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The Current State Of Development Of Small Business And Private Entrepreneurship In Industry

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ABSTRACT

This article analyzes the current state of development of small business and private entrepreneurship in the industrial sector of Uzbekistan. It highlights the role and significance of small enterprises in the national economy, their contribution to industrial output, job creation, and the enhancement of export potential. The paper also examines government policies aimed at supporting entrepreneurial activity in the industrial sector, existing challenges, and possible solutions.

Keywords:

small business, private entrepreneurship, industry, economic growth, innovation, production, employment, export.

In Uzbekistan's economy, the development of various forms of ownership and the support of small business and private entrepreneurship have been identified as one of the priority directions of economic policy since the early years of independence. In this regard, the Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022–2026" holds special significance. The document, based on a deep analysis of global processes and the country's recent economic achievements, defines the main objective of enhancing public welfare, transforming economic sectors, and rapidly developing entrepreneurship in line with the principle of "For the dignity of man."

Innovative development in the field of small business and private entrepreneurship primarily serves to ensure economic stability through the effective use of the country's intellectual potential, the creation of new knowledge, and the introduction of advanced technologies into production and services. This,

in turn, has a positive impact on improving the population's standard of living.

In recent years, a new stage of economic reforms has begun in New Uzbekistan. In particular, stimulating the private sector, increasing competitiveness, pursuing an open economic policy toward trade and investment, as well as joining the World Trade Organization (WTO), are among the country's key strategic goals.

Uzbekistan possesses several advantages in implementing these objectives: a high-quality education system, especially in natural, technical, and exact sciences, and a well-established and developing scientific research infrastructure. However, there remain challenges such as the slow introduction of innovations in small business and the private sector, the imbalance between labor market demand and supply, and the shortage of qualified specialists.

The integration of state policy with the scientific research sector in promoting innovation and supporting the private sector,

along with effective evaluation, monitoring, and coordination, plays an important role. Therefore, the current reforms in Uzbekistan are aimed at achieving high economic growth through the introduction of innovative projects across all sectors of the national economy, the expansion of innovative product manufacturing by industrial enterprises, and the application of modern management approaches.

In particular, the Government of Uzbekistan has set a long-term strategic goal to place the country among the world's top 50 nations in the Global Innovation Index by 2030. The rapid growth of Uzbekistan's population requires maintaining high rates of economic expansion. The most important means of achieving such growth is the wide application of innovative processes in small business and private entrepreneurship. Indeed, innovative development is one of the key factors in ensuring sustainable economic growth and improving public welfare.

The concept of business has been widely studied by both foreign and local scholars. The famous English economist Adam Smith defined business as a "source of wealth creation." The Austrian economist Joseph Schumpeter concluded that "business is an activity that generates profit." The great Chinese philosopher Confucius explained business as the process of earning income through human actions.

American scholar Peter Hisrich defined business as "a process of innovation in which a person expends labor, time, and effort to create value and, in return, receives profit." Among Uzbek economists, academician S.S. G'ulomov described business as "one of the sources of profit," while Professor Yo. Abdullayev defined it as "a source of income."

Significant contributions to the study of small business development and its role in the economy, the application of innovative processes in small business operations, and the assessment of the economic potential of small innovative enterprises have been made by leading economists such as S. Badal, A.S. Kritikos, and N. Boso, among others.

In the CIS countries, issues related to the organization of small innovative businesses,

evaluating their performance efficiency, ensuring their stability, and providing government support have been extensively researched by scholars such as S.N. Yashin and N.S. Somenkova.

Uzbek economists — including S.S. G'ulomov, Yo. Abdullayev, G.K. Abdurakhmonova, D.T. Yuldashev, and others — have deeply analyzed the role of small business in the national economy, its social effectiveness, and management mechanisms through their scientific works.

In recent years, as Uzbekistan's population and economic needs continue to grow amid limited resources, environmental challenges, water scarcity, and shrinking arable lands, the necessity of increasing production volumes has become an urgent issue. Therefore, in the modern economy, the most important competitive advantage lies in the level of new knowledge and the efficiency of its practical implementation. This factor plays a decisive role in determining the country's position in the international arena, the standard of living of its population, and national security.

Over the past decades, the global community has been undergoing processes of innovative transformation, which have positively influenced the qualitative indicators of economic growth. In Uzbekistan, the development of small business and private entrepreneurship is also directly linked to the creation, production, and application of innovations in both industrial and social sectors.

According to the data for 2022, a number of positive growth trends were observed in the activities of small businesses. In particular, growth was recorded in investment (5.0%), trade (2.9%), and freight transportation services (10.4%). Foreign trade relations were also strengthened, with exports increasing by 48.0% and imports by 9.2%. These indicators were largely formed as a result of the active export policies of small business entities and the restoration of economic relations with neighboring countries such as Afghanistan, Tajikistan, Turkmenistan, Kazakhstan, and the Kyrgyz Republic.

In the structure of imports, a high share of machinery and equipment was noted, which

indicates the intensification of production modernization and technological renewal processes.

According to the data presented in Table 1, the main indicators of small enterprises and microfirms in Uzbekistan showed a 4.3% decline in GDP in 2020. The main reason for this was the pandemic (coronavirus), during which production volumes decreased, domestic demand fell, and supply chains were disrupted due to quarantine measures.

Nevertheless, during 2021–2022, a recovery phase was observed in the activities of small business entities, characterized by growth

in production volumes, export of services, and investment activity.

In general, the analysis shows that small business and private entrepreneurship play an important role in the structural transformation of industrial sectors, ensuring employment, expanding innovative activities, and increasing export potential in Uzbekistan.

The favorable tax policy, easy access to credit resources, and the development of digital economy infrastructure created by the state serve as key factors in ensuring their effective operation.

Table 1.

Main Indicators of the Development of Small Business and Private Entrepreneurship in Uzbekistan's Economy (2020–2024), (%)

<i>Indicators</i>	2020	2021	2022	2023	2024	2024 compared to 2023, %
<i>Gross Domestic Product (GDP)</i>	55.3	54.8	54.1	51.8	52.6	95.7
<i>Industry</i>	25.8	27.9	27.4	26.0	26.7	94.8
<i>Agriculture, forestry and fisheries</i>	97.9	96.7	96.0	94.8	94.3	98.7
<i>Investment</i>	44.3	44.0	45.6	47.9	48.7	105.0
<i>Construction</i>	75.8	72.5	72.5	71.5	73.4	98.6
<i>Trade</i>	83.6	82.3	82.3	84.7	86.4	102.9
<i>Total services</i>	53.2	51.8	51.7	49.4	51.7	95.5
<i>Freight transportation</i>	54.4	51.6	42.9	47.4	46.7	110.4
<i>Passenger transportation</i>	90.4	93.5	92.7	92.4	91.3	99.6
<i>Employment</i>	76.2	74.5	74.5	73.9	74.4	99.1
<i>Export</i>	27.0	20.5	20.0	29.6	29.0	148.0
<i>Import</i>	61.6	51.7	45.2	49.4	50.6	109.2

In turn, in 2024, there was a decline of 5.2% in industry, 4.5% in the total services sector, 2.4% in construction, and 2.3% in agriculture, forestry, and fisheries. The decrease in other sectors, however, was relatively insignificant. Although some slowdown was observed in these areas, the introduction of innovations in small business indicates that the positive trend continues, with consumer activity in this segment steadily increasing.

Thus, particularly in trade and freight transportation, significant growth has been observed among small enterprises. Therefore, these sectors are considered among the most

attractive areas for small business representatives.

It is well known that in recent years, fundamental changes have been implemented in the field of innovation, along with other sectors of the economy of Uzbekistan. While in 2018 the number of registered enterprises and organizations increased by only 2.4% compared to 2017, in 2024 this growth reached 12.4%. At the same time, the growth rate of small enterprises amounted to 8.6%, while that of microfirms reached 13.9%. This reflects the increasing active participation of micro and small business entities in the national economy.

Table 2

Distribution of Registered Enterprises and Organizations in the Republic of Uzbekistan by Type

(as of January 1, excluding farms and dehqan households, thousand units)

No	Indicators	2017 - yil	2018 - yil	2019 - yil	2020 - yil	2021 - yil	2022 - yil	2023 -yil	2024 -yil	2024 compar ed to 2017, %
I.	Total:	278,5	285,4	300,2	339,0	419,5	503,5	557,8	627,5	112,4
	Including:									
1.	Small enterprises	22,7	18,0	19,2	20,7	22,5	25,5	25,5	27,7	108,6
2.	Microfirms	203,3	207,6	223,2	255,5	331,4	411,4	463,5	528,3	113,9
3.	Others	52,5	59,8	57,8	62,8	65,6	56,6	68,8	71,5	103,9

According to the data as of 2024, microfirms accounted for the highest share — 84.1% — among all registered enterprises and organizations. The main feature of this segment is that innovations are primarily introduced in operational processes, while product or technological innovations represent a relatively smaller proportion. This indicates that, along with strengthening the economic stability of microfirms, it is also necessary to orient them toward high value-added production.

In recent years, the innovative economic model, which has become one of the key drivers of global economic development, has also gained significant relevance for Uzbekistan. The positive changes observed in the country's economy are directly related to the innovative development of small business and private entrepreneurship.

The growth of small businesses in Uzbekistan, particularly in the microfirm segment, has increased considerably. Although there have been slight declines in some sectors, the overall trend reflects the growing innovative activity and sustainable development of small businesses. This, in turn, strengthens the role of small business in the country's economic growth, contributes to job creation, and expands export opportunities.

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