



OPPORTUNITIES FOR IMPROVING THE EFFICIENCY OF SMALL BUSINESS INVESTMENT AND INNOVATIVE DEVELOPMENT IN THE LONG TERM

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ABSTRACT

The government has set a goal of increasing the share of small business and private entrepreneurship in the country's GDP to 70 percent by 2030. In recent years, large-scale reforms have been implemented to ensure the innovative development of small businesses in Uzbekistan. This article examines opportunities for improving the efficiency of small business investment and innovative development in the long term.

It is well known that every country develops state reform programs aimed at developing various sectors of the economy for both short-term and long-term periods. The implementation of these programs, in turn, consists of priority directions for the development of relevant sectors of the economy and a system of support measures implemented by the state.

In order to further clarify the results of our research and enhance its scientific and practical significance, we developed alternative scenarios for the development of small business in our country in recent years.

First of all, the development of small business and private entrepreneurship in Uzbekistan and the implementation of innovation programs in small enterprises were analyzed through a gradual approach. This approach assumes maintaining the current pace of implementing programs for innovative development of small business, taking into account the objectives outlined in Resolution No. 841 of the Cabinet of Ministers of the Republic of Uzbekistan dated October 20, 2018, "On measures for the implementation of national goals and objectives in the field of sustainable development until 2030."

The results of the analysis show that in 2019 the share of the small business and private entrepreneurship sector in Uzbekistan's GDP amounted to 56.5 percent, while its share in total employment reached 76.3 percent [1]. During the COVID-19 pandemic in 2020, quarantine measures caused temporary suspension of activities in a number of enterprises. At the same time, during the gradual easing of restrictions, 4.4 trillion soums of targeted credit resources were allocated to support small business representatives. As a result, the share of this sector in GDP amounted to 51.3 percent during January–September [2].

The government has set a target of increasing the share of small business and private entrepreneurship in GDP to 70 percent by 2030. In this regard, the following programs for small business development are planned for implementation in the coming years:

- ensuring the timely refund of overpaid taxes to small business and private entrepreneurship entities;

- expanding lending practices for retail trade and service sectors through reduced interest rates on working capital loans;
- revising adopted laws and other normative documents in order to identify regulations restricting entrepreneurial activity and free competition;
- introducing differentiated lending practices with varying interest rates based on the classification of business activities;
- developing cooperation among private sector enterprises regardless of enterprise size, including business startups and technological innovations.

Taking into account the tasks planned by the government, the results of our gradual forecasts indicate that by 2025 the share of small business and private entrepreneurship in GDP may reach 63.2 percent, and by 2030 it may reach 70 percent.

Considering the negative impact of the COVID-19 crisis, which began in 2020, on various sectors of the economy, and the fact that this global problem has not yet been completely resolved, pessimistic development forecasts were also developed for small business in the coming years. These forecasts considered the following circumstances:

- preservation of high interest rates in the small business lending process and the failure to reduce bureaucratic barriers in lending practices;
- insufficient provision of qualified specialists for small business entities;
- involuntary collection of charitable contributions from small business entities by local authorities and other organizations;
- possible reintroduction of quarantine restrictions similar to those imposed during the initial stages of the coronavirus pandemic;
- insufficient knowledge and skills in developing business projects and other related problems.

According to the results of these pessimistic forecasts, taking into account the above-mentioned negative consequences, the share of small business and private entrepreneurship in GDP may reach 56.8 percent by 2025 and 62 percent by 2030. This indicates that the achievement of the target for small business development by 2030 may be delayed.

At the same time, the President's designation of the economy as a "growth point" in the post-pandemic period demonstrates the priority given to developing targeted state programs for enhancing the innovative activities of small enterprises and implementing them in practice.

Taking this situation into account, the possibility of rapid development of the sector through innovative methods of small business development in the coming years was considered. In our opinion, the following measures are advisable for the development of small innovative business:

- developing targeted state programs to encourage the production of innovative products and support innovation activities by small business entities;
- allocating preferential loans at rates lower than the refinancing rate of the Central Bank of the Republic of Uzbekistan (for example, 7–10 percent) for small businesses engaged in the production of innovative products and services;
- creating a system for implementing innovative projects by small business representatives;

- partially covering financial resources required for the adoption of innovative technologies, new equipment, and innovative products by small businesses through state support (for example, covering one-third of expenses);
- supporting talented youth presenting startup projects in the field of small innovative business;
- expanding contractual cooperation between small business representatives and highly qualified specialists and scientists from higher educational institutions and research institutes;
- establishing cooperation between small innovative businesses and medium-sized enterprises in the production of innovative products;
- applying tax incentives to funds directed by small business representatives toward innovation activities.

According to the results of our optimistic forecasts, if significant priority is given to the development of small innovative business and broad opportunities are created for sector representatives, there is a high probability that the government's target for 2025 will be achieved. During the forecast period, it may become possible to increase the share of small business and private entrepreneurship in GDP beyond 70 percent. Furthermore, by 2030 this indicator could potentially reach 80 percent.

In our opinion, taking into account the considerations mentioned above, the implementation of reforms aimed at developing the innovative activities of small businesses will ensure stable socio-economic growth in the country..

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