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**BOOSTING SMALL BUSINESS AND ENTERPRISE CREATION AND DEVELOPMENT IN  
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**ABOUT ARTICLE****Key words:** SME, micro-firms, agriculture, services, Gross Regional Product.**Received:** 20.04.2024**Accepted:** 25.04.2024**Published:** 30.04.2024**Abstract:** This paper aims to investigate strategies for enhancing the creation and development of Small and Medium Enterprises (SMEs) in Uzbekistan. SMEs play a vital role in fostering economic growth, generating employment opportunities, and promoting innovation. Despite their potential contributions, SMEs in Uzbekistan face numerous challenges that hinder their establishment and growth. This study seeks to identify these challenges and propose effective measures to overcome them, thereby fostering a conducive environment for SME development. Through a comprehensive analysis of the current state of SMEs in Uzbekistan and an exploration of successful strategies employed in other countries, this paper provides valuable insights and recommendations for policymakers, government officials, entrepreneurs, and other stakeholders interested in promoting SME growth and entrepreneurship in Uzbekistan.

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**INTRODUCTION**

Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth, fostering innovation, and promoting job creation in both developed and developing economies. Recognizing the significance of SMEs, policymakers worldwide have increasingly focused on implementing strategies to support the establishment and growth of these enterprises. In the context of Uzbekistan, a country with a burgeoning economy and a rapidly evolving business landscape, the

promotion and enhancement of SMEs hold significant promise for advancing socio-economic development.

Uzbekistan, located in Central Asia, has embarked on a path of economic transformation in recent years, marked by initiatives aimed at diversifying the economy and fostering entrepreneurship. The government has identified SME development as a key priority, recognizing the sector's potential to drive inclusive growth, alleviate poverty, and promote regional development. However, despite concerted efforts to create an enabling environment for SMEs, challenges persist, hindering their full realization of their potential.

Against this backdrop, this paper aims to explore the landscape of SME creation and development in Uzbekistan. By examining the current state of SMEs, identifying challenges and opportunities, and analyzing policy interventions, this study seeks to provide insights into strategies for boosting SME growth and fostering a vibrant entrepreneurial ecosystem in Uzbekistan. Through a comprehensive review of existing literature, empirical analysis, and case studies, this paper endeavors to offer evidence-based recommendations for policymakers, practitioners, and other stakeholders involved in SME promotion initiatives.

The remainder of this paper is structured as follows: Section 2 provides an overview of the importance of SMEs in economic development and outlines the theoretical framework guiding the study. Section 3 offers a comprehensive analysis of the current landscape of SMEs in Uzbekistan, including their contribution to the economy, challenges faced, and opportunities for growth. Section 4 examines the policy and regulatory framework governing SMEs in Uzbekistan, highlighting strengths and weaknesses and identifying areas for improvement. Finally, Section 5 concludes with a summary of key findings and recommendations for enhancing SME creation and development in Uzbekistan.

### **Literature review**

The acronym SME stands for Small to Medium Enterprise, and these entities play a crucial role in the global economy by providing goods and services to society. Without SMEs, larger corporations may struggle to meet the demands of an expanding customer base. However, there is no universally accepted definition of SMEs, as it varies depending on the perspective and location of the definer.

Different countries have their own criteria for defining SMEs. For instance, in Canada, an SME typically has fewer than 500 employees, with a small business having fewer than 100 employees (goods-producing) or fewer than 50 employees (service-based). In Germany, SMEs are limited to 250

employees, while in Belgium, the limit is 100 employees. New Zealand considers a small business to have 19 employees or fewer, while in the United States, a small business has fewer than 100 employees, and a medium-sized business has fewer than 500 employees.

In China, SMEs are defined using various criteria such as the number of employees, sales volume, or value of assets. Similarly, the European Union classifies businesses with fewer than 250 employees as medium-sized, less than 50 employees as small, and fewer than 10 employees as micro-enterprises, taking into account turnover rate and balance sheet.

In recent times, the significance of Small and Medium Enterprises (SMEs) in driving economic development and fostering employment opportunities has become a focal point of discussions among government officials, policymakers, academics, researchers, scholars, and economists not only in Kenya but also in various other nations. A study conducted by Kongolo (2010) revealed that small business owners globally share similar characteristics and encounter comparable challenges, albeit differing in their perceptions regarding how SMEs contribute to economic advancement .

SMEs play a pivotal role in stimulating economic growth by generating new employment opportunities, broadening the tax base, and serving as catalysts for innovation. According to Beck and Levin (2005), SMEs promote competition and entrepreneurship, thereby yielding external benefits that enhance overall economic efficiency, innovation, and aggregate productivity . They serve as the primary channels through which budding entrepreneurs continually supply the economy with fresh ideas, skills, and innovations (CACCI, 2003).

There exists a consensus worldwide that Micro, Small, and Medium Enterprises (MSMEs) are instrumental in driving economic expansion, owing to their rapid growth and their significant role in job creation. As noted by Normah (2007), the concentration of SMEs is closely intertwined with predominant economic activities . Despite dominating global economies in terms of employment and the sheer number of enterprises, the full potential of SMEs remains largely untapped (Schlogl, 2004; Omar, Arokiasamy & Ismail, 2009) . This underutilization can be attributed to various factors such as legal constraints, institutional frameworks, cultural norms, and societal dynamics, all of which contribute to varying impacts of SMEs on economic development across different countries.

## **METHODOLOGY**

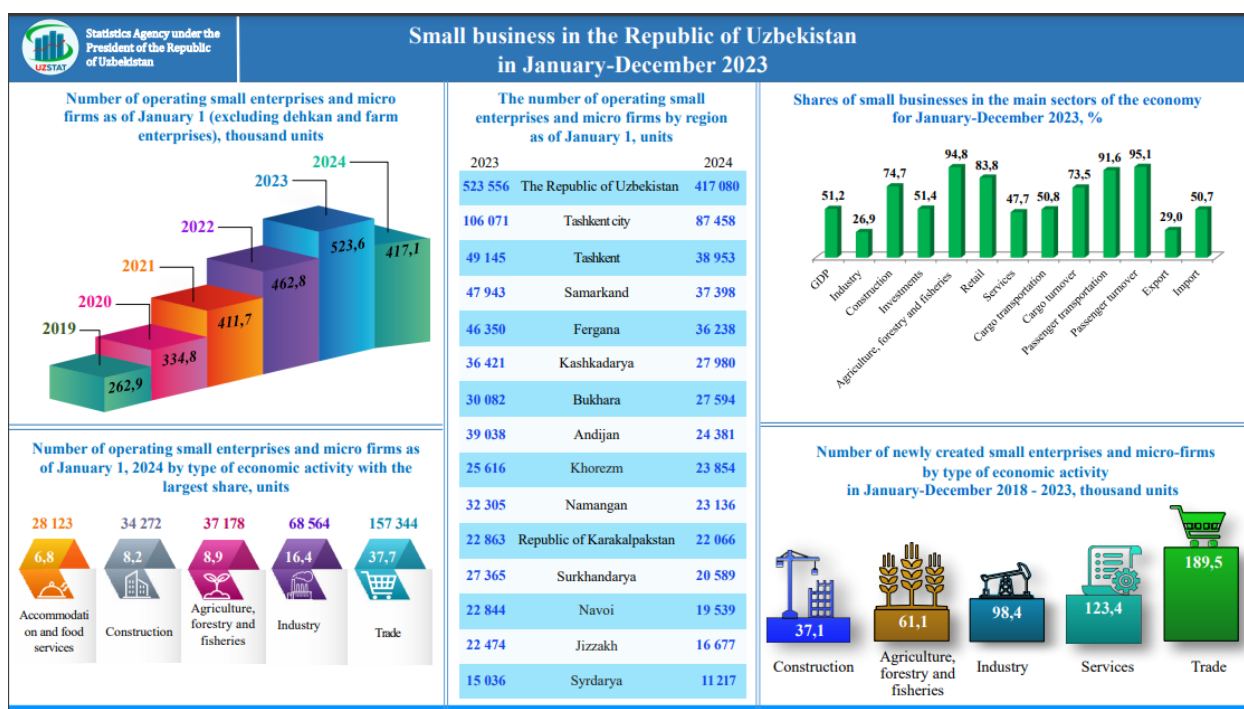
This study employs a mixed-methods approach to investigate strategies for boosting SME creation and development in Uzbekistan. The research methodology consists of the following key components:

Collection of primary and secondary data from various sources, including government reports, academic publications, industry surveys, and expert interviews. The data encompass quantitative indicators such as SME growth rates, employment statistics, access to finance, regulatory frameworks, and qualitative insights from stakeholders.

Thorough analysis of collected data, case studies, and literature findings to identify key challenges, opportunities, and trends in the SME sector in Uzbekistan. The analysis aims to uncover underlying factors contributing to SME development barriers and inform the formulation of actionable recommendations.

## RESULTS AND DISCUSSIONS

In recent years, Uzbekistan has demonstrated a concerted effort to bolster its entrepreneurial ecosystem and enhance the business climate, resulting in a notable surge in the establishment of small enterprises and micro-firms. By analyzing data spanning from January to December 2023, we can glean insights into the evolving landscape of entrepreneurship in the country and its impact on the economy.



**Fig-1. Overall performance of small business (2023)**

Source: Infographics downloaded from the website of Statistical Agency under the President of the Republic of Uzbekistan

A deeper examination reveals the cumulative impact of policy interventions and governmental support on entrepreneurship. Resolutions and decrees enacted by the President of Uzbekistan between 2018 and 2023 played a pivotal role in facilitating the creation of 510.1 thousand small enterprises and

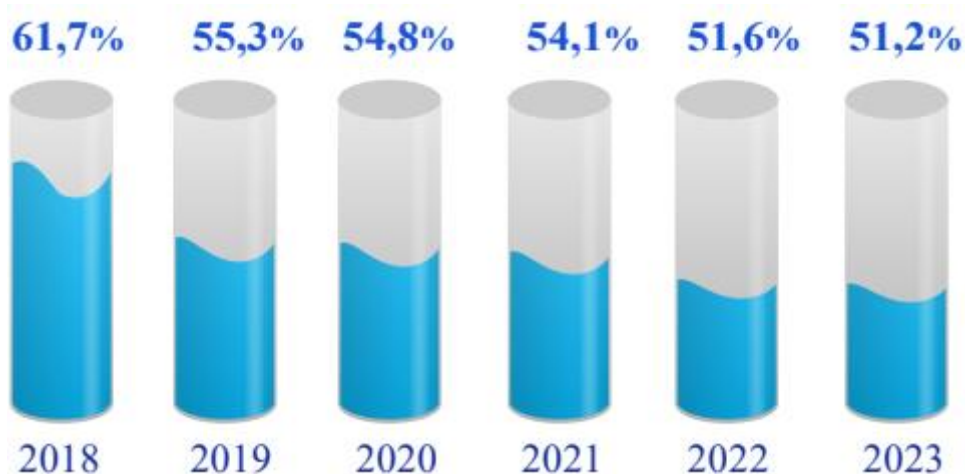
micro-firms. Notably, the trade sector accounted for the lion's share of new entities, comprising 37.1% of the total, followed by the service sector at 24.2%, industry at 19.4%, agriculture, forestry, and fisheries at 12.0%, and construction at 7.3%. These statistics underscore the effectiveness of targeted policy measures in fostering a conducive environment for entrepreneurial growth across various sectors.



**Fig-2. Number of newly created small enterprises and microfirms by type of economic activity, units. (for January-December 2022-2023)**

Source: Infographics downloaded from the website of Statistical Agency under the President of the Republic of Uzbekistan

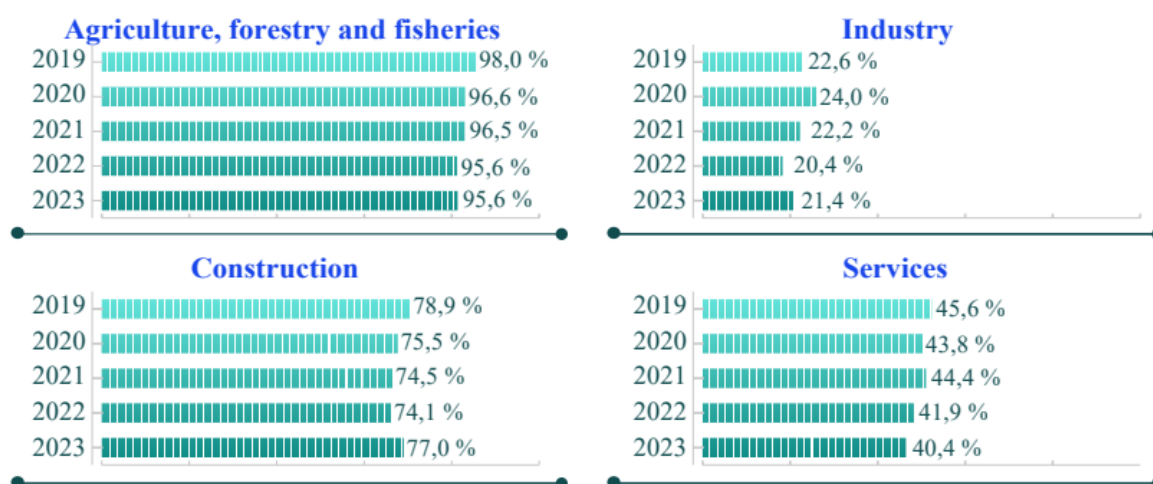
During this period, the trade sector emerged as the frontrunner in terms of newly created small enterprises and micro-firms, with a staggering 33,470 units. Following closely behind was the industry sector, witnessing 14,101 units, while other services, agriculture, forestry, and fisheries, and accommodation and food services sectors contributed 9,921 units, 9,388 units, and 5,955 units respectively. These figures underscore the diverse array of economic activities driving entrepreneurial endeavors in Uzbekistan.



**Fig-3. Dynamics of the share of small businesses in GDP (for January-December 2018-2023)**

Source: Infographics downloaded from the website of Statistical Agency under the President of the Republic of Uzbekistan

Despite the remarkable expansion of small enterprises, the share of small businesses in Uzbekistan's Gross Domestic Product (GDP) experienced a marginal decline from 51.6% in 2022 to 51.2% in 2023. This decrease can be attributed to the concurrent increase in the volume of added value generated by large business entities. Nevertheless, small enterprises continue to play a significant role in driving economic activity, particularly in sectors such as agriculture, forestry, and fisheries, where they contribute a substantial 95.6% to GDP. Construction follows closely behind at 77.0%, underscoring the vital role of small businesses in infrastructure development.



**Fig-4. Share of small businesses in GDP by type of economic activity, (% of GVA in January-December 2019-2023)**

Source: Infographics downloaded from the website of Statistical Agency under the President of the Republic of Uzbekistan

Regionally, there exists considerable variation in the contribution of small businesses to Gross Regional Product (GRP). Surkhandarya, Jizzakh, Namangan, Samarkand, Bukhara, and Khorezm regions emerge as leaders, with small businesses accounting for over 70% of GRP in each region. Conversely, Navoi region lags behind, with small businesses contributing a mere 26.0% to GRP. This regional disparity underscores the need for targeted interventions to foster entrepreneurship and stimulate economic growth in underserved areas.

## CONCLUSION

In conclusion, Uzbekistan's robust support for small enterprises has yielded substantial gains in fostering entrepreneurial activity and stimulating economic growth. However, sustaining this momentum requires continued policy innovation and targeted interventions to address regional disparities and enhance the competitiveness of small businesses across sectors. By fostering an enabling environment for entrepreneurship, Uzbekistan can unlock its full economic potential and pave the way for sustainable development and prosperity.

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