



**REGIONAL FACTORS AND PROSPECTS FOR THE DEVELOPMENT OF SMALL
BUSINESS AND ENTREPRENEURSHIP IN SIRDARYO REGION**

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Small business and private entrepreneurship are a key mechanism for creating jobs, raising household incomes, strengthening competition and drawing local resources into economic circulation. However, their growth depends not only on credit and tax incentives but also on a region's geographic position, infrastructure, labour resources, market access, production cooperation and the quality of public services. This article examines the regional factors and development prospects of small business in Sirdaryo region of Uzbekistan. The study uses official statistics of the National Statistics Committee for 2023–2025 and a qualitative content analysis of the region's development strategy and concept documents. The results show that the share of small business and private entrepreneurship in the gross regional product rose from 65.0% in 2023 to 69.5% in 2025, which is 17.3 percentage points above the national level. The region's main advantages are its proximity to the Tashkent agglomeration, international road and rail links, an agricultural raw-material base and access to the markets of Kazakhstan and Tajikistan. The main constraints are the mismatch between infrastructure readiness and investment siting, insufficient processing and storage capacity, a large informal sector and differences in



district specialisation. The article proposes district specialisation maps, a “ready infrastructure – ready project” principle, agro-industrial micro-clusters, export-readiness centres, life-cycle-based financing, a single digital window for entrepreneurs and an outcome-based monitoring system, with a phased implementation plan to 2030.

1. Introduction

Small business and private entrepreneurship play a central role in regional economies. They create jobs, increase household incomes, intensify competition and bring under-used local resources into economic circulation. In Uzbekistan, the development of entrepreneurship has become one of the priorities of economic reforms, and regional authorities are expected to turn national support measures into tangible local results.

Yet the growth of entrepreneurship is not determined by access to credit or tax privileges alone. It also depends on the geographic location of a territory, the condition of its infrastructure, the availability and skills of its labour force, access to markets, the depth of production cooperation and the quality of public services. Regions with similar national policy frameworks can therefore show very different entrepreneurial outcomes.

Sirdaryo region is a particularly instructive case. It borders the Tashkent metropolitan area, is connected to international road and rail networks and has access to the markets of Kazakhstan and Tajikistan. These features create a basis for developing small firms in trade and logistics, food processing, textiles, services and export-oriented production. At the same time, the region faces infrastructure gaps, seasonal fluctuations in agricultural supply and a sizeable informal sector.

The aim of this article is to identify the regional factors that shape the development of small business and entrepreneurship in Sirdaryo region and to substantiate practical proposals for its development up to 2030. To achieve this aim, the study (i) assesses the weight of small business in the regional economy, (ii) analyses the locational, resource, infrastructural and human-capital factors of entrepreneurship, (iii) identifies the main constraints and (iv) proposes measures and a monitoring framework for regional entrepreneurship policy.

2. Literature Review

The regional dimension of entrepreneurship has long been recognised in the literature. Reynolds, Storey and Westhead (1994), comparing new firm formation across several developed countries, showed that regional variation in start-up rates is systematically associated with demand growth, urbanisation and population density, the presence of small firms, and local policy. Fritsch and Storey (2014) later emphasised that regional entrepreneurship has deep



historical roots and persists over time, so that regional policy must take into account the specific structure and traditions of each territory.

The contribution of entrepreneurship to regional employment growth has been documented by Acs and Armington (2004), who found that higher rates of new firm formation are associated with faster employment growth in local economies. This line of research supports the view that small business is not only a social safety mechanism but also a driver of regional development.

Location, agglomeration and inter-firm linkages form another important strand. Porter (1998) argued that geographic concentrations of interconnected firms, suppliers and supporting institutions – clusters – raise productivity, stimulate innovation and facilitate new business formation. More recently, the entrepreneurial ecosystem approach has broadened this perspective: Stam (2015) describes entrepreneurship as an outcome of interacting framework conditions (formal institutions, culture, physical infrastructure, demand) and systemic conditions (networks, leadership, finance, talent, knowledge and support services), and cautions that policy should focus on the bottlenecks of a particular ecosystem rather than on copying generic models.

Access to finance is one of the most frequently cited constraints. Beck and Demirguc-Kunt (2006) showed that small and medium-sized enterprises face larger financing obstacles than large firms and that these obstacles constrain their growth, which calls for financial instruments tailored to the needs of smaller firms. Finally, the informal economy remains a structural feature of many developing and transition economies. La Porta and Shleifer (2014) found that informal firms are typically small, have low productivity and rarely grow into formal enterprises, so that reducing informality is closely linked to improving the business environment and the productivity of firms.

Taken together, the literature suggests that the development of small business in a region should be analysed through a combination of locational, infrastructural, resource, financial, human-capital and institutional factors. However, empirical studies of these factors at the level of individual regions of Uzbekistan remain scarce. This article contributes to filling this gap by examining the case of Sirdaryo region.

3. Methods

The study follows a descriptive-analytical design based on secondary data. Three groups of sources were used. First, official statistical data of the National Statistics Committee of the Republic of Uzbekistan on the share of small business and private entrepreneurship in the gross regional product (GRP) for 2023–2025 and on the number of enterprises and organisations in the region (statistical bulletin for January–June 2025). Second, the regional development strategy and the development concept of Sirdaryo region, which contain data on the informal sector, infrastructure projects and district-level problems. Third, scientific literature on regional entrepreneurship, clusters, entrepreneurial ecosystems, SME finance and informality.



The following methods were applied: comparative analysis of regional and national indicators; structural analysis of the regional economy; qualitative content analysis of strategic and programme documents; and factor analysis in a qualitative sense, grouping the determinants of entrepreneurship into locational, infrastructural, resource, cooperation and human-capital factors. On this basis, the main constraints were identified and policy proposals and monitoring indicators were formulated. The analysis is descriptive and does not seek to estimate causal effects.

4. Results

4.1. The weight of small business in the regional economy

According to the National Statistics Committee, the share of small business and private entrepreneurship in the GRP of Sirdaryo region was 65.0% in 2023, 68.5% in 2024 and 69.5% in 2025 (Table 1). The 2025 figure exceeds the national level of 52.2% by 17.3 percentage points, indicating that small business carries a much greater weight in the region's economic activity than in the country as a whole.

Table 1. Share of small business and private entrepreneurship in GDP/GRP, %

Indicator	2023	2024	2025
Sirdaryo region (share in GRP)	65.0	68.5	69.5
Republic of Uzbekistan (share in GDP)	—	—	52.2

Source: National Statistics Committee of the Republic of Uzbekistan.

The number of enterprises and organisations reflects the absolute scale of the regional economy. According to the statistical bulletin for January–June 2025, 12,027 enterprises and organisations were registered in Sirdaryo region, including 9,966 business entities and 9,896 small business entities. Thus, small firms account for the overwhelming majority of the region's business population.

4.2. Locational and transport factors

The region's proximity to the M-34 and M-39 highways, to railway networks and to the markets of neighbouring countries creates opportunities for small firms specialising in freight transport, warehousing, packaging, cold storage, technical services, wholesale trade and e-commerce logistics. However, the existence of transport corridors does not by itself generate economic benefits: roads, bridges, border crossing points, utility networks and customs services must function efficiently.

The regional development concept highlights the need to repair the M-39 road and several bridges in Oqoltin district and to develop trade and service infrastructure around the border post. These problems directly affect delivery times and transport costs for small entrepreneurs. Road infrastructure projects should therefore be evaluated not only by construction volume but also



by freight turnover, delivery times, transport costs and the number of new enterprises they enable.

4.3. Agricultural resource base

Agriculture is an important raw-material base for entrepreneurship in Sirdaryo region. Promising areas for small business include fruit and vegetable processing, freezing, freeze-drying, juices and beverages, ready-to-eat food, organic fertilisers and agro-technical services. In these areas, a cooperation model based on long-term contracts between farmers, processors, logistics operators and exporters can reduce seasonal raw-material shortages.

4.4. Small industrial zones and production cooperation

Locating small firms that supply components, packaging materials, repair and maintenance services to large local enterprises within small industrial zones strengthens the effects of cooperation. This approach is aimed not only at opening new enterprises but also at expanding the local purchases and technological linkages of existing firms. For each zone, a readiness passport covering electricity, water, sewerage, gas, internet, internal roads and waste management should be prepared before land plots are offered to investors.

4.5. Human capital

A shortage of qualified personnel may affect product quality, export certification, equipment use and digital management in small enterprises. It is therefore advisable to strengthen dual education, short modular courses, internships and employer-driven retraining in cooperation between vocational education institutions and businesses.

4.6. Main problems and constraints

The analysis identified four main constraints. The first is the mismatch between infrastructure readiness and the siting of investment projects. The availability of vacant land does not mean that it can be put into production immediately; if utility networks and roads are not ready, investors' initial costs increase.

The second is insufficient capacity for processing and storing agricultural raw materials. Seasonality, cold-chain and logistics constraints increase price volatility and make it difficult for farmers and processors to conclude stable contracts.

The third is the informal economy. According to the regional strategy, the share of the informal sector decreased from 43.2% to 33.2% in 2021–2025, and its further reduction could bring an additional 17.6% of GRP, or 6.3 trillion soums, into formal circulation. Realising this potential requires simplified reporting, digital payments, formal labour relations and better business services to be improved simultaneously.

The fourth is the difference in district specialisation and entrepreneurial opportunities. The regional strategy specifically notes difficulties related to land reclamation in Sardoba and Mirzaobod districts. Rather than offering the same project model to all districts, specialisation should match each area's resources, market proximity, labour base and infrastructure.



5. Discussion

The results are consistent with the regional entrepreneurship literature. The high and rising share of small business in the GRP of Sirdaryo region confirms the importance of small firms for regional development (Acs & Armington, 2004). At the same time, the constraints identified – infrastructure gaps, weak processing capacity, informality and uneven district conditions – correspond to the bottlenecks that the entrepreneurial ecosystem approach recommends addressing first (Stam, 2015). The persistence of district-level differences also supports the view that regional entrepreneurship policy must be tailored to local structures (Fritsch & Storey, 2014). On this basis, the following measures are proposed.

1. District specialisation maps. For each district and city, a map of entrepreneurial specialisation should be developed, covering existing enterprises, labour force, land and infrastructure, local raw materials, markets and export channels. On this basis, three to five priority business areas should be defined for each district.

2. The “ready infrastructure – ready project” principle. Auctions and investment offers in small industrial zones should be announced only after utility networks are in place. When selecting projects, labour productivity, local value added, export potential and environmental performance should be considered alongside the number of jobs created.

3. Agro-industrial micro-clusters. At the district level, cooperation contracts should be concluded by product type between farmer groups, small processors, cold stores, packaging centres and logistics operators, in line with the cluster approach (Porter, 1998). Concessional financing should cover not only equipment purchases but also raw-material procurement and working-capital needs.

4. Export-readiness centres. Shared services for certification, laboratory testing, design and packaging, foreign market requirements, customs documentation and e-commerce platforms would reduce the export costs of small firms.

5. Financing aligned with the enterprise life cycle. Microfinance and guarantee mechanisms for start-ups, leasing and investment loans for growing firms, and independent financial audit, debt restructuring and investor attraction tools for inactive enterprises can address the specific financing constraints of small firms (Beck & Demircuc-Kunt, 2006).

6. Digitalisation of business services. A single-window digital platform integrating information on land, infrastructure, permits, taxation, exports and financing could be introduced, openly showing each project’s status, the responsible agency, review deadlines and performance indicators. Together with simplified reporting and digital payments, this would also support formalisation (La Porta & Shleifer, 2014).

7. Outcome-based evaluation. Indicators should be published quarterly: the share of new entities still operating after 12 months, sustainable jobs created, value added per worker, small business exports, the share of processed agricultural output, the take-up of vacant industrial sites and formal employment.



Implementation could be phased up to 2030. In 2026–2027, the focus should be on harmonising the statistical base, defining district specialisations, preparing infrastructure in small industrial zones and assessing the market and financial condition of inactive enterprises. In 2028–2029, priority should shift to agro-industrial cooperation, cold-storage and processing capacity, export-readiness services and digital business services. In 2030, the programme's effectiveness should be independently evaluated and resources reallocated to the areas with the highest economic and social returns.

In the proposed monitoring system, target indicators should be recorded separately as baseline, annual target and actual result. This prevents planned figures from being interpreted as achieved results and makes it possible to verify the impact of public support.

The study has limitations. It relies on aggregate secondary data and document analysis and does not estimate the causal effects of individual factors. Future research could use enterprise-level surveys and district panel data to quantify the contribution of infrastructure, finance and human capital to firm survival and growth in the region.

6. Conclusion

The analysis shows that Sirdaryo region has several mutually reinforcing regional advantages for the development of small business and entrepreneurship: proximity to the Tashkent market, international road and rail links, an agricultural raw-material base, industrial zones and foreign trade opportunities. The increase in the share of small business in GRP to 69.5% in 2025 confirms its importance for the regional economy.

However, future growth cannot be measured solely by an increase in the number of business entities. The key task is to raise firm survival, labour productivity, formal employment, the depth of processing and export value. This requires combining infrastructure preparation, agro-industrial cooperation, diversified financing, workforce training and digital services within a single regional policy.

Thus, the entrepreneurial prospects of Sirdaryo region up to 2030 depend on clearly defined territorial specialisation, efficient use of resources and transparent evaluation of plan implementation through open statistical indicators. If the proposed measures are implemented, small business can become a sustainable driver of local economic growth, employment and export diversification.

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