

## IMPACT OF THE SMALL AND MEDIUM ENTREPRENEURSHIP SECTOR ON SOCIO-ECONOMIC INDICATORS OF UZBEKISTAN'S REGIONS

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### **Abstract**

This article examines the impact of small and medium-sized enterprise (SME) development on the socioeconomic indicators of Uzbekistan's regions in 2024–2025. Employment indicators, poverty levels, regional differentiation in entrepreneurial activity, and economic structure are examined. Statistical data reveals that the SME sector plays a key role in job creation, income growth, and poverty reduction. Regional differences and factors affecting the effectiveness of entrepreneurial activity are identified.

### **Key words**

small business, small and medium business, employment, poverty, regions, Uzbekistan, entrepreneurship.

As is well known, entrepreneurship forms the foundation of economic development in many countries. Manufacturing, small and medium businesses, and service provision are key drivers of socioeconomic development in both developed and developing countries. All countries recognize the crucial role of small, medium, and large enterprises and service providers in increasing a country's gross domestic product (GDP), domestic wealth, resources, and jobs, as well as increasing income and reducing poverty. Such activities have been implemented for hundreds of years, and each year, numerous researchers and economists continue to use their work and analysis to determine the future development of their countries. The small and medium business sector undoubtedly provides the main impetus for economic development in all countries.

Small and medium-sized businesses also play a key role in Uzbekistan, accounting for over 50% of GDP. They are classified by income: small businesses have annual revenues of 1 to 10 billion soums, while medium-sized businesses have revenues of 10 to 100 billion soums.

According to Decree No. UP-21 of the President of the Republic of Uzbekistan dated February 10, 2023, the following criteria apply for classification as SMEs (based on income):

Table 1 – Criteria for classifying business entities as small and medium-sized businesses based on income

Business Entity	Criteria
Microenterprises:	Up to 1 billion soums in annual revenue
Small enterprises:	From 1 to 10 billion soums in annual revenue
Medium-sized enterprises:	From 10 to 100 billion soums in annual revenue
Large enterprises:	Over 100 billion soums in annual revenue

In addition to stimulating local economic growth and creating jobs, SMEs play an increasingly significant role in addressing pressing development challenges, particularly those related to ensuring sustainability and service quality.

Presidential Decree No. UP-50 of March 19, 2025, outlined measures to enhance the role of small and medium-sized businesses in the economy, aimed at further improving the business environment in the regions and facilitating the implementation of new business initiatives.

In particular, the key targets for small and medium-sized business development for 2025 have been established:



- Increasing the share of SMEs in GDP to 55%, in industry to 34%, in exports to 34%, and in employment to 75%;
- Transforming at least 600 SMEs into "champion entrepreneurs" by assisting in their consolidation;
- At least doubling the share of small businesses in drinking water supply and sanitation services, road construction, recycling, migration services, utilities, culture, and social services;
- implementation of branded product production in at least 100 SMEs;
- implementation of at least 200 startup projects involving small businesses, etc.

As of October 2025, there were approximately 1.21 million small businesses operating in Uzbekistan, including enterprises, individual entrepreneurs, family businesses, and artisans.

Moreover, as of April 1, 2025, 84.3% of all enterprises in the country were small businesses and microfirms.

In 2024, the number of employees in small businesses reached 1.3 million, an increase compared to 2023.

This indicates that the SME sector remains the largest employer outside the public sector.

The regional structure of entrepreneurship is highly differentiated. The leading regions are: Tashkent city, with the largest number of enterprises; Tashkent region; Samarkand and Fergana regions.

In 2025, the highest small business density was observed in:

- Khorezm – 43.5 units per 1,000 people;
- Tashkent city – 43.4 units;
- Syrdarya region – 37.7;
- Bukhara region – 37.5 units per 1,000 people.

Low levels of entrepreneurial activity are typical in less industrialized regions, where the number of enterprises is significantly lower.

Thus, a region's level of economic development is directly linked to business concentration.

The SME sector is a key source of jobs. In 2025, the unemployment rate in Uzbekistan fell to 4.9%, lower than the previous year. In a number of cities, the rate fell below 4%, which is in line with the natural unemployment rate.

In one district of the Surkhandarya region, the opening of businesses and the development of entrepreneurship have created employment for approximately one thousand people. Consequently, the development of entrepreneurship directly impacts the reduction of unemployment at the local level.

Poverty reduction is one of the key socioeconomic outcomes of entrepreneurship development.

According to official estimates:

- the poverty rate could decrease to 6% (previously approximately 8.9%)
- the strategic goal is to reduce it to 4.5% by 2026.

Entrepreneurs in our country have provided sources of income for hundreds of thousands of vulnerable households, including low-income families. According to official sources, at the local level, poverty rates in certain districts have been reduced by more than three times thanks to the creation of new businesses and jobs.

Small businesses account for a significant share of service production. In 2025, small businesses accounted for:

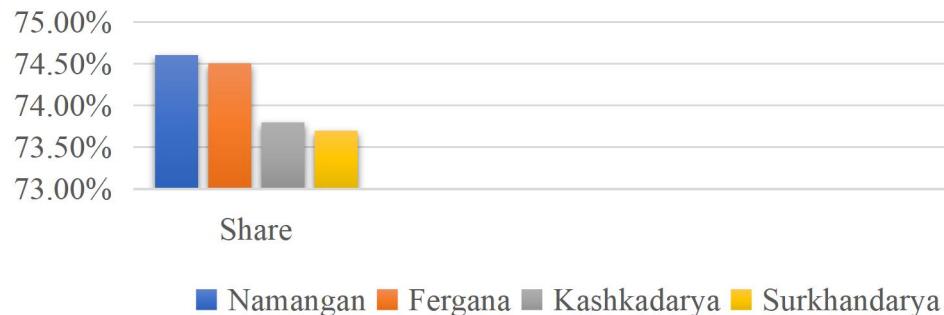
- 55.3% of the total volume of services;
- 452.3 trillion soums in added value.

The largest share of small businesses in the service sector is observed in several regions, shown in Figure 1.

Figure 1 – Share of small businesses in the service sector by region



### The largest share of small businesses in the service sector by region



This confirms that SMEs are a key driver of regional growth. The analysis shows that:

- The SME sector dominates in terms of the number of enterprises and employment;
- Growing entrepreneurship is accompanied by a decrease in unemployment;
- An increase in the number of enterprises contributes to poverty reduction;
- Significant regional differentiation remains.

The strongest influence of SMEs is observed in the service economy; in agro-processing regions; and in areas with active government support.

The country continues to implement the Program for Transforming Highly Developing Business Entities into "Champion Entrepreneurs." A list of organizations meeting the following criteria is being compiled:

- At the district (city) level – in each district (city), at least two business entities with an annual turnover of over 10 billion soums and having created more than 50 jobs;
- At the level of Karakalpakstan, regions, and the city of Tashkent – in each region, at least five business entities with an annual turnover of over 100 billion soums and having created more than 500 jobs;
- At the national level – business entities with an annual turnover of over 1 trillion soums and having created more than 5,000 jobs.

The small and medium enterprise sector plays a vital role in Uzbekistan's socioeconomic development.

Key findings: more than half of GDP is generated by small businesses; SMEs are the largest source of employment; unemployment has fallen to historically low levels; entrepreneurship contributes to poverty reduction; and significant regional disparities exist.

To improve the effectiveness of all programs and strengthen the role of small and medium-sized businesses in the country's economy, the following practical recommendations can be made:

- Expanding preferential lending programs for SMEs;
- Developing infrastructure in regions with low entrepreneurial activity;
- Supporting self-employment and family businesses;
- Stimulating innovative and export-oriented enterprises.

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