Arabian Journal of Science

ISSN:2308-5703

Impact factor:13.5 *International Multidisciplinary Online Journal* July, 2026

FACTORS ENSURING SUSTAINABLE DEVELOPMENT OF SMALL BUSINESS ENTITIES IN THE ECONOMY OF UZBEKISTAN AND DEVELOPMENT MECHANISMS

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Abstract This article analyzes the main factors ensuring the sustainable development of small business entities in the economy of Uzbekistan and the mechanisms for their further development. The study highlights the role of small businesses in ensuring economic growth, creating new jobs, increasing household incomes, and forming a competitive business environment. The article examines internal and external factors affecting the sustainable development of small business entities, including access to financial resources, the investment environment, state support mechanisms, innovation development, digitalization processes, and the importance of entrepreneurial infrastructure. In addition, the study considers the reforms implemented in Uzbekistan to support small businesses, existing challenges, and possible solutions. Based on the research findings, scientific and practical recommendations are developed to improve the sustainability of small business entities, enhance their competitiveness, and strengthen their role in the national economy.

Keywords: small business, private entrepreneurship, sustainable development, development mechanisms, entrepreneurial environment, financial support, innovation development, digitalization, investment environment, state policy.

Introduction In modern economic conditions, the sustainable development of national economies largely depends on the level of development of small business entities and the effectiveness of entrepreneurial activity. Small businesses play an important role in ensuring economic stability, increasing employment, creating new jobs, improving household incomes, and strengthening competitive market relations. Due to their flexibility, ability to quickly adapt to market changes, and potential for innovation, small businesses are considered one of the key drivers of economic growth.

In Uzbekistan, the development of small business and private entrepreneurship has become one of the priority areas of economic policy. In recent years, comprehensive reforms have been implemented to create favorable conditions for entrepreneurial activity, improve the business environment, expand access to financial resources, reduce administrative barriers, and introduce modern management and digital technologies. These measures are aimed at increasing the sustainability of small business entities and strengthening their contribution to the country's economic development.

At the same time, ensuring the sustainable development of small businesses remains an important issue due to existing challenges such as limited access to financing, insufficient technological capabilities, shortage of qualified personnel, regional disparities, and the need to improve institutional support mechanisms. Addressing these challenges requires the development of effective mechanisms that combine financial, organizational, legal, and innovative support measures.

The sustainable development of small business entities depends on a combination of internal and external factors. Internal factors include management efficiency, financial stability, labor potential, innovation capacity, and the level of digitalization. External factors are associated with state economic policy, investment conditions, taxation and credit systems, market infrastructure, and the overall institutional environment.

This article aims to analyze the factors ensuring the sustainable development of small business entities in the economy of Uzbekistan and to identify effective mechanisms for their improvement. The

study examines the role of small businesses in economic growth, evaluates the impact of major development factors, analyzes existing problems, and develops practical recommendations aimed at strengthening the sustainability and competitiveness of small business entities.

Literature Review The factors ensuring sustainable development of small business entities and mechanisms for their improvement represent one of the important research areas in modern economic studies. Scientific investigations in this field widely emphasize the role of small businesses in promoting economic growth, introducing innovations, developing competitive environments, and strengthening economic stability. Research findings indicate that the sustainability of small business entities depends on a combination of internal factors (financial management, human capital, management quality) and external factors (state policy, legal environment, infrastructure, and market conditions).

Among foreign scholars, Joseph Schumpeter considered entrepreneurship and innovation as key drivers of economic development and emphasized the significant role of small businesses in economic transformation. According to his theory, entrepreneurs contribute to economic renewal by introducing new technologies, products, and management approaches. Schumpeter's concept of "creative destruction" provides an important theoretical foundation for explaining the adaptability and innovative potential of small businesses. This approach demonstrates that innovation activities play a crucial role in ensuring the long-term sustainability of small business entities [1].

Michael Porter's research focuses on the relationship between sustainable business development, competitiveness, and the formation of strategic advantages. The scholar emphasizes that successful business performance depends on the ability of enterprises to adapt to market requirements, establish effective management systems, and utilize innovative opportunities. Porter's theory of competitive advantage helps explain the mechanisms for strengthening the internal potential of small businesses and improving their competitiveness in domestic and international markets [2].

Researchers from CIS countries have mainly studied the sustainable development of small businesses in relation to state support mechanisms, financial accessibility, and institutional conditions. In particular, A.V. Babkin considers small businesses as a flexible element of the economic system and highlights the importance of creating favorable financial and organizational conditions by the state. According to his views, preferential lending, development of entrepreneurial infrastructure, and creation of a supportive business environment are essential factors contributing to the sustainable operation of small enterprises [3].

L.N. Abalkin examined small businesses as an important stabilizing component of a market economy and emphasized their role in maintaining economic balance and adaptability. According to the scholar, small business entities are able to quickly respond to local market demands, utilize emerging economic opportunities, and contribute to regional development. This approach highlights not only the economic but also the social significance of small businesses [4].

The scientific works of Uzbek scholars mainly focus on financial support, management efficiency, human capital development, and innovation processes as important factors influencing the sustainability of small businesses. In particular, B.K. Ergashev emphasizes the importance of financial stability in ensuring the sustainable development of small business entities. According to his research, access to credit resources, investment opportunities, and effective financial management systems are among the key factors determining the success of small enterprises. Therefore, improving financial support mechanisms is considered one of the main directions for increasing the sustainability of small businesses [5].

N. Xudayberganov highlights the importance of human capital and qualified personnel in the development of small businesses. According to the scholar, in the conditions of the modern economy, the competitiveness of small enterprises depends not only on financial resources but also on

managerial skills, innovative thinking, and the ability to use modern technologies. Therefore, improving the knowledge and professional skills of entrepreneurs and employees is one of the important factors ensuring the long-term sustainability of small businesses [6].

In general, the analysis of existing scientific literature shows that the sustainable development of small business entities is a multidimensional process influenced by innovation activity, competitiveness, financial resources, government support, institutional environment, and human capital. At the same time, in the context of Uzbekistan, further research is required to improve financial mechanisms, introduce digital technologies, develop entrepreneurial infrastructure, and enhance the system of training qualified specialists in order to ensure sustainable development of small businesses.

Discussion And Results The sustainable development of small business entities is one of the key factors ensuring long-term economic growth and stability of the national economy. In modern economic conditions, small businesses serve not only as a sector that increases production and service volumes, but also as an important mechanism for creating new jobs, increasing household incomes, supporting regional development, and accelerating innovation processes. Therefore, analyzing the internal and external factors affecting the sustainable development of small business entities in Uzbekistan has significant scientific and practical importance.

The results of the study show that during 2018–2025, Uzbekistan implemented large-scale reforms aimed at developing small business and private entrepreneurship. In particular, procedures for registering business entities were simplified, the tax system was improved, access to financial resources and subsidies was expanded, and entrepreneurship support infrastructure was developed. As a result, small businesses maintained a significant position in the national economy and became one of the main drivers of economic growth.

During 2018–2025, the number of small business entities increased, their activity expanded in various sectors of the economy, and their contribution to employment creation strengthened. In particular, small businesses demonstrated significant growth in services, trade, agriculture, manufacturing, handicrafts, and other economic sectors. The government's policy aimed at creating a favorable business environment, providing financial support, and encouraging entrepreneurial initiatives played an important role in this process.

The following table presents the main indicators characterizing the development of small businesses in Uzbekistan during 2018–2025 [7].

Table 1

Years	Role of small business in the economy	Main development factors
2018	Small business became one of the important sectors of the economy, contributing significantly to employment and production	Liberalization of entrepreneurship, simplification of licensing procedures
2019	The number of small enterprises and their activity in the service sector increased	Expansion of lending opportunities, tax reforms
2020	Business activity declined in some sectors due to the COVID-19 pandemic	Government support measures, preferential loans, and tax benefits

2021	Economic recovery began and the number of newly established businesses increased	Digitalization, transition of public services to electronic formats
2022	The role of small businesses in production and services expanded	Attraction of investments, promotion of exports
2023	Entrepreneurial activity increased and the pace of job creation accelerated	Development of innovation projects, business incubators, and technology parks
2024	The use of digital technologies and export opportunities expanded	E-commerce, digital marketing, and financial services development
2025	Ensuring sustainability and increasing competitiveness became priority directions	Investment projects, innovative development, and regional programs

Main Indicators of Small Business Development in Uzbekistan during 2018–2025 The analysis of the table demonstrates that the development of small businesses is determined not only by the growth in the number of enterprises but also by qualitative improvements, the adoption of modern technologies, and the ability to adapt to changing market conditions. Therefore, the interaction between internal and external factors plays a crucial role in ensuring the sustainable development of small business entities.

Among internal factors, the quality of business management, financial stability, innovation activity, and human capital are of particular importance. Research results indicate that many small businesses still have insufficient experience in strategic planning, marketing activities, and the application of modern management methods. In particular, the level of digital technology adoption among small enterprises remains lower compared to large companies.

Access to financial resources is also one of the main internal factors determining the sustainability of small businesses. Although various state programs supporting small business financing were implemented during 2018–2025, some entrepreneurs still face difficulties related to collateral requirements, high interest rates, and complex documentation procedures when obtaining loans. Therefore, the development of alternative financing mechanisms, including microfinance, leasing, and guarantee systems, remains necessary [8].

In addition, external factors have a significant influence on the sustainable development of small businesses. These include government policy, the legislative environment, investment conditions, market infrastructure, and international economic relations. Reforms implemented in Uzbekistan in recent years to improve the entrepreneurial environment have significantly contributed to creating more favorable conditions for business activities.

Increasing the export potential of small businesses is also an important direction for ensuring their long-term sustainability. Reducing dependence on domestic markets, producing goods that meet international standards, using electronic trading platforms, and expanding marketing opportunities contribute to improving the competitiveness of small enterprises.

Based on the research findings, the factors affecting the sustainable development of small business entities can be classified into the following groups:

Table 2
Main Factors Affecting the Sustainable Development of Small Businesses

Group of factors	Main factors	Impact direction
Internal factors	Financial management, human resources, management quality	Determine internal capabilities and operational efficiency of enterprises
Innovation factors	Digitalization, new technologies, innovative products	Increase competitiveness and market adaptability
External financial factors	Loans, investments, grants	Provide resources for business expansion
Institutional factors	Legislation, government programs, tax policy	Shape the business environment
Market factors	Demand, competition, export opportunities	Determine market potential and growth opportunities
Regional factors	Infrastructure, logistics, local economic conditions	Influence differences in regional development

Overall, the analysis of 2018–2025 demonstrates that Uzbekistan has created the necessary institutional foundations for the sustainable development of small businesses. However, further improvement of financial accessibility, stimulation of innovation, development of entrepreneurial knowledge and skills, and reduction of regional disparities remain important tasks for the future [9].

The study shows that ensuring the sustainable development of small business entities depends not only on government support measures but also on the internal management capabilities, innovation potential, and adaptability of enterprises to market requirements. Therefore, effective management of internal and external factors represents a key mechanism for ensuring the long-term development of small businesses and strengthening their role in the economy of Uzbekistan.

Conclusion The results of the study indicate that ensuring the sustainable development of small business entities is one of the important strategic priorities for the stable growth of the economy of Uzbekistan. Small businesses play a significant role in increasing economic activity, creating new jobs, improving household incomes, strengthening competition, and supporting regional development. The analysis of the period 2018–2025 shows that the development of small businesses has been significantly influenced by both internal and external factors.

The study revealed that internal factors, including management efficiency, financial stability, human capital, innovation activity, and the ability to introduce modern technologies, have a direct impact on the competitiveness and sustainability of small enterprises. In particular, improving management skills, strengthening financial planning, expanding the use of digital technologies, and developing the professional capacity of entrepreneurs are essential conditions for ensuring long-term business growth.

At the same time, external factors such as government support policies, the legislative environment, access to financial resources, investment opportunities, market conditions, and infrastructure development significantly determine the business environment. The reforms implemented in Uzbekistan in recent years have created favorable conditions for the development of

entrepreneurship through simplified administrative procedures, expansion of preferential financing mechanisms, improvement of taxation policies, and development of business support institutions.

However, the analysis also shows that several challenges remain in ensuring the sustainable development of small businesses. Limited access to financial resources, insufficient innovation activity, lack of qualified specialists, uneven development of business infrastructure across regions, and difficulties in entering international markets continue to restrict the full realization of small business potential.

Based on the research findings, the following measures are recommended to strengthen the sustainability of small business entities:

- expanding access to financial resources by developing alternative financing instruments, including microfinance, leasing, guarantee mechanisms, and investment support programs;
- improving the entrepreneurial skills of business owners and employees through professional training, consulting services, and educational programs;
- accelerating digital transformation by introducing modern information technologies, e-commerce platforms, and automated management systems;
- strengthening innovation support through the development of technology parks, business incubators, and cooperation between small businesses and research institutions;
- improving regional support mechanisms by considering local economic potential and reducing differences in business development opportunities between regions;
- increasing the export potential of small enterprises through marketing support, international cooperation, and assistance in entering foreign markets.

In general, sustainable development of small business entities requires a comprehensive approach that combines effective government policy, favorable institutional conditions, financial accessibility, innovation development, and improvement of entrepreneurial capabilities. The experience of Uzbekistan during 2018–2025 demonstrates that small businesses have become an important component of economic development and social stability.

Therefore, further improvement of mechanisms supporting small business development will contribute to increasing the competitiveness of enterprises, expanding employment opportunities, strengthening economic resilience, and ensuring sustainable economic growth in Uzbekistan.

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