

## ENTREPRENEURSHIP IS THE MAIN DIRECTION FOR REDUCING POVERTY

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### Abstract

The article provides proposals and recommendations on the importance of small business and private entrepreneurship in providing employment to the population, generating income and, as a result, reducing the number of poor people.

### Key words

small business and private entrepreneurship, poor people, accelerating economic growth, financing, education and training, business environment, job creation, technical support, market development, infrastructure development, social protection

### Introduction

The development of small business and private entrepreneurship in the country has several positive aspects. In particular, it creates a necessary competitive environment, enables rapid adaptation to numerous changes in market conditions, generates new additional jobs in production and service sectors, and plays a significant role in ensuring economic continuity and stability. The advancement of entrepreneurial activity mobilizes the material, financial, and intellectual resources of the population, thereby accelerating the formation of a class of property owners in the country. The rapid development of small business and private entrepreneurship also contributes to the expansion of free market infrastructure.

Another important aspect of small business and private entrepreneurship is that, under conditions of strong competition, they are constantly inclined toward development and must adapt to current market conditions. Their ability to outperform other entrepreneurial entities serves as a key source of increased profitability.

### Literature Review

Issues related to the development of entrepreneurship, increasing its economic efficiency, and reducing poverty have been widely studied by foreign economists

such as A. Smith, D. Ricardo, A. Deaton, P. A. Samuelson, W. D. Nordhaus, C. Booth, F. von Hayek, P. J. Proudhon, and others.

In the CIS countries, the issues of developing small business and entrepreneurship as a means of poverty reduction have been addressed in the scientific works of economists including A. A. Savichev, V. A. Rozhkovsky, A. V. Soy, Ye. L. Alexandrov, O. E. Alexandrova, Ye. S. Balabanova, Ye. I. Beglova, L. A. Elovikov, I. V. Shugaeva, A. A. Razumov, O. V. Selivanova, and L. A. Zubkevich.

In Uzbekistan, the general aspects of the role of entrepreneurship in the development of small business and poverty reduction have been scientifically substantiated in the works of S. S. G'ulomov, Yo. Abdullayev, B. Yu. Khodiyev, M. S. Qosimova, S. K. Salayev, U. V. Gafurov, Sh. I. Mustafaqulov, M. Z. Muxiddinova, M. X. G'aniyev, B. Pardayeva, and others.

### **Research Methodology**

To study the directions of developing small business and reducing poverty, existing scientific research was reviewed. Annual statistical reports of small business entities were analyzed and compared using logical reasoning, scientific abstraction, data grouping, analysis and synthesis, as well as induction and deduction methods.

### **Analysis and Results**

One of the most significant roles of small business and private entrepreneurship is ensuring employment, generating income, and consequently reducing the proportion of the poor population. In Uzbekistan, the development of small business and entrepreneurship has primarily had a strong impact on reducing poverty. Until 2020, poverty levels were not directly measured; instead, the share of low-income population groups was calculated.

In the Uzbek experience, the development of small business and entrepreneurship has focused on reducing poverty through the effective creation of new jobs across economic sectors and through self-employment. Taking measures to promote economic growth has become a priority. According to experts, the higher the level of economic development—often measured by GDP per capita—the greater the opportunities for reducing absolute poverty.

Economic growth simultaneously implies increased employment and higher incomes, which directly contributes to poverty reduction. At the same time, it leads to an increase in tax revenues to the state budget, thereby expanding the capacity to support social programs. In other words, the greater the economic growth, the larger the share that can potentially be distributed to each member of society. This

is also confirmed by international statistics. Accordingly, the primary “prescription” for combating poverty is to accelerate economic growth.

The development of small business and private entrepreneurship plays a crucial role in reducing poverty and accelerating economic growth. Below, several key directions that can contribute to achieving these goals are considered.

**1. Expanding Access to Finance.** Expanding access to financial services such as credit, insurance, and investment stimulates market development and provides growth opportunities for small and medium-sized enterprises. Affordable and diversified financial instruments and credit services should be made available for small businesses and entrepreneurs. This includes state microfinance programs, credit guarantees, venture capital financing, and the development of local banks and financial institutions aimed at supporting small businesses.

Ensuring access to financial services—including microloans, savings accounts, insurance, and other financial instruments—helps low-income population groups manage their finances, develop their businesses, and invest in education and healthcare. The development of microfinance and alternative financial instruments can also create new opportunities for entrepreneurs.

**2. Education and Training, Workforce Development.** Providing entrepreneurs with access to education and training to develop business, management, marketing, and financial skills is essential. This may include business courses, workshops, advisory services, and support for business incubators. In addition, investment in education, training, and skills development helps enhance the qualifications and competencies of the workforce.

Most importantly, these measures must be organized at a high-quality level. This creates greater opportunities for well-paid jobs and higher incomes, which in turn contributes to poverty reduction.

**3. Creating a Favorable Business Environment.** Creating a favorable business environment requires regulatory reforms and reducing bureaucratic barriers for small businesses. Simplifying procedures for registration, licensing, and taxation, as well as improving access to land, energy, and infrastructure, contributes significantly to the development of small businesses.

As the business environment improves, market infrastructure expands accordingly. The entities that constitute market infrastructure also act as market participants by providing services to other market actors. This, in turn, leads to the creation of new jobs within market infrastructure entities and increases the demand for qualified specialists to ensure employment.

To expand the business environment, it is necessary to develop infrastructure that supports business growth and to enhance access for small enterprises to

financial, labor, and information resources, as well as to transport, consulting, auditing, insurance, and other related services.

Improving the business environment is not only the responsibility of the central government but can also be achieved with the support of local authorities. For this purpose, regional administrations should undertake the following tasks to assess and improve territorial and local conditions:

- analyzing the level of development of small business and private entrepreneurship based on annual reports of the local economy;
- ensuring the functioning of the local capital market and coordinating the activities of the structures required for its operation;
- identifying and addressing problems arising between locally operating small business entities and infrastructure institutions;
- including and analyzing information on infrastructure activities in reports prepared by the Chamber of Commerce and Industry. At the same time, it is advisable to develop index indicators that ensure and guarantee the development of small business entities operating in regions and major cities. Monitoring of this process should be organized by information and analytical departments within regional administrations.

**4. Job Creation.** Increasing employment levels and creating decent jobs are key factors in poverty reduction. To achieve this, it is necessary to develop small businesses, invest in production, promote sectors with high value added, and stimulate entrepreneurship and innovation. Creating new jobs in the most modern sectors of the economy is particularly important. For example, introducing new industrial sectors, developing information and communication technologies, advancing the digital economy, and generating employment in these areas are of great significance. These processes, in turn, require experienced instructors and trainers capable of preparing highly qualified specialists.

In our view, state employment policy in Uzbekistan should be developed based on clear and proven methods, similar to those used in foreign countries, aimed at reducing unemployment and increasing socially necessary employment. For this purpose, the following measures should be taken into account:

- stimulating investments in the economy by the state, as this is a key prerequisite for job creation;
- granting tax incentives to entrepreneurs and small enterprises when new jobs are created;
- encouraging self-employment in socially necessary labor;



- creating favorable conditions for investment activity in small business and family entrepreneurship, which is recognized in many countries as an effective method of ensuring employment;
- providing vocational training, retraining, and information and consulting services to individuals who have become unemployed or face the risk of job loss due to structural changes, in order to intensify job search efforts;
- developing labor exchanges and employment services that act as intermediaries in the labor market, collecting and analyzing information on job vacancies, and ensuring rapid access to such information to reduce frictional and structural unemployment (information and advisory centers);
- allocating compensation to employers to cover costs associated with creating jobs for specific population groups, including youth, persons with disabilities, and individuals with limited work capacity;
- creating a socio-economic environment that provides material incentives for competence and creative attitudes toward work;
- when necessary, supporting families through subsidies and loans to facilitate relocation from labor-surplus regions to areas with available job vacancies;
- promoting international cooperation in addressing employment issues, including matters related to international labor migration;
- creating jobs in the public sector, particularly in education, healthcare, public utilities, and the construction of public buildings and facilities;
- organizing targeted public works programs, among other measures.

**5. Technical Support and Innovation.** Providing technical assistance, consulting services, and access to innovative technologies for small businesses is essential. This includes organizing technical training programs, supporting research and development activities, and facilitating the adoption of new technologies and digital solutions. The application of innovations across economic sectors leads to the creation of new businesses. Creating a favorable environment for innovation, supporting startups, and developing digital technologies can open new business opportunities and increase the efficiency of economic processes.

Overall, encouraging scientific research, promoting innovation, and applying new technologies contribute to the development of a market economy. This, in turn, stimulates the acquisition of new professions based on the development of new sectors. In other words, innovation requires not only the application of new technologies but also the training of specialists capable of operating them. Moreover, the widespread implementation of digital technologies significantly influences the labor market. The electronic execution of economic relations across almost all sectors of the national economy represents one of the latest

manifestations of global development. At present, it is essential to enhance the competitiveness of domestic entrepreneurs in the global market, including within the virtual business environment.

**6. Market Development and Utilization of New Opportunities.** Supporting market development and creating new opportunities for small businesses are crucial. This may include organizing exhibitions, trade fairs, business missions, and facilitating access to new markets, including export opportunities. As market relations develop, competition also intensifies. The development and modernization of infrastructure play a vital role in stimulating market growth, which in turn leads to the emergence of new small business entities.

Participation in international trade and the expansion of international economic relations contribute to market growth and create new opportunities for economic development. The signing of trade agreements, establishment of export zones, attraction of foreign investment, and expansion of trade markets all serve to promote business development and accelerate economic growth.

**7. Infrastructure Development.** The development of physical and social infrastructure—such as transport networks, energy supply, water systems, healthcare and education facilities, communication systems, and internet connectivity—is a fundamental factor in achieving inclusive economic growth. Improving access to essential services helps reduce social inequalities and supports sustainable development. High-quality and affordable infrastructure enhances connectivity, reduces transportation costs, and increases business efficiency.

**8. Social Protection and Inclusiveness.** Developing social protection and inclusiveness programs for small business and entrepreneurial entities is essential. This may include state support for access to healthcare, education, social security, and services for disadvantaged entrepreneurs. Social protection measures—such as assistance programs for low-income families, unemployment benefits, and the implementation of healthcare and education systems—help reduce poverty and ensure social inclusion.

**9. Supporting Vulnerable Groups and Encouraging Their Participation in Business.** Supporting vulnerable groups—such as children, women, migrants, persons with disabilities, and other similar categories—is of great importance in reducing poverty. In this context, it is necessary to establish mechanisms for cooperative interaction between small business and entrepreneurial entities and low-income population groups, ensuring mutually beneficial collaboration.

## Conclusion and Recommendations

- Taking these issues into account, we consider it appropriate to rely on the following principles when implementing the strategy:
  - guaranteed comprehensive state support for low-income individuals seeking to start entrepreneurial activities;
  - reducing the human factor by automating the regulation of entrepreneurial activity;
  - consistently reducing the state's share and intervention in the economy;
  - creating a competitive environment in the financial market, simplifying and automating the credit allocation process based on market mechanisms;
  - continuing efforts to significantly reduce and simplify the system of issuing licenses and permits for entrepreneurial activities for low-income and vulnerable population groups;
  - ensuring transparency and openness of economic processes and the rule of law;
  - guaranteeing the provision of entrepreneurs with necessary infrastructure and energy resources.

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