



**SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN UZBEKISTAN:
CONTRIBUTION TO VALUE ADDED, EMPLOYMENT AND EXPORTS — A
REGIONAL ANALYSIS (2015–2025)**

Matchanov Baltabay Jumaniyazovich

Tashkent State University of Economics

*Lecturer, Department of Specialized, Social-Humanitarian and Exact Sciences,
Tortkul Faculty*

ABSTRACT:

ARTICLE INFO:

Received: 14.10.2026

Revised: 15.10.2026

Accepted: 16.10.2026

KEY WORDS:

*small business,
private
entrepreneurship, gross
value added,
employment, labor
productivity, exports,
regional analysis,
Republic of
Karakalpakstan..*

The article analyzes the contribution of small business and private entrepreneurship to gross value added, employment and exports in Uzbekistan and its regions over 2015–2025, using official data of the National Statistics Committee. The analysis reveals a structural paradox: while small business still employs about three quarters of the working population (74.9% in 2025), its share in GDP declined from 64.6% to 52.2% over the decade. A relative productivity index (the ratio of the GDP share to the employment share) is proposed and calculated for all regions; nationally it fell from 0.83 to 0.70, indicating a widening productivity gap. At the same time, small business exports grew 3.7 times to USD 12.4 billion, and in the Republic of Karakalpakstan the small business share in exports reached 44.0%. Based on the results, proposals are developed for shifting small business from an employment-absorbing to a productivity-driven development model.

INTRODUCTION

Small business and private entrepreneurship form the backbone of Uzbekistan's market economy. As of January 1, 2026, 403.8 thousand of the 474.9 thousand operating enterprises and organizations in the country, i.e. 85%, were small enterprises and microfirms [9]. In 2025 small business accounted for 52.2% of GDP, 74.9% of total employment and 36.6% of exports of goods and services [8]. These figures show that the sector is not only a source of income for



the majority of households but also a key channel through which economic reforms reach the population.

Over the past decade, however, the role of small business in the economy has changed in a contradictory way. Its share in GDP fell by 12.4 percentage points, from 64.6% in 2015 to 52.2% in 2025, while its share in employment decreased by only 3.0 percentage points, from 77.9% to 74.9% [8]. In other words, the sector continues to absorb almost the same share of labor while generating a steadily smaller share of value added. Given that about one third of employed persons work in the informal sector [12], this trend raises the question of whether small business in Uzbekistan is developing primarily as an employment buffer rather than as a driver of productivity growth.

The "Uzbekistan — 2030" Strategy sets the goal of increasing the share of the private sector in the economy and creating favorable conditions for entrepreneurship [10]. Achieving this goal requires a clear quantitative picture of where and why the contribution of small business to value added is lagging behind its contribution to employment. Regional differences are particularly important, since in some regions small business generates more than 70% of gross regional product, while in others it accounts for barely one fifth.

Therefore, the purpose of this article is to analyze the dynamics of the contribution of small business to GDP, employment and exports in Uzbekistan in 2015–2025, to assess the productivity gap of the sector at the national and regional levels, including the Republic of Karakalpakstan, and to develop proposals for improving the efficiency of small business development policy.

LITERATURE REVIEW

The theoretical foundations of the role of entrepreneurship in economic development were laid by J. Schumpeter, who viewed the entrepreneur as an innovator who carries out "new combinations" and thereby drives structural change [1]. D. Birch's empirical study of the United States first showed that small firms create a disproportionately large share of new jobs [2], a finding that became the basis for many small business support policies around the world.

Later research, however, has nuanced this view considerably. T. Beck, A. Demirguc-Kunt and R. Levine, using cross-country data, found a strong positive correlation between the share of small and medium enterprises in employment and GDP growth, but did not confirm that small business causes growth or reduces poverty by itself [3]. M. Ayyagari and co-authors showed that small firms account for a large share of employment and job creation, but their productivity growth is lower than that of large firms [4]. R. La Porta and A. Shleifer emphasized that in developing countries a large part of small business consists of low-productivity, often informal firms that rarely grow into large companies [5], while C.-T. Hsieh and B. Olken found that the main problem of developing economies is not a "missing middle" but the large mass of very small, low-productivity firms [6]. The OECD also notes that the productivity gap between small and large firms is one of the main challenges of SME policy [7].



Among national scholars, S. Gulyamov examined the theoretical and organizational foundations of entrepreneurship and small business in Uzbekistan [11]. At the same time, the existing literature mainly describes the growth of the number of small business entities and their shares in the main macroeconomic indicators, while the gap between the sector's contribution to employment and to value added, and its regional differentiation, have not been measured quantitatively. This article aims to fill this gap.

RESEARCH METHODOLOGY

The research is based on the annual data of the Information and Analytical System of the National Statistics Committee of the Republic of Uzbekistan (SIAT) for 2015–2025 for the country as a whole, the Republic of Karakalpakstan, 12 regions and Tashkent city [8]. The following indicators are used: the share of small business in GDP (gross regional product), its share in total employment, its share in exports, and the volume of small business exports in US dollars.

Dynamic and comparative analysis methods are used to assess changes in the indicators over the period. To measure the productivity gap of small business, a **relative productivity index (RPI)** is calculated as the ratio of the sector's share in GDP to its share in employment: $RPI = S(GDP) / S(EMP)$. Since this ratio equals the labor productivity of small business divided by the average labor productivity of the economy, an RPI below 1 means that a worker in small business creates less value added than the average worker in the region. Finally, correlation and paired regression analysis is applied to the 2025 cross-section of 14 regions to assess the relationship between the employment and value added shares of small business.

ANALYSIS AND RESULTS

The main indicators of small business in Uzbekistan for 2015, 2020 and 2025 are presented in Table 1.

Indicator	2015	2020	2025	Change 2015–2025
Share in GDP, %	64.6	56.7	52.2	–12.4 p.p.
Share in employment, %	77.9	74.5	74.9	–3.0 p.p.
Relative productivity index (RPI)	0.83	0.76	0.70	–0.13
Share in exports, %	27.0	20.5	36.6	+9.6 p.p.
Exports, USD million	3,377.7	3,100.9	12,382.6	3.7 times

Table 1. Main indicators of small business in Uzbekistan, 2015–2025. Source: compiled by the author based on [8].



As Table 1 and Chart 1 show, the three indicators moved in different directions over the decade. The share of small business in GDP declined almost continuously after 2017, when it peaked at 67.4%, and the trend is statistically significant (on average -1.6 percentage points per year, $R^2 = 0.88$). The share in employment remained practically unchanged. Consequently, the relative productivity index fell from 0.83 to 0.70: in 2025 a worker in small business created on average only 70% of the value added produced by the average worker in the economy. Part of this decline is likely explained by the faster growth of large investment projects in mining, energy and metallurgy, but it also reflects the predominance of low-productivity small firms in trade, services and agriculture.

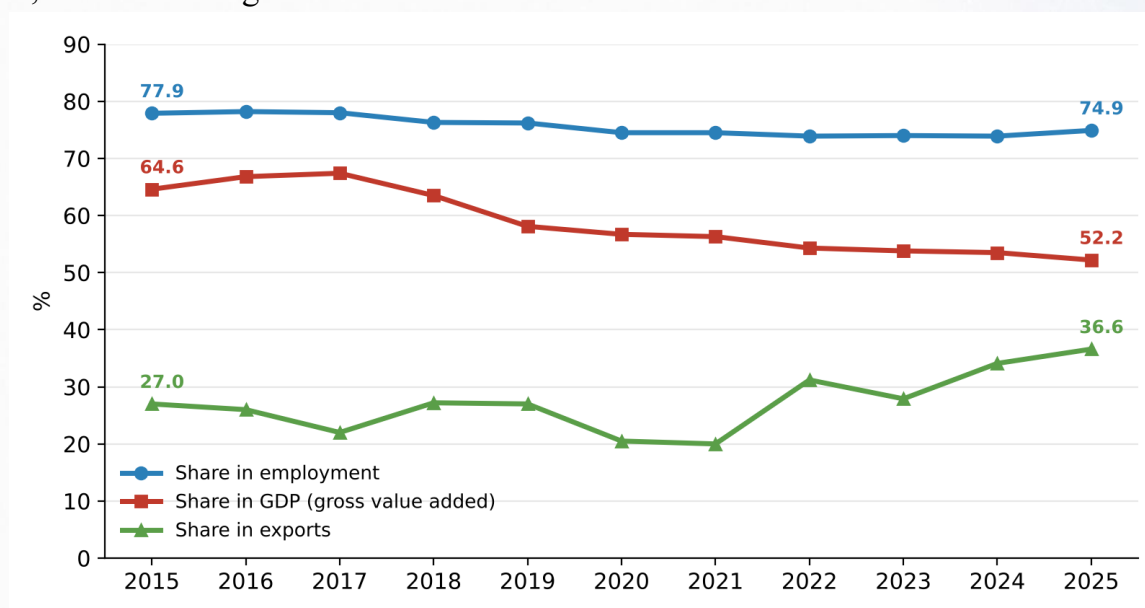


Chart 1. Share of small business in GDP, employment and exports of Uzbekistan, 2015–2025, %. Source: compiled by the author based on [8].

The most positive trend is observed in exports. After falling to 20.0% in 2021, the share of small business in exports rose to 36.6% in 2025, and the volume of its exports reached USD 12.4 billion, 4.0 times higher than in 2020 (average annual growth of 31.9%) (Chart 2). This shows that a growing segment of small firms is becoming competitive in foreign markets, which is the key channel for raising productivity.

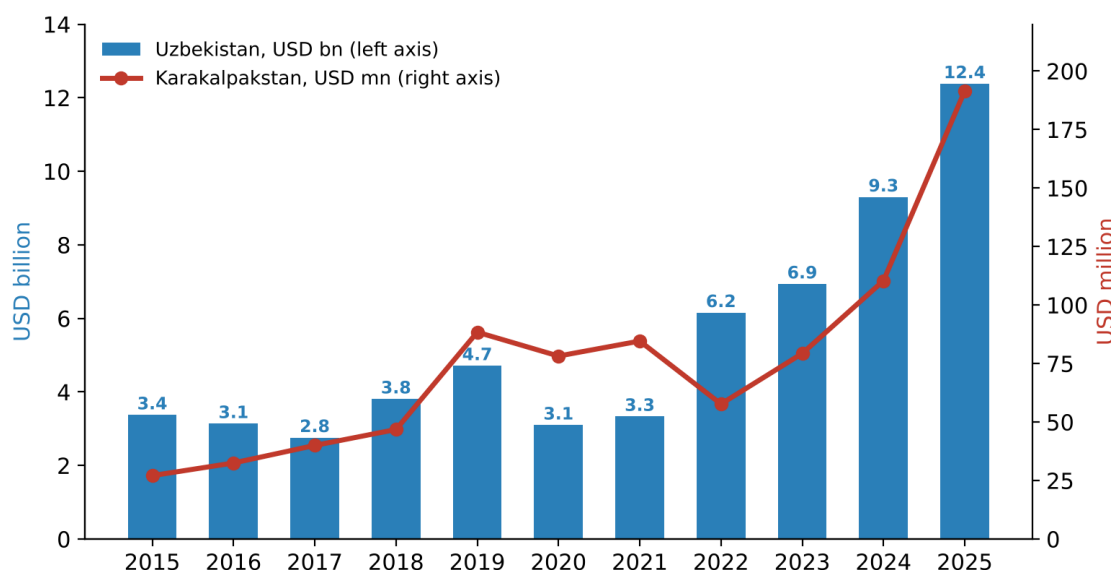


Chart 2. Exports of small business of Uzbekistan (USD billion) and the Republic of Karakalpakstan (USD million), 2015–2025. Source: compiled by the author based on [8].

The regional analysis reveals substantial differences in both the scale and the efficiency of small business (Table 2, Chart 3).

Region	Share in GDP, %	Share in employment, %	RPI	Change in GDP share 2015–2025, p.p.
Republic of Uzbekistan	52.2	74.9	0.70	–12.4
Republic of Karakalpakstan	65.5	76.5	0.86	–4.2
Andijan region	70.1	81.9	0.86	–8.4
Bukhara region	71.0	74.9	0.95	–6.4
Jizzakh region	71.2	78.0	0.91	–11.8
Kashkadarya region	69.2	78.8	0.88	+6.0
Navoi region	21.1	54.8	0.39	–29.9
Namangan region	73.6	81.3	0.91	–5.1
Samarkand region	69.5	81.7	0.85	–10.7
Surkhandarya region	76.4	78.2	0.98	–1.0
Syrdarya region	69.5	74.4	0.93	–5.6
Tashkent region	55.0	71.6	0.77	–11.5
Fergana region	73.0	79.6	0.92	+3.3
Khorezm region	71.6	80.3	0.89	–5.5
Tashkent city	51.7	49.8	1.04	–15.0

Table 2. Small business indicators by region, 2025. Source: compiled by the author based on [8].



In 2025 the share of small business in GDP ranged from 21.1% in Navoi region to 76.4% in Surkhandarya region, and its share in employment ranged from 49.8% in Tashkent city to 81.9% in Andijan region. Only in two regions, Kashkadarya and Fergana, did the GDP share of small business increase over the decade. The sharpest decline occurred in Navoi region (–29.9 percentage points), where large mining and metallurgical enterprises dominate the economy, and here the RPI is the lowest (0.39). Tashkent city is the only territory where the RPI exceeds 1 (1.04): small firms in the capital, concentrated in finance, information technology and business services, are on average as productive as large ones. In most agricultural regions the RPI lies between 0.85 and 0.95.

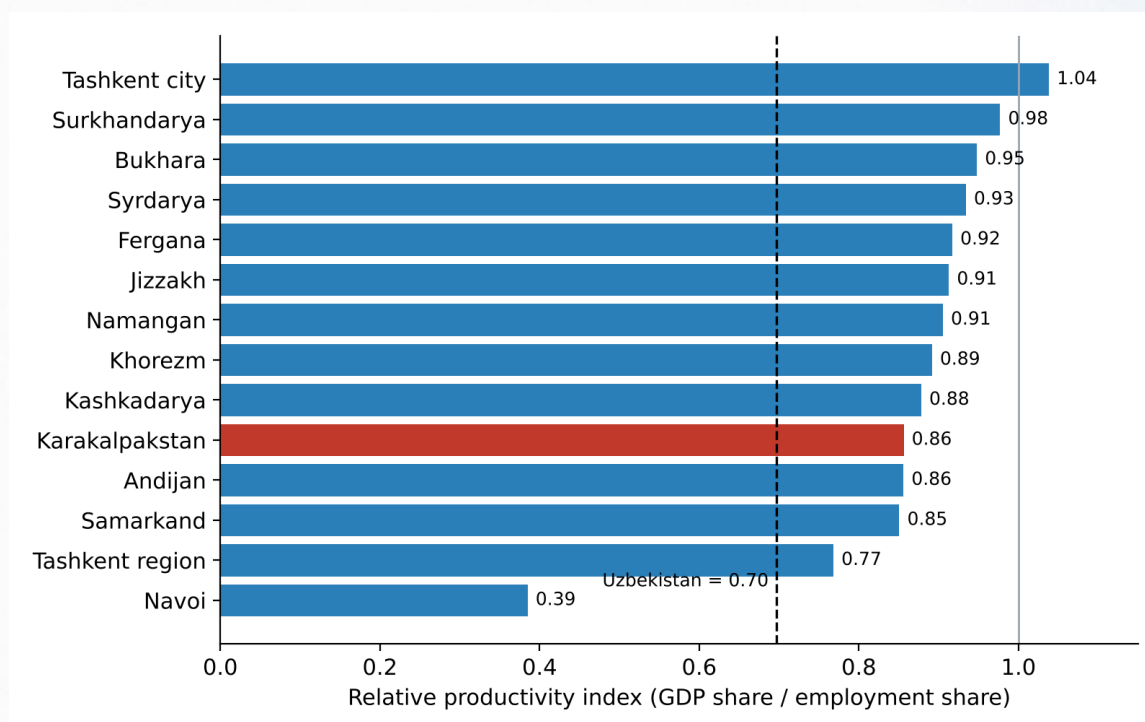


Chart 3. Relative productivity index of small business by region, 2025. Source: author's calculations based on [8].

A correlation analysis of the 2025 regional cross-section shows a strong positive relationship between the employment and GDP shares of small business ($r = 0.82$; $p < 0.001$). The paired regression model has the form $S(\text{GDP}) = -24.04 + 1.20 \cdot S(\text{EMP})$ ($R^2 = 0.68$) (Chart 4). The slope coefficient greater than 1 indicates that in regions where small business has a higher weight in employment, its weight in value added is also higher, i.e. the economies of these regions rely on small business more fully. It should be noted that the relationship is strongly influenced by Navoi region and Tashkent city; excluding them, the correlation coefficient decreases to 0.64 ($p = 0.02$) but remains significant.

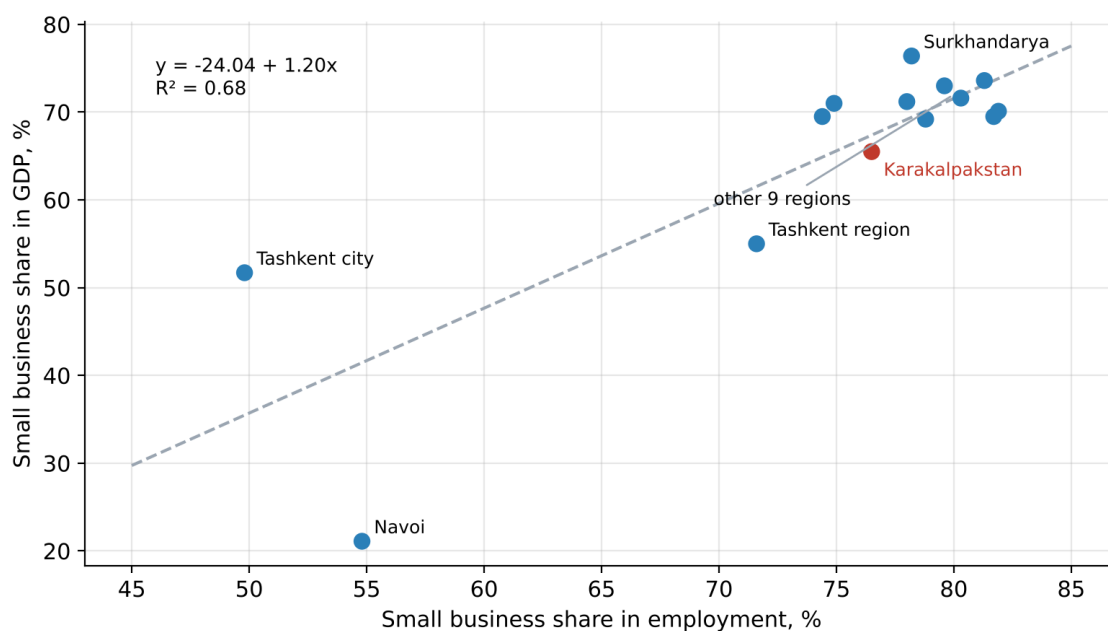


Chart 4. Relationship between the shares of small business in employment and in GDP by region, 2025. Source: author's calculations based on [8].

The Republic of Karakalpakstan deserves special attention (Table 3). Unlike the national trend, the share of small business in the region's economy has been growing since 2022, from 61.7% to 65.5% in 2025, while its share in employment reached 76.5%, above the national average. The RPI of the region (0.86) is higher than the national value, although it decreased compared to 2015 (0.94). The most remarkable result concerns exports: small business exports from Karakalpakstan grew from USD 27.1 million in 2015 to USD 191.5 million in 2025, i.e. 7.1 times (average annual growth of 21.6%), and the share of small business in the region's exports reached 44.0%, well above the national level of 36.6%.

Indicator	Karakalpaks tan 2015	Karakalpaks tan 2025	Uzbekistan 2025
Share in GDP, %	69.7	65.5	52.2
Share in employment, %	74.5	76.5	74.9
Relative productivity index (RPI)	0.94	0.86	0.70
Share in exports, %	28.4	44.0	36.6
Exports, USD million	27.1	191.5	12,382.6

Table 3. Small business indicators of the Republic of Karakalpakstan compared with Uzbekistan. Source: compiled by the author based on [8].



At the same time, the absolute scale of small business exports from Karakalpakstan remains modest: in 2025 the region accounted for only 1.5% of the country's small business exports. This indicates that the region's export potential, based on the processing of agricultural raw materials, chemical and construction materials industries, is still far from being fully used.

CONCLUSIONS AND RECOMMENDATIONS

The analysis shows that small business in Uzbekistan remains the main source of employment, providing jobs for three quarters of the working population, but its contribution to value added has been steadily declining: between 2015 and 2025 its share in GDP fell from 64.6% to 52.2%, and the relative productivity index fell from 0.83 to 0.70. This confirms the conclusion of the international literature that a large share of small business in employment does not by itself guarantee high productivity [3, 5, 6]. At the same time, the rapid growth of small business exports (3.7 times over the decade, to USD 12.4 billion) shows that a competitive, productivity-driven segment of small firms is emerging. The regional analysis revealed a wide spread of the RPI, from 0.39 in Navoi region to 1.04 in Tashkent city, while the Republic of Karakalpakstan stands out with an above-average RPI (0.86) and the highest small business share in exports (44.0%).

Based on these conclusions, it is proposed to shift the focus of small business support policy from increasing the number of entities and jobs to raising productivity. To this end, preferential financing and other support measures should be linked to measurable results such as growth in value added per employee, exports and the transition to formal employment. Since the export-oriented segment is the most dynamic part of small business, export support services (certification, logistics, participation in international marketplaces) should be made more accessible to small firms in the regions. In regions with a low RPI, it is advisable to develop cooperation between large enterprises and local small businesses through supplier development and outsourcing programs, so that small firms are integrated into the value chains of large industrial projects. For the Republic of Karakalpakstan, priority should be given to small business projects in the deep processing of local raw materials, with targeted export support. Finally, the regular publication of regional indicators of small business productivity, such as the RPI proposed in this article, would allow the effectiveness of support programs to be monitored.

The results of the study may serve as a basis for further research, in particular for an econometric assessment of the factors determining small business productivity at the regional and sectoral levels.

REFERENCES

1. Schumpeter J.A. The Theory of Economic Development / J.A. Schumpeter. – Cambridge, MA: Harvard University Press, 1934. – 255 p.



2. Birch D.L. The Job Generation Process / D.L. Birch. – Cambridge, MA: MIT Program on Neighborhood and Regional Change, 1979.
3. Beck T. SMEs, Growth, and Poverty: Cross-Country Evidence / T. Beck, A. Demirguc-Kunt, R. Levine // Journal of Economic Growth. – 2005. – Vol. 10, No. 3. – P. 199–229.
4. Ayyagari M. Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth / M. Ayyagari, A. Demirguc-Kunt, V. Maksimovic // World Bank Policy Research Working Paper. – 2011. – No. 5631.
5. La Porta R. Informality and Development / R. La Porta, A. Shleifer // Journal of Economic Perspectives. – 2014. – Vol. 28, No. 3. – P. 109–126.
6. Hsieh C.-T. The Missing "Missing Middle" / C.-T. Hsieh, B.A. Olken // Journal of Economic Perspectives. – 2014. – Vol. 28, No. 3. – P. 89–108.
7. OECD. OECD SME and Entrepreneurship Outlook 2023. – Paris: OECD Publishing, 2023.
8. National Statistics Committee of the Republic of Uzbekistan. Information and Analytical System (SIAT): indicators of small business share in GDP, employment and exports; volume of small business exports [Electronic resource]. – URL: <https://siat.stat.uz> (accessed: October 15, 2026).
9. In Uzbekistan, 85 percent of enterprises are small enterprises and microfirms [Electronic resource] // National Statistics Committee of the Republic of Uzbekistan. – 2026. – January 16. – URL: <https://stat.uz>.
10. Decree of the President of the Republic of Uzbekistan No. PF-158 of September 11, 2023 "On the Strategy 'Uzbekistan — 2030'" [Electronic resource]. – URL: <https://lex.uz>.
11. Gulyamov S.S. Entrepreneurship and Small Business / S.S. Gulyamov. – Tashkent: Sharq, 2002.
12. Unemployment in Uzbekistan in the third quarter of 2025 [Electronic resource] // Spot.uz. – 2025. – November 13. – URL: <https://www.spot.uz/oz/2025/11/13/unemployment/>.