

The Role Of Entrepreneurship In Driving Sustainable Economic Development In Uzbekistan

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ABSTRACT

Entrepreneurship has become a key driver of economic transformation in emerging economies. In Uzbekistan, recent reforms and policy measures have created a favorable environment for entrepreneurs. This paper explores how entrepreneurship contributes to sustainable economic development in Uzbekistan by analyzing its social and economic impact, the government's role, and ongoing challenges. The findings suggest that entrepreneurship is a vital mechanism for innovation, employment generation, and inclusive growth.

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Introduction

Uzbekistan, a Central Asian nation with a rapidly transitioning economy, has placed increasing importance on entrepreneurship as a tool for development. Since gaining independence, the country has undergone significant economic reforms, especially under the leadership of President Shavkat Mirziyoyev since 2016. With a youthful population, rich natural resources, and a growing private sector, Uzbekistan aims to foster sustainable economic growth. Entrepreneurship plays a crucial role in addressing unemployment, encouraging innovation, and supporting regional development. However, despite recent progress, the entrepreneurial ecosystem still faces challenges such as limited access to finance, bureaucracy, and a need for improved education and training.

The social functions of entrepreneurship contribute to social changes, improvement and development of the system through the participation of an economic entity in solving a specific social problem. Although one of the priorities in the development of entrepreneurship is the social changes happening in a society, at the same time, the factor of financial interest also plays a special role, allowing survival in society.

Methods

This study is based on a qualitative approach involving analysis of secondary data from government reports, World Bank publications, academic articles, and news sources. Key indicators such as GDP growth, SME contributions, and employment rates were reviewed to assess the impact of entrepreneurship. Policy documents from the Ministry of Economy and Finance of Uzbekistan and reports from the UNDP were also examined to understand governmental strategies.

Result

According to preliminary estimates, 12-15% or 4-5 million people in Uzbekistan are poor.

The President said that poverty reduction should be solved not by increasing the amount of monthly pensions or mass lending, but by vocational training, financial literacy, entrepreneurship, improving infrastructure, educating children, quality treatment, and the introduction of targeted pensions as (Narmanov Ulugbek, 2020) pointed out.

According to the State Statistics Committee, in 2022, the economically active population of Uzbekistan amounted to 15,071.3 thousand people, of which 13.8 million (89.5%) are employed, 1.55 million are unemployed, that is, the unemployment rate rose to 13.5%.

In Uzbekistan, with the aim of organizing targeted, individual and systemic work with each person, a completely new system has been introduced - an "iron notebook" for working with families in need of material assistance and support, as well as a "women's notebook" and "youth notebook" have been introduced to support women and young people in need of social, economic, legal, psychological support, knowledge and vocational training.

By the end of 2021, the State Fund for the Support of Entrepreneurship under the Agency for the Development of Entrepreneurship provided 8,919 women entrepreneurs with guarantees in the amount of 6.8 billion sums (about 650 thousand US dollars), 26.450 women entrepreneurs - compensation in the amount of 4.5 billion sums (more than 420 thousand US dollars) on loans.

Distribution of the employed population by type of ownership

	2023	2024	1st quarter of 2024	2nd quarter of 2024	3rd quarter of 2024	4th quarter of 2024
Governmental sector	2427,0	2463,3	2549,0	2572,6	2594,6	2497,0
Non-governmental sector (private sector)	10810,4	11077,8	10889,6	10164,0	10610,7	10742,5
Unemployed persons registered with the labor authorities	220,9	187,7	32,1	73,2	33,7	37,1

Source: State Statistics Committee of Uzbekistan

According to 2024, 19% of the employed population, that is, 2.49 million people work in the public sector, their number increased by 33.7 thousand in a year. 81%, that is, 10.7 million people are employed in the private sector, in relation to 2019, their number decreased by 335.3 thousand.

As the economy develops, the poor become the middle class and the middle class the rich. To reduce poverty and form a middle class, we must empower people to work and improve the working environment for the functioning of social entrepreneurship.

In the next step of the research, the ARIMA parameters (p,d,q) were determined, and then the ARIMA model was estimated to project the primary econometric model. According to Table 4, the time series reached stationarity after one lag, which indicates the appropriateness of the parameter d in the ARIMA model, which in this case produced a value of d=1. Also, at the next stage, determination of the p value, which indicates the indirect relationship between the time series lags of the model, was carried out. (See Figure 5).

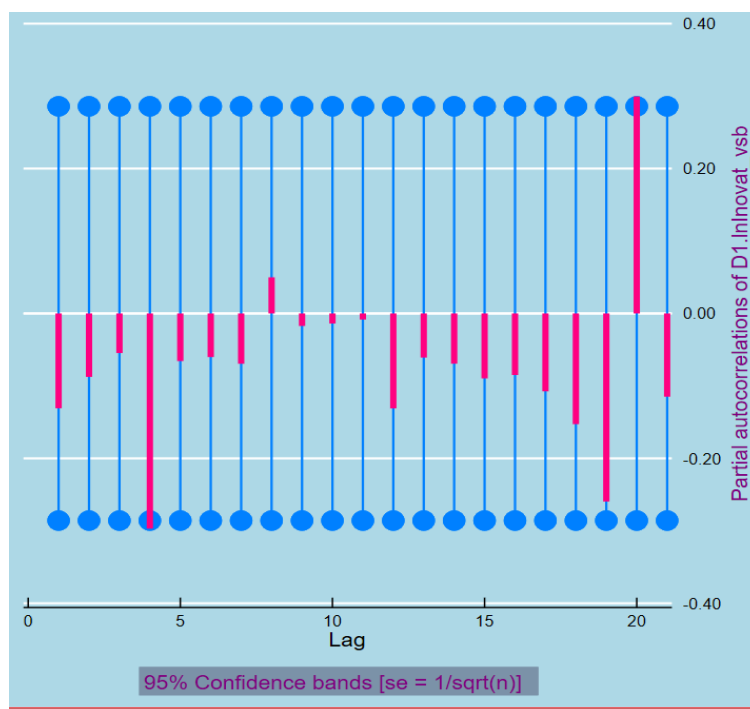


Figure 2. Indirect correlation plot between lags of the model

The indirect correlation analysis shown in Figure 2 shows that almost all but two lags lie within the confidence intervals. These specific lags are considered appropriate based on the results of the correlation analysis, which shows a p-value between 1 and 2 together with the corresponding confidence intervals.

Discussion

The results indicate that entrepreneurship in Uzbekistan significantly contributes to both economic and social development. By creating jobs and reducing poverty, especially in rural regions, entrepreneurship promotes inclusivity and stability. Government-backed reforms, including tax incentives and reduced regulatory barriers, have enhanced the entrepreneurial climate. However, there remain structural challenges, such as limited access to venture capital, low levels of entrepreneurial education, and uneven regional development. For entrepreneurship to truly support long-term sustainability, investment in human capital and innovation ecosystems is essential.

In western G7 countries, the use the term social entrepreneurship and social functions of entrepreneurship are used interchangeably, and a relatively new term is considerably new. It only became noticeable a few decades ago, but its use can be found throughout history. People who paid attention to social enterprises or the social functions of entrepreneurship studied and created entrepreneurship in order to eliminate social problems or make positive changes in the socio-economic system.

M. Granovetter said that economic activity is carried out in the social sphere of business and, consequently, the economic activity of the company is influenced by the culture in which it is rooted. Social entrepreneurship can be compared to entrepreneurship in business in one of the ways. The recognition of opportunities is the basis of social entrepreneurship, also he says the current research is focused on social entrepreneurs, those are not on the process of social entrepreneurship. As a result, a very small number of studies have revealed the need to recognize the opportunities and factors that influence social entrepreneurship. Usually, entrepreneurial vigilance allows us to fully use the information we have received, which others have not found, for our own benefit (Granovetter, 2018).

According to V.Radaev, a well-known expert in economic sociology, in the description of entrepreneurship in Y.Shumpeter's works, he studied entrepreneurship not as a specific profession or a separate class, but as a function performed by different subjects (S. Mirzaliev, 2020).

Y.Shumpeter's definition of entrepreneurship includes three main components: organizational performance, profitability, demonstration of change, which are widely used throughout theoretical research and practical management activities.

In the process of full transition from the stages of institutionalization, small business and entrepreneurship as an element of content formation in the socio-economic system was strengthened in the social consciousness of workers, as well as citizens, as a social institution. In this case, we understand the social tasks of small business and entrepreneurship as its activities, the tasks related to the regulation of relations in the socio-economic system, the system of social labor relations, the implementation of social control by strengthening relationships and ensuring stability. The study of quality characteristics by studying small business and entrepreneurship as a social group is associated with the identification of its specific features as a subject of socio-economically active processes, based on its essence and content. Clearly, in an environment where small business and entrepreneurship remain important, A.Yu. Chepurensky put forward his developments and cited in the SWOT analysis (Gutnikova et al., 2024).

SWOT analysis of small business entrepreneurship as an active subject of socio-economic processes.

Strengths	Weaknesses	Capabilities	Risks
Modest start-up capital	finite (local) market	large enterprise	Bankruptcy onset
High efficiency	Limited growth	Balanced development	peak growth
Elasticity	Dependence on changes in market conditions	Strong market share	Ease of entry of competitors into the market
Independence	Lack of a strong supporter	Creative self-expression	Weakness of the effect on external pressure

Source:(Gutnikova et al., 2024).

The analysis of quality indicators of small business entrepreneurship as a social entity is related to the widespread definition of its role and tasks in the socio-economic development of a society.

In the realization of this goal, the application of an approach to social wealth, tradition, allows to achieve the highest efficiency.

In this process, small business and entrepreneurship is manifested as a socio-economic system, which, from one point, performs certain social functions, and from the other point, aims itself as an object of management in projecting socio-economic benefits.

Firstly, it is obligatory to differentiate the main institutional characteristics of small business entrepreneurship: excessive personal attitudes and relationships in the selection of staff; informal labor relations (absence of an employment contract in employment); high level of universality of workers in small enterprises (low level of professionalism), low level of complexity of production technologies, the predominance of unsecured forms of employment in wages, the proportional interest of workers in the final result of the enterprise.

Empirically, there are positive processes in the management of small business and entrepreneurship, which include amount of public confidence, participation in the implementation of socially important programs in geographical development, increased quality of goods and services, the amount of small business entrepreneurship and the creation of new decent jobs each year. dynamics, scientific and innovative potential, etc.

Small business and entrepreneurship play an important socio-economic role in the economy, one of the main ones is that it accompanies to the formation of a middle class that provides political and economic stability. In any society, the middle class has a special place in boosting the economy.

Another important task is to produce a wide range of goods and services in the context of stratification and individualization of consumer demand.

Small business and entrepreneurship is an opportunity to showcase your creative potential. It clearly shows the connection between production results and the interests of workers.

Small business is an independent economic activity focused on the local market of goods and services, the capital of which is limited, the owner and the entrepreneur was one person. Areas of traditional small business activity are small-scale and individual production of goods, retail trade, services and catering, transport, healthcare.

The work of small businesses is guaranteed by local natural conditions, consumer demand, and traditional specialization. This type of business is constantly evolving. As the structure of the needs of the region's population changes, so does the structure of local small businesses. The peculiarity of this small business group is that the family capital accumulated on the basis of work, first of all, is not dependent on local markets, there is no tendency to shift capital to other activities or regions.

One of the directions of development of small businesses is the creation of large incentives by the region in this area, that will increase the number of small businesses entities. This process will address another important social issue, namely the employment of socially vulnerable groups - young workers, women, the disabled, retirees, raising their living standards by creating their own small businesses, increasing the production experience of young professionals creates conditions.

Conclusions

Entrepreneurship plays a transformative role in Uzbekistan's journey toward sustainable economic development. While positive strides have been made, sustained support and strategic planning are necessary to overcome current barriers. Strengthening the entrepreneurial ecosystem can lead to more resilient and inclusive economic growth in the years ahead.

The growth and support of small business private entrepreneurship in Uzbekistan provides a unique priority to the current government. It solves a certain level of social problems, while solving the problem of unemployment among the young population, rise the number of economically active population, create new jobs at low cost, reduce income inequality, improve regional infrastructure, middle class formation, potential, active and entrepreneurial training of personnel, implementation of technological and technical innovations, creation of a free competitive environment, more efficient use of resources, improvement of interaction between sectors and industries of the economy.

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