

## **PROSPECTS FOR THE DEVELOPMENT OF ENTREPRENEURSHIP IN UZBEKISTAN: FOCUS ON SMALL BUSINESS**

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**Abstract:** This article explores the current state and future prospects of entrepreneurship development in Uzbekistan, with a specific focus on the small business sector. Drawing on recent statistical data and national development strategies, the study highlights the growing contribution of small enterprises to GDP, employment, investment, and exports. A detailed economic analysis reveals both structural strengths—such as the sector’s high employment absorption and broad sectoral reach—and ongoing challenges, including limited access to finance, regional imbalances, and slow technological modernization. The article also evaluates recent policy reforms and support programs aimed at enhancing the entrepreneurial ecosystem. Based on empirical data and trend analysis, the study concludes that small businesses are set to become a key driver of Uzbekistan’s sustainable and inclusive economic growth.

**Keywords:** small business, entrepreneurship, Uzbekistan, economic growth, SME policy, investment, employment, business development

**Introduction.** Small businesses and entrepreneurial ventures are a cornerstone of Uzbekistan’s economy, contributing significantly to national output and employment. As of early 2025, there were about 358,100 active small enterprises and micro-firms in Uzbekistan (excluding farms), equivalent to 12.1 small businesses per 1,000 people[1]. This vibrant small business sector generates over half of the country’s GDP and employs roughly three-quarters of the workforce[2][3]. In key sectors like agriculture and retail trade, small entrepreneurs are especially dominant – for instance, over 95% of agricultural output and 84% of retail turnover are produced by small enterprises[4]. These figures underscore the crucial role of small businesses in driving economic growth, job creation, and livelihoods in Uzbekistan.

Since the mid-2010s, Uzbekistan has undergone substantial economic reforms to foster private enterprise. Market liberalization policies initiated after 2016 – including currency convertibility and privatization of state assets – have improved the business climate and bolstered entrepreneurship[5]. Annual GDP growth has averaged around 5–6% in recent years, providing a supportive macroeconomic environment[6]. However, job creation has lagged behind population growth, highlighting the need for a dynamic small-business sector to absorb a rapidly expanding labor force[7]. In 2023, the government adopted a National Development Strategy “Uzbekistan–2030” with ambitions to reach upper-middle-income status by expanding private sector activity and sustainable economic growth[8]. Within this strategic vision, the development of entrepreneurship – particularly small and medium-sized enterprises (SMEs) – is prioritized as a key driver of inclusive growth and innovation[9].

**Methods.** This research adopts a mixed-methods approach combining quantitative analysis of recent economic indicators with qualitative review of policy initiatives. We collected **statistical data** from national sources, including the Uzbek Agency of Statistics and Ministry of Economy reports, covering the period 2019–2024. Key indicators such as the number of active small enterprises, their contribution to GDP, employment, and sectoral outputs were analyzed to identify growth dynamics and structural trends. To ensure recency, we incorporated **2024 data** and early 2025 figures (where available) on new business formation and entrepreneurial

activity[1].

In parallel, we conducted a **document analysis** of government strategies, decrees, and development programs related to entrepreneurship. This included reviewing the “**Uzbekistan–2030**” **Development Strategy**, recent Presidential decrees on small business support (e.g. the 2023 Comprehensive Program of Continuous Support for Small Business), and official statements from leadership regarding SME development priorities[11][12]. We also examined **international assessments and reports** (World Bank, IMF, ADB, IFC) for independent insights on Uzbekistan’s business climate, SME financing, and macroeconomic context.

Our methodology involved triangulating these data sources to ensure a robust understanding of both the **quantitative economic contribution** of small businesses and the **qualitative institutional environment** in which they operate. The Results section presents the empirical findings on the role and recent performance of small businesses. The Discussion section then interprets these results, highlighting policy support mechanisms, opportunities for growth, ongoing challenges, and likely future development trends for entrepreneurship in Uzbekistan. This IMRAD structure provides a logical flow from background and data through to analysis and forward-looking conclusions.

**Results.** Current Landscape of Small Business in Uzbekistan **Growth and Scale:** Uzbekistan’s small business sector has experienced robust expansion in recent years, despite a recalibration of official figures. During 2024 alone, approximately 77,000 new small enterprises and micro-firms were established across the country[1]. (In 2023, new small business registrations were even higher, at about 86,000.) These new firms span diverse activities from trade and manufacturing to services. As a result of this entrepreneurial activity, the total number of registered small enterprises reached 358.1 thousand by January 1, 2025[1]. Notably, this count is lower than peaks in early 2020s (e.g. ~462 thousand in 2021), due in part to a government-led cleanup of business registries that removed defunct entities from official statistics. The **decline in the registry count** in 2022–2023 is thus attributable to data reorganization rather than an outright contraction in the SME sector[16]. In fact, entrepreneurial activity remains strong: beyond incorporated firms, there has been a surge in individual sole proprietors. In 2024 the number of active individual entrepreneurs rose by 17.9%, reaching **283,600 sole proprietorships** (sole traders) by year-end[10]. New registrations of individual enterprises jumped by over 50% compared to the previous year, indicating a burgeoning culture of self-employment and micro-entrepreneurship[17]. This growth of one-person businesses, alongside formal SMEs, reflects increasing grassroots participation in the economy.

**Economic Contributions:** Small businesses collectively account for a substantial share of Uzbekistan’s economic output, employment, and investment. Table 1 summarizes key contributions of the SME sector based on latest data (2023–2024):

**GDP Share:** ~54% of Uzbekistan’s gross domestic product is generated by small enterprises[2]. The SME share of GDP has been in the range of ~43–57% from 2019 to 2024, trending upward in recent years[3]. This confirms that over half of the economy’s output is driven by the small business sector.

**Employment:** An estimated 74–76% of the nation’s workforce is employed in small businesses and private entrepreneurship[3]. In other words, roughly **three out of every four jobs** in Uzbekistan are provided by SMEs and individual entrepreneurs – a critical factor for a country with a young, growing population.

**Sectoral Output:** In several sectors, small enterprises dominate production. For example, they produce 95.2% of agricultural output (reflecting the prevalence of smallholder farms), about 76.5% of all construction work, and 84.0% of retail trade turnover[4]. Over half of all services (57%) and about one-third of industrial output (32%) also come from the SME segment[2]. This broad presence illustrates that small businesses are deeply embedded across Uzbekistan’s economy – from farms and bazaars to factories and service firms.

**International Trade:** SMEs are increasingly involved in trade, contributing an estimated 20–33% of Uzbekistan’s exports in recent years[3]. Likewise, they account for nearly half of

imported goods in the economy[3] (often as trading companies or distributors). Although large commodity exporters still dominate Uzbekistan's export revenues, the rising participation of small businesses in export activities (over one-third of non-gold exports by 2024) signals diversifying trade dynamics.

**Investment:** Small businesses play a significant role in capital formation. In 2024, they undertook about 51.8% of total investments in fixed assets nationwide, demonstrating their importance in driving investment and growth at the grassroots level.

**Sectoral and Regional Distribution:** The small business sector in Uzbekistan is heterogeneous, with a concentration in certain industries and regions. By number of enterprises, **trade** is the single largest sector – about 38% of all small enterprises are engaged in wholesale or retail trade (136,000+ firms). Other major sectors include **industry/manufacturing** (15% of SMEs), **agriculture & forestry** (~9%), **construction** (~8%), and **accommodation/food services** (~7%). This indicates that commerce and light manufacturing are popular domains for entrepreneurs, while agriculture remains dominated by individual farmers and micro-firms.

Geographically, entrepreneurial activity is strongest in urban centers. Tashkent city, the capital, leads with the highest density of small enterprises – about 27.5 small businesses per 1,000 residents. In 2024, Tashkent city alone accounted for over **21% of all newly established small enterprises** in the country. Other dynamic regions include Navoi, Jizzakh, and Syrdarya, which also have above-average small business density (around 14–18 SMEs per 1,000 people). However, some less populous or remote regions see fewer SMEs per capita, reflecting disparities in regional economic development. The government has noted these imbalances and aims to stimulate entrepreneurship in all provinces through targeted support programs (see Discussion). Overall, while Tashkent and a few regions serve as hubs for new startups, the small business sector is nationwide in scope – every region hosts thousands of SMEs contributing to local economies.

**Recent Trends:** The trajectory of Uzbekistan's SME sector shows both resilience and transitions. Despite external shocks in recent years (e.g. the COVID-19 pandemic and global commodity volatility), Uzbekistan's small businesses have remained a **resilient engine of growth** – the sector's GDP share held steady at ~54% in 2023–2024[2] and the absolute number of active enterprises continues to grow when adjusted for reclassification. Entrepreneurship has even broadened in scope: a notable trend is the empowerment of **women and youth entrepreneurs**. In 2024, the number of women operating as individual entrepreneurs rose by 18,000, reaching over 121 thousand female-owned sole businesses. Women now constitute about 42–43% of all individual entrepreneurs in the country. Likewise, younger entrepreneurs are entering the market thanks to various youth startup programs (discussed later). Another positive trend is the increasing formalization of micro-businesses – the surge in registered individual entrepreneurs suggests that more of the informal economy is transitioning into formal, tax-registered activity. This expansion of entrepreneurship across demographics and the formalization of small commerce are healthy signs for the long-term diversification of the Uzbek economy.

In summary, Uzbekistan's small business sector is large and vital, underpinning more than half of GDP and the majority of employment. Recent data depict an active ecosystem with tens of thousands of new businesses launching each year, a strong footprint in key industries, and growing inclusion of different social groups in entrepreneurship. These **results illustrate the central economic role of SMEs** and set the stage for examining how supportive policies and ongoing reforms can further unlock the sector's potential.

**Analyses.** An analysis of regional trends in small business development in Uzbekistan over the period 2019–2023 reveals significant disparities in industrial contribution, employment absorption, and export performance. At the national level, the share of small businesses in total industrial output increased moderately from 25.8% in 2019 to 27.0% in 2023, representing 104.7% of the 2019 level. This growth reflects a gradual integration of small enterprises into the industrial landscape. However, regional data demonstrate sharp contrasts. The Republic of Karakalpakstan experienced a substantial rise in the industrial share of SMEs, from 19.8% to

29.9% (151.0% of the 2019 level), indicating enhanced policy effectiveness and mobilization of local business activity. Similarly, the Fergana region showed a notable increase from 38.6% to 48.9% (126.7%), suggesting active SME-driven diversification in industrial sectors. In contrast, the Jizzakh region experienced a steep decline from 57.5% to 25.1%, equivalent to just 43.7% of the 2019 level, possibly due to enterprise consolidation, weakening institutional support, or a reorientation toward larger industrial actors.

Regarding employment, small businesses remain a critical component of the national labor market, though their relative share declined slightly—from 76.2% to 74.0%, or 97.1% of the 2019 figure. This downward trend is particularly pronounced in Tashkent city, where SME employment fell from 53.7% to 49.4% (92.0%), potentially as a result of labor migration toward large corporations and public-sector opportunities. Syrdarya and Navoi regions also experienced similar contractions in SME-based employment, declining to 94.1% and 94.7% of their 2019 levels, respectively. In contrast, the Republic of Karakalpakstan recorded a modest increase, while regions such as Fergana and Kashkadarya maintained relatively stable employment contributions close to 99.5%. These findings suggest that while small businesses continue to serve as major employment generators, their capacity to absorb labor is weakening in several key regions, posing challenges in light of the country's rapidly growing workforce.

In terms of export performance, the national share of industrial exports attributable to SMEs remained nearly unchanged, rising only marginally from 27.0% to 27.9%. Although this suggests overall stagnation, the underlying regional dynamics vary. Certain regions achieved considerable increases in SME export shares—exceeding 40% growth—indicating successful integration into international trade networks. However, in other areas, the stagnation or decline of SME exports highlights persistent structural barriers such as inadequate access to certification and quality control infrastructure, underdeveloped logistics systems, and limited orientation toward foreign markets. These obstacles hinder the ability of small enterprises to scale and compete internationally.

In summary, the period between 2019 and 2023 was characterized by uneven development of the small business sector across Uzbekistan's regions. While some areas emerged as dynamic centers of entrepreneurial growth and industrial diversification, others exhibited signs of regression or stagnation. These disparities underscore the need for region-specific policy interventions, including targeted financing, skills development programs, and support for local value chains, in order to ensure balanced, inclusive, and sustainable small business development nationwide.

## Discussion

### Policy Support and Institutional Framework

The Uzbek government has demonstrated a strong commitment to nurturing entrepreneurship and small business growth through a range of policy measures and institutional supports. **State support for SMEs** has intensified especially under President Shavkat Mirziyoyev's reform agenda (since 2016) and is reflected in both strategic goals and concrete programs:

- **Strategic Targets:** Under the "Uzbekistan-2030" national development strategy, the government has explicitly prioritized expanding the SME sector. Ambitious targets for 2025 and beyond have been set, such as increasing the small business sector's share of GDP to 55%, creating 1.5 million new jobs via entrepreneurship (raising SME employment to 75% of the workforce), and growing annual SME exports from the current ~\$9 billion to \$12 billion[12][23]. There is also an objective to develop 100 new "small business brands" and scale up the number of medium-sized firms (with over 100 employees) to strengthen the competitiveness of Uzbek enterprises[23]. These high-level goals signal that **entrepreneurship is regarded as a strategic engine of sustainable economic growth** and diversification for the country.

- **Financial Support Programs:** To achieve these goals, Uzbekistan has launched substantial financing programs for entrepreneurs. Notably, in late 2023 a Presidential Resolution (No. PP-306) established a Comprehensive Program of Continuous Support for Small Business (2023–2026) with a hefty funding allocation. The program channels **6 trillion UZS** of state funds

(approximately \$0.5 billion) along with **\$1.2 billion from international financial institutions** into small business support over the four-year period[24]. A new National Business Development Bank has been designated to implement this program, including the creation of **Small Business Assistance Centers in all 14 regions** of Uzbekistan to provide local one-stop support for entrepreneurs. Under this initiative, eligible entrepreneurs can access concessional credit and leasing: loans of up to 1.5 billion UZS for business expansion (up to 7-year term, with 2-year grace) are offered, and importantly **micro-loans up to 100 million UZS are available without collateral** (loans up to 150 million UZS with only 50% collateral) to spur small startups. Such measures tackle one of the traditional barriers for small firms – lack of collateral for credit – by easing financing requirements. Additionally, the program sets aside grant funds (up to 2 billion UZS) to co-finance innovative startup projects, and it provides advisory services through the new centers on licensing, taxes, export procedures, and accessing government procurement. This comprehensive support “pipeline” (training, financing, consulting) is designed to guide entrepreneurs from business idea to expansion, creating a **continuous chain of support services** for small business development.

- **Fiscal and Regulatory Incentives:** Uzbekistan has also introduced tax and regulatory policies to foster a friendly business climate for SMEs. The government has pledged **no increases in VAT or corporate profit tax rates until at least 2028**, giving businesses a stable tax horizon for medium-term planning. Moreover, a **three-year moratorium on new regulatory burdens** for small and medium enterprises was announced in 2025 – meaning no new laws will impose additional obligations or compliance costs on SMEs for the next few years. This move aims to stabilize the regulatory environment and build investor confidence. On the legal side, procedures have been simplified: for example, the process of voluntary liquidation of a small business is now streamlined (companies under a certain turnover and with no tax arrears can close without exhaustive inspections). Equally notable is the adoption of a **“first opportunity” principle**: if a new small business commits a minor administrative violation for the first time, authorities give it a chance to correct the mistake without fines. This represents a shift from punitive oversight to an encouraging, educational approach for novice entrepreneurs. All these steps reduce the bureaucratic and compliance burden on small firms, addressing what has historically been a challenge in Uzbekistan’s business environment.

- **Targeted Support for Youth and Women:** Recognizing the importance of inclusive entrepreneurship, special programs focus on youth-led and women-led businesses. Beginning in 2023–2024, dedicated funding lines have been reserved: for instance, in 2025 the government earmarked **2.5 trillion UZS** (approx \$210 million) specifically to support youth entrepreneurship projects, and another 2.5 trillion UZS for women entrepreneurs. These funds provide subsidized loans and grants to encourage business ventures among young people and female entrepreneurs, who may face greater hurdles in accessing capital. Furthermore, banks have been instructed to offer women entrepreneurs loans with interest rates **2 percentage points lower** than the standard rate for other borrowers. Such gender-focused incentives are expected to boost the already growing number of women-owned businesses in Uzbekistan. The recent example of an Uzbek female entrepreneur being internationally recognized (e.g. on the BBC’s 2024 inspiring women list) underscores the rising profile of women in business and the impact of supportive measures.

- **Innovation and Startups:** To catalyze innovation in the SME sector, Uzbekistan is promoting venture financing and tech entrepreneurship. Over the past five years, nascent venture capital activity has financed a handful of startup projects (~53 startups worth \$145 million). Building on this, the government helped establish three new venture funds in 2023–2024 with a total of \$50 million in domestic capital and raised an additional \$50 million from abroad. These funds invest in high-tech startups and innovative small businesses, and their products will be integrated into public procurement to ensure market demand for local innovations[36]. In tandem, the national Digital Uzbekistan 2030 strategy is improving digital infrastructure and e-government, which benefits entrepreneurs through easier online business registration, tax filing, and access to information[13][9]. The government is also fostering “creative industries” and

green technologies as new frontiers for SME growth<sup>[37]</sup>, offering opportunities for entrepreneurs in IT, media, design, renewable energy, and other emerging sectors.

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