

**SMALL BUSINESS ENTREPRENEURSHIP AND ITS ROLE IN REGIONAL
ECONOMIC DEVELOPMENT**

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Abstract

This article analyzes the role of small business and entrepreneurship in regional economic development using the example of Uzbekistan. The study examines the dynamics of small business economic growth across regions during the period 2021–2025, based on official statistical data. Particular attention is paid to the share of small business in gross domestic product and employment, as well as its importance in ensuring sustainable regional development. The research identifies key problems hindering the effective development of small business and entrepreneurship in the regions. Based on the analysis, practical and comprehensive recommendations are proposed to improve the efficiency of small business activities and maximize the benefits derived from their development.

Keywords

regional economy, small business, entrepreneurship, gross regional product (GRP), population, employment, statistical analysis, regional development, economic growth, investment climate, business entities.

Annotation:

This article analyzes the economic growth of small business at the regional level based on statistical data for the period 2021–2025. The study examines the contribution of small business to gross regional product and employment, as well as its role in ensuring balanced regional development. Existing problems affecting the sector are identified, and practical proposals are developed to enhance the effectiveness of small business activities and strengthen its contribution to economic growth.

Keywords

regional economy, small business, entrepreneurship, gross regional product (GRP), employment, statistical analysis, regional development, economic growth, investment climate, business entities.

1. Introduction

Currently, special attention is being paid to the development of small business and entrepreneurship in many sectors of the national economy. Small business and private entrepreneurship serve as the main drivers of regional economic development, accounting for more than half of gross domestic product and providing employment for a significant share of the population. They play a crucial role in ensuring sustainable territorial development and reducing poverty.

Entrepreneurial activity contributes to regional economic growth by effectively utilizing local resources, expanding the service sector, and increasing revenues to local budgets. For this reason, the support of small business and entrepreneurship in all regions of Uzbekistan, as well as the liberalization and enhancement of their competitiveness, is of critical importance.

Small business and private entrepreneurship significantly influence the growth of gross regional product, the creation of new jobs, and the formation of a competitive environment in the regional economy. Through the effective use of local resources, these entities increase household incomes and contribute directly to regional economic development by promoting social stability and expanding service activities.

In September 2023, the Decree No. UP-158, approving the “Uzbekistan–2030” Strategy, identified the development of small business and entrepreneurship as one of its key priorities. The strategy includes specific objectives aimed at supporting small and medium-sized enterprises, promoting start-ups, and expanding access to international markets. This confirms the state’s strong interest in fostering entrepreneurship and increasing the role of the private sector as part of broader economic liberalization efforts.

2. Review of the Literature

Small business and private entrepreneurship are widely recognized in scientific research as the “backbone” of the national economy of Uzbekistan, playing an exceptional role in ensuring economic prosperity and balanced territorial development. Numerous studies emphasize their importance in stimulating regional growth, employment, and structural transformation of the economy.

The initial theoretical foundations of entrepreneurship in economic science date back to the eighteenth century and are associated with the works of Richard Cantillon, Anne Robert Jacques Turgot, and François Quesnay, later developed by Adam Smith and Jean-Baptiste Say.

Richard Cantillon (1680–1734) associated entrepreneurship with risk-taking and uncertainty, considering entrepreneurial activity as a separate and independent economic function. For this reason, he is often regarded as one of the founders of entrepreneurship theory in economic science.

In the context of Uzbekistan, Berkinov B.B. (2010) analyzed ways to increase the competitiveness of small business under conditions of economic modernization and emphasized the role of public–private partnerships and institutional mechanisms in supporting entrepreneurship development.

Yo‘ldoshev N.K. (2008) focused on innovation in small enterprises, the introduction of modern management methods, business formation processes, and the application of systematic strategic planning approaches in small business management.

G‘.V. G‘afurov (2017) studied the economic mechanisms of state regulation of small business, paying particular attention to legal, organizational, and structural frameworks for supporting the sector.

Among foreign scholars, Joseph Schumpeter (1982) interpreted entrepreneurship as the main source of innovation and economic renewal, while Robert Hisrich (1993) defined entrepreneurship as “the process of creating something new that has value,” emphasizing innovation, risk, and initiative.

In addition to academic research, the legal framework of the Republic of Uzbekistan plays a crucial role in supporting small business development. In particular, Presidential Decree No. UP-158 (September 2023) approving the “Uzbekistan–2030” Strategy and Decree No. UP-60 (January 2022) aimed at improving the business environment and strengthening the role of small business as the primary unit of the economy serve as key regulatory documents.

Overall, the reviewed literature provides a strong theoretical, practical, and statistical foundation for analyzing the role of small business in regional economic development, particularly in terms of economic growth and employment generation.

3. Research Methodology

This study employs a systematic approach, using comparative analysis and economic–statistical evaluation methods. The research focuses on examining the role of small business in the formation of gross regional product (GRP) and analyzing the dynamics of its share in employment across the regions of Uzbekistan.

A comparative regional analysis was conducted based on official statistical data to identify differences and trends in small business development. The obtained results made it possible to scientifically assess the role of small business in ensuring regional economic stability over the study period, which served as the basis for formulating relevant conclusions.

4. Analysis and Discussion of Results

At present, small business occupies an important place in the economy of Uzbekistan. By the end of 2025, the country's foreign trade turnover reached 81.2 billion US dollars, while the participation of small business entities in this volume amounted to 26.2 billion US dollars.

Exports

During the January–September 2025 period, exports carried out by small business entities totaled 8.5 billion US dollars, accounting for 32.0% of total exports. The export structure is dominated by agricultural products (fruits and vegetables), finished textile products, tourism services, and other service sectors, in which the contribution of small businesses is particularly significant.

Imports

The import volume of small business entities exceeded 17.7 billion US dollars, accounting for 53.7% of total imports. In the structure of imports, small entrepreneurs were mainly active in importing technological equipment, raw materials, and component parts. In addition, international services—particularly transport and tourism—also accounted for a substantial share of imports in this sector.

Significant regional differences were observed in small business participation in foreign trade. Tashkent city, Samarkand, Fergana, and Navoi regions emerged as leaders in this regard.

Overall, the analysis confirms that small business plays a crucial role in the regional economy by influencing key economic indicators and shaping new development trends across territories.

In recent years, the sustainable development of small business and entrepreneurship in Uzbekistan's regions has become one of the main drivers of economic growth. According to the Statistics Agency of the Republic of Uzbekistan, during the January–September period of 2025, the share of small business in the country's gross domestic product (GDP) reached 51.5%.

For comparison, this indicator amounted to 49.6% according to the results of the first half of 2025, while at the end of the first quarter it stood at 45.6%. By 2025, the government set a target to increase the share of small business in the overall economy to 55% and to create an additional 70 billion US dollars in value added by the end of the year. According to official data, as of October 2025, the number of operating small business entities in the republic increased to 1.21 million (see Table 1).

1 table.

Small businesses share in total gdp of the country (based on data from years 2021-

Region / Year	2021	2022	2023	2024	2025 From-Q1	2025 From-Q2-	from 2025-Q3	from 2025-Q4
Republic of Uzbekistan	6,3	quals to 54,3	3,8	3,5	5,6	urged 49.6	1,5	2,2
Republic of Karakalpakstan	1,6	1,7	4,2	6	9,5	1,4	4,1	5,5
Andijan region	4,6	9,8	8,6	0,1	0,9	7	9	0,1
Bukhara region	7,4	4,4	2,5	2,4	3,3	0,5	2,2	1
Jizzakh region	0,6	8,3	4,8	as 74.7	6,1	8,9	1	1,2
Kashkadar ya region	1,7	9,9	9,8	0,6	2,7	7,7	9,9	9,2
Navoi region	7	6,8	7,6	3,5	8	1,2	2,4	1,1
Namangan region	6,1	4,6	4	3,9	7,3	0,1	2,8	3,6
Samarkan d region	4,3	0,8	2	2,4	5,9	8,2	0,4	9,5
Surkhanda rya region	8	7,3	6,6	7,9	2,4	6,3	6,5	6,4
Sirdarya region	1,2	ust over 67.8	5	8,5	2,1	6,9	9,2	9,5
Tashkent region	8,3	0,4	3,3	5,1	0,1	2,2	3,5	5
Fergana region	2,2	1.6 in	1,8	4	8,3	0	1,8	3
Khorezm region	5,9	2	2,4	2,8	5,8	9	1,8	1.6 in
Tashkent city	2	2,2	2,4	2,3	limbed from 48.9	9,9	0,3	1,7

2025)

According to the National Statistics Committee of the Republic of Uzbekistan, the average share of small business in gross domestic product (GDP) amounted to 56.3% in 2021, while in 2024 this indicator declined to 53.5%. At the regional level, Jizzakh, Bukhara, and Surkhandarya regions recorded the highest shares of small business in GDP, exceeding 70%, reflecting the dominant role of small enterprises in their economic structures. In contrast, Navoi region and Tashkent city demonstrated the lowest shares in 2024, with 23.5%, which can be attributed to the high concentration of large-scale industrial enterprises and capital-intensive production in these territories.

According to 2026 forecasts, a gradual increase in the share of small business in GDP is expected throughout the year, rising from 45.6% in the first quarter (Q1) to 52.2% in the fourth quarter (Q4), as presented in Table 2.

Table 2.
Share of Small Business Entities in Total Employment (%) in Uzbekistan, 2020–2024

Region / Year	20 20 y.	2 021 y.	20 22 y.	2023 y.	2 024 y.
Republic of Uzbekistan	74 ,5	7 4,5	73, 9	74	7 4,5
Republic of Karakalpakstan	74 ,2	7 4,2	74, 1	74,5	7 5,1
Andijan region	80 ,8	8 0,7	80, 2	80,7	8 1,3
Bukhara region	74 ,9	7 4,2	74, 3	74,5	7 4,5
Jizzakh region	78 ,4	7 8,8	77, 3	77,1	7 7
Kashkadarya region	78 ,1	7 8,5	78, 2	78,1	7 8,7
Navoi region	51 ,9	5 2,3	of 51.1	52,1	5 2,3
Namangan region	81 ,6	8 2,2	81	80,9	8 1,8
Samarkand region	81 ,7	8 1.5 in	80, 9	81,1	8 1,2
Surkhandarya region	78 ,2	7 8,4	76, 9	76,8	7 7,8
Sirdarya region	of 74.5	7 4,4	72, 9	71,9	7 3,6
Tashkent region	70 ,8	6 9,8	70	70,6	7 1,1
Fergana region	78 ,4	7 8,5	78, 7	79,1	t o 80.4
Khorezm region	79 ,3	7 9,1	78, 1	78,5	7 9,3
Tashkent city	49 ,7	w as 50.2	50	49,4	4 8,4

Table 2 illustrates the dynamics of small business employment across the regions of Uzbekistan during the 2020–2024 period. The data demonstrate that small business plays a dominant role in employment generation throughout the country. On average, small business entities accounted for approximately 74–75% of total employment at the national level, confirming their position as the main employment-providing sector of the economy.

Regions such as Andijan, Namangan, and Samarkand recorded particularly high employment shares, exceeding 80%, which reflects their economic specialization in small-scale production, agriculture, and service activities. In contrast, the employment share of small business remains relatively low in Navoi region and Tashkent city, primarily due to the dominance of large industrial enterprises and capital-intensive industries in these areas.

The share of small business employment is especially high in predominantly agricultural regions such as Surkhandarya and Jizzakh, where it exceeds 70%. Conversely, major industrial centers—including Navoi region and Tashkent region—demonstrate lower shares of small business employment, as large enterprises play a leading role in regional labor markets.

In Tashkent city, Samarkand, and Bukhara, small businesses are mainly concentrated in the service sector and tourism, which significantly contributes to employment diversification and income generation. Overall, the share of small business in Uzbekistan’s gross domestic product remains relatively stable at around 54–55%, indicating the sector’s sustained importance in the national economy.

In general, the results of the analysis confirm that the expansion of small business economic activity strengthens interregional economic linkages, enhances employment opportunities, and plays a stabilizing role in maintaining regional and national economic balance.

Table 3.

Regional Specialization of Newly Established Small Businesses in Uzbekistan (%)

Areas	Share of small business in gross regional product (GRP), %	Main specialization areas
Surkhandarya Region	77.8	Early-ripening fruits and vegetables, livestock production, and services
Jizzakh Region	74.4	Grain production, construction materials, and textiles
Namangan Region	73.4	Sewing and knitting industry, horticulture, and handicrafts
Fergana Region	73.1	Processing of agricultural products, trade, and chemical industry
Bukhara Region	73.0	Tourism services, handicrafts, and greenhouse farming
Khorezm Region	72.6	Rice production, tourism, and transport services
Samarkand Region	72.3	Tourism, food industry, catering, and trade
Kashkadarya Region	70.2	Grain and cotton production, service activities
Andijan Region	69.4	Fruit and vegetable production, logistics, and industrial cooperation
Syrdarya Region	68.5	Fish farming, horticulture, and export-oriented services
Republic of Karakalpakstan	58.0	Livestock farming, handicrafts, and local industry
Tashkent Region	50.6	Industrial production, agrotourism, and logistics centers
Tashkent City	44.1	Information and communication technologies (ICT), finance, insurance, and high-tech services
Navoi Region	26.5	Production of component parts for the mining industry and services

According to the National Statistics Committee of the Republic of Uzbekistan, during the January–April 2025 period, 26,738 new small business entities (excluding farms and peasant

households) were established. Compared with the corresponding period of 2024, this indicator increased by 0.2%. In terms of the distribution by types of economic activity, newly established small businesses were mainly concentrated in trade, which continues to hold a leading position among economic sectors.

5. Conclusion and Suggestions

Small business and private entrepreneurship have become key drivers of economic modernization and socio-economic stability in the regions of Uzbekistan. The conducted analysis demonstrates that by 2026, small business will occupy a leading position not only in the structure of gross domestic product (exceeding 50%), but also in employment, accounting for more than 74% of total jobs nationwide.

The expansion of entrepreneurial activity across regions contributes to infrastructure development and improves the quality of services, particularly in remote and rural areas. However, reducing regional economic disparities—especially by increasing the share of small industrial enterprises—remains a pressing challenge.

To address this issue, it is recommended to expand business clusters based on the principle of “one district – one product,” taking into account each district’s natural resources and geographical advantages. Deep processing of raw materials within these clusters will help reduce production costs and enhance the competitiveness of regional brands.

Furthermore, it is necessary to systematically promote the use of electronic commerce (e-commerce), digital marketing tools, and digital skills among small business entities in the regions. This approach will enable entrepreneurs, including those in remote areas, to access global markets through marketplace platforms.

The development of small business should extend beyond traditional service sectors to include high-tech and export-oriented industries. To support this transition, targeted preferential loans, along with the introduction of venture financing mechanisms and support for innovative projects, are required.

Another crucial priority is the development of human capital. Strengthening the activities of regional business incubators and expanding practical entrepreneurship training—particularly for youth and women—will significantly enhance business capacity. In line with the economic demands of 2026, it is advisable to introduce educational modules on entrepreneurship, financial literacy, and artificial intelligence into training and academic programs.

The implementation of these measures will ensure sustainable regional economic growth in 2026, contributing not only to an increase in the number of small businesses but also to improvements in their technological level and overall quality.

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