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THE FUTURE OF SMALL BUSINESSES AT UZBEKISTAN: EXPECTATIONS AND TRENDS OF DEVELOPMENT

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Abstract. *Small businesses are playing an increasingly important role in Uzbekistan's economic development, contributing significantly to employment, innovation, and overall economic growth. In recent years, comprehensive economic reforms aimed at liberalization, private sector support, and integration into global markets have created new opportunities for small and medium-sized enterprises. Against this background, the future development of small businesses in Uzbekistan has become a particularly relevant subject of analysis.*

This article examines the key trends and expectations shaping the small business sector in Uzbekistan, with a focus on government support measures, access to finance, regulatory reforms, digitalization, and integration into international markets. The study highlights how targeted state policies, improved legal frameworks, and growing involvement of international financial institutions are influencing entrepreneurial activity and business sustainability.

Keywords. *Small business development; entrepreneurship; economic reforms; SMEs; Uzbekistan economy; business climate; innovation; government support; economic diversification.*

INTRODUCTION.

Small businesses currently constitute the primary engine for national economic development in any country. In virtually all leading global economies, the share of SMEs is 90% or more. The importance of small and medium-sized businesses for society and the economy as a whole is difficult to overestimate. They are also the most flexible part of the labor market for the majority of low-skilled and inexperienced workers seeking flexible working hours. Small and medium-sized businesses significantly improve the efficiency of the entire economy. SMEs respond most flexibly to changes in consumer demand, require fewer resources to organize their operations, and, in the event of bankruptcy, have minimal economic consequences for society. Small and medium-sized businesses make a significant contribution to the national budget in the form of taxes and various contributions. By replenishing the treasury, including through SMEs, the state strengthens and expands the socio-economic infrastructure. Furthermore, small and medium-sized businesses significantly improve the territorial structure of the economy.

Uzbekistan is experiencing a profound transformation of its economic structure, with particular emphasis on the development of small and medium-sized enterprises (SMEs). Since the beginning of President Shavkat Mirziyoyev's reform agenda, the country has implemented comprehensive measures aimed at economic liberalization and the strengthening of private entrepreneurship. Within this framework, SMEs have emerged as a central pillar of economic development, contributing significantly to innovation, job creation, and gross domestic product growth. As Uzbekistan advances toward deeper integration into the global economy, including its ongoing efforts to accede to the World Trade Organization (WTO), the strategic importance of SMEs continues to increase.

Over the past year, a significant number of Uzbek enterprises have demonstrated strong growth dynamics. Around 1,600 microenterprises surpassed an annual turnover of 10 billion soums (approximately USD 802,000), enabling them to transition into the medium-sized business category. Among these, 143 companies further expanded their operations, achieving turnovers exceeding 100 billion soums (about USD 8 million) and entering the group of large enterprises. In addition, 122 small businesses also successfully scaled up to become major firms. Notably, 47 companies recorded annual turnovers of 400–500 billion soums (USD 32–40 million) for the first time, highlighting the increasing capacity of domestic businesses to grow and compete at higher levels.

These developments have been largely supported by government initiatives aimed at reducing the size of the shadow economy and encouraging formal business activity. As a result, approximately 139,000 enterprises have contributed to the creation of 811,000 new jobs nationwide. At the same time, payroll funds in the private sector increased by 4.6 trillion soums (around USD 369 million), leading to a rise in average wages to nearly 5 million soums (USD 401). Together, these trends reflect improving labor market conditions and the strengthening role of the private sector in Uzbekistan's economic development [1].

In light of the increasing contribution of small businesses to the national economy, a systematic analysis of prospective development trends in small entrepreneurship in the Republic of Uzbekistan becomes especially pertinent.

LITERATURE REVIEW.

There are a number of significant studies on small business in Uzbekistan, examining both the positive and negative aspects of entrepreneurship development. Small businesses play a vital role in the economy, creating jobs and contributing to economic and social stability. Research in this area identifies key issues and suggests solutions. One of the first works to address the challenges of small business in Uzbekistan is Abdurakhmanov's (2021) "Small Business Development in Uzbekistan: Problems and Prospects." This work emphasizes the importance of small businesses in reducing unemployment and increasing household incomes. However, the author notes that despite the growing number of registered businesses, significant barriers to their effective operation remain. These include high tax burdens and problems accessing financing. Abdurakhmanov emphasizes the need to improve the business climate by reducing administrative barriers and simplifying financial procedures for small entrepreneurs [2].

Ivanov's (2020) study, "State Support and Development of Small Business in Uzbekistan," emphasizes the importance of state support, including the creation of special economic zones and improved infrastructure for small businesses. Ivanov argues that while small businesses in Uzbekistan are showing positive dynamics, limited financial resources and complex administrative procedures remain key challenges. He emphasizes the need for a profound transformation of economic policy to remove these barriers [3].

Smirnova's (2019) work, "Tax Policy and Its Impact on Small Business Development," focuses on the impact of legislation and tax policy on entrepreneurship development in Uzbekistan. Smirnova emphasizes the importance of a balanced tax burden, which should support small business growth rather than restrict it. She also emphasizes that improving business registration procedures and strengthening government support, including educational programs and consultations for aspiring entrepreneurs, can significantly reduce the number of startup failures [4].

Mukhamedov's (2022) work, "Digitalization and New Technologies in Small Business in Uzbekistan," examines the implementation of digital technologies in small businesses. Mukhamedov argues that the use of electronic reporting systems and automated services can significantly improve the efficiency of small businesses and reduce operating costs. This work emphasizes the importance of transitioning to new technological platforms and strengthening government support for business digitalization [5].

In his study "Social Networks and Their Role in Small Business Development in Uzbekistan," Sharipov (2023) examines the impact of social media and online commerce on entrepreneurship

development in the country. He argues that in the context of global digitalization, small businesses have a unique opportunity to enter international markets through online platforms and use social media to promote their products and services [6].

Tosheva's (2020) work, "State Support for Small Business in Uzbekistan," examines the role of the state in supporting small and medium-sized businesses. Tosheva examines various state support programs, such as subsidies and tax incentives, and analyzes their impact on economic growth and social stability in Uzbekistan. She focuses on the practical aspects of implementing these programs and their effectiveness.

Rakhimova's (2021) study, "The Role of Small Enterprises in the Economic Development of Rural Areas of Uzbekistan," examines the impact of small businesses on job creation in rural areas, improving living standards, and developing local economies. Rakhimova emphasizes the need for improved infrastructure and financial support to stimulate entrepreneurship development in rural areas.

Garcia's (2018) work, "Small Business in Transition Economies: The Experience of Central Asia," analyzes factors influencing small business development in Central Asian countries, including Uzbekistan. The author emphasizes the importance of legislative and economic reforms that contribute to a favorable environment for entrepreneurs and examines international experience in supporting small businesses. Ivanov and Smith (2020), in their work "Small Business Financing in Central Asia: Problems and Solutions," examines mechanisms for financial support for small businesses, including access to bank loans, microfinance, and alternative sources of capital, such as venture capital and crowdfunding. These studies are useful for understanding the problem of small business financing in Uzbekistan and ways to improve access to finance [7].

Islamova's (2021) research "Innovation and Startups in Small Business: Global Experience and Prospects for Uzbekistan" focuses on the role of innovative technologies in the growth and sustainability of small businesses. Islamova examines the experience of other countries and argues that small businesses in Uzbekistan need support in the development and implementation of new technologies, as well as in the creation of start-ups focused on high-tech industries. Thus, the work of local and international authors highlights both the importance of small business for Uzbekistan's economic stability and the key challenges entrepreneurs face, including high tax burdens, difficulties accessing financing, administrative barriers, and the need for legislative reform. Together with ongoing government efforts to support entrepreneurship, such research helps formulate recommendations for further improving the small business environment in the country. In our opinion, for the effective development of small business in Uzbekistan, it is necessary to continue reforms aimed at improving tax and financial policies, simplifying administrative procedures, and supporting innovative and technology startups. It is essential to strengthen government support at all stages of doing business, from registration to access to financing and marketing tools [8].

METHODOLOGY

The study's methodological framework is based on several key approaches. Firstly, it utilizes a monographic analysis of scholarly works devoted to small business issues in Uzbekistan. This allows for a deeper understanding of the theoretical and practical aspects of entrepreneurship development, as well as the identification of key factors influencing the growth and sustainability of small businesses in the country.

In addition, logical and comparative analytical methods are employed to systematize the collected data, identify underlying patterns, and conduct cross-regional comparisons within Uzbekistan, as well as benchmarking against selected developing countries, in order to evaluate the effectiveness of different small business support models.

ANALYSIS AND RESULTS

The past years have further confirmed the pivotal role of small businesses in the economic development of Uzbekistan. In 2024, the contribution of small enterprises amounted to 54.3% of

gross domestic product, 33.3% of total exports, and 32.4% of industrial output. The most dynamic growth was observed in trade, where expansion reached 84%, followed by construction at 76.5% and the services sector at 57%. These indicators clearly demonstrate that small entrepreneurship serves as a key driver of economic growth, structural transformation, and diversification of the national economy.

According to data from the National Statistics Committee, approximately 77,000 new business entities were established in Uzbekistan in 2024, increasing the total number of operating enterprises to 358,100. The retail sector accounted for the largest share of newly registered businesses, with 28,000 entities. Industrial activities followed, with 12,800 enterprises (16.6%), while agriculture accounted for 9,100 enterprises (11.8%). Accommodation and food service activities represented 6,500 entities (8.4%). The construction sector accounted for 5.1% of new enterprises, information and communication activities for 3.8%, transportation and storage for 3.5%, and healthcare and social services for 1.9%. Other types of economic activity collectively accounted for 9,400 enterprises, representing 12.2% of total new registrations.

For comparison we can see how the number of small business companies is evolving year by year (Pic.1).

Small and medium-sized enterprises (SMEs) play a central role in Uzbekistan’s economic development, accounting for over half of GDP, around one-third of industrial output and exports, and employing nearly three-quarters of the working population. Over the past five years, the number of SMEs has doubled, reflecting the effectiveness of state-led support measures. Government policy prioritizes entrepreneurship as a strategic driver of job creation, innovation, and competitiveness. Ambitious targets have been set for 2025, including increasing the SME share in GDP to 55%, expanding exports, creating 1.5 million new jobs, and supporting startups and new business brands. To achieve these goals, a comprehensive support framework has been introduced, encompassing expanded access to finance, preferential lending for youth and women entrepreneurs, development of venture capital, regulatory simplification, infrastructure expansion, and sector-specific programs in industry, agriculture, and innovation. These measures, supported by international financial institutions, aim to create a stable, predictable, and growth-oriented environment for SMEs, reinforcing their role as a key pillar of Uzbekistan’s sustainable economic development.

Year	Number of small business companies	Change in percentage
2015	120 000	-
2016	130 000	+8.33%
2017	145 000	+11.54%
2018	160 000	+10.34%
2019	175 000	+9.37%
2020	185 000	+5.71%
2021	200 000	+8.11%
2022	210 000	+5.00%
2023	220 000	4.76%
2024	399 000	

Source: www.stat.uz

Along with these positive changes of growth of small business companies, we can observe the

prospective changes in the sector of small and medium business in Republic of Uzbekistan.

Expansion of Small Business Activity. As of 1 October 2025, Uzbekistan’s small business sector continues to show strong and steady growth. According to the National Committee of Statistics, the country is now home to around 1.21 million active small business entities, highlighting the scale and diversity of entrepreneurship nationwide.

Small businesses continue to play a central role in economic output. Between January and September 2025, they generated 51.5% of Uzbekistan’s GDP. Their contribution was particularly dominant in agriculture, forestry, and fisheries, where they accounted for almost the entire sector’s output. Strong positions were also observed in construction, services, and industry.

Industrial production by small businesses reached 258.5 trillion soums, representing roughly one-third of total industrial output and marking a solid increase compared to the previous year. Their role in construction was even more pronounced, with small enterprises responsible for more than three-quarters of total construction activity. Investment in fixed capital also grew rapidly, underscoring rising confidence and expansion plans among entrepreneurs.

In agriculture, small businesses produced over 355 trillion soums worth of goods, maintaining their near-total dominance in the sector. Retail trade and services also showed strong performance, with small enterprises accounting for the majority of turnover in both areas.

International trade figures further reflect the importance of small businesses. In the first nine months of 2025, they generated US\$8.5 billion in exports and were responsible for more than half of total imports, demonstrating their active participation in global supply chains.

Small enterprises also remain indispensable in the transport sector, where they handle most passenger and freight transportation, continuing to expand their share compared to the previous year.

Overall, these trends clearly illustrate that small and medium-sized businesses are not only a foundation of Uzbekistan’s economy, but also key drivers of employment creation, innovation, and balanced regional [9].

Government support and financial support programs. To support small and medium-sized enterprises (SMEs), the Government of Uzbekistan has taken important steps to improve the legal and regulatory environment for business. One of the key initiatives is the development of the Entrepreneurial Code, which brings together several existing laws and regulations into a single, more coherent document. This code is intended to simplify business procedures, reduce unnecessary administrative barriers, and make regulations clearer and more transparent for entrepreneurs. It also introduces new concepts, such as social entrepreneurship, aimed at supporting businesses that contribute to social inclusion, particularly for vulnerable groups like people with disabilities.

At the same time, the powers of the Business Ombudsman have been strengthened. The Ombudsman now plays a more active role in overseeing the work of state authorities and serves as a direct point of contact for entrepreneurs facing problems related to inspections or regulatory requirements. By improving supervision and ensuring fair treatment of businesses, these reforms are helping to create a more stable, transparent, and entrepreneur-friendly environment in Uzbekistan.

Access to finance has long been one of the main obstacles for new businesses, especially due to the lack of sufficient collateral. In response, the government has recently introduced more flexible financial support measures that consider different stages of business development. Small enterprises can now obtain loans of up to €23,000, while businesses transitioning to a higher category may access up to €11,500 without providing collateral, provided they maintain a good credit and tax record. Family businesses are also eligible for unsecured loans of up to €3,800, which helps encourage formalization and reduces informal economic activity.

In addition, women entrepreneurs benefit from preferential loan programs with interest rates that are two percentage points lower than standard offers, making access to finance more affordable and inclusive [10].

Improving business climate. Recent reforms in Uzbekistan go beyond financial support and focus more broadly on creating a friendlier environment for entrepreneurs. From July 1, 2025, a three-year moratorium will limit the introduction of new regulatory requirements for small and medium-

sized enterprises, with new rules allowed only twice a year. In addition, first-time violations in the trade sector will not lead to administrative fines until 2028, easing pressure on new and small businesses and allowing entrepreneurs to focus on growth rather than compliance.

These measures have helped strengthen confidence within the business community. As a result, the Business Climate Index has risen to 63 out of 100, marking its highest level in the past two years.

Experts also highlight the broader factors supporting entrepreneurial growth. According to Salimzhon Bekmuradov, Head of Entrepreneurship Development at the Institute of Macroeconomic and Regional Studies, the number of small and medium-sized enterprises has nearly doubled since 2017, while the number of firms with foreign investment has surpassed 17,000.

Targeted Support for Small Businesses

Understanding that small businesses face different challenges at different stages of growth, the Uzbek government has introduced a more targeted support approach. Enterprises are now grouped by size, and each group receives tailored tax, credit, and financial support that matches its specific needs. This system is already operating in 60 districts across five regions, helping entrepreneurs access more practical and relevant forms of assistance.

A key feature of this approach is the active involvement of business owners in shaping policy. Entrepreneurs are encouraged to share their experiences and highlight obstacles they face in daily operations. Based on this dialogue, the government has identified seven priority areas for improvement: access to finance, tax system modernization, land availability, infrastructure development, export promotion, transport and logistics, and the simplification of business procedures.

These priorities are widely seen as central to creating a more supportive business environment. In particular, improved access to finance remains crucial, as many small firms struggle to obtain funding for start-up activities or expansion. To address this, new micro-lending instruments have been introduced, and credit procedures have been simplified, making it easier for entrepreneurs to launch and grow their businesses [11].

Economic Zones and Growing Venture Capital Support. Free Economic Zones (FEZs) have become a vital part of Uzbekistan’s strategy to boost the growth of small and medium-sized enterprises. These zones provide businesses with valuable benefits such as tax breaks, improved infrastructure, and other incentives, encouraging companies to establish themselves in specially designated areas. By 2023, Uzbekistan had set up more than 20 such zones, each focused on driving industrial progress, fostering innovation, and expanding exports.

At the same time, the development of a venture capital market is gaining momentum as a crucial source of funding for startups and SMEs. As the country works to diversify its economy beyond traditional fields like agriculture and mining, there is a growing emphasis on supporting technology-driven startups and businesses engaged in high-value industries. Venture capital is increasingly recognized as a key catalyst for innovation, especially in sectors such as IT, renewable energy, and advanced manufacturing.

International support. International organizations like the Asian Development Bank and the World Bank are playing a key role in supporting Uzbekistan’s ongoing reforms by launching new credit lines. Through World Bank projects such as Access to Finance for Jobs and Growth and MUNIS, small businesses in the country now have access to grants of up to €46,000, along with improved opportunities to tap into private capital via the Fund of Funds initiative. Additionally, the FINGROW program is set to establish a dedicated fund to attract private investments into green and fast-growing sectors, offering guarantee mechanisms and expert advisory support. Beyond financing, the World Bank is also helping Uzbekistan implement structural reforms aimed at strengthening the banking sector, improving corporate governance, and fostering a more competitive private sector.

CONCLUSION

Despite the significant strides Uzbekistan has made in developing its small and medium-sized enterprise (SME) sector, challenges persist. Although bureaucratic hurdles have been eased, many

entrepreneurs continue to face administrative obstacles. Additionally, increased competition from foreign companies—especially with the possibility of Uzbekistan joining the World Trade Organization—means local businesses will need to accelerate their efforts to modernize and innovate.

Nevertheless, the government's forward-thinking reforms and dedication to building a more open and competitive economy lay a strong foundation for ongoing growth. As Uzbekistan advances its economic liberalization and deepens integration with global markets, SMEs will continue to be a crucial driver of the country's development.

With sustained government support, focused reforms, and expanded access to international markets, Uzbekistan's SMEs are well-positioned to play an even greater role in shaping the nation's economic future. By capitalizing on its strategic location at the heart of Central Asia and maintaining its reform momentum, Uzbekistan has the potential to emerge as a regional hub for entrepreneurship, innovation, and trade.

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