



## DIRECTIONS AND FACTORS FOR THE DEVELOPMENT OF SMALL BUSINESS IN THE COUNTRY'S ECONOMY

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Article History	Abstract
Received: 10.04.2025 Accepted: 30.05.2025	This article explores the critical role of small business in driving sustainable economic development, with a specific focus on the Republic of Uzbekistan. Drawing on global experience and recent domestic reforms, the authors analyze the key directions and factors influencing small business growth, including regulatory support, financial accessibility, and innovation. The study highlights the socio-economic benefits of small enterprises—such as job creation, poverty reduction, and regional development—while also identifying persistent challenges such as limited financing, skills shortages, and bureaucratic barriers. Emphasis is placed on Uzbekistan's recent policy measures, including tax incentives, credit programs, and institutional reforms, aimed at fostering a more dynamic and resilient entrepreneurial sector. The article concludes with strategic recommendations to further enhance the contribution of small businesses to the national economy.

**Keywords:** small business development, entrepreneurship, economic growth, SME support policies, financial assistance, innovation and technology, workforce training, business environment, export promotion, Uzbekistan economy.

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# MAMLAKAT IQTISODIYOTIDA KICHIK BIZNESNI RIVOJLANTIRISH YO'NALISHLARI VA OMILLARI

## KALIT SO'ZLAR/ КЛЮЧЕВЫЕ СЛОВА:

kichik biznesni rivojlantirish, tadbirkorlik, iqtisodiy o'sish, kichik va o'rta biznesni qo'llab-quvvatlash siyosati, moliyaviy yordam, innovatsiyalar va texnologiyalar, ishchi kuchini tayyorlash, biznes muhiti, eksportni rag'batlantirish, O'zbekiston iqtisodiyoti

## ANNOTATSIYA/ АННОТАЦИЯ

Ushbu maqola O'zbekiston Respublikasiga alohida e'tibor qaratgan holda barqaror iqtisodiy rivojlanishni ta'minlashda kichik biznesning muhim rolini o'rganiladi. Jahon tajribasi va yaqinda amalga oshirilgan ichki islohotlarga tayangan holda mualliflar kichik biznesning rivojlanishiga ta'sir etuvchi asosiy yo'nalish va omillarni, jumladan, tartibga soluvchi qo'llab-quvvatlash, moliyaviy imkoniyatlar va innovatsiyalarni tahlil qiladilar. Tadqiqot kichik korxonalarning ish o'rinlari yaratish, qashshoqlikni qisqartirish va mintaqaviy rivojlanish kabi ijtimoiy-iqtisodiy afzalliklarini ta'kidlaydi, shu bilan birga cheklangan moliyalashtirish, malaka yetishmasligi va byurokratik to'siqlar kabi doimiy muammolarni aniqlaydi. O'zbekistonda so'nggi paytlarda amalga oshirilayotgan siyosat chora-tadbirlari, jumladan, soliq imtiyozlari, kredit dasturlari va institutsional islohotlar yanada dinamik va barqaror tadbirkorlik sektorini rivojlantirishga qaratilgan. Maqola kichik biznesning milliy iqtisodiyotga qo'shayotgan hissasini yanada oshirish bo'yicha strategik tavsiyalar bilan yakunlanadi.

## Introduction

In the modern global economic environment, small business and private entrepreneurship are recognized as one of the main drivers of economic development. World experience shows that small businesses are the most important factor in liberalizing the economy, increasing employment, and ensuring social stability. Small business entities differ from large enterprises by their flexibility, innovative approaches, and competitiveness. They play a significant role in improving the living standards of the population, reducing interregional economic disparities, and developing local infrastructure.

As one of the priority directions of the economic policy of the Republic of Uzbekistan, comprehensive support for small business and private entrepreneurship, creating a favorable environment, and increasing their economic potential are given great attention. At the initiative of the state leadership, numerous legal and regulatory documents, decrees, and resolutions are being adopted. Especially in recent years, institutional reforms, simplified taxation systems, subsidies, and expanded access to credit resources have served as a solid foundation for the development of small business.

However, despite the available opportunities, there are a number of challenges on the way to developing small business. These include limited financing, lack of experienced personnel, underdeveloped infrastructure, bureaucratic obstacles, and low transparency of information. Overcoming such problems and rationally utilizing existing opportunities can

make the development of small business a sustainable basis for economic progress.

This article analyzes the role of small business in the national economy, directions for its development, and key factors. It also examines the practical situation in Uzbekistan, the results of state policy, and strategic tasks for the future.

### **The role of small business in the economy**

Small business is a dynamic and strategic segment of any economy. Compared to large enterprises, it has greater potential for agility, flexibility, and the implementation of innovations. Small and medium-sized enterprises (SMEs) serve as a crucial factor in increasing economic activity in society, broadly involving the population in entrepreneurship, and stimulating economic growth. It occupies a unique position in the national economy through the following aspects:

#### **1. Creation of new jobs.**

Small business is an important tool for addressing employment issues. Many new enterprises established in this sector provide job opportunities especially for youth, women, and citizens without professional training. The reduction in unemployment plays a vital role in ensuring economic stability and social well-being.

#### **2. Development of domestic production**

Production of goods by local enterprises for domestic needs reduces dependence on imports. This contributes to the positive formation of the country's trade balance and helps achieve economic independence. At the same time, small manufacturing entities stimulate the emergence of national brands.

#### **3. Utilization of local resources**

Small business entities, especially in rural areas, invigorate economic activity by efficiently using available natural, labor, and raw material resources. By leveraging local opportunities, they help reduce economic inequality and contribute to balanced regional development.

#### **4. Formation of entrepreneurial culture**

Small business shapes the economic mindset of the population. It strengthens social and psychological motivations among citizens, such as starting their own business, achieving financial independence, and entering competitive environments. This not only increases the national income level but also enhances social activity and civic engagement in society.

#### **5. Expansion of export potential**

Products of small and medium-sized businesses are gaining a foothold not only in the domestic market but also in international markets. In particular, exports in food, textiles, handicrafts, and IT services help expand Uzbekistan's export potential, increase foreign currency earnings, and strengthen foreign economic relations.

### **Directions for the development of small business and its legal and practical foundations**

The efforts to develop small business are being strengthened not only through

strategic directions but also through regulatory legal frameworks and practical mechanisms. The following table presents the main measures being implemented in each direction, examples, and the governing regulatory documents:

Direction	Practical measures/examples	Regulatory and legal framework
Improvement of the legal framework	<ul style="list-style-type: none"> <li>- Online registration of business entities</li> <li>- Simplification of the licensing procedure</li> </ul>	<ul style="list-style-type: none"> <li>- Decree No. PF-161 of the President of the Republic of Uzbekistan dated August 8, 2022</li> <li>- “Single Window” system</li> </ul>
Financial support	<ul style="list-style-type: none"> <li>- 7% preferential loans for young entrepreneurs</li> <li>- Provision of grants through the business development fund</li> </ul>	<ul style="list-style-type: none"> <li>- Resolution No. PQ-5072 of the President of the Republic of Uzbekistan dated April 13, 2021</li> </ul>
Innovative technologies	<ul style="list-style-type: none"> <li>- Subsidizing digital services (CRM, ERP systems)</li> <li>- Supporting technological startups through “IT Park”</li> </ul>	<ul style="list-style-type: none"> <li>- Resolution No. PQ-9 of the President of the Republic of Uzbekistan dated January 17, 2023</li> </ul>
Personnel training and professional development	<ul style="list-style-type: none"> <li>- “Entrepreneurship School” project</li> <li>- Introduction of the “Fundamentals of Entrepreneurship” course in higher education institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Resolution No. PQ-5006 dated February 19, 2021</li> <li>- Projects of the “Youth – Our Future” Fund</li> </ul>
Support for entering foreign markets	<ul style="list-style-type: none"> <li>- Reimbursement of logistics costs for exporting entrepreneurs</li> <li>- Financing participation in international exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>- Activities of the Export Support Agency</li> <li>- Resolution No. PQ-4897 dated December 10, 2020</li> </ul>

### Additional examples and practical programs

• **Example 1:** The small enterprise “EcoPlast” operating in Tashkent region increased its production volume by 30% by implementing an ERP system with the support of “IT Park.”

- **Example 2:** The LLC “Zarafshon Hunarmand” in Bukhara region opened a carpet weaving workshop using a preferential loan of 100 million soms allocated by the “Youth – Our Future” Fund, providing jobs for 15 young people.

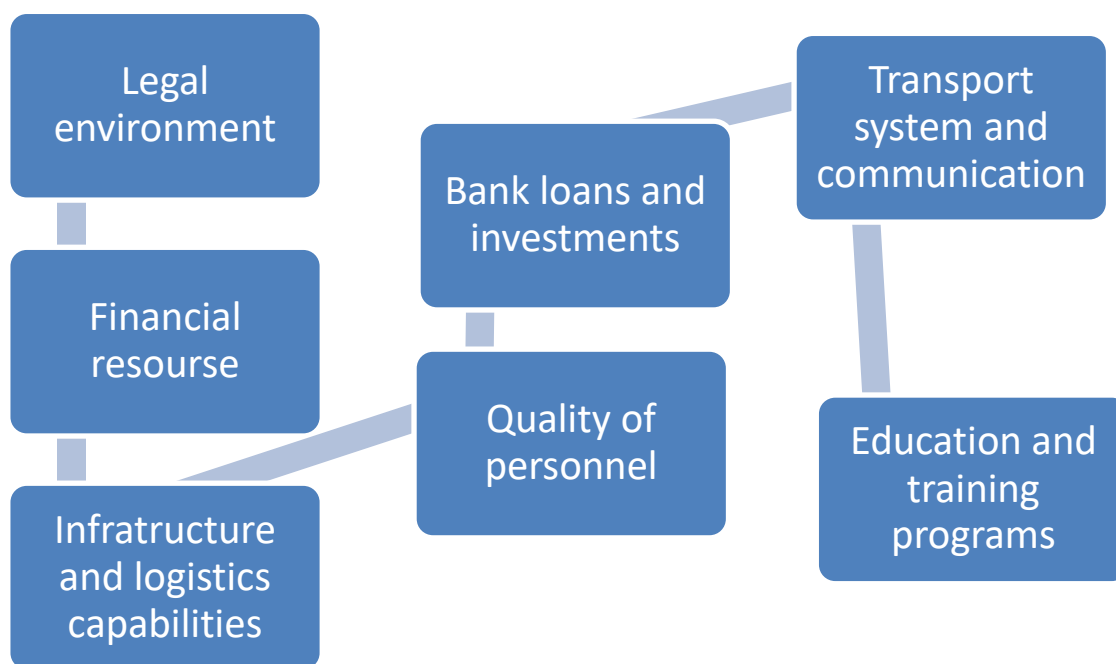
- **Example 3:** Small business exporters from Namangan region participated in the “Made in Uzbekistan” exhibition in 2023 and signed export contracts worth 250 thousand USD.

### Factors affecting the development of small business

There are factors that have both positive and negative impacts on the development of small business. The main types of these factors are shown in the following diagram.

**Diagram 1: Factors affecting the development of small business**

#### Factors Affecting Small Business



### Practical example: Development of small business in Uzbekistan

In recent years, the number and activity of small business entities in Uzbekistan have increased significantly. As a result of the state programs “Youth – Our Future” and “Every Family is an Entrepreneur,” which aim to support enterprising youth and family entrepreneurship, thousands of young people and families have succeeded in starting their own businesses. These programs are designed to engage young people in economic activity, increase their financial independence, and provide social protection.

Moreover, against the backdrop of digital economy development, the number of small business entities operating in the e-commerce sector is growing. Improvements in Uzbekistan’s internet infrastructure and the expansion of online payment systems are creating new marketplaces and opportunities for local entrepreneurs to connect with customers.

In the agro-business sector, small farms and small enterprises providing agricultural services are also actively developing. Subsidies provided by the state, preferential loans for

purchasing modern equipment, and training programs ensure sustainable growth of small businesses in this area.

Furthermore, great attention is being paid to the development of small business in the IT sector in Uzbekistan. "IT Park" and other technology incubators, grants, and support programs for startups contribute to the expansion of this sector. As a result, small IT companies are establishing their presence not only in the local market but also internationally.

These developments indicate an increase in innovation and entrepreneurial potential within the small business sector and contribute to the diversification of the country's economy..

### Conclusion

Small business is a vital foundation for the national economy, and its development is one of the key factors ensuring economic stability, employment, and innovative progress. Small business entities not only create new jobs but also contribute to the diversification of the country's economy by stimulating local production, shaping an entrepreneurial culture, and expanding export potential.

To further develop this sector, it is important to establish favorable legal mechanisms, expand financial support systems, and continue implementing innovative technologies. Additionally, training qualified personnel in entrepreneurship and continuously improving their skills will help ensure the competitiveness of small businesses.

State programs such as "Youth – Our Future" and "Every Family is an Entrepreneur" play a significant role in popularizing small business and increasing its efficiency. Undoubtedly, in the future, the development of small business will remain one of the highest priorities of the state's economic policy, contributing to the strengthening of the national economy and improving the well-being of the population.

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