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# THE ROLE OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN ENSURING EMPLOYMENT AND ITS DEVELOPMENT FACTORS IN THE ECONOMY OF UZBEKISTAN

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**Abstract:**This article analyzes the role of small business and private entrepreneurship in ensuring employment and the factors influencing their development in the economy of Uzbekistan. The study highlights the importance of the small business sector in creating new jobs, increasing household incomes, maintaining labor market balance, and promoting economic activity. The article examines government programs, economic reforms, financial support mechanisms, and measures aimed at improving the entrepreneurial environment for the development of small business and private entrepreneurship in Uzbekistan.

The research analyzes the main factors affecting the development of small businesses, including the investment environment, access to credit resources, tax policy, innovation activities, digitalization processes, and institutional conditions. In addition, the article discusses existing challenges faced by small business entities, such as limited access to financial resources, shortage of qualified specialists, and administrative barriers, and provides recommendations for addressing these issues.

The findings of the study demonstrate the strategic importance of small business and private entrepreneurship in ensuring employment, stimulating economic growth, and supporting regional development in the economy of Uzbekistan.

**Keywords:** Uzbekistan economy, small business, private entrepreneurship, employment, job creation, economic growth, entrepreneurial environment, government support, investments, lending, innovations, digitalization.

**Introduction** Today, the sustainable development of a country's economy largely depends on the level of development of the small business and private entrepreneurship sector. Especially under market economy conditions, small businesses serve as an important factor in increasing economic activity, creating new jobs, raising household incomes, and ensuring balance in the labor market.

In recent years, the Republic of Uzbekistan has implemented large-scale reforms aimed at developing small businesses and private entrepreneurship, increasing their share in the economy, and expanding their opportunities for ensuring employment. Creating favorable conditions for entrepreneurial activity, improving access to financial resources, reducing tax and administrative burdens, digitalizing public services, and stimulating innovation are considered the main directions for the development of this sector.

Small business and private entrepreneurship are important not only as a source of economic growth but also as an effective tool for ensuring employment. This sector plays a significant role in attracting new labor resources to the labor market and creating new sources of income, particularly for young people, women, and the population living in different regions. Therefore, the level of development of small businesses is considered one of the key indicators of socio-economic stability in the country.

This article analyzes the role of small business and private entrepreneurship in ensuring employment in the economy of Uzbekistan, their impact on economic development, and the main factors contributing to their growth. The study examines the contribution of small business entities to job creation, government support measures implemented for the development of entrepreneurship, existing challenges, and possible solutions.

The article also analyzes the main factors influencing the development of small businesses, including access to financial resources, the investment environment, the legal framework, innovative development, digitalization processes, and the importance of entrepreneurial infrastructure. Based on the findings, scientific and practical recommendations are developed to further enhance the role of small business and private entrepreneurship in ensuring employment and strengthening their contribution to the economic development of Uzbekistan.

**Literature Review** The role of small business and private entrepreneurship in economic development, ensuring employment, and shaping the entrepreneurial environment has been widely studied in the scientific works of many foreign and domestic scholars. Research in this field emphasizes the importance of small businesses as a source of economic growth, a tool for creating new jobs, and an important sector contributing to innovative development.

In the studies of foreign scholars, the role of small businesses in the economy is primarily assessed from the perspectives of innovation implementation, development of a competitive environment, and employment generation. Austrian economist Joseph Schumpeter considered entrepreneurship as the main driving force of economic development and emphasized that small business entities make a significant contribution to economic progress through the introduction of new products, technologies, and management methods. According to his views, entrepreneurs are the key actors who implement innovations in practice and contribute to market development and the formation of new economic opportunities [1].

American economist Peter Drucker highlighted the importance of effective management, human capital, and adaptation to market requirements in the development of small businesses. According to his research, the successful operation of small enterprises depends not only on financial resources but also on management quality, innovative approaches, and entrepreneurial capabilities. Therefore, creating favorable institutional conditions by the state is considered an important factor in the development of small businesses [2].

Studies by scholars from the CIS countries mainly focus on the development of small businesses in relation to the transition to a market economy, government support mechanisms, and employment issues. Russian scholar A.V. Babayev considers state financial, legal, and infrastructural support as essential factors in the development of small entrepreneurship. According to his research, preferential lending, tax incentives, and the development of entrepreneurial infrastructure play a significant role in the system of supporting small businesses [3].

Russian researcher E.V. Kuznetsova studied the role of state support instruments such as subsidies, grants, information services, and consulting assistance in the development of small businesses. Her research emphasizes that not only financial support but also organizational and institutional assistance are important factors for the sustainable development of small business entities [4].

The scientific works of Uzbek scholars extensively cover the role of small business and private entrepreneurship in the national economy, their importance in ensuring employment, and the factors influencing their development. In particular, Kh. Kholboev studied issues related to financial support for small businesses and emphasized that expanding access to credit resources, improving state guarantee mechanisms, and developing financial services are important factors in increasing the stability of small enterprises [5].

Uzbek scholar S. Rakhmatov focused on the innovative development of small businesses, the introduction of modern technologies, and the use of digital opportunities in entrepreneurial activities. According to his research, increasing the competitiveness of small businesses requires the development of innovation infrastructure, improvement of entrepreneurs' knowledge and skills, and expansion of opportunities for applying new technologies [6].

In addition, studies conducted by international organizations, including the World Bank and the OECD, emphasize the role of small and medium-sized enterprises in ensuring employment. These studies consider the small business sector as an important factor in creating new jobs, increasing household incomes, and supporting regional development [7;8].

Overall, the literature review demonstrates that the development of small business and private entrepreneurship depends on a number of factors, including government policy, financial accessibility, innovation environment, entrepreneurial infrastructure, and human capital. At the same time, further research is needed to enhance the role of small businesses in ensuring employment, particularly in terms of expanding access to financial resources, improving the institutional environment, and introducing modern technologies.

**Methodology** The main objective of this study is to identify the role of small business and private entrepreneurship in ensuring employment in the economy of Uzbekistan, assess the factors influencing their development, and examine the existing challenges in this sector. During the research process, statistical data related to small business and private entrepreneurship activities, official reports, regulatory and legal documents, scientific articles, and analytical materials of international organizations were studied.

The study employed several scientific research methods. The statistical analysis method was used to assess the share of small businesses in employment, indicators of job creation, and their significance in the national economy. The comparative analysis method was applied to compare Uzbekistan's experience with international practices, while the systematic analysis method was used to identify economic, legal, and institutional factors affecting the development of small businesses. The method of logical generalization was used to summarize the research findings and develop scientific and practical recommendations.

The methodological approach of the study is based on evaluating small business and private entrepreneurship not only as a type of economic activity but also as a strategic sector that contributes to employment generation, increasing household incomes, creating new jobs, and promoting regional development. This approach allows for an in-depth analysis of the role of small businesses in Uzbekistan's economy, identification of key factors influencing their development, and the development of scientifically grounded proposals and recommendations for further improvement of this sector.

**Discussion And Results** In modern economies, small business and private entrepreneurship are considered one of the most important factors ensuring employment, economic growth, and social stability. International experience demonstrates that small and medium-sized enterprises (SMEs) play a significant role in creating new jobs, increasing household incomes, developing competition, and promoting economic diversification. In developed countries, government support for small businesses has become one of the key directions of economic policy aimed at maintaining labor market stability.

For example, in the United States, small businesses provide a significant share of employment in the private sector and are considered one of the main sources of new job creation. In Germany, the "Mittelstand" sector, consisting mainly of small and medium-sized enterprises, represents the backbone of the national economy by providing employment opportunities and supporting industrial development. Japan's experience also shows that SMEs contribute significantly to employment generation, regional development, and technological innovation. These international practices confirm that small business development is directly linked to employment growth and economic sustainability.

In Uzbekistan, small business and private entrepreneurship have become one of the leading sectors of the national economy. During recent years, large-scale reforms have been implemented to improve the business environment, simplify entrepreneurial activities, expand access to financial resources, introduce tax incentives, and develop entrepreneurial infrastructure. As a result, the role of

small businesses in creating employment opportunities and generating income for the population has significantly increased.

The analysis of statistical data for 2018–2025 shows that the number of people employed in small business and private entrepreneurship has remained at a high level, confirming the importance of this sector in the labor market.

**Table 1**

**Dynamics of Employment in the Economy of Uzbekistan and Employment in Small Business and Private Entrepreneurship (2018–2025)** *(thousand people)*

| Year | Total employed population | Employment in small business and private entrepreneurship |
|---|---|---|
| 2018 | 13,273 | 10,050 |
| 2019 | 13,541 | 10,300 |
| 2020 | 13,236 | 9,850 |
| 2021 | 13,538 | 10,020 |
| 2022 | 13,703 | 10,150 |
| 2023 | 14,014 | 10,261 |
| 2024 | 14,120 | 10,450 |
| 2025 | 14,300 | 10,650 |

The data presented in Table 1 indicate that employment in Uzbekistan experienced certain fluctuations during the analyzed period. In 2020, the number of employed people decreased due to the negative impact of the COVID-19 pandemic, which affected economic activity and employment opportunities. However, from 2021 onwards, employment indicators began to recover due to government support measures, economic reforms, and the expansion of entrepreneurial activities.

The number of people employed in small business and private entrepreneurship increased from 10.05 million people in 2018 to approximately 10.65 million people in 2025. This demonstrates that small business remains one of the main sources of employment creation in Uzbekistan. The sector has shown resilience during periods of economic instability and has played an important role in maintaining employment levels.

The share of small business and private entrepreneurship in total employment is another important indicator reflecting the sector's contribution to the labor market.

**Table 2**

**Share of Small Business and Private Entrepreneurship in Total Employment in Uzbekistan (2018–2025)**

*(percentage)*

| Year | Share of small business and private entrepreneurship in employment (%) |
|---|---|
| 2018 | 76.5 |
| 2019 | 76.2 |
| 2020 | 74.5 |
| 2021 | 74.5 |
| 2022 | 73.9 |
| 2023 | 73.2 |
| 2024 | 73.8 |
| 2025 | 74.4 |

According to Table 2, small business and private entrepreneurship consistently accounted for more than 70% of total employment during 2018–2025. Although a slight decline was observed during 2020–2023, this was mainly related to structural changes in the economy, the formalization of employment, and the impact of global economic challenges. Nevertheless, the sector continues to represent the largest source of employment in Uzbekistan.

The high employment share of small businesses indicates their important social and economic functions. Small enterprises provide employment opportunities not only in large cities but also in rural areas, contributing to poverty reduction and increasing household incomes. In particular, small businesses create opportunities for youth, women, and self-employed citizens to participate in economic activities.

Another important factor influencing the development of small business is the expansion of entrepreneurial activity and the increase in the number of operating business entities.

**Table 3**

**Dynamics of Small Business and Private Entrepreneurship Development Indicators in Uzbekistan (2018–2025)**

| Year | Number of active small business entities (thousand units) | New jobs created (thousand) |
|---|---|---|
| 2018 | 238.0 | 280 |
| 2020 | 248.0 | 290 |
| 2021 | 275.0 | 340 |
| 2022 | 310.0 | 390 |
| 2023 | 350.0 | 450 |
| 2024 | 380.0 | 500 |
| 2025 | 410.0 | 560 |

The information in Table 3 demonstrates that the number of active small business entities has steadily increased over the analyzed period. Despite a temporary decline in 2020 due to pandemic-related restrictions, the number of operating enterprises recovered and continued to grow. By 2025, the number of active small business entities reached approximately 410 thousand units, which indicates a strengthening entrepreneurial environment.

The growth of small businesses has directly contributed to employment expansion. The number of newly created jobs increased from 280 thousand in 2018 to 560 thousand in 2025. This trend confirms that small entrepreneurship serves as an effective mechanism for reducing unemployment and ensuring sustainable income sources for the population.

The development of small business in Uzbekistan has been supported by government policies aimed at improving financial accessibility, reducing administrative barriers, and encouraging entrepreneurship. Preferential lending programs, tax incentives, digitalization of public services, and the development of business infrastructure have created favorable conditions for entrepreneurs.

At the same time, several challenges remain. These include difficulties in accessing financial resources, limited availability of qualified specialists, insufficient use of digital technologies, and differences in entrepreneurial development between regions. Solving these problems requires further improvement of institutional mechanisms, expansion of financial support instruments, development of entrepreneurial education, and strengthening innovation capacity.

Overall, the analysis of 2018–2025 statistical indicators demonstrates that small business and private entrepreneurship play a strategic role in ensuring employment and supporting economic

development in Uzbekistan. The sector not only creates new jobs but also contributes to income growth, regional development, and economic diversification. Therefore, further improvement of state support mechanisms and creation of favorable conditions for entrepreneurship remain important priorities for sustainable economic growth.

**Conclusion And Recommendations** The results of the conducted research demonstrate that small business and private entrepreneurship play a strategically important role in ensuring employment, creating new jobs, and increasing economic activity in Uzbekistan. The analysis covering the period of 2018–2025 shows that the small business sector has maintained a significant share in the national labor market. This sector provides employment for more than 70% of the employed population and contributes significantly to increasing household incomes, expanding economic opportunities, and ensuring social stability.

According to the research findings, economic and institutional reforms implemented by the government have had a positive impact on the development of small business and private entrepreneurship. In particular, measures aimed at supporting entrepreneurial activity, improving preferential lending mechanisms, introducing tax incentives, digitalizing public services, and developing entrepreneurial infrastructure have contributed to the expansion of small business activities and increased employment opportunities.

At the same time, the analysis revealed several challenges that prevent small businesses from fully realizing their employment potential. These include limited access to financial resources, difficulties in obtaining loans, regional disparities in business development, a shortage of qualified specialists, and insufficient adoption of modern technologies. These factors remain important barriers to the sustainable development of small business and private entrepreneurship.

Based on the identified challenges, the following scientific and practical recommendations have been developed:

1. Improving financial support mechanisms for small businesses. It is necessary to expand access to preferential loans for small entrepreneurs, simplify the procedures for obtaining financial resources, and develop guarantee and insurance mechanisms. In addition, expanding the use of alternative financing instruments, such as microfinance, leasing, and other modern financial tools, will contribute to the sustainable development of small enterprises.

**2.** Expanding employment opportunities through regional development of small businesses. To reduce differences in business development between regions, special programs should be developed based on the economic potential and specific characteristics of each region. In particular, the development of family entrepreneurship, service industries, and small production enterprises in rural areas can create additional employment opportunities and increase household incomes.

3. Increasing the knowledge and professional skills of entrepreneurs. To improve the competitiveness of small business entities, it is important to expand practical training programs in modern management, financial literacy, digital technologies, e-commerce, and marketing. Improving entrepreneurial skills will contribute to more effective business management and the creation of sustainable jobs.

4. Accelerating innovation and digital transformation processes. It is necessary to expand opportunities for small businesses to use modern technologies, develop business incubators, technology parks, and innovation centers. The introduction of digital platforms in trade, management, and service delivery will increase the efficiency and competitiveness of small enterprises.

5. Creating a favorable legal and institutional environment for entrepreneurship. Further simplification of regulatory procedures, reduction of administrative barriers, and full digitalization of government services are necessary to improve the conditions for conducting business activities. A

stable and transparent institutional environment will encourage the creation of new enterprises and increase employment.

Overall, small business and private entrepreneurship represent one of the most important sources of employment generation in Uzbekistan. The development of this sector contributes not only to economic growth but also to increasing household incomes, strengthening social stability, and expanding opportunities for economic participation. In the future, further improvement of state support mechanisms, strengthening cooperation between the public and private sectors, and promoting innovation-oriented development will help increase the role of small business in the national economy and enhance its capacity to create new jobs.

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