

STATE SUPPORT FOR SMALL AND MEDIUM BUSINESS DEVELOPMENT IN UZBEKISTAN: AN ANALYSIS OF PROGRAMS AND INITIATIVES FOR ENTREPRENEURSHIP PROMOTION

<https://doi.org/10.5281/zenodo.18543691>

Ravshanova Sarvinoz

*Bukhara State University Faculty of Economics and Tourism
Student of group 10-11QT-24*

Abstract

This article examines the state support mechanisms for small and medium-sized enterprise (SME) development in Uzbekistan, analyzing the comprehensive programs and initiatives implemented to promote entrepreneurship. Since the launch of large-scale economic reforms in 2017, Uzbekistan has established a multifaceted framework encompassing legislative reforms, financial support instruments, tax incentives, digital transformation strategies, and international cooperation programs. The study evaluates key government policies, including the Uzbekistan 2030 Strategy, the SME Strategy 2025–2030, and major international partnership projects such as the World Bank’s FINGROW initiative and the ADB’s SME Development Program. Through an analysis of recent policy documents, statistical data, and institutional reports, the article identifies both achievements and persistent challenges in the SME ecosystem. Findings indicate that while SME contribution to GDP has grown to approximately 55%, and the number of enterprises has nearly doubled since 2017, significant barriers remain in access to finance, regulatory complexity, and regional disparities. The article concludes with policy recommendations aimed at strengthening the effectiveness of state support mechanisms and fostering a more inclusive entrepreneurial environment.

Keywords

small and medium enterprises, entrepreneurship, state support, Uzbekistan, economic reform, access to finance, SME development, business climate

Small and medium-sized enterprises (SMEs) constitute the backbone of modern economies worldwide, serving as primary engines of innovation, employment generation, and economic diversification. In Uzbekistan, a lower-middle-income nation in Central Asia with a population exceeding 37 million, SMEs account for over 90 percent of all registered businesses, approximately 75 percent of total employment, and around 55 percent of gross domestic product

(GDP). These figures underscore the critical importance of SMEs in the country's economic architecture and their pivotal role in achieving national development objectives. Since the initiation of comprehensive economic reforms in 2017 under the leadership of President Shavkat Mirziyoyev, Uzbekistan has embarked on an ambitious transformation trajectory aimed at transitioning from a state-dominated economy to a market-oriented system. The government's reform agenda, articulated through flagship policy documents such as the Development Strategy 2022–2026 and the Uzbekistan 2030 Strategy, places private sector development and entrepreneurship promotion at the center of national priorities. Over the past eight years, the country has attracted \$230 billion in investments, including over \$120 billion in foreign capital, while maintaining an average GDP growth rate of approximately 6.4 percent over the past two decades.

Despite these achievements, Uzbekistan's SME sector continues to face substantial challenges. Access to finance remains critically constrained, with only 10 percent of small enterprises and 16 percent of medium enterprises reporting access to loans. The total estimated demand for MSME credit stands at \$13 billion, leaving a financing gap of approximately \$6 billion. More than one-third of MSMEs lack bank accounts, and less than 30 percent of sales are conducted electronically. Regulatory complexity, institutional fragmentation, and regional disparities further compound these difficulties. This article aims to provide a comprehensive analysis of the state support framework for SME development in Uzbekistan, examining the programs, initiatives, and institutional mechanisms designed to promote entrepreneurship. By synthesizing data from government sources, international organizations, and recent policy evaluations, the study seeks to identify the strengths and weaknesses of the current approach and offer evidence-based recommendations for enhancing the effectiveness of state support mechanisms.

The theoretical foundations for state intervention in SME development are well-established in economic literature. Market failure theory posits that information asymmetries, externalities, and imperfect competition create conditions under which private markets fail to allocate resources efficiently to small enterprises (Stiglitz & Weiss, 1981). This justifies government intervention through credit guarantee schemes, subsidized lending, and targeted fiscal policies. The institutional economics perspective, advanced by North (1990), emphasizes that the quality of formal and informal institutions – including legal frameworks, property rights, and regulatory environments – profoundly shapes entrepreneurial activity. In the context of transition economies, the role of state support assumes particular significance. Estrin et al. (2006) demonstrate that post-socialist economies require deliberate institutional construction to nurture private enterprise, given the legacy

of state ownership and centralized planning. For Uzbekistan, this transition is ongoing: state-owned enterprises still account for significant portions of GDP, and preferential treatment for SOEs in access to land, finance, and incentives continues to distort competitive conditions (OECD, 2025). The government's dual strategy of maintaining macroeconomic stability while progressively liberalizing the economy reflects the gradualist approach to transition advocated by scholars such as Roland (2000).

Recent empirical research on Uzbekistan's SME sector highlights the strong correlation between urban expansion, educational infrastructure, and enterprise formation. Bekmuradov (2025) demonstrates that every additional 1,000 urban residents generates approximately 35 new SMEs, while the establishment of a single university can catalyze the creation of up to 300 enterprises. These findings align with the broader literature on entrepreneurial ecosystems (Isenberg, 2011) and underscore the importance of holistic policy approaches that integrate financial, educational, and infrastructural dimensions of SME support. This study employs a qualitative research design based on document analysis and policy evaluation. The primary data sources include official government documents (Presidential Decrees, national strategies, and legislative texts), reports from international organizations (World Bank, Asian Development Bank, OECD, USAID, and OPEC Fund), statistical bulletins from the State Statistics Committee of Uzbekistan, and scholarly publications on SME development in Central Asia. The analytical framework draws on the OECD Policy Framework for Investment and the World Bank's enterprise survey methodology to evaluate the coherence, effectiveness, and inclusiveness of state support mechanisms. The temporal scope of analysis covers the period from 2017 to 2025, corresponding to the current reform era initiated by the Mirziyoyev administration.

The legislative architecture supporting SME development in Uzbekistan has undergone significant transformation since 2017. The overarching Uzbekistan 2030 Strategy, complemented by the Development Strategy 2022–2026, establishes the strategic direction for private sector development. These documents set explicit targets for increasing SME contribution to the economy to 55 percent by 2030 and outline reform priorities including reducing government interference in private sector activity, decentralizing state functions, and fostering public-private partnerships. Since 2018, over 20 Presidential Decrees have targeted the simplification of business registration, licensing, and administrative processes. The government has digitized approximately 76.3 percent of public services, accessible through the my.gov.uz portal, and is developing a comprehensive Entrepreneurship Code that consolidates existing regulations into a unified legal

instrument. A particularly noteworthy regulatory reform is the three-year moratorium on introducing new regulatory obligations for SMEs, effective from July 1, 2025, which permits new rules only twice annually. Additionally, first-time commercial violations will not incur administrative penalties until 2028, providing a grace period for new entrepreneurs to adapt to regulatory requirements. These measures reflect the government’s recognition that regulatory burden disproportionately affects small enterprises and that simplification is essential for fostering a more enabling business environment.

Access to finance constitutes the most critical dimension of state support for SMEs in Uzbekistan. The government has deployed a multi-layered financial architecture encompassing direct lending, guarantee schemes, grant programs, and equity financing mechanisms. In 2025, the government allocated approximately €9.23 billion for SME support, with €1.69 billion designated specifically for preferential lending, half of which is earmarked for young and women entrepreneurs. In 2024, entrepreneurs received loan guarantees totaling approximately 2 trillion soums through the Entrepreneurship Development Company (EDC), a state entity under the Ministry of Economy and Finance. Beginning in December 2025, the EDC expanded its guarantee framework to enable large businesses to receive guarantees of up to 10 billion soums (not exceeding 50 percent of the loan amount), while medium enterprises in production, services, and green economy sectors gained access to equivalent guarantee levels. Entrepreneurs with favorable credit histories became eligible for a 50 percent increase in guarantee limits. From 2026, entrepreneurs in remote regions will benefit from loan refinancing support ranging from 1.5 to 5 billion soums, addressing the persistent challenge of regional disparities in access to finance.

Table 1.

Major international financial support programs for smes in Uzbekistan

Program / Partner	Funding (USD)	Year	Key Objectives
FINGROW (World Bank)	\$105 million	2025	Credit & equity financing for MSMEs; 7,000 businesses by 2030; 100,000 jobs
ADB SME Development Program	\$100 million	2023	Policy-based loan for regulatory reform, trade competitiveness, digitalization
USAID Business Support Project	\$17.7 million	2024–2029	ICT, tourism, textiles, green economy; barrier reduction & investment access
OPEC Fund / Uzpromstroybank	\$30 million	2022	SME lending expansion from 4,600 to 7,500 businesses
MUNIS (World Bank)	Various	2022–	Innovation grants up to \$50,000;

		ongoing	national innovation system modernization
--	--	---------	--

Source: Compiled by the author from World Bank, ADB, USAID, and OPEC Fund reports (2022–2025).

Uzbekistan has made considerable strides in developing its startup ecosystem. As of 2025, more than 600 startups operate in the country, having attracted a record \$264 million in foreign investment in the first seven months of the year alone. The government’s innovation agenda includes plans to commercialize 1,000 startup ideas from young entrepreneurs, with 200 targeted for international markets. Under the “Young Entrepreneurs” championship program, the 100 best startup ideas receive investments of up to 1 billion soums each, while \$100 million has been allocated to transform 100 local startups into world-class businesses based on advanced technologies. The World Bank’s MUNIS (Modernization of the National Innovation System of Uzbekistan) project, implemented through the Agency for Innovative Development, provides Innovation Capability Program (ICP) grants of \$50,000 per project, requiring at least 100 percent co-financing from recipients. These grants support SMEs in developing new or improved products, services, and processes for domestic, regional, and global markets. The IT Park initiative offers additional support to technology-oriented enterprises through tax incentives, infrastructure, and networking opportunities, contributing to the broader Digital Uzbekistan 2030 strategy.

A distinguishing feature of Uzbekistan’s SME support framework is its explicit focus on inclusive entrepreneurship. The FINGROW project, for example, targets 4,500 women- and youth-led businesses among its 7,000 beneficiaries, with the expectation that women and young workers will occupy more than half of the 100,000 jobs created. The government has allocated half of its preferential lending budget for 2025 to young and women entrepreneurs, signaling a strong policy commitment to gender and age inclusivity in enterprise development. Mobile outreach teams now operate across the country, providing on-site consultations, legal advice, and economic education seminars tailored to women entering formal business for the first time. Training programs for local bank staff in regions including Karakalpakstan, Fergana, Surkhandarya, Jizzakh, Syrdarya, Namangan, and Khorezm aim to strengthen the quality of SME support services at the regional level. International partnerships, including collaboration with Yamagata University in Japan, contribute to modernizing entrepreneurial training programs, while the U-HOPE 2025 innovation initiative, launched in Karakalpakstan, brings new skills development tools to one of the regions most in need of inclusive economic growth.

The impact of Uzbekistan’s comprehensive SME support framework is evident in several key indicators. The number of SMEs has nearly doubled since 2017, and enterprises with foreign investment now exceed 17,000. The Business Climate Index has reached 63 out of 100, the highest level in two years, reflecting growing confidence among business owners. In the first half of 2025, the economy grew by 7.2 percent, with 1,600 micro-enterprises increasing their turnover to more than 10 billion soums and transitioning to the category of medium-sized enterprises within a single year. The service sector, tourism, and digital economy have emerged as particularly dynamic areas of entrepreneurial activity.

Table 2.

Key sme development indicators in Uzbekistan (2017–2025)

Indicator	2017 (Approx.)	2025 (Latest)
SME share of GDP	~45%	~55%
SME share of employment	~65%	~75%
Registered SMEs	~200,000	370,000+
SMEs with foreign investment	~5,000	17,000+
Business Climate Index	N/A	63/100
Active startups	Minimal	600+
Digitized public services	<30%	76.3%

Source: Compiled from government reports, World Bank data, OECD (2025), and Euronews (2025).

Despite notable progress, several structural challenges continue to constrain SME development. The most pressing is the persistent gap in access to finance. With only 10 percent of small enterprises able to obtain loans and a credit demand shortfall estimated at \$6 billion, financial constraints remain the primary barrier to enterprise growth. The banking sector, characterized by high interest rates and stringent collateral requirements, inadequately serves the diverse financing needs of enterprises at different developmental stages. Furthermore, only 10 percent of SMEs are registered on the government’s digital services portal, suggesting that the benefits of administrative digitization are not reaching the majority of small businesses. Regulatory complexity presents another significant challenge. The OECD’s 2025 assessment of Uzbekistan’s investment climate identifies legislative overproduction, unclear regulatory mandates, and heavy reliance on secondary legislation as contributors to institutional fragmentation and legal uncertainty. The excessive recourse to Presidential Decrees and “by-laws” for regulating substantive

investment matters creates unpredictability that disproportionately affects smaller enterprises lacking the legal resources to navigate complex regulatory environments. Staff turnover in government agencies further undermines policy continuity and implementation effectiveness.

Regional disparities in economic development and entrepreneurial opportunity remain pronounced. While Tashkent and Samarkand benefit from concentrated infrastructure, investment, and institutional support, remote regions such as Karakalpakstan, Surkhandarya, and Syrdarya face significantly greater barriers to enterprise formation and growth. The government's plans for regional loan refinancing from 2026 and mobile outreach programs represent important steps toward addressing this imbalance, but their impact will depend on consistent implementation and adequate resource allocation.

The analysis reveals that Uzbekistan has constructed an increasingly comprehensive and internationally supported framework for SME development. However, the effectiveness of this framework is constrained by implementation gaps, coordination deficits, and structural barriers that require sustained policy attention. Based on the findings, the following policy recommendations are proposed.

First, strengthening the financial infrastructure for SMEs should remain the highest priority. The development of alternative financing mechanisms—including venture capital, peer-to-peer lending, and Islamic finance instruments—would complement existing bank-centered approaches and address the diverse financing needs of enterprises at different growth stages. The government's planned adoption of an "open banking" ecosystem through a five-year strategy represents a promising step toward financial inclusion, particularly if it succeeds in raising \$1 billion in targeted SME support through the banking sector.

Second, regulatory reform should prioritize consolidation and simplification over the creation of new legislative instruments. The development of the Entrepreneurship Code, which aims to unify existing regulations, is a welcome initiative. However, its effectiveness will depend on reducing reliance on secondary legislation and ensuring that regulatory changes are predictable, transparent, and subject to meaningful stakeholder consultation. The three-year moratorium on new regulatory obligations for SMEs provides a valuable opportunity to stabilize the regulatory environment and build business confidence.

Third, digital transformation should be leveraged more effectively to improve SME access to government services, market information, and supply chain integration. With only 10 percent of SMEs currently registered on the government portal, targeted outreach and capacity-building programs are needed to bridge the

digital divide. The Digital Uzbekistan 2030 strategy should integrate explicit SME-focused components, including subsidies for digital tool adoption and training programs tailored to the specific needs of micro and small enterprises.

Fourth, inclusive entrepreneurship programs targeting women, youth, and regional entrepreneurs should be expanded and systematically evaluated. The current commitment to allocating half of preferential lending to women and youth entrepreneurs is commendable, but program effectiveness should be assessed through rigorous impact evaluations that track not only access to finance but also business survival rates, employment creation, and income growth among beneficiary populations.

Uzbekistan's approach to SME development represents one of the most ambitious entrepreneurship promotion agendas in Central Asia. The combination of domestic policy reforms and extensive international cooperation has created a multifaceted support framework that addresses financial, regulatory, digital, and human capital dimensions of enterprise development. The near-doubling of registered SMEs since 2017, the growing startup ecosystem, and the improvement in business climate indicators testify to the tangible impact of these efforts.

Nevertheless, the transition from policy design to effective implementation remains the central challenge. Closing the \$6 billion financing gap, ensuring regulatory predictability, bridging regional and digital divides, and building institutional capacity for monitoring and evaluation will determine whether Uzbekistan achieves its goal of becoming an upper-middle-income country by 2030. The government's willingness to engage with international partners, adopt evidence-based approaches, and respond to stakeholder feedback provides a foundation for continued progress, but sustained political commitment and institutional coordination will be essential for translating ambitious strategies into inclusive and equitable entrepreneurial growth.

REFERENCES:

1. Asian Development Bank. (2023). ADB to Support Small and Medium-Sized Enterprises in Uzbekistan. ADB Press Release, December 6, 2023.
2. Bekmuradov, S. (2025). Entrepreneurial Development Indicators in Uzbekistan. Institute for Macroeconomic and Regional Studies. Cited in Euronews, December 9, 2025.
3. Estrin, S., Hanousek, J., Kočenda, E., & Svejnar, J. (2006). The effects of privatization and ownership in transition economies. *Journal of Economic Literature*, 47(3), 699–728.

4. Government of Uzbekistan. (2025). New Initiatives in the Sphere of Entrepreneurship. Official Government Portal (gov.uz).
5. Government of Uzbekistan. (2023). Uzbekistan 2030 Strategy. Presidential Administration of the Republic of Uzbekistan.
6. Isenberg, D. J. (2011). The entrepreneurship ecosystem strategy as a new paradigm for economic policy. Babson Entrepreneurship Ecosystem Project, Babson College.
7. North, D. C. (1990). Institutions, Institutional Change and Economic Performance. Cambridge University Press.
8. OECD. (2025). Roadmap for Sustainable Investment Policy Reforms in Uzbekistan. OECD Publishing, Paris.
9. OPEC Fund for International Development. (2022). Supporting Small Businesses in Uzbekistan. OPEC Fund Press Release.
10. Roland, G. (2000). Transition and Economics: Politics, Markets, and Firms. MIT Press.
11. Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review*, 71(3), 393–410.
12. USAID. (2024). USAID Launches a New Project to Support Businesses in Uzbekistan. U.S. Embassy in Uzbekistan, March 5, 2024.
13. World Bank. (2025). Improved Access to Finance to Help 7,000 Businesses in Uzbekistan Grow and Create Jobs. World Bank Press Release, December 15, 2025.
14. World Bank MUNIS Project. (2024). Innovation Capability Program (ICP). Agency for Innovative Development of the Republic of Uzbekistan. Available at: wbgrants.uz.