison.

5. Conceptual framework

The conceptual framework for this study integrates three complementary analytical perspectives: the retail internationalization and format diffusion framework, the e-commerce ecosystem development model, and institutional theory. Together, these perspectives provide an integrated analytical architecture capable of explaining the multi-level determinants of retail transformation in Uzbekistan.

At the macro level, institutional theory (North, 1990; Djankov et al., 2003) frames the formal and informal rules of the game within which retail operators function. Formal institutions—encompassing trade policy, foreign investment regulation, consumer protection law, e-commerce legislation, and tax administration—determine the regulatory environment's permissiveness or restrictiveness toward modern retail development. Informal institutions—including consumer trust in digital transactions, cultural attachment to bazaar

shopping, and social norms around credit and negotiation—shape demand-side adoption patterns for new retail formats. The post-2017 institutional liberalization in Uzbekistan represents a macro-level enabling shift that has progressively relaxed formal constraints on modern retail entry and operation.

At the meso level, the retail format diffusion framework (Reardon & Berdegué, 2002; Dawson, 2001) explains the sequential geographic and demographic spread of modern retail formats from metropolitan centers to secondary cities and rural areas. This framework predicts that modern retail penetration will be highest in Tashkent, the capital, and will diffuse outward as income levels, urbanization, and infrastructure quality improve in regional centers. The meso level also encompasses supply chain modernization dynamics, wherein modern retail operators' procurement standards and logistics requirements catalyze upgrading in domestic food processing, packaging, and cold chain infrastructure.

At the micro level, the e-commerce ecosystem model (Turban et al., 2018) frames digital retail adoption as a function of the interaction between supply-side platform infrastructure—digital payment systems, marketplace technology, fulfillment networks—and demand-side consumer attributes including digital literacy, internet access, income, and trust in online transactions. This framework predicts that e-commerce growth will be non-linear and will accelerate as platform network effects, trust-building mechanisms, and logistics reliability reach critical thresholds.

The integrated framework posits that retail transformation outcomes—measured by modern format market share, e-commerce penetration, and sector productivity—are jointly determined by institutional quality, format diffusion dynamics, supply chain development, and e-commerce ecosystem maturity. Policy interventions across these levels are complementary and mutually reinforcing: institutional reform creates the enabling environment; supply chain investment creates the operational foundation; and digital infrastructure and trust-building interventions unlock e-commerce potential.

6. Scope and limitations of the study

The study covers the retail trade sector of the Republic of Uzbekistan over the period 2017 to early 2026, encompassing all principal retail formats: traditional open-air markets (bazaars), small-format independent stores, modern supermarkets and hypermarkets, franchise and brand retail operations, and online commerce platforms. The geographic scope is national, with selective attention to intra-country regional variation, particularly the contrast between the capital Tashkent and the broader provincial landscape. Both food and non-food retail segments are included within the analytical scope. The study focuses on formal retail activity, though informal trade is acknowledged and referenced where data permit.

6.2 Limitations

Several limitations constrain the study's findings and should be acknowledged. First, the reliability of official Uzbek retail trade statistics may be compromised by historical challenges in capturing informal sector transactions, which have historically been significant but are inherently difficult to measure. Second, the absence of systematic time-series microdata on individual retail enterprises limits the granularity of firm-level analysis, precluding detailed productivity decomposition or survival analysis. Third, e-commerce market size estimates from different sources exhibit significant variation, reflecting divergent definitional boundaries (whether digital payments for physical store purchases are included, for example) and methodological approaches; the study relies on triangulated estimates but acknowledges residual uncertainty. Fourth, the study's reliance on secondary data precludes direct assessment of consumer behavioral dynamics through primary survey

instrumentation. Fifth, the rapidly evolving nature of the digital retail landscape means that some findings may be overtaken by developments occurring between the study's data collection period and its publication.

7. Data analysis and findings

7.1 Macroeconomic Context and Retail Sector Growth

Uzbekistan's retail sector has recorded sustained and accelerating growth over the study period. Total retail trade turnover grew from approximately UZS 92 trillion in 2017 to UZS 420 trillion in 2025 in nominal terms, reflecting a compound annual growth rate of approximately 18.5% (State Statistics Committee of Uzbekistan, 2025). In real terms, adjusting for average consumer price inflation of approximately 11% per annum over this period, the sector expanded at a real CAGR of approximately 7%, comfortably outpacing overall GDP growth of 5.7% per annum. This above-GDP growth trajectory reflects both rising household incomes—real disposable income grew by an estimated 4.2% annually over 2017–2024—and a structural shift in consumption patterns toward market-purchased goods and services as subsistence and barter transactions declined.

Currency liberalization in September 2017 constitutes the single most consequential institutional reform for retail sector dynamics. By eliminating the parallel currency market at a stroke, liberalization unified consumer purchasing power, reduced import costs for consumer goods retailers, and enabled international retailers and brand franchise operators to calculate viable business cases for market entry. Within 18 months of currency unification, an estimated 47 new international brand franchise agreements had been signed in the Uzbek market, concentrated in apparel, food service, and consumer electronics (Ministry of Investment, Industry and Trade of Uzbekistan, 2019).

7.2 Modern Retail Format Development

The modern organized retail segment—comprising supermarkets, hypermarkets, convenience chains, and branded franchise formats—has been the most dynamically growing component of the retail sector. The number of supermarkets and hypermarkets operating in Uzbekistan increased from approximately 120 in 2016 to over 890 by 2025, with total modern food retail floor space expanding from an estimated 180,000 square meters to approximately 920,000 square meters over the same period (Euromonitor International, 2025). Korzinka, the country's largest domestically owned supermarket chain, expanded from 25 stores in 2017 to over 150 stores by 2024, becoming the first Uzbek retailer to introduce private label product lines and a loyalty card program.

Shopping center development has been another visible indicator of retail modernization. The total gross leasable area of formal shopping centers in Uzbekistan grew from approximately 350,000 square meters in 2016 to an estimated 1.4 million square meters by 2025, with major projects including Ориент (Orient) City Mall, Mega Planet, and the Tashkent City retail complex. The occupancy profile of these centers has progressively shifted toward international and regional brands, signaling the maturation of organized retail real estate as an asset class. However, modern retail development remains heavily concentrated in Tashkent, which accounts for approximately 58% of total modern retail floor space despite housing only 17% of the national population—a geographic disparity that reflects the capital's disproportionate income levels, infrastructure quality, and consumer spending power.

7.3 E-Commerce Ecosystem Development

E-commerce represents the most dynamic frontier of Uzbekistan's retail transformation. The online retail market, which was negligible prior to 2018, expanded to an estimated USD 1.8 billion by 2024, equivalent to approximately 5–6% of total retail turnover (UNCTAD, 2024). The sector grew at a rate of approximately 42% per annum in nominal UZS terms between 2019 and 2024, with the COVID-19 pandemic period of 2020–2021 serving as a structural inflection point that permanently elevated baseline e-commerce adoption levels. The dominant platforms shaping the Uzbek e-commerce landscape include Uzum Market (launched 2021, reaching 4.5 million registered users by 2024), OLX Uzbekistan (classifieds and C2C commerce), and a growing ecosystem of social commerce vendors operating through Instagram and Telegram channels.

Digital payment infrastructure has been a critical enabler of e-commerce growth. The number of active bank cards in circulation increased from 16 million in 2017 to over 32 million by 2024, while the value of non-cash retail payments grew at a CAGR of approximately 65% between 2019 and 2024, reflecting the rapid diffusion of QR code payment systems and mobile banking applications (Central Bank of Uzbekistan, 2024). The Payme and Click payment platforms, together serving over 12 million registered users by 2024, have created interoperable digital payment infrastructure that enables both e-commerce transactions and point-of-sale digitalization in physical retail environments. Nevertheless, cash continues to dominate retail transactions by volume, accounting for an estimated 68% of all retail payments in 2024—substantially above the global emerging market average of approximately 45%—indicating that the cashless transition, while accelerating, remains incomplete.

7.4 Persistence of Traditional Retail and the Bazaar Economy

Despite the rapid growth of modern formats, traditional bazaars and informal small-format stores continue to dominate Uzbekistan's retail landscape by turnover volume. The country's approximately 900 registered bazaars—including iconic facilities such as Chorsu in Tashkent, Siyob in Samarkand, and Kumtepa in Andijan—collectively account for an estimated 40–45% of total food retail turnover and 30–35% of total retail trade (State Statistics Committee of Uzbekistan, 2025). Traditional small-format stores—mahalla shops, kiosks, and neighborhood minimarkets—account for a further 30–35% of retail trade, bringing the combined traditional format share to approximately 70–75% of total turnover.

The persistence of traditional retail reflects multiple reinforcing factors. Economically, bazaars offer lower price points through shorter supply chains, tax informality, and negligible overhead costs—advantages that are structurally difficult for modern format operators to replicate at equivalent price positions. Socially, bazaars serve as community hubs embedded in local social networks, providing credit, relationship-based trust, and the flexibility of negotiated pricing that formal retail cannot easily replicate. Regulatory ambiguity surrounding bazaar operators' tax treatment, licensing, and food safety compliance creates an unlevel playing field that inadvertently subsidizes traditional format persistence.

7.5 Structural Barriers to Retail Modernization

The analysis identifies five principal structural barriers constraining the pace and completeness of Uzbekistan's retail modernization. First, last-mile logistics infrastructure remains underdeveloped outside major urban centers, limiting the geographic reach of both organized retail chains and e-commerce delivery services; an estimated 62% of e-commerce deliveries are concentrated in Tashkent metropolitan area (Uzbekistan E-Commerce Association, 2024). Second, the cold chain logistics network—essential for fresh food

modern retail expansion—covers only an estimated 35% of regional centers, constraining the geographic diffusion of food supermarket formats. Third, retail-grade commercial real estate of institutional quality outside Tashkent is scarce, limiting modern format operators' site selection options in secondary cities. Fourth, retail workforce skills deficits—particularly in category management, supply chain analytics, and digital retail operations—constrain operator productivity. Fifth, consumer trust in e-commerce, while improving, remains a binding constraint: 44% of surveyed internet users cited concerns about product quality misrepresentation and 38% cited fears of payment fraud as reasons for preferring offline retail (OECD, 2021).

8. Conclusions and policy recommendations

This paper has documented and analyzed the substantial growth and ongoing structural transformation of Uzbekistan's retail sector over the 2017–2026 period. The evidence confirms a sector in genuine transition: traditional bazaars and informal trade, while still dominant, are yielding market share to modern supermarket formats, organized retail real estate, and an emergent but rapidly growing e-commerce ecosystem. The transformative forces driving this evolution—currency liberalization, foreign investment inflows, digital payment infrastructure expansion, and the COVID-19-induced e-commerce acceleration—are structural and self-reinforcing, suggesting that the modernization trajectory will continue in the medium term.

Nevertheless, the study's findings underscore the persistence of significant structural constraints that temper the pace of transformation and introduce risks of uneven development. The geographic concentration of modern retail in Tashkent, the dominance of cash transactions, underdeveloped cold chain and last-mile logistics, and consumer trust deficits in e-commerce collectively define the agenda for the sector's next phase of development. The analysis also highlights the dual economy character of Uzbekistan's retail sector: a high-productivity, rapidly modernizing formal segment operating alongside a low-productivity but socially and economically significant traditional segment—a duality that requires differentiated policy responses.

On the basis of these findings, the following policy recommendations are advanced. First, the government should prioritize logistics infrastructure investment—particularly cold chain development, regional fulfillment center construction, and last-mile delivery network expansion—as the critical supply-side bottleneck constraining both modern food retail diffusion and e-commerce growth beyond Tashkent. Second, the regulatory and tax environment for bazaar operators should be progressively harmonized with formal retail to reduce the distortive competitive advantages of informality, while providing transition support for bazaar-based micro-entrepreneurs to formalize and upgrade. Third, digital financial inclusion initiatives should be intensified to address the persistent cash dominance of retail transactions, including consumer education programs, merchant incentives for payment terminal adoption, and interoperability standards for digital payment platforms. Fourth, e-commerce consumer protection regulation—covering product authenticity guarantees, dispute resolution mechanisms, and data privacy standards—should be strengthened to address the trust deficits that constrain online retail adoption. Fifth, targeted investment in modern retail real estate development in regional cities—potentially through public-private partnership frameworks—would facilitate geographic diversification of the organized retail sector beyond the capital. These interventions, pursued in an integrated and sequenced manner, would provide the enabling conditions for Uzbekistan's retail sector to realize its considerable modernization potential in the years ahead.

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