

Article

Regional Disparities and Structural Shifts in Uzbekistan's Small Business Sector (2020–2024)

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Abstract: In transition economies, small business is important in facilitating economic growth, job creation, and transformation of the structure. In Uzbekistan, there are ongoing institutional changes that have enhanced legal rights of freedom of entrepreneurship and protection of property. Nonetheless, even with the policy support, recent trends of small business development show structural oscillation and local inequality, and it implies the lack of overall empirical evaluation of post-reform dynamics. The purpose of the proposed study is to evaluate the dynamics, regional distribution, sectoral structure, entrepreneurial density, and recently established small business entities in Uzbekistan in 2020–2024. The study is founded on the official national statistical data and uses the descriptive statistics, dynamic trend analysis, structural composition, and regional comparative analyses. The results show that there has been a 12.9 percent decrease in operating small business companies within study period, the dwindling entrepreneurial density per 1000 population, growing geographical concentration in Tashkent city and a structural drift towards trade activities and a falling proportion of industrial industries. Moreover, the count of new businesses that were formed reduced thus showing a decline in entrepreneurial dynamism in most locations. The findings indicate that to provide a balanced and sustainable development of small businesses, specific policy tools at the regional level, institutional support, and improvement of financial accessibility, and encouragement of productive and innovation-driven sectors should be provided.

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1. Introduction

Small and medium-sized enterprises (SMEs) are generally known as one of the most basic growth ingredients of the economy, creators of jobs, structural development and innovations in developed and developing economies. Small business development serves a very important purpose in conjunction with the growth of the private sector in transition economies like Uzbekistan, increasing the income base, and making the region economically robust. As it is also indicated by international empirical evidence, SMEs are a major source of GDP formation and absorption in the labor market particularly in economies in institutional and structural reform [1,2]. As a consequence, it is important to comprehend the dynamics and sectoral allocation as well as regional inequalities of small business construction to develop effective economic policy.

Theoretically, the significance of small business development can be described using some significant economic theories. The theory of innovation by Schumpeter focuses on

the role of entrepreneurship in stimulating a process of creative destruction and economic modernization [3]. Endogenous theory of growth underscores the importance of small firms in dissemination of knowledge, improvement of productivity and sustainability of growth in the long term [4]. The importance of legal guarantees, protection of property rights, and the quality of regulation in the formation of the incentives of the entrepreneurship is also supported by institutional economics [5]. In the Uzbekistan case, the current policy of legislative reforms to enhance the right to the property and the freedom of an entrepreneur form an institutional framework that is compatible with these theoretical principles. Nonetheless, the institutional guarantees do not always lead to equal regional and sectoral development.

Past empirical research has suggested that the development of SMEs tend to exhibit spatial concentration within capital cities and in economic developed regions [6], [7]. Studies also indicate that the long-term industrial diversification and productivity growth could be constrained by structural changes toward trade and the low value-added services [8]. Financial accessibility, market integration, infrastructure disparities, and institutional inefficiencies are some of the challenges that are common to SMEs in the Central Asian economies [9]. Although some researches have been done on the contribution of SMEs to the GDP and employment in Uzbekistan in general [10], few studies have been done to systematically observe dynamic variation in the number of operating small enterprises, their distribution per capita, sectoral transformation, and structural changes across the region over the past few years. This shows there is a gap in knowledge of the trends and spatial-economic imbalances in small business development after reforms.

To address this gap, the present study applies descriptive statistical analysis, dynamic trend evaluation, regional comparative assessment, and sectoral structural analysis using official national data for the period 2020–2024. The methodology focuses on measuring (i) the dynamics of operating small business entities, (ii) entrepreneurial density per 1,000 population, (iii) regional distribution patterns, (iv) sectoral structural changes, and (v) trends in newly established enterprises. Such a multidimensional approach allows for a comprehensive evaluation of both quantitative and qualitative changes in the entrepreneurial activity[11,12,13].

This research is expected to make two-fold contribution. First, it presents recent empirical data on the recent variation in small business development, uncovers the trends of spatial concentration and structural change. Second, it provides implications of policy interest in terms of inequality across regions, imbalance between sectors and sustainability of entrepreneurships. The results will reveal growing concentration of small firms in economically developed regions, shift towards trade-based activities, and loss of the density of entrepreneurship in a number of peripheral regions. These findings could suggest that regional policies should be differentiated, the mechanism of institutional support should work better, and focused incentives should be provided on productive and innovation-oriented areas. Finally, the development of balanced small business is also important in creating sustainable and inclusive economic development in Uzbekistan[14,15,16].

2. Materials and Methods

This research design is quantitative, descriptive-analytical and is solely based on official secondary data on the period 2020–2024. The empirical groundwork is comprised of the nationally reported statistical indicators of the operating small business enterprises, newly formed business structures, distribution at the regional level, sectoral structure, and entrepreneurial density (entities per 1,000 people). The data covers disaggregated data of the Republic of Uzbekistan and every administrative region, which includes the Republic of Karakalpakstan and the city of Tashkent. As a way of achieving analytical rigor, dynamic time-series analysis was used to investigate the annual changes and growth rate,

and comparative regional analysis was used to determine the spatial disparity and structural changes[17,18]. The calculation of percentage change and the percentage-point differences were also applied to assess the change in sectors and territories between 2020 and 2024. The indicators of entrepreneurial density were scaled to 1,000 population to remove the bias which is caused by regional demographic variations and also to make the indicators comparable across regions. The analysis of structural composition was also used in the evaluation of small business entities distribution by major economic activities such as trade, industry, agriculture, construction, accommodation and food services and other activities. Also, the trend analysis of the newly founded enterprises was conducted in order to assess the dynamism of the entrepreneurs and the potential of the region.

3. Results and Discussion

The entrepreneurial activities in Uzbekistan are always encouraged with the help of various regulatory and legislative acts which are issued by the state. Specifically, the guarantees of the freedom of entrepreneurial activity in the constitutional guarantees are reinforced by Article 18 of the Law of the Republic of Uzbekistan on guarantees of freedom of entrepreneurial activity (new version dated May 3, 2012). The law ensures the freedom of economic activity, equality of any type of ownership, and equal protection of their rights in the law. The state safeguards and is inviolable to private property. Using property is permissible to business entity, and it should dispose of the property at will. The law also determines the types of entrepreneurial activity, the rights and the duties of the entrepreneurs, benefits and guarantees provided by the state.

In addition, the Law, On Protection of Private Property and Guarantees of the Right of owners (July 19, 2012) gives legal grounds to the protection of the private property. This law provides that there is no limitation to the quantity and worth of the private property; the property is sacrosanct and is under the protection of the state; that property could not be obtained, or destroyed except through the direction of the law; and that unlawful intervention of the state authorities or officials would be forbidden.

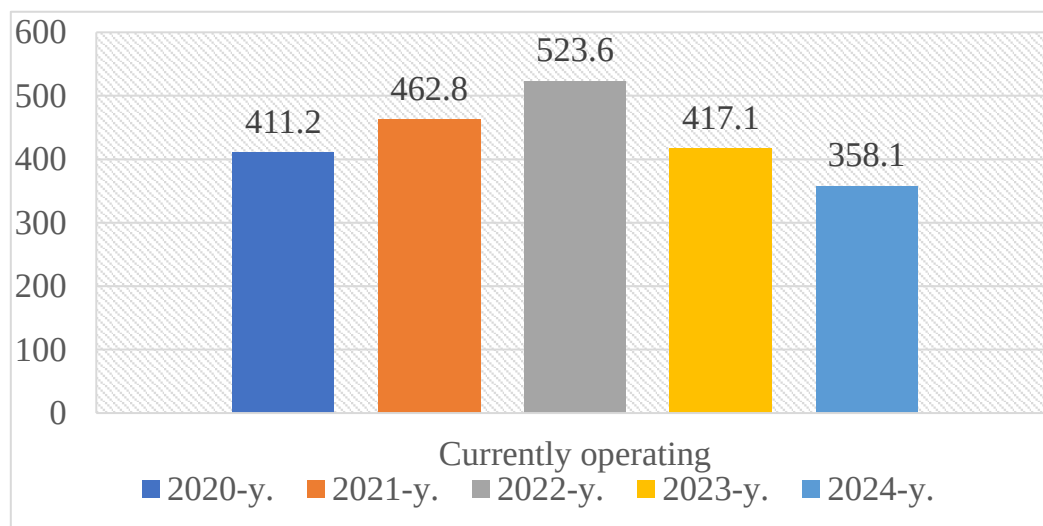


Figure 1. Dynamics of the Number of Operating Small Business Entities in the Republic of Uzbekistan (thousand units)

As a result of comprehensive reforms aimed at supporting small business development, the number and economic significance of small enterprises have evolved over time. Between 2020 and 2022, the number of operating small business entities increased from 411.2 thousand to 523.6 thousand. However, in 2023–2024, this figure declined to 358.1 thousand, reflecting a 12.9% decrease compared to 2020. Similarly, the number of small enterprises per 1,000 population increased from 15.6 to 17.9 between 2020 and 2022, then declined to 12.1 in 2024.

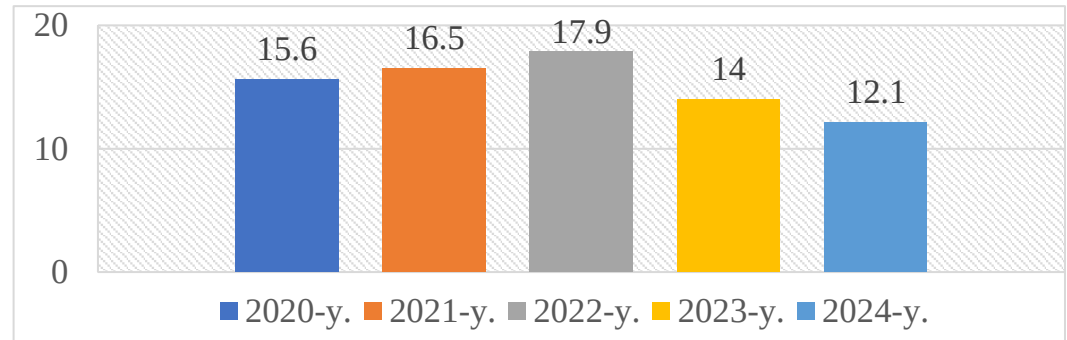


Figure 2. Dynamics of the Number of Operating Small Business Entities per 1,000 Population in the Republic of Uzbekistan (units)

Regional analysis shows that Tashkent city accounts for the largest share of operating small business entities. Its share increased from 20.84% in 2020 to 23.58% in 2024. In contrast, significant declines were observed in Andijan (–37.0%), Syrdarya (–35.3%), Namangan (–26.3%), Jizzakh (–23.7%), and Fergana (–22.3%) regions. Only Khorezm region recorded growth (+8.8%).

Table 1. Share of Operating Small Business Entities by Regions of the Republic (as a percentage of the total)

Networks	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.	2024 y. 2020 y.g. nis., f.p.
Republic of Uzbekistan	100	100	100	100	100	-
Republic Of Karakalpakstan	4,45	4,32	4,36	5,29	4,81	+ 0,35
Andijan province	7,72	7,56	7,46	5,85	5,58	– 2,14
Bukhara region	6,03	5,98	5,75	6,62	6,31	+ 0,28
Jizzakh region	4,31	4,21	4,29	4,00	3,78	– 0,53
Kashkadarya region	6,15	6,73	6,96	6,70	6,27	+ 0,12
Navoi region	4,36	4,42	4,36	4,68	4,51	+ 0,15
Namangan province	6,45	6,25	6,17	5,55	5,46	– 0,99
Samarkand region	8,05	8,81	9,16	8,97	8,79	+ 0,74
Surkhandarya region	5,24	5,27	5,23	4,94	5,33	+ 0,09
Syrdarya region	3,25	2,98	2,87	2,69	2,41	– 0,84
Tashkent region	9,78	9,54	9,39	9,34	9,60	– 0,18
Fergana province	8,78	8,73	8,85	8,68	7,84	– 0,94
Khorezm province	4,59	4,75	4,89	5,72	5,73	+ 1,14
Tashkent City	20,84	20,45	20,26	20,97	23,58	+ 2,74

The densities of entrepreneurship increased with Tashkent city (27.5), Navoi (17.7), Jizzakh (13.8), Syrdarya (13.7), and Bukhara (13.6) when measured per 1,000 population in 2024. Andijan (8.3) and Namangan (8.3) had the lowest results. A decrease in the entrepreneurial density was reported in all the regions between 2020 and 2024.

The sectoral analysis shows that the highest proportion of small business organizations in 2024 will be trade (38.1%), industry (15.3%), agriculture, forestry and fisheries (8.5%), construction (7.5%), and accommodation and food services (7.2%). The share of trade was up by 6.1 percentage points, whereas industry was down by 4.8 percentage points, construction by 2.4 percentage points and agriculture by 1.4 percentage points compared to 2020.

Newly started small business entities have decreased to 77,046 in 2024 because of 93,214 in 2020 (-12.4%). It grew only in Khorezm region (+48.1%), Tashkent city (+12.4%), and Jizzakh region (+1.8%), whereas the substantial drops were noted in Andijan (-46.4%), Syrdarya (-39.1%), Namangan (-36.7%), and Surkhandarya (-36.2%).

In general, the results show the structural changes towards the trade-based activities, concentration in capital regions, and the decreasing density of entrepreneurs in some areas. These tendencies indicate that the region-specific policy, support in the diversification of the industry, and reinforced institutional mechanisms should be implemented to provide balanced and sustainable development of small businesses.

4. Conclusion

The paper shows that despite the fact that small business still is one of the cornerstones of the Uzbekistan economy, the 2020-2024 period was the one of structural instability, regional inequality, and transformation of the sector. Though the small business operating population grew by first with an increase in number of operating small business entities but a downward trend resulted into an over-all contraction of 12.9 followed by a major decrease in the density of the entrepreneurship per 1,000 population. These results emphasize the increasing spatial concentration of Tashkent city and relative resilience in some regions (Khorezm) and significant losses in both absolute and relative indicators in other regions. The sectoral analysis shows that there is a structural change towards trade activities with the same time a decline in the industrial and productive sectors which is an issue in diversification and growth in value-added in the long run. This further points to the loss of vibrancy of entrepreneurship in most areas due to the reduction in the number of new businesses being started. These findings suggest the need of policy interventions by geographical locations, strengthening of institutional support infrastructure, access to more finance and incentives focused on innovation-driven and manufacturing-oriented small firms. To achieve sustainable and balanced economic growth, future studies need to aim at an econometric model of the survival rate of SMEs, regional divergence determinants, financial infrastructure, and the effect of digital transformation and innovation capability on the resilience of the small business.

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