

THE SHARE OF SMALL BUSINESS IN UZBEKISTAN'S GDP AND ITS IMPACT ON ECONOMIC STABILITY

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Abstract

This study examines the role of small business and entrepreneurship in Uzbekistan's economic stability. It highlights government reforms and legal acts that support small enterprises, reduce tax burdens, and expand access to finance. The findings show that small business contributes more than half of GDP, ensures employment, and promotes regional and macroeconomic stability.

Keywords: Small business; entrepreneurship; economic stability; Uzbekistan; GDP; employment; regional development.

Introduction

The development of small business and entrepreneurship in Uzbekistan is defined as one of the priority areas of state policy. Since independence, a number of regulatory legal acts have been adopted in the country aimed at supporting small businesses, increasing their share in GDP, and ensuring economic stability.

In particular, the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP-4947 "On the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021" created new opportunities for the development of small business and private entrepreneurship in the country. Also, in the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60 "On the Development Strategy of New Uzbekistan for 2022-2026," the tasks of state support for entrepreneurship, reducing the tax burden, and creating wider access to credit resources were defined.

In addition, the Decree of the President of the Republic of Uzbekistan dated April 21, 2022 No. PP-204 "On Additional Measures for the Comprehensive Socio-Economic Development of the Territories of the Andijan Region and Further Improvement of the Living Standards of the Population in 2022-2026" defines specific tasks for the development of small business, increasing its share in GDP, and creating new jobs.

Also, the Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurial Activity" (new edition, May 25, 1998, 2012) plays an important role in protecting the rights of small business entities and creating favorable conditions for their activities.

These legal foundations serve as an important support for increasing the share of small business in the country's GDP and strengthening economic stability. Therefore, the analysis of the role of small business in the economy of Uzbekistan is relevant not only from a scientific, but also from a practical point of view.

Today, small businesses generate more than half of Uzbekistan's GDP, providing employment and a significant portion of tax revenues. In addition, the contribution of small businesses to



increasing export potential is growing. These processes serve as an important factor in strengthening macroeconomic stability in the country, reducing interregional disparities, and improving the living standards of the population.

Methods

The role of small business and entrepreneurship in economic stability is widely covered in economic theory and applied research. In scientific literature, various aspects of small business, its macroeconomic and microeconomic impact are separately studied.

In economic literature, the concept of small business is explained in several approaches:

The classical approach (A. Smith, D. Ricardo) - sees entrepreneurship as a natural element of the development of a market economy.

The innovative approach (J. Schumpeter) - interprets small business as the main source of innovation and the implementation of innovative ideas in practice.

The institutional approach considers small business as the main force ensuring socio-economic stability in society, reducing unemployment, and forming the middle class.

Today, many international organizations (World Bank, International Monetary Fund, OECD) assess small business as one of the most important drivers of economic growth.

Theoretically, the impact of small business on economic stability is manifested in the following: Macroeconomic stability ensures constant GDP growth and is quickly adaptable to economic crises.

- Social stability creates broad employment opportunities and diversifies the sources of income for the population.

Financial stability plays an important role in the revenues of the state budget and expands the tax base.

- Regional stability - small business revitalizes economic activity in the regions and reduces the gap between the center and the regions.

Results

In Uzbekistan, small business and entrepreneurship have become one of the most important sectors of the national economy in recent years. This sector forms more than half of the country's GDP and provides the main part of employment. According to the State Statistics Committee, the World Bank, and international financial institutions, the share of small businesses is steadily increasing.

Share of small business entities in the total GDP of the Republic of Uzbekistan (%)

Classifier	2020	2021	2022	2023	2024
Republic of Uzbekistan	57,5	56,9	54,6	54,3	54,3
Republic of Karakalpakstan	62,3	61,4	61,8	64,6	65,8
Andijan region	72,7	74,6	69,6	68,6	69,5
Bukhara region	76,6	77,1	74,1	72,5	73
Jizzakh region	84,1	81	78,7	75,3	74,4
Kashkadarya region	74,1	71,8	70	70,5	71
Navoi region	27,8	29,2	27,9	28,1	25,1
Namangan region	76,3	76,2	74,7	74,3	73,4
Samarkand region	75	74,3	70,8	72,3	72,3
Surkhandarya region	78	78,4	77,9	77,4	77,8
Syrdarya region	73	71,2	67,8	65,9	68,2
Tashkent region	52	48,2	49,4	52,2	53,9
Fergana region	73,3	72,4	71,6	72,2	73,1



Khorezm region	77,4	75,8	71,9	72,7	72,3
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As can be seen from this table, small business plays an important role in the sustainable development of the country's economy, the creation of new jobs, and the improvement of the social well-being of the population. Therefore, in recent years, the analysis of the share of small business entities in the country's gross domestic product (GDP) is of great importance in determining their place in the economic system.

In the context of 2020-2024, the share of small business entities in the GDP of the Republic of Uzbekistan decreased from 57.5% to 54.3%, during which a decrease of 3.2 points was recorded. This situation indicates a slight decrease in the share of small businesses on a national scale. However, while positive dynamics have been achieved in some regions, a negative trend is observed in other regions.

When analyzing by region, the share of small business in the Republic of Karakalpakstan increased from 62.3% to 65.8%, achieving a growth of 3.5 points. In this region, the share of small business in the economy is growing, which is associated with the expansion of new production capacities and the service sector. Tashkent region also showed positive dynamics, rising from 52.0% in 2020 to 53.9% in 2024. This is mainly explained by the expansion of service and trade activities, as well as the development of small production enterprises.

On the contrary, the share of small businesses in the Jizzakh region showed the most sharp decline. The indicator, which was 84.1% in 2020, fell to 74.4% in 2024, decreasing by 9.7 points. This means an increase in the share of large-scale production in the region's economy or a relative slowdown in the development of small businesses. The share of small businesses in Khorezm (-5.1 points), Syrdarya (-4.8 points), Andijan (-3.2 points), Bukhara (-3.6 points), Namangan (-2.9 points), Samarkand (-2.7 points), and Kashkadarya (-3.1 points) regions also showed a steady decline.

Fergana and Surkhandarya regions showed relatively stable results. In Fergana, the share, which was 73.3% in 2020, remained practically unchanged in 2024 and amounted to 73.1%. In Surkhandarya, the share of small business remained around 78 percent, with an increase of only 0.2 points.

Of course, the Navoi region deserves special attention. The share of small businesses in this region decreased from 27.8% in 2020 to 25.1% in 2024, recording the lowest indicator. This is due to the predominance of large industrial and mining enterprises in the region's economy.

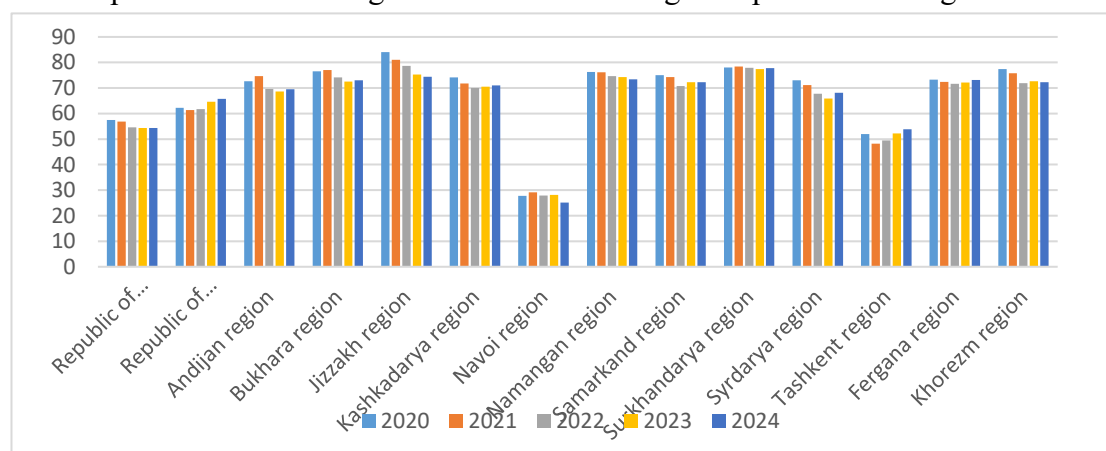


Figure 1. Share of small businesses in GDP in the Republic of Uzbekistan and its regions, 2020–2024 (%)

In the Republic of Uzbekistan, the share of small businesses in GDP has generally decreased slightly over the period 2020–2024, but stability and even positive growth are observed in some regions. While the economic activity of small businesses is increasing in regions such as the Republic of Karakalpakstan and Tashkent region, a significant decrease is observed in Jizzakh, Khorezm and Syrdarya regions. This indicates the need for a differentiated approach to the development of small businesses across regions in the country.

Discussion

The analysis of the share of small businesses in GDP in the Republic of Uzbekistan in 2020–2024 shows that, although this indicator has slightly decreased across the republic, significant growth is observed in some regions. In particular, the Republic of Karakalpakstan and Tashkent region have achieved an increase in the share of small businesses. However, a sharp decrease in the Jizzakh, Khorezm and Syrdarya regions reveals disparities in regional development.

For the sustainable development of small businesses:

- strengthening the differentiated approach, taking into account regional characteristics,
- creating wider access to credit and financial resources,
- expanding tax incentives and subsidies,
- developing small business infrastructure,
- paying special attention to the diversification of small businesses in regions with a predominance of large industry.

In addition, in order to enhance the regional competitiveness of small businesses, it is necessary to:

- establish regional innovation clusters and cooperation systems,
- involve small enterprises in utilizing the opportunities of the digital economy,
- promote the activities of small enterprises with export potential,
- expand grant and incubation programs for start-up entrepreneurs,
- develop entrepreneurial competencies through education and professional training systems.

Furthermore, the introduction of a comprehensive assessment system such as the Small Business Development Index (SBDI) across regions will make it possible to accurately analyze disparities in small business development and to develop targeted strategies for each region.

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