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CONTACTS

Phone: **+998 50 737 87 88**

Website: <https://ist-journal.uz>

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ASSESSMENT OF THE DEVELOPMENT OF SMALL BUSINESS ENTITIES IN UZBEKISTAN

Mavrulov Ravshan Nematjonovich

Namangan State Technical University
Associate Professor, Department of Economics, PhD

Email: mavrulov1989@gmail.com

ORCID: 0009-0004-4940-5313

Abstract. This article provides a comprehensive assessment of the development dynamics of small business entities in Uzbekistan during 2021–2025. The analysis covers the composition of business entities as well as indicators of GDP, industry, construction, investment, agriculture, retail trade, services, and exports. Base and chain indices, the compound annual growth rate (CAGR), growth elasticity, and the target-achievement coefficient are used to distinguish quantitative expansion from structural and qualitative changes in the small business sector. The findings reveal particularly high growth in exports, investment, and industry, while the share of small business in GDP indicates the existence of additional reserves for improving productivity and value creation.

Keywords: small business, entrepreneurship, development dynamics, base index, growth elasticity, exports, investment.

INTRODUCTION

Small business is one of the most flexible components of a market economy. It not only creates new jobs and income sources, but also strengthens competition in manufacturing and service markets, expands opportunities to utilize regional resources, and facilitates the formation of cooperation chains with large businesses. Therefore, assessing small business development cannot be limited to recording the number of active entities or growth in turnover. An effective assessment system should also reveal the interrelationships among quantitative scale, structural shifts, resource utilization, access to external markets, and the targeted outcomes of economic policy.

Decree No. PF-50 of the President of the Republic of Uzbekistan dated 19 March 2025 identifies increasing the role of small and medium-sized businesses in the economy, improving the business environment in the regions, strengthening enterprise viability, encouraging access to external markets, and expanding industrial cooperation as priority objectives [1]. The document also sets target shares for 2025 in GDP, industry, exports, and employment, making it possible to assess small business development not only through statistical dynamics but also against target-achievement criteria.

Official statistics show that, by the end of 2025, small business entities generated UZS 923.5 trillion in gross value added, UZS 383.9 trillion in industrial output, UZS 362.9 trillion in investment in fixed capital, UZS 595.1 trillion in market services, and UZS 400.5 trillion in retail trade turnover. The share of small business was 52.2% of GDP, 34.9% of industrial output, 61.4% of investment, and 36.6% of exports [4]. These results demonstrate the substantial weight of the sector in the economy, while also highlighting the need to analyze the pace and quality of its development separately.

The purpose of this article is to assess the state of small business development in Uzbekistan during 2021–2025 using index-based, dynamic, and target-oriented criteria; to identify rapidly growing areas and areas with additional development reserves; and to formulate scientific and practical conclusions on this basis.

LITERATURE REVIEW

Two major approaches have emerged in international research on the role of small business in economic growth. The first considers the share of small and medium-sized enterprises in the number of firms, employment, and gross value added as the principal criteria characterizing their scale in the economy. OECD studies note that SMEs account for approximately 99% of business entities, around 60% of employment, and a substantial share of value creation in member countries [5].

The second approach emphasizes that scale alone is not a sufficient outcome and that productivity, access to finance, the institutional environment, and innovation capacity must also be considered. In a cross-country analysis, T. Beck, A. Demirgüç-Kunt, and R. Levine show that the expansion of small business may be positively

associated with economic growth, while demonstrating that this relationship depends on the quality of the financial system and institutions [7].

The Balanced Scorecard developed by R.S. Kaplan and D.P. Norton demonstrates the need to assess enterprise performance by combining financial indicators with non-financial dimensions such as customers, internal processes, learning, and development [8]. Applied to small business, this approach provides a theoretical basis for considering production, market, innovation, and social indicators within a unified assessment framework.

Domestic studies have also extensively addressed government support for small business, improvement of the entrepreneurial environment, innovative development, and the role of small business in regional economies. U.V. G'afurov focuses on improving the economic mechanisms for regulating small business [9], while R.A. Rashidov investigates the scientific and methodological foundations of small business development under an innovation-driven economy [10]. These approaches confirm the need to distinguish between the scale of small business development and its economic efficiency in analytical assessments.

RESEARCH METHODOLOGY

The information base of the study consists of official statistics on small entrepreneurship for 2021-2025 published by the National Statistics Committee of the Republic of Uzbekistan, together with regulatory and legal documents concerning the development of small and medium-sized businesses. The analysis employs comparative and systems analysis, statistical grouping, base and chain indices, the compound annual growth rate, growth elasticity, and the target-achievement coefficient.

The base index takes the 2021 value as 100 and measures the change in a subsequent period relative to the initial year:

$$I_{it}^b = (X_{it} / X_{i2021}) \times 100. \quad (1)$$

The compound annual growth rate was used to express the overall change over the study period as a stable annual rate:

$$CAGR_i = [(X_{i2025} / X_{i2021})^{1/4} - 1] \times 100. \quad (2)$$

Growth elasticity was calculated to compare the intensity of sectoral development with the dynamics of the small business contribution to GDP:

$$E_i = CAGR_i / CAGR_GDP. \quad (3)$$

In addition, a target-achievement coefficient was applied to measure the proximity of actual results to normative targets:

$$K_j^m = A_j / M_j. \quad (4)$$

Here, A_j is the actual value of indicator j and M_j is its target value. If $K_j^m \geq 1$, the target is considered achieved; if $K_j^m < 1$, additional development reserves are deemed to exist in the corresponding area. Because growth in nominal indicators also incorporates price changes, some results were interpreted together with official real growth rates in order to avoid conflating nominal dynamics with real production activity.

ANALYSIS AND RESULTS

The first layer characterizing the scale of small business development is the composition of active entities. As of 1 January 2026, 1,201.6 thousand small business entities were operating in Uzbekistan. Small enterprises and microfirms accounted for 41.0%, dehqan farms for 32.9%, and individual entrepreneurs for 23.7%. Together, these three groups represented more than 97% of all entities. This structure indicates that small business policy should not apply identical measures to all entities, but should instead use differentiated mechanisms reflecting organizational form and the specific nature of activity (Table 1).

Table 1.
Composition of Active Small Business Entities as of 1 January 2026

Type of entity	Thousand units	Share, %
Small enterprises and microfirms	493.0	41.0
Individual entrepreneurs	284.4	23.7
Dehqan farms	395.6	32.9
Family entrepreneurs	5.6	0.5
Craftspeople	22.1	1.8
Sellers of imported goods	0.9	0.1

Type of entity	Thousand units	Share, %
Total	1,201.6	100.0

The structure of newly established small enterprises and microfirms also reflects the main entry points into entrepreneurship in the economy. In 2025, 82.4 thousand new small enterprises and microfirms were established, of which 36.7% operated in trade, 12.7% in industry, 12.0% in agriculture, forestry and fisheries, and 8.8% in accommodation and food services. The high share of trade can be explained by relatively low entry barriers and rapid capital turnover, while the increasing share of industry creates a basis for expanding entrepreneurial activity in the real sector. At the same time, the number of newly established entities does not automatically indicate their subsequent viability or production efficiency; therefore, business-demography indicators should be analyzed together with performance indicators.

During 2021–2025, the main performance indicators of small business showed nominal growth across all areas. However, growth rates differed substantially by sector. The highest compound annual growth rates were observed in exports, investment, and industry. Agriculture, despite its high share in the economy, displayed comparatively moderate growth dynamics (Table 2).

Table 2.

Key Performance Indicators of Small Business in Uzbekistan, 2021–2025

Indicator	2021	2022	2023	2024	2025	Share 2025, %	CAGR, %
GDP (trn UZS)	455.7	533.1	646.8	789.5	923.5	52.2	19.3
Industry (trn UZS)	124.9	143.9	177.9	307.8	383.9	34.9	32.4
Construction (trn UZS)	77.9	93.6	176.0	194.5	230.9	73.6	31.2
Investment (trn UZS)	109.2	127.6	176.6	265.7	362.9	61.4	35.0
Agriculture (trn UZS)	308.8	350.2	411.8	454.9	495.4	91.9	12.5
Retail trade (trn UZS)	186.8	229.2	287.1	345.4	400.5	83.0	21.0
Services (trn UZS)	231.5	294.2	378.0	477.9	595.1	56.7	26.6
Exports (USD bn)	3.3	6.2	6.9	9.3	12.4	36.6	39.2

As Table 2 shows, the nominal small business contribution to GDP increased from UZS 455.7 trillion in 2021 to UZS 923.5 trillion in 2025, more than doubling over the period. Industrial output increased 3.07 times, investment 3.32 times, and exports 3.76 times. In particular, the 39.2% CAGR in exports indicates an acceleration in the integration of small businesses into external markets. The 35.0% compound annual growth in investment suggests an increase in resources directed toward modernizing the production base, acquiring equipment, and creating new capacities.

With a CAGR of 32.4% in industry, the small business share of industrial output reached 34.9% in 2025. This represents a situation of “relatively low share—high dynamics.” In such segments, the main policy task is to maintain growth while supporting capacity expansion, cooperation, financing, and technological modernization. By contrast, in agriculture, the small business share reached 91.9%, whereas the CAGR was comparatively low at 12.5%. This is a “high share—lower dynamics” pattern, which places greater emphasis on productivity, processing, and deeper integration into value chains rather than on purely quantitative expansion (Figure 1).

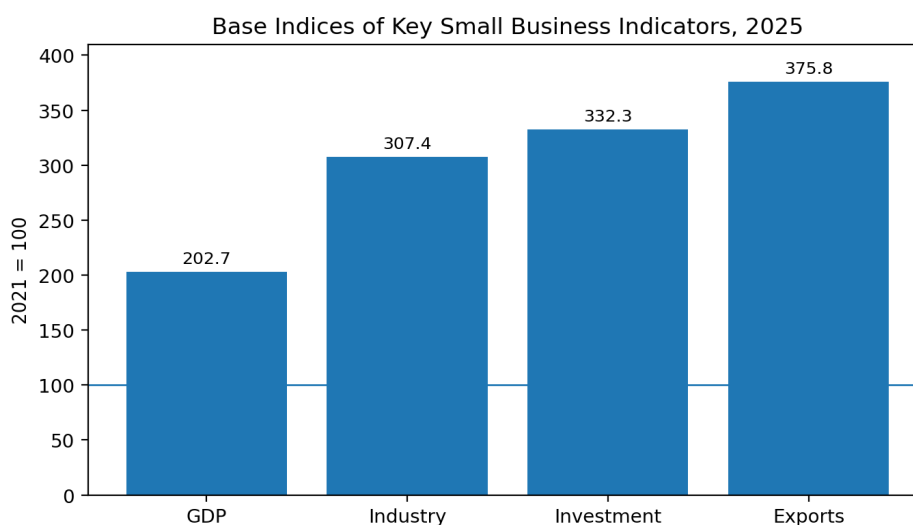


Figure 1. Base Indices of Key Small Business Indicators, 2025 (2021 = 100)

Figure 1 clearly shows that the largest increases relative to 2021 occurred in exports and investment. The export index reached 375.8, the investment index 332.3, and the industrial index 307.4. The GDP index stood at 202.7. Thus, although the overall economic volume expanded substantially, production- and external-market-oriented activities grew more rapidly. This divergence indicates a qualitative structural shift within the small business sector—from trade and traditional activities toward activities characterized by higher value added, greater capital intensity, and stronger export orientation.

Growth elasticity confirms this conclusion. The elasticity coefficient equals $E = 2.03$ for exports, $E = 1.81$ for investment, $E = 1.68$ for industry, and $E = 1.62$ for construction. In other words, these areas are expanding faster than the overall small business contribution to GDP. For agriculture, $E = 0.65$, indicating a growth rate below the overall small business dynamic. Therefore, it would be incorrect to interpret “share” and “growth rate” as equivalent indicators: a sector with a high share may already be economically mature while still possessing substantial productivity reserves.

In assessing external economic activity, export growth should be considered together with its relationship to imports. Small business exports increased from USD 3.3 billion in 2021 to USD 12.4 billion in 2025, while imports rose from USD 11.5 billion to USD 25.4 billion. The export-to-import coverage ratio increased from 28.7% to 48.8%, indicating an improvement in the capacity of small businesses to generate foreign-exchange earnings. Nevertheless, the USD 13.0 billion excess of imports over exports shows that dependence on external resources remains high. It is important to distinguish imports of production equipment and technologies from consumer imports, because technological imports may serve as an investment factor that increases future exports and productivity.

Comparing 2025 outcomes with the targets established in Decree No. PF-50 makes it possible to identify areas in which small business performance was relatively strong and areas where additional development reserves remain (Table 3).

Table 3.
Achievement of Selected Small Business Targets in 2025

Indicator	Target, %	Actual, %	Diff., p.p.	K^m	Assessment
Share in GDP	55.0	52.2	−2.8	0.949	Reserve remains
Share in industry	34.0	34.9	+0.9	1.026	Achieved
Share in exports	34.0	36.6	+2.6	1.076	Achieved

The fact that the K^m coefficient exceeded 1 for industry and exports indicates that the 2025 target values in these areas were achieved. For the share in GDP, $K^m = 0.949$, meaning that approximately 94.9% of the target was attained. Eliminating this gap solely by increasing the number of new entities would not be an efficient solution. The main emphasis should instead be placed on increasing labor productivity, return on assets, technological capacity, innovation activity, and market coverage among existing enterprises.

The results show that small business development in Uzbekistan during 2021–2025 was characterized by two parallel processes: on the one hand, the number of entities and the range of activities expanded; on the other hand, rapid growth in investment, industry, and exports altered the structural quality of the sector. Accordingly, a future monitoring system should integrate three levels—business demography, performance indicators, and quality-and-efficiency indicators.

CONCLUSIONS AND RECOMMENDATIONS

The analysis shows that the main economic indicators of small business in Uzbekistan followed a stable growth trajectory during 2021–2025. The highest compound annual growth rates were recorded in exports, investment, and industry, reflecting stronger activity of small businesses in the real sector and external markets. At the same time, high growth does not automatically imply the highest level of efficiency; assessment should jointly consider sectoral share, growth rate, real output, and the extent to which outcomes meet target criteria.

First, in agriculture and retail trade—segments with high shares but comparatively slower growth—greater emphasis should be placed on labor productivity, the degree of processing, digitalization, and value-added creation rather than on quantitative expansion. Second, maintaining high growth rates in exports, investment, and industry requires deeper mechanisms for long-term financing, international standards, logistics, and technological modernization.

Third, the target-achievement coefficient of 0.949 for the small business share in GDP indicates that additional reserves remain for increasing the value-creation capacity of existing enterprises. Fourth, statistical

monitoring should regularly publish, alongside nominal volumes, indicators of real growth, enterprise survival, export diversification, investment returns, and digital and innovation activity.

Overall, when the assessment of small business development is organized along the chain “number of entities—economic results—quality and efficiency,” the precision of management decisions improves. This approach provides a methodological basis for linking national-level dynamics with regional indices and firm-level integral efficiency indicators.

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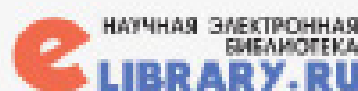
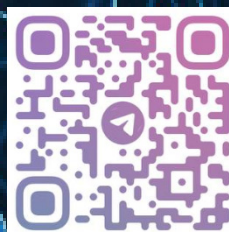
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