

**DEVELOPMENT OF SMALL BUSINESS AND PRIVATE
ENTREPRENEURSHIP IN UZBEKISTAN**

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This article is devoted to the analysis of the development of small business and private entrepreneurship in Uzbekistan. The article examines in detail the opportunities and prospects of integrating SMEs into Uzbekistan's stock market, identifies regulatory features and procedures, and formulates recommendations for improving the institutional environment to enhance the participation of small businesses in stock trading.

Introduction

Small business and private entrepreneurship play a strategically important role in the sustainable economic development of Uzbekistan, being key drivers of job creation, economic diversification, and the improvement of citizens' well-being. In recent years, the Republic of Uzbekistan has pursued a consistent policy aimed at liberalizing the business environment, reducing administrative barriers, and expanding state support for entrepreneurial initiatives. These efforts have led to significant growth in the SME sector, which today is one of the most important components of the national economy. According to statistical data, in 2024 the share of SMEs in the country's GDP reached 54.3%, making a significant contribution to export potential (33.3%) and industrial production (32.4%). The

sector employs 74% of the workforce—10.5 million people—and shows constant growth in the number of active enterprises.

However, despite these impressive achievements, issues related to access to financing and diversification of capital sources remain among the most pressing challenges for small businesses. Traditional banking instruments are not always capable of fully satisfying the growing investment needs of entrepreneurs, especially for long-term projects and business scaling. In this context, the stock market and exchange trading are becoming particularly relevant, representing a promising yet insufficiently explored mechanism for raising capital for SMEs.

The purpose of this study is a comprehensive analysis of the current state and prospects for the development of small business and private entrepreneurship in Uzbekistan, with an emphasis on the potential use of stock trading as a tool for further growth. To achieve this goal, it is necessary to solve the following tasks: examine the evolution of the legislative and institutional environment supporting SMEs; assess their current contribution to the economy and identify key challenges; review existing financial instruments and identify the need for alternative funding sources; analyze the opportunities and barriers for SME participation in stock trading; and develop practical recommendations to stimulate SME integration into Uzbekistan's stock market.

Main part. The history of the development of private entrepreneurship in Uzbekistan began in the early years of independence, when the foundations of a market economy were being laid. As early as February 1992, the Regulation on Private Entrepreneurship in the Republic of Uzbekistan (Appendix No. 3 to Resolution No. 85 of the Cabinet of Ministers) was adopted, defining the basic principles of the functioning of private enterprises, including registration procedures, property liability, and the use of hired labor. Although this document is no longer in force, it played an important role in legalizing private initiatives and forming the initial legislative framework.

A key stage in the development of the legal framework for small business was the adoption of the Law of the Republic of Uzbekistan No. 558-II "On Private Entrepreneurship" on December 11, 2003, which, together with Resolution No. 559-II of the Oliy Majlis, systematized the legal and organizational aspects of creating and operating private enterprises. This law remains the fundamental document defining the rights and obligations of entrepreneurs and mechanisms of state support.

In subsequent years, state policy regarding small business was characterized by a systematic and consistent approach, reflected in numerous programs and strategies. Annual presidential dialogues with entrepreneurs became a key mechanism in shaping modern economic policy, contributing to strengthening trust, easing business conditions, reducing administrative barriers, and digitalizing services. These dialogues, such as the 2024 meeting in Karakalpakstan, demonstrate the government's commitment to creating a favorable business environment. Entrepreneurship has been officially declared a strategic priority, which is confirmed by significant investments and state support programs. In 2025, the Uzbekistan government plans to allocate an unprecedented 120 trillion soums, including 22 trillion in preferential resources with lower interest rates for women entrepreneurs and increased limits on unsecured loans. An additional 1.5 trillion soums are allocated for infrastructure projects, along with support from international financial institutions such as ADB, EBRD, and ICAD totaling 470 million USD. These measures aim to strengthen the fundamental role of small business in Uzbekistan's economy, which is one of the key development trends.

Current state of small business and private entrepreneurship in Uzbekistan: sectoral structure, contribution to the economy, and key challenges

The current state of small and medium-sized enterprises (SMEs) in Uzbekistan is characterized by dynamic growth and significant contribution to economic development. As of 2024, the number of active enterprises reached 358,100, with 77,000 new companies created during the year. The SME sector contributed 54.3% to GDP, 33.3% to exports, and 32.4% to industrial output. Employment in the sector accounts for about 74% of total jobs—10.5 million people—with an ambitious goal of reaching 75% by 2025.

The sectoral structure of small business shows the dominance of services and trade. In 2024, the most significant growth was observed in trade (84%), construction (76.5%), and services (57%). Among new enterprises, the leaders are trade companies (28,000), followed by industrial (12,800) and agricultural (9,100) enterprises. Regional distribution also reflects high entrepreneurial activity, with Tashkent leading in the number of both new (16,200) and active (84,500) enterprises. The government aims to increase the sector's share in the economy to 55% by 2025, equivalent to 70 billion USD in added value, and to increase exports from 9 to 12 billion USD.

Despite the achievements, small business in Uzbekistan faces several significant challenges. One of the key issues is access to financing. Although the government provides

preferential loans, traditional banking mechanisms do not always fully meet the needs of entrepreneurs, especially in regional areas. Another important issue is the effectiveness of government support programs and the specifics of tax regulation. Additionally, low financial literacy, challenges in corporate governance, and limited awareness of alternative capital sources hinder further SME development.

Access to capital is the cornerstone of SME growth. In Uzbekistan, traditional financing methods primarily include bank loans. The government actively supports this channel by allocating significant funds. For example, in 2025, 120 trillion soums are planned for SME financing, including 22 trillion in preferential resources with reduced interest rates, as well as increased limits on unsecured loans. This support is essential for startups and microenterprises that often lack collateral.

Alongside traditional tools, Uzbekistan is actively exploring innovative financing approaches. A key role is played by the Economic Empowerment Fund (EEFU), established in 2021 with initial capital of 100 million USD and plans to increase it to 500 million USD with support from the Islamic Development Bank. The fund plans to begin financing SMEs through local commercial banks using Islamic financial instruments by the end of 2025. This approach, based on Sharia principles, promotes ethical and transparent financing and may be particularly attractive to certain entrepreneurs. In addition to providing funds, EEFU also plans to offer technical assistance, training, and capacity-building programs with a focus on regional areas. This aims to develop human capital, improve financial literacy, and enhance business planning and corporate governance.

Despite existing traditional and innovative instruments, there remains a strong need for further diversification of financing sources. Bank loans, even preferential ones, may be limited in volume, duration, and collateral requirements, which do not always align with the investment needs of rapidly growing SMEs. Therefore, the stock market and exchange trading represent a promising yet complex mechanism for attracting public capital.

Conclusion. The development of small business and private entrepreneurship in Uzbekistan is one of the key state policy priorities, reflected in the sector's significant economic contribution, continuous growth in the number of enterprises, and extensive government support programs. The legislative framework has undergone major reforms aimed at liberalization and creating a favorable business environment, while regular presidential dialogues with entrepreneurs have become an effective tool for adapting economic policy.

Despite the progress, SMEs still face challenges, primarily related to access to diversified financing sources. Bank loans, even with government support, do not always meet all business needs, especially in terms of long-term investments and scaling. Innovative approaches such as Islamic financing through EEFU are a positive step but are not the complete solution.

Stock trading represents a significant yet underutilized opportunity for SMEs. The stock market offers diversification of financing sources, improved transparency, and enhanced corporate governance. However, barriers such as strict listing requirements, high costs, and limited awareness among entrepreneurs hinder active SME participation.

To stimulate SME involvement in stock trading, a set of measures is needed. Key recommendations include creating a specialized SME market segment with simplified listing procedures, improving financial literacy, introducing government incentives for companies entering the stock market, developing financial intermediation infrastructure, and further improving the regulatory environment. These steps will expand SME access to public capital, supporting sustainable growth, economic diversification, and job creation.

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