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THE TRANSFORMATIONAL ROLE OF SMALL BUSINESS IN UZBEKISTAN'S ECONOMIC DEVELOPMENT: A COMPREHENSIVE ANALYSIS BASED ON 2025 NATIONAL STATISTICS

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Abstract: Small business has become a fundamental driver of economic growth, employment generation, and structural transformation in emerging economies. This study investigates the transformational role of small business in Uzbekistan using recent official statistical data for the first quarter of 2025. The research applies a quantitative-descriptive and comparative analytical approach to evaluate the contribution of small business entities across key economic sectors, including GDP, industry, agriculture, construction, services, and foreign trade.

The findings reveal that small business accounts for 45.6% of GDP, demonstrating its central role in national economic performance. Sectoral analysis indicates particularly high participation in agriculture (over 95%), construction (78.1%), and retail trade (82.5%), highlighting its structural dominance in labor-intensive and service-oriented sectors. Additionally, small business contributes significantly to external trade, accounting for 24.9% of exports and 50.7% of imports, suggesting both integration into global markets and structural imbalances [1]

The study contributes to the literature by offering an up-to-date empirical assessment of small business as a transformational economic force in Uzbekistan. It identifies key trends, sectoral asymmetries, and policy-relevant challenges, particularly in export competitiveness. The results provide a foundation for developing targeted economic policies aimed at enhancing the efficiency, sustainability, and global integration of small business.

Key words: small business, economic transformation, GDP contribution, entrepreneurship, Uzbekistan, structural change.

INTRODUCTION

In recent decades, small businesses and entrepreneurship have emerged as central components of economic transformation, particularly in developing and transition economies. Beyond their traditional role in employment generation, small and medium-sized enterprises (SMEs) are increasingly recognized as key drivers of structural change, innovation, and market diversification. Their flexibility, adaptability, and capacity to respond to local demand make them critical actors in the transition toward more resilient and inclusive economic systems.

In the context of Uzbekistan, the role of small business has gained particular significance amid ongoing economic reforms aimed at liberalization, private sector development, and integration into the global economy. Since the mid-2010s, the government has implemented a wide range of institutional and structural reforms designed to improve the business environment, reduce administrative barriers, and expand access to finance. As a result, the number of registered small business entities has grown rapidly, exceeding 1.2 million by early 2025, reflecting both increased entrepreneurial activity and the formalization of previously informal economic practices.

Despite this quantitative expansion, important structural opportunities are emerging regarding the qualitative role of small business in the economy. While SMEs account for a substantial share of gross domestic product—reaching 45.6% in the first quarter of 2025—their sectoral distribution and functional contribution reflect dynamic development potential. In particular, small businesses are strongly represented in labor-intensive sectors such as agriculture, construction, and retail trade, while their gradual expansion into capital-intensive and high value-added industries is gaining momentum. This indicates a positive trajectory in structural transformation and supports the long-term sustainability of SME-led growth.

An additional dimension of concern is the role of small businesses in external economic activity. This pattern suggests that small businesses are more actively engaged in trade intermediation and consumption-oriented activities than in export-oriented production, limiting their integration into global value chains and reducing their contribution to international competitiveness.

While existing studies on SME development in Uzbekistan emphasize their contribution to employment and aggregate economic growth, there remains a lack of comprehensive, up-to-date analysis that integrates sectoral structure, trade dynamics, and recent statistical evidence. In particular, limited attention has been given to the structural imbalances between domestic and external economic roles of small businesses in the post-reform period.

Against this background, the present study aims to provide a comprehensive and data-driven assessment of the transformational role of small business in Uzbekistan's economy, using the most recent official statistics for 2025. The study focuses on evaluating the scale, sectoral distribution, and economic impact of small businesses, with particular emphasis on their contribution to GDP, industry, services, and foreign trade.

The main objectives of the study are:

- to analyze the quantitative growth and structural characteristics of small business entities;
- to evaluate their contribution to key macroeconomic indicators and sectoral output;
- to assess their role in foreign trade and identify existing asymmetries;
- to determine the key structural challenges and policy implications for enhancing SME competitiveness.

The novelty of this research lies in its integration of recent empirical data with a sectoral and structural analytical framework, allowing for a deeper understanding of the evolving role of small business in Uzbekistan's economic transformation. By highlighting both achievements and limitations, the study contributes to a more nuanced evaluation of SME development and its implications for sustainable and inclusive growth.

REVIEW OF LITERATURE ON THE SUBJECT

The role of small and medium-sized enterprises (SMEs) in economic development has been extensively analyzed across both theoretical and empirical literature. SMEs are widely regarded as fundamental components of modern economies, contributing significantly to employment generation, innovation, and structural diversification. According to the Organization for Economic Co-operation and Development, SMEs account for approximately 90% of all firms and more than half of total employment worldwide, underscoring their systemic importance in both developed and developing countries.

From a theoretical perspective, the importance of small business is closely linked to the dynamics of innovation and structural change. The seminal work of Joseph Schumpeter (1934) introduced the concept of "creative destruction," emphasizing the role of entrepreneurs as agents of economic transformation. Within this framework, small firms are viewed as flexible and innovative actors capable of disrupting existing market structures and fostering technological progress. However, subsequent research has nuanced this view, suggesting that while SMEs contribute to innovation, their capacity is often constrained by limited resources and institutional barriers.

In the context of developing and transition economies, SMEs play a particularly important role in promoting inclusive growth and reducing unemployment. Empirical studies, including those by Thorsten Beck et al. (2005), demonstrate a positive relationship between SME development, job creation, and income distribution. These findings support the argument that SMEs function as key instruments of socio-economic stabilization, particularly in economies undergoing structural transformation.

At the same time, the literature reveals important structural limitations associated with SME development. A consistent finding across studies is the sectoral concentration of small firms in labor-intensive and low value-added activities, such as agriculture, retail trade, and basic services. According to reports by the Organization for Economic Co-operation and Development, SMEs tend to have a relatively limited presence in capital-intensive industries, where higher levels of investment, technology, and productivity are required. This structural pattern raises concerns regarding their long-term contribution to productivity growth and industrial upgrading.

Recent research has increasingly focused on the role of SMEs in global value chains and international trade. While globalization creates new opportunities for small businesses, their integration into international

markets remains uneven. Studies indicate that SMEs often face barriers related to scale, competitiveness, and compliance with international standards, which limit their export capacity. As a result, in many developing economies, SMEs are more actively involved in import activities and domestic trade intermediation than in export-oriented production. This asymmetry has been identified as a key constraint on their ability to contribute to external competitiveness and foreign exchange earnings.

Another important dimension in the literature concerns the role of innovation and digitalization. Contemporary studies highlight that the adoption of digital technologies, participation in e-commerce, and engagement in innovation networks significantly enhance SME productivity and market reach. However, the extent to which SMEs benefit from digital transformation depends largely on institutional support, infrastructure, and access to finance. In this regard, recent reports by the Organization for Economic Co-operation and Development emphasize the growing importance of fintech solutions and alternative financing mechanisms in overcoming traditional credit constraints.

Institutional factors are consistently identified as critical determinants of SME performance. Access to finance, regulatory quality, and the overall business environment significantly influence the growth and competitiveness of small firms. In many transition economies, including Uzbekistan, reforms aimed at improving the regulatory framework and supporting private sector development have led to a rapid expansion of SMEs. However, structural challenges—such as limited technological capacity, skills shortages, and weak linkages with large enterprises—continue to constrain their development.

Despite the extensive body of international literature, there remains a relative lack of comprehensive and up-to-date empirical studies focusing on the structural role of SMEs in Uzbekistan. Existing research primarily emphasizes aggregate indicators such as employment and GDP contribution, while paying limited attention to sectoral distribution, trade imbalances, and the evolving role of SMEs in the post-reform economic environment.

Therefore, this study contributes to the literature by providing a detailed and data-driven analysis of small business development in Uzbekistan based on the most recent statistical evidence for 2025. By integrating sectoral, structural, and trade dimensions, it offers new insights into the opportunities and constraints shaping the transformational role of SMEs in a transition economy.

RESEARCH METHODOLOGY

This study utilizes official statistical data from the National Statistics Committee of the Republic of Uzbekistan, focusing on the first quarter of 2025. The dataset includes key macroeconomic and sectoral indicators such as gross domestic product (GDP), sectoral output (agriculture, industry, construction, and services), retail trade turnover, foreign trade (exports and imports), investment in fixed capital, and the regional distribution of small business entities. The use of recent and official data ensures a high level of reliability and relevance for analyzing current economic dynamics.

The research adopts a quantitative design, combining descriptive, comparative, and structural analytical approaches. Descriptive analysis is used to assess the scale and contribution of small businesses to key economic indicators, including their role in GDP and overall economic activity. Comparative analysis enables the examination of differences across sectors, helping to identify relative strengths and weaknesses in the participation of small businesses in agriculture, industry, construction, services, and trade. Structural analysis focuses on identifying patterns of sectoral concentration and economic imbalances, particularly the dominance of small businesses in labor-intensive sectors, their limited presence in capital-intensive industries, and asymmetries in export and import participation. Together, these approaches provide a comprehensive evaluation of small business development.

The analytical framework is based on a set of key indicators reflecting the economic role of small businesses, including their share in GDP, sectoral distribution of output, contribution to industrial production and construction, participation in trade and services, role in exports and imports, investment activity, and regional distribution. These indicators are analyzed both individually and in relation to one another to identify structural relationships and emerging economic trends.

To interpret these relationships, the study employs a conceptual model in which economic development is viewed as a function of several interrelated dimensions of small business activity, including the scale of enterprises, sectoral structure, trade participation, investment activity, and employment generation. This relationship can be expressed as: $\text{Economic Development} = f(\text{Scale, Structure, Trade, Investment, Employment})$. This conceptual approach allows for systematic analysis without imposing restrictive econometric assumptions, given the limitations of available data.

Despite its contributions, the study has several limitations. It relies primarily on cross-sectional data for 2025, which restricts the ability to capture long-term dynamics. The absence of firm-level microdata limits deeper analysis of productivity and efficiency, and the study does not include formal econometric estimation.

Nevertheless, the use of detailed and up-to-date official statistics provides a robust and policy-relevant assessment of small business development in Uzbekistan.

ANALYSIS AND RESULTS

The analysis shows that small business in Uzbekistan has reached a significant scale. As of the first quarter of 2025, the total number of active small business entities exceeded 1.2 million, indicating a high level of entrepreneurial activity and economic participation.

Additionally, the density of small business entities reached approximately 32.2 units per 1,000 population, reflecting the growing role of entrepreneurship in the national economy.

During the first quarter of 2025, approximately 19.2 thousand new small enterprises and microfirms were established, demonstrating a steady expansion of the sector.

Interpretation:

This growth indicates not only quantitative expansion but also increasing formalization of business activities, which is essential for sustainable economic development.

Small business continues to play a central role in Uzbekistan's economy, contributing 45.6% [1] of GDP in the first quarter of 2025.

Sectoral analysis reveals strong dominance in several key areas (Table 1):

Table 1. Sectoral Distribution of Small Business Participation by Industry in Uzbekistan (%)

Sector	Share of Small Business (%)
Agriculture	~96%
Construction	78.1%
Services	54.0%
Industry	21.9%

Despite their relatively modest share in industrial output (21.9%), small businesses demonstrate positive growth dynamics in this sector. In the first quarter of 2025, small enterprises produced industrial goods worth approximately 59.4 trillion UZS, accounting for 28.1% of total industrial output and exhibiting a growth rate exceeding 13% compared to the previous year.

This trend suggests a gradual expansion of small firms into industrial activities, while their role continues to complement that of large enterprises. Structural factors—such as evolving access to long-term financing, technology, and skilled labor—are progressively shaping their deeper integration into capital-intensive production.

At the same time, investment activity among small businesses shows strong performance. Investments in fixed capital reached approximately 72.7 trillion UZS[1], accounting for over 60% of total investment. This indicates increasing confidence among small business owners and reflects their growing role in capital formation.

However, the effectiveness of these investments depends on their allocation. If concentrated in low-productivity sectors, their impact on long-term economic transformation may remain limited.

Small businesses play a significant role in Uzbekistan's foreign trade, but their participation is characterized by a notable structural imbalance. In the first quarter of 2025, small enterprises accounted for approximately 24.9% of exports and 50.7% of imports.

This asymmetry reveals a fundamental characteristic of SME activity: a stronger orientation toward import-related operations and domestic trade intermediation rather than export-oriented production.

At the same time, the high share of imports indicates that small businesses play a critical role in supplying the domestic economy with raw materials, intermediate goods, and consumer products. This function supports domestic production but also reinforces dependency on external markets.

Small business demonstrates significant involvement in trade (Table 2):

Table 2. Foreign Trade Participation of Small Businesses in Uzbekistan

Indicator	Value	Share (%)
Export	2.0 billion USD	24.9
Import	4.7 billion USD	50.7

There is a clear imbalance between export and import participation. Small business is highly active in import operations, while its export capacity remains relatively limited. This suggests challenges related to low value-added production and competitive weaknesses in global markets.

The regional distribution of small business activity reveals significant spatial disparities. The highest concentration of enterprises is observed in Tashkent City, followed by regions such as Samarkand, Fergana, and Andijan.

This pattern reflects differences in:

- infrastructure development;
- market access;
- availability of financial and institutional support.

Urban and economically diversified regions tend to attract higher levels of entrepreneurial activity, while less-developed regions face structural constraints that limit SME growth.

From a policy perspective, these disparities highlight the need for regionally differentiated strategies aimed at promoting balanced economic development and expanding entrepreneurial opportunities across the country (Table 3).

Table 3. Regional Distribution of Active Small Business Entities in Uzbekistan (as of July 1, 2025)

Region	Active Small Business Entities (July 1 2025)
Tashkent City	91,916
Samarkand Region	34,124
Fergana Region	30,817
Andijan Region	21,890
Namangan Region	21,648

The data indicate that small business activity is concentrated primarily in urban and economically diversified regions such as Tashkent City, which benefits from better access to markets, infrastructure, and financial services. In contrast, regions such as Andijan and Namangan, though smaller in absolute numbers, reflect emerging entrepreneurial activity that could be strengthened through targeted regional policies. This spatial distribution provides valuable insight for policymakers seeking to balance regional economic development and enhance SME participation nationwide [2].

The internal structure of small business in Uzbekistan is characterized by a high prevalence of individual and agricultural forms of entrepreneurship. A significant proportion of business entities consists of dehkan farms and individual entrepreneurs, indicating the continued importance of rural and subsistence-based economic activities.

This structure suggests that, alongside overall growth, the SME sector continues to diversify further. The relatively emerging number of family businesses and innovative enterprises reflects the ongoing development of scalable and growth-oriented forms of entrepreneurship.

Furthermore, the sectoral distribution of newly established enterprises is heavily concentrated in trade and services, with limited expansion into industrial activities. This reinforces the broader finding that small business development in Uzbekistan is primarily oriented toward short-term, low-capital sectors rather than long-term productive industries.

The findings of this study confirm that small business has become a central pillar of Uzbekistan's economic structure. Its substantial contribution to GDP (45.6%) and dominance in key sectors such as agriculture, construction, and trade indicate a high level of structural integration.

However, a deeper analysis reveals several critical structural characteristics.

First, the dominance of small business in labor-intensive sectors suggests that the current economic model is heavily reliant on traditional forms of economic activity. While this ensures employment and income generation, it may limit productivity growth and technological advancement in the long term.

Second, the relatively low share of small business in industrial production (21.9%) indicates structural constraints in accessing capital-intensive and high value-added sectors. This reflects common challenges in developing economies, where small enterprises face barriers such as limited access to finance, technology, and skilled labor.

Third, one of the most significant findings is the imbalance between export and import activities. Small business accounts for 50.7% of imports but only 24.9% of exports. This asymmetry suggests that small

enterprises are more engaged in trade intermediation rather than production for international markets.

From a transformational perspective, this indicates that while small business contributes significantly to domestic economic activity, its role in global value chains continues to expand.

Finally, the high participation of small business in services (54%)[4] and transport sectors further reinforces its role as a driver of employment and internal economic circulation rather than external competitiveness.

Synthesis:

Small business in Uzbekistan is highly developed in terms of scale and domestic integration, but its transformational potential is constrained by structural imbalances, particularly in industrial and export capacities (Table 4).

Table 4. Key Indicators of Small Business in Uzbekistan (2025 Q1)

Indicator	Value	Share (%)
Total number of entities	1.2 million	—
GDP contribution	—	45.6%
Industrial production	59.4 trillion UZS	28.1%
Construction	39.2 trillion UZS	78.1%
Agriculture	50.4 trillion UZS	95.7%
Services	113.9 trillion UZS	54.0%
Retail trade	74.5 trillion UZS	82.5%
Export	2.0 billion USD	24.9%
Import	4.6 billion USD	50.7%

As of April 1, 2025, the total number of operating entrepreneurial entities without legal entity status in Uzbekistan reached 718,622[5] units. These entities represent an important segment of the small business sector, contributing significantly to employment, income generation, and informal economic activity.

The structure of these entrepreneurial entities is as follows (Table 5):

Table 5. Structure of Entrepreneurial Entities by Type in Uzbekistan

Individual entrepreneurs	258,001
Dehkan (household) farms	431,616
Family entrepreneurs	6,027
Craftsmen (artisans)	21,967
Import goods sellers	1,011

The regional distribution of these entities demonstrates significant variation across the country.

The highest number of entrepreneurial entities is observed in (Table 6):

Table 6. Regional Distribution of Entrepreneurial Entities in Selected Regions of Uzbekistan

Andijan region	99,874
Samarkand region	83,027
Fergana region	75,933
Kashkadarya region	58,791

Meanwhile, lower levels are recorded in (Table 7):

Table 7. Regional Distribution of Entrepreneurial Entities in Selected Regions of Uzbekistan

Navoi region	17,239
Syrdarya region	19,517

Tashkent City shows a distinct structure, with a strong concentration of individual entrepreneurs (33,800) and a specialized presence of dehkan farms, reflecting its urban economic profile. As of April 1, 2025, the number of small business entities per 1,000 population reached 32.2 units nationwide.[1]

The highest regional indicators are observed in (Table 8):

Table 8. Regional Distribution of Entrepreneurial Entities in Selected Regions of Uzbekistan

Tashkent City	40.6
Bukhara region	40.0
Khorezm region	38.7
Andijan region	38.0

This indicates a relatively high level of entrepreneurial activity and business engagement across the population.

During January–March 2025, approximately 19.2 thousand new small enterprises and microfirms (excluding farms) were established.

Sectoral distribution of newly established businesses (Figure 1):

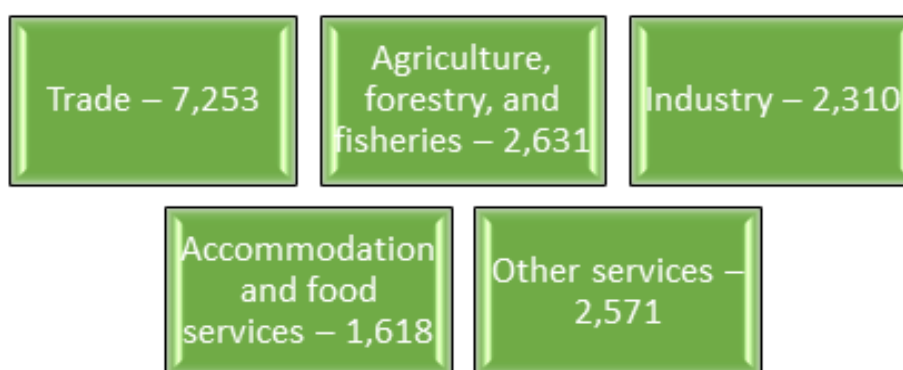


Figure 1. Sectoral Distribution of Newly Established Small Businesses in Uzbekistan

The structure of entrepreneurial entities in Uzbekistan reveals several important economic patterns.

First, the dominance of dehqan farms (over 60%) indicates that small business activity is still strongly concentrated in agriculture. This suggests that rural entrepreneurship remains a fundamental component of the national economy, but it may also reflect limited diversification into higher value-added sectors.

Second, the relatively low number of family businesses and innovative entrepreneurial forms indicates underdevelopment of more advanced and scalable business models. This highlights the need for policies that support business formalization and growth.

Third, the regional distribution demonstrates a clear relationship between population density, economic infrastructure, and entrepreneurial activity. Regions such as Andijan, Samarkand, and Fergana show high entrepreneurial concentration due to their demographic and economic characteristics.

In contrast, regions with lower indicators may face structural constraints, including limited access to markets, infrastructure, and financial resources.

Fourth, the sectoral distribution of newly established enterprises shows a strong concentration in trade and services, while the share of industry remains relatively modest. This confirms the earlier finding that small business in Uzbekistan is predominantly oriented toward low-capital, fast-turnover sectors, rather than long-term productive industries.

Key Economic Indicators of Small Businesses (January–March 2025)

Small business entities continue to play a crucial role in the national economy. In the first quarter of 2025, their share in Gross Domestic Product (GDP) amounted to 45.6%, remaining unchanged compared to the same period in 2024. This stability suggests that small businesses have maintained their position as a backbone of economic activity despite changing market conditions.

When examining sectoral contributions, small businesses dominate several areas. Their highest share is observed in agriculture, forestry, and fisheries (96.0%),[7] highlighting their critical importance in rural and resource-based industries. This is followed by construction (79.9%), where small firms are highly active, and the services sector (44.8%), which reflects their growing role in modern economic activities. In contrast, their

participation in industry (21.9%) remains relatively lower, indicating that large enterprises still lead in capital-intensive production.

During January–March 2025, small businesses produced industrial goods worth 59,483.3 billion UZS, accounting for 28.1% of total industrial output. Notably, this represents a growth rate of 113.6% compared to the same period in 2024.

Although their share in industrial production is not dominant, the strong growth rate suggests increasing competitiveness and gradual expansion of small firms into industrial sectors.

At the same time, a broader trend can be observed: the share of small businesses in total production has slightly declined over recent years (from about 50.5% in 2021 to 45.6% in 2025).[8] This may indicate structural changes in the economy, where larger enterprises are growing faster or where industries are becoming more capital-intensive.

Small businesses remain the driving force in the construction sector. In the first quarter of 2025, they carried out construction works worth 39,264.3 billion UZS, representing 78.1% of total construction volume. The sector also showed steady growth, increasing by 106.0% compared to the same period in 2024.

This high share demonstrates that construction is one of the most accessible and dynamic sectors for small enterprises, likely due to lower entry barriers and strong domestic demand for infrastructure and housing.

Investment activity by small businesses has shown particularly strong performance. In January–March 2025, investments in fixed capital reached 72,747.9 billion UZS, accounting for 60.4% of total investments. This reflects a significant growth rate of 122.7% [9] compared to the previous year.

Over recent years, both the volume and share of such investments have generally increased, despite some fluctuations. This trend indicates rising confidence among small business owners and a willingness to expand operations, adopt new technologies, and improve productivity.

Overall, the data highlights that small businesses are not only maintaining a stable share in GDP but are also expanding in key areas such as investment and industrial production. Their dominance in agriculture and construction underscores their importance in both traditional and developing sectors of the economy.

However, the slight decline in their overall share of production suggests increasing competition from larger enterprises. This points to the need for supportive policies, such as improved access to finance, innovation incentives, and infrastructure development, to ensure that small businesses remain competitive.

Small business entities have become a cornerstone of Uzbekistan's economic transformation, particularly in the retail trade sector. According to 2025 national statistics, during the period of January–March 2025, the retail trade turnover generated by small business entities reached 74,541.9 billion UZS, accounting for 82.5% of the total retail turnover. This represents a growth rate of 108.4% compared to the same period in 2024, highlighting the sector's continued expansion and resilience.

This steady growth reflects not only an increase in entrepreneurial activity but also the deepening integration of small businesses into domestic consumption chains. Retail trade, as one of the most dynamic components of the economy, provides a clear lens through which to observe structural shifts toward a more market-oriented system.

Over recent years, the contribution of small businesses to retail trade has shown both quantitative growth and gradual structural adjustment. The volume of retail turnover generated by small businesses has increased consistently:

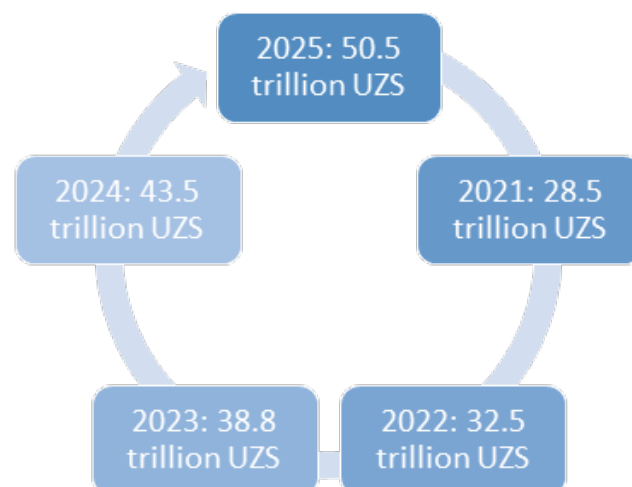


Figure 2. Growth Dynamics of Small Business Retail Trade Turnover in Uzbekistan (2021–2025)

At the same time, their share in total retail turnover, while still dominant, has slightly declined (Figure 2):

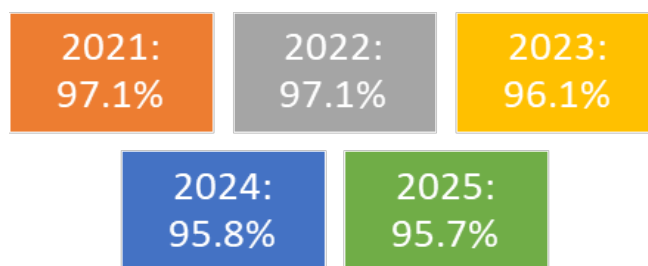


Figure 2. Share of Small Businesses in Total Retail Trade Turnover in Uzbekistan (2021–2025)

This dual trend—rising absolute volume alongside a modest decrease in proportional share—suggests an important structural transformation. While small businesses continue to expand, larger enterprises and formal retail chains are gradually increasing their presence in the market.

The high share of small businesses in retail trade—consistently above 80%—demonstrates their critical role in ensuring market accessibility, employment generation, and income distribution. In Uzbekistan, small enterprises often operate closer to consumers, particularly in rural and semi-urban areas, where large-scale retail infrastructure is less developed. This gives them a competitive advantage in responsiveness and adaptability.

However, the slight decline in their overall share indicates increasing competition and diversification within the retail sector. [10] The entry of larger firms, modernization of supply chains, and the expansion of supermarkets and e-commerce platforms are gradually reshaping the retail landscape. Rather than signaling a weakening of small businesses, this trend reflects a maturing economy where different business sizes coexist and complement each other.

The robust performance of small businesses in retail trade has several broader implications:

Employment creation: Small enterprises are labor-intensive and provide jobs for a significant portion of the population.

Entrepreneurial development: Growth in this sector indicates improving business conditions and access to finance.

Regional development: Small businesses contribute to reducing regional disparities by operating in less-developed areas.

Economic resilience: Their flexibility allows the economy to better absorb external shocks.

The data from early 2025 confirms that small businesses remain the dominant force in Uzbekistan's retail sector, driving both growth and inclusivity. At the same time, evolving market dynamics point toward increasing diversification and modernization. This transformation underscores the need for balanced policy support—ensuring that small businesses continue to thrive while adapting to a more competitive and technologically advanced economic environment.

Small business entities are playing an increasingly important role in the development of Uzbekistan's service sector, which has emerged as a key driver of economic diversification and modernization. According to national statistics, in the period of January–March 2025, the total volume of services provided by small businesses reached 113,910.5 billion UZS, accounting for 54.0% of the overall service sector output. This reflects a growth rate of 108.8% compared to the previous reporting period, indicating strong and sustained expansion.[11]

The service sector, unlike traditional industries, is closely linked to innovation, human capital, and urban development. The significant participation of small businesses in this sphere underscores their adaptability and their ability to respond quickly to evolving consumer demands.

The volume of services delivered by small business entities has increased rapidly over recent years (Table 9):

Table 9. Growth of Service Output by Small Business Entities in Uzbekistan (2021–2025)

2021	31.5 trillion UZS
2022	39.0 trillion UZS
2023	50.1 trillion UZS
2024	94.6 trillion UZS
2025	113.9 trillion UZS

This sharp upward trajectory—especially between 2023 and 2025—indicates an acceleration in service sector activity, likely driven by digitalization, expansion of financial services, tourism recovery, and increased domestic demand.[12]

At the same time, the share of small businesses in total service output has shown moderate fluctuations (Table 10):

Table 10. Share of Small Businesses in Total Service Output in Uzbekistan (2021–2025)

2021	52.2%
2022	51.2%
2023	49.2%
2024	55.9%
2025	54.0%

Unlike the retail sector, where small businesses overwhelmingly dominate, the service sector exhibits a more balanced distribution between small enterprises and larger organizations. The temporary dip in 2023 followed by a notable increase in 2024 suggests structural adjustments and possibly the recovery phase after external or domestic economic disruptions.

The data reveals several important trends shaping Uzbekistan’s service economy:

First, the rapid expansion in absolute volumes reflects the transition toward a service-oriented economy, a hallmark of developing and modernizing nations. Small businesses are at the forefront of this transition, particularly in areas such as transportation, information technology, trade-related services, and personal services.

Second, the relatively stable share (around 50–55%) indicates that while small businesses are crucial, medium and large enterprises also maintain a significant presence. This suggests increasing complexity and specialization within the service sector, where certain industries (e.g., telecommunications, banking, large-scale logistics) require higher capital and infrastructure.

Third, the surge in 2024–2025 may be linked to policy reforms and improved business conditions, including simplified registration procedures, tax incentives, and support for entrepreneurship. These measures have likely enhanced the capacity of small firms to expand their operations and enter new service markets.

The strengthening role of small businesses in the service sector has far-reaching implications:

Economic diversification: Reduces reliance on agriculture and industry by expanding high-value service activities.

Innovation and digital transformation: Small firms are often pioneers in adopting new technologies and business models.

Urban development: Service businesses contribute to the growth of cities as economic hubs.

Income generation: The sector creates opportunities for self-employment and skilled labor.

CONCLUSIONS AND SUGGESTIONS

This study provides a data-driven assessment of the role of small businesses in Uzbekistan’s economic development, using official statistics for the first quarter of 2025. The findings confirm that small businesses have become a structurally significant component of the economy, contributing substantially to GDP, employment, and the functioning of domestic markets.

The analysis shows that small businesses have evolved from a supplementary segment into a central pillar of economic activity. Their broad presence across agriculture, construction, services, and trade reflects strong integration into the domestic economy, while their dominance in labor-intensive sectors underscores their importance for income generation and socio-economic stability.

However, the study also identifies structural constraints. The concentration of small businesses in low- and medium-productivity activities suggests that growth remains largely extensive rather than productivity-driven. In addition, a clear imbalance exists between strong domestic integration and limited external competitiveness. Small businesses remain underrepresented in export activities and global value chains, with a greater focus on trade intermediation than value-added production.

From a theoretical perspective, this reflects a pattern of partial structural transformation, where entrepreneurial expansion is not accompanied by a shift toward higher value-added sectors. The persistence of a dualistic structure—where small firms dominate labor-intensive activities while large firms control capital-intensive industries—further limits the role of SMEs in innovation and industrial upgrading.

At the same time, emerging trends such as increased investment, expansion in services and transport, and gradual industrial participation indicate potential for future transformation. Realizing this potential requires a shift in policy focus from expansion to quality, with emphasis on productivity, innovation, and global integration.

Key priorities include improving access to finance, supporting technological upgrading, strengthening human capital, and reducing regional disparities.

In conclusion, small businesses in Uzbekistan are a vital driver of economic growth and resilience. However, their long-term impact will depend on their ability to transition toward more productive, innovative, and globally competitive models, which is essential for the country's broader economic modernization.

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