

Aziztayeva Feruza Alpomishevna

*Associate Professor of the "Economics and Management" Department of
Jizzakh Polytechnic Institute*

THE ROLE AND IMPORTANCE OF SMALL BUSINESS AND ENTREPRENEURSHIP IN THE ECONOMY OF UZBEKISTAN

***Abstract.** This paper explains the problems within a comprehensive strategy to support the development of small business and entrepreneurship from the perspective of the institutional approach. It examines the role and significance of small business and entrepreneurship in Uzbekistan's economic development. In recent years, the government has implemented large-scale reforms aimed at supporting private enterprise, improving the business climate, and encouraging innovation. Small and medium-sized enterprises (SMEs) make a substantial contribution to GDP growth, job creation, regional development, and the diversification of the national economy. Entrepreneurship promotes innovation, strengthens market relations, and enhances Uzbekistan's competitiveness in international markets. The findings emphasize that small business remains a key driver of sustainable economic growth and socio-economic modernization in the country as of 2025.*

***Key words:** small business, private business, infrastructure efficiency, employment, business support system, infrastructure factors.*

Despite intensified efforts to stimulate the private sector, the effectiveness of government actions to support small businesses does not always correspond to the resources allocated. The lack of coordinated measures tailored to regional needs has highlighted the necessity of forming an effective management system for small business support institutions. Solving this issue is essential for the successful development of the sector in 2025 and beyond.

To stimulate the formation and development of small business linkages, the following conceptual approaches must be considered:

- ensure not only conditions for the functioning of small enterprises based on various forms of ownership, but also their effective and sustainable development;

- establish a dynamic system that facilitates the emergence of new partnerships and interactions among its components;

- ensure the system corresponds to the level of small business development and meets the needs of business structures, taking into account their sectoral and functional specialization;

- guarantee accessibility for all business structures—regardless of region—regarding the cost and quality of services, awareness of opportunities, and support in solving key small business challenges (access to information networks, property and information support, human resources, financial and tax consulting, etc.).

Based on these principles, we have formulated a strategy for the management system of small business support institutions aimed at creating favorable conditions for the development of small enterprises in Uzbekistan. Using business process reengineering, we identify the conditions and factors that directly influence the successful development of small businesses.

The function of researching and updating the regulatory framework is performed by small business support infrastructure bodies. Management is based on current legislation, business support programs, and analytical methods. The result of this function is a developed strategy and an updated regulatory framework. At the first stage, accumulated information is used to formulate strategic directions. Regularly updated regulations guide all support activities. The strategy includes fundamental guidelines and intentions directed at small business development.

The function of coordinating and motivating small business support institutions includes creating a motivating model for their activities. At this stage, missing, weak, and duplicated functions are identified. These functions

are then coordinated with consideration of horizontal and vertical integration, resulting in a more effective structure. Additionally, motivating factors must be introduced to encourage better performance of support institutions.

Innovation policy should be directed toward supporting the development of small businesses. The function of promoting innovation is carried out by entrepreneurship support bodies based on regulatory factors and criteria for evaluating investment projects. The outcome of this function is the creation of new goods, services, and technologies. Profit is generated through commercialization of innovative ideas.

The function of protecting the interests of entrepreneurs is performed by regional branches of the Chamber of Commerce and Industry. All support infrastructure bodies must be involved in implementing these functions. Considering this structure, priority support programs can be developed to create favorable conditions for small business development across regions of Uzbekistan in 2025.

Integration of Small Business and the Banking Sector

The main direction for integrating the interests of small business and the banking sector should be the strengthening of their bilateral relations. The proposed model requires rethinking the traditional ideology of the bank–enterprise relationship. These relationships must include clear principles and obligations at all points of intersection of economic interests.

Regional small business development does not occur spontaneously. Both successes and failures depend not only on external factors but also on specific decisions reflecting the strategy and tactics of change management chosen by regional leaders.

To bring the research closer to practical outcomes, regional development should be viewed in the context of the accompanying management process. Development is understood as a repeated cycle of four key stages:

1. Assessment of the economic situation;

2. **Formulation of strategic goals and tasks for small business development;**
3. **Identification of factors limiting small business growth;**
4. **Development and implementation of strategies for sustainable SME development.**

First Stage: Assessment

1. Analysis of available information on the economy and SME sector, using secondary data (state statistics, regulatory documents) and sociological research (surveys, qualitative methods). Evaluation should not only rely on the volume of data but also on critical interpretation of trends and system functionality. Current planning approaches often remain traditional, lacking deeper analysis. Comparative methods are necessary for accurately assessing regional SME conditions.

2. Determining priorities for SME development and support systems. This requires qualitative research such as interviews and focus group workshops. Discussions should involve three key stakeholders:

- government bodies,
- business community,
- non-profit and public sector organizations.

An important tool is constructing a “problem tree” of regional entrepreneurship challenges, followed by developing a “goal tree” to ensure reforms target real priorities.

Recent Developments: Key Measures from the 2023 Presidential Dialogue with Entrepreneurs

Although announced in 2023, these measures remain highly relevant and actively implemented during 2024–2025:

1. An integrated ecosystem for training entrepreneurs, supporting projects, financing, and finding markets.

2. Transformation of “Rural Construction Bank” into “Business Development Bank” with new financing mechanisms.
3. Co-financing scheme: if an entrepreneur invests 10%, the bank and the state each provide 45%.
4. Loans for 5–7 years on preferential terms, with credit lines of USD 150 million.
5. Reduced collateral requirements (by 50%) for entrepreneurs with clean credit and tax histories.
6. Introduction of the “mortgage of services” system in tourism, trade, and services.
7. USD 100 million to compensate logistics costs and USD 25 million for international certification and training.
8. Grants of 50 million soums for companies attracting major global brands.

Small business and entrepreneurship remain vital components of Uzbekistan’s modern economy. They generate employment, stimulate innovation, support regional development, and strengthen economic resilience. With ongoing government support and reforms in 2024–2025, the SME sector is expected to become an even stronger engine of economic growth.

Clear formulation of goals and measurable objectives, along with effective coordination of support institutions, will enhance SME efficiency. As a result, the number of small enterprises, employment levels, and business productivity will continue to grow, contributing to sustainable economic development across Uzbekistan.

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