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**ENTREPRENEURSHIP AND UNEMPLOYMENT IN UZBEKISTAN: A COMPREHENSIVE
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ABOUT ARTICLE

Key words: Entrepreneurship, Unemployment, Economic Development, Policy Interventions, Uzbekistan.**Received:** 20.05.2024**Accepted:** 25.05.2024**Published:** 30.05.2024**Abstract:** Entrepreneurship has emerged as a crucial driver of economic growth and job creation in Uzbekistan, where the government has set ambitious targets to address unemployment challenges. This paper explores the role of entrepreneurship in tackling unemployment in Uzbekistan, examining government initiatives, policy interventions, and the potential for entrepreneurship to drive economic growth. Drawing on a literature review, the paper analyzes the complex relationship between entrepreneurship and unemployment, highlighting the factors influencing entrepreneurial activity and its impact on job creation. Additionally, the paper presents empirical findings on trends in employment and GDP, shedding light on the economic performance of Uzbekistan over the studied period. The analysis reveals regional variations in small business employment and underscores the importance of tailored policies to support entrepreneurship and address regional disparities effectively. Overall, the paper provides insights into the opportunities and challenges of entrepreneurship in Uzbekistan's quest for sustainable development and inclusive growth.

INTRODUCTION

Entrepreneurship plays a crucial role in shaping economic development and addressing unemployment challenges in countries worldwide. In Uzbekistan, where employment opportunities are a priority for

the government, entrepreneurship is emerging as a key driver of job creation and economic growth. With ambitious targets set by the government to create millions of new workplaces and encourage entrepreneurship initiatives, understanding the role of entrepreneurship in tackling unemployment becomes imperative.

In 2024, Uzbekistan aims to create employment opportunities for 5 million people, a bold initiative aimed at addressing the country's unemployment challenges. Currently, the official unemployment rate stands at 1.3 million, with an additional 2.4 million people expected to enter the labor market during the year. This ambitious employment target stems from a meeting on improving population employment and reducing requirements in the area of entrepreneurship led by President Shavkat Mirziyoyev .

Out of the 5 million new workplaces planned for creation in 2024, half are earmarked for the services sector, highlighting the importance of service-oriented businesses in driving employment growth. Additionally, 2.1 million new workplaces are designated for the agriculture sector, 250 thousand for investment projects and manufacturing, and 140 thousand for construction. These allocations underscore the government's commitment to diversifying the economy and creating opportunities across various sectors.

Moreover, the state aims to stimulate entrepreneurship by encouraging an additional two million people to launch their businesses. This objective will be achieved through the introduction of new financial instruments, including a new system of micro-financing, aimed at providing support and resources to aspiring entrepreneurs. Despite these efforts, 1.3 million people in Uzbekistan remain unemployed, highlighting the persistent challenges in the labor market.

As Uzbekistan prepares to navigate the complexities of its labor market and achieve its ambitious employment targets, understanding the dynamics of entrepreneurship and its impact on unemployment is essential. This research paper seeks to explore the role of entrepreneurship in addressing unemployment challenges in Uzbekistan, examining the government's initiatives, policy interventions, and the potential for entrepreneurship to drive job creation and economic growth. Through a comprehensive analysis, this paper aims to provide insights into the opportunities and challenges of entrepreneurship in Uzbekistan's quest for sustainable development and inclusive growth.

Literature Review:

The relationship between entrepreneurship and unemployment has been a subject of considerable debate and scholarly inquiry. Existing literature presents conflicting perspectives on how unemployment influences entrepreneurial activity and vice versa, contributing to the ambiguity surrounding this relationship.

One school of thought, rooted in the simple theory of income choice, posits that increased unemployment creates conditions conducive to entrepreneurship. Scholars such as Blau (1987), Evans and Leighton (1990), Evans and Jovanovic (1989), and Blanchflower and Meyer (1994) suggest that rising unemployment reduces the opportunity cost of starting a new firm, thereby incentivizing individuals to pursue entrepreneurial ventures. According to this view, higher unemployment rates may lead to an uptick in entrepreneurial activity as individuals seek alternative means of income generation.

Contrastingly, another perspective highlights the challenges faced by the unemployed in initiating and sustaining entrepreneurial endeavors. Scholars such as Lucas (1978) and Jovanovic (1982) argue that the unemployed typically possess lower levels of human capital and entrepreneurial skills necessary for business creation and management. Consequently, high unemployment rates may dampen entrepreneurial activity due to a lack of requisite resources and capabilities among potential entrepreneurs.

Furthermore, the relationship between entrepreneurship and unemployment is influenced by broader economic factors, particularly levels of economic growth. Audretsch (1995) suggests that low levels of economic growth, often associated with high unemployment rates, may impede entrepreneurial opportunities by limiting market demand and investment prospects. Conversely, a thriving economy characterized by robust entrepreneurial activities can act as a catalyst for new venture creation.

Moreover, entrepreneurial opportunities are shaped not only by the push effect of unemployment but also by the pull effect of a vibrant economic environment and past entrepreneurial successes. This dynamic interplay between economic conditions and entrepreneurial activities underscores the complexity of the relationship between entrepreneurship and unemployment.

Additionally, there is evidence to suggest a reverse causality, where new firm startups contribute to a reduction in unemployment. Studies by Picot et al. (1998) and Pfeiffer and Reize (2000a) highlight how entrepreneurial ventures, by hiring employees and stimulating economic growth, can mitigate unemployment levels in a given region or economy.

In summary, the relationship between entrepreneurship and unemployment is multifaceted, influenced by a combination of individual, economic, and contextual factors. While some scholars argue for a positive correlation between unemployment and entrepreneurial activity, others emphasize the barriers posed by unemployment to entrepreneurial initiation and success. Understanding the nuances of this relationship is essential for policymakers and practitioners seeking to foster entrepreneurship as a means of addressing unemployment and promoting economic development.

Results and discussions

Over the past five years, the Government of Uzbekistan (GoU) has significantly intensified its efforts to bolster entrepreneurship support within the country. As part of its Poverty Reduction Strategy, the GoU has specifically highlighted self-employment as a pivotal tool in alleviating poverty. Alongside concessional microloans, which have historically been a predominant form of entrepreneurship support, a diverse range of initiatives have been rolled out since 2019 to facilitate the establishment of new businesses, particularly targeting vulnerable demographics such as youth and women.

These initiatives encompass a variety of programs aimed at providing aspiring entrepreneurs with access to capital and supplementary support mechanisms, including training initiatives. While the 'Every Family is an Entrepreneur' program stands out as a notable exception, the majority of these endeavors are implemented at the grassroots level by mahallas, utilizing resources from the Youth Notebook and Women Notebook, and are executed in collaboration with non-governmental organizations (NGOs) and local agencies.

The government's commitment to fostering entrepreneurship has been reaffirmed for the year 2023, with a renewed focus on reducing taxes for individual entrepreneurs and offering subsidies, loans, and compensations to support their endeavors. These ongoing efforts underscore the GoU's dedication to promoting entrepreneurship as a vital engine for economic growth and poverty reduction within Uzbekistan.

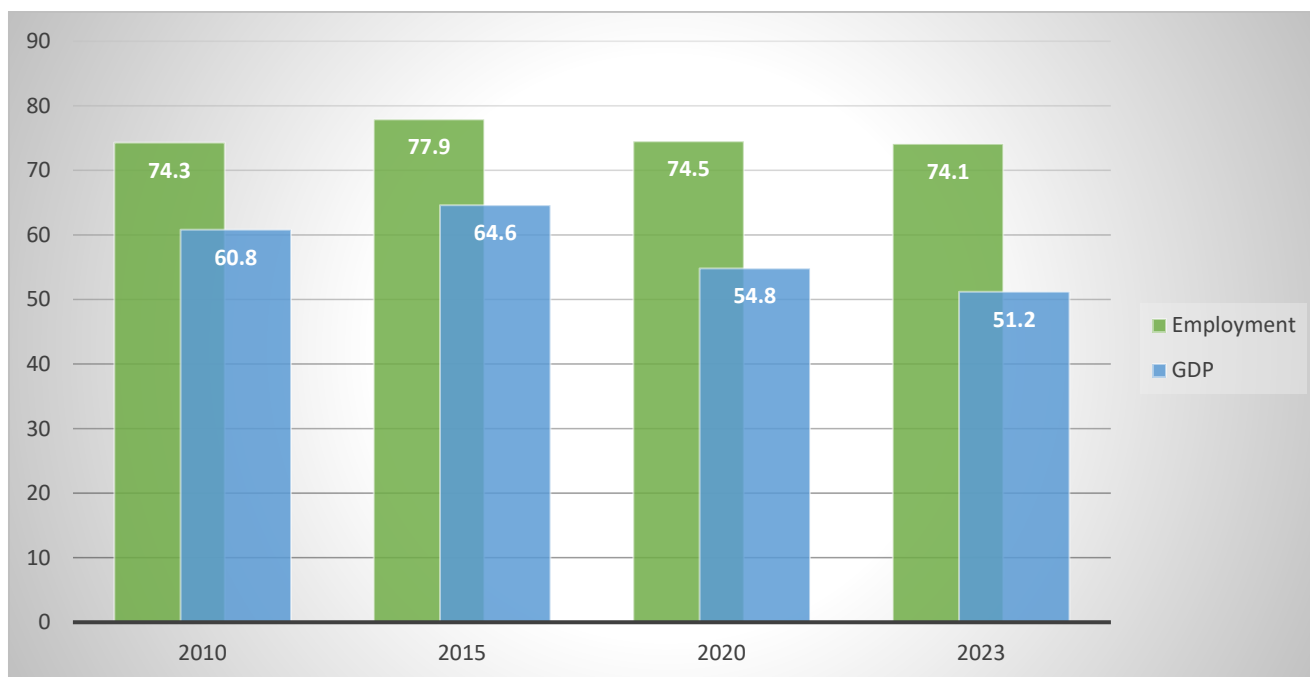


Fig.-*. Share of small business on employment and GDP (%)

Source: figures made by the author

The analysis of trends in employment and GDP in Uzbekistan reveals a nuanced economic performance over the studied period. From 2010 to 2015, both employment and GDP demonstrated positive growth, reflecting an expanding workforce and overall economic development. However, from 2015 to 2020, while employment remained steady, GDP experienced a decline, signaling challenges in economic productivity despite stable labor market conditions. By 2023, both employment and GDP showed further decreases, indicating a continuation of economic challenges, potentially exacerbated by additional factors. Overall, while employment stability suggests resilience in the labor market, the decline in GDP highlights underlying economic challenges and underscores the need for targeted policy interventions to foster sustainable growth and address structural issues in Uzbekistan's economy.

Table-*

Number of employed in small businesses (thousand people)

| | 2010 | 2015 | 2020 | 2023 |
|-----------------------------------|--------|---------|--------|---------|
| Republic of Uzbekistan | 8643.9 | 10170.4 | 9865.7 | 10278.9 |
| Republic of Karakalpakstan | 412.7 | 469.4 | 524.8 | 559.2 |
| Andijan region | 901.2 | 1066.3 | 989.9 | 1051 |
| Bukhara region | 587.7 | 647.2 | 590.5 | 591.4 |
| Jizzakh region | 298.7 | 360.8 | 418.7 | 424.7 |
| Kashkadarya region | 726.6 | 910 | 914.1 | 946.8 |
| Navoi region | 227.5 | 254 | 207.4 | 216.8 |

| | | | | |
|---------------------|--------|--------|--------|--------|
| Namangan region | 641.4 | 806.9 | 888.4 | 891.3 |
| Samarkand region | 1009 | 1213.9 | 1158.3 | 1211 |
| Surkhandarya region | 588.6 | 747.3 | 770.3 | 780.2 |
| Syrdarya region | 248 | 278.6 | 247.5 | 243.5 |
| Tashkent region | 839.9 | 984.6 | 833.4 | 856.3 |
| Fergana region | 1031.8 | 1192.5 | 1136.3 | 1215.4 |
| Khorezm region | 475.8 | 573.3 | 567.9 | 612.2 |
| Tashkent city | 655 | 665.6 | 618.2 | 679.1 |

Source: figures made by the author

The analysis of the data reveals a positive overall trend in the number of employed individuals in small businesses across most regions of Uzbekistan from 2010 to 2023. While the Republic of Uzbekistan saw a consistent increase in small business employment, regional variations were observed, with some regions experiencing significant growth while others faced fluctuations or slight decreases. Tashkent City remained relatively stable throughout the period. Disparities among regions highlight the need for targeted policies to support small business growth and address economic disparities. Overall, the data underscores the critical role of entrepreneurship in driving employment and economic development in Uzbekistan, emphasizing the importance of tailored interventions to foster small business growth and address regional disparities effectively.

Qualitative research conducted among young individuals, both men and women, reveals a spectrum of challenges, both financial and non-financial, that hinder entrepreneurship endeavors. Within the youth demographic, there exists a notable inclination towards self-employment, driven by the perception of entrepreneurship as a pathway to increased earnings. Insights gathered from unemployed youth, recent graduates, young workers, as well as representatives from entities such as the Chamber of Commerce, employment support centers (ESCs), and youth groups, underscore this sentiment (Honorati & Marguerie, 2021).

However, several key obstacles impede the realization of entrepreneurial aspirations. These include deficiencies in skills and training opportunities, resulting in underdeveloped business plans, as well as limited access to soft loans at concessional rates and a lack of alternative avenues to acquire capital. Moreover, stiff competition from established firms and constrained local markets, particularly in rural areas, further compound the challenges faced by aspiring entrepreneurs.

For young women, additional barriers emerge, rooted in societal norms and caregiving responsibilities. Despite governmental initiatives aimed at fostering youth and women entrepreneurship, insufficient attention has been directed towards cultivating the requisite skills and competencies necessary to

initiate and sustain a business venture. This deficiency encompasses fundamental areas such as basic accounting, business plan development, as well as socioemotional and personal skills, as highlighted by representatives from the Youth Union and Chamber of Commerce. Addressing these gaps in support and skill development is imperative to unlock the full potential of youth and women entrepreneurship initiatives in Uzbekistan.

CONCLUSION

Entrepreneurship plays a crucial role in driving economic growth, creating jobs, and fostering innovation. To promote entrepreneurship and reduce unemployment in Uzbekistan, a comprehensive set of policies and strategies can be implemented:

Investing in entrepreneurship education and training programs will equip individuals with the necessary skills and knowledge to start and manage businesses effectively. Improving access to finance, especially for youth and women, through initiatives such as microfinance programs and subsidized loans will enable aspiring entrepreneurs to overcome financial barriers and pursue their business ventures. Streamlining bureaucratic procedures and reducing regulatory barriers will create a more conducive environment for entrepreneurship by simplifying the process of business registration and licensing. Investing in infrastructure development, including reliable electricity, transportation networks, and internet connectivity, will create an enabling environment for entrepreneurship and business growth. Establishing business incubators, accelerators, and support services will provide entrepreneurs with mentorship, networking opportunities, and technical assistance, helping them navigate challenges and grow their businesses. Facilitating market access for small and medium-sized enterprises (SMEs) by promoting domestic and international trade and fostering partnerships with larger corporations will help SMEs expand their reach and grow their businesses. Encouraging innovation and technology adoption among entrepreneurs through incentives for research and development and support for technology transfer initiatives will drive entrepreneurship and fuel economic growth.

By implementing aforementioned policies and strategies, Uzbekistan can create an enabling environment for entrepreneurship, stimulate economic growth, and reduce unemployment, ultimately contributing to the country's socio-economic development and prosperity.

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