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THE IMPORTANCE OF SMALL ENTREPRENEURSHIP IN THE DEVELOPMENT OF THE GREEN ECONOMY

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Abstract:

The article examines the significance of small business and private entrepreneurship as one of the key factors in the development of the green economy, as well as issues related to their financing through commercial banks. In particular, attention is given to improving the organizational and economic mechanisms for the development of small businesses and private entrepreneurship, and to meeting their financial needs through national and foreign credit lines.

Keywords: green economy; small business; private entrepreneurial activity; loans; business development bank; support of business entities; incentives.

Introduction

Expanding the participation of small business and private entrepreneurship entities in the development of the national economy has become one of the most important priorities in our Republic. As emphasized by the President of the country, Sh. Mirziyoyev, during an open dialogue with entrepreneurs:

“Today, we can confidently say that small and medium-sized businesses have become the ‘catalyst of reforms’ in our country. You – the entrepreneurs – have created this. You should be proud of it.”¹³⁷

Today, the level of economic development of any country is largely reflected in the extent to which the green economy is developed within that country. It is well known that the rapid development of the green economy is also determined by the share of small business and private entrepreneurship entities within its structure. In turn, the steady growth of the share of small businesses and private entrepreneurship largely depends on the business environment created in the country.

During a meeting with entrepreneurs on August 20, 2025, President Sh. Mirziyoyev paid special attention to this issue and noted:

“Commercial loans of up to 500 million soums for production, service, and green economy projects will be refinanced by the company. As a result, the interest rate on loans received by more than 100,000 entrepreneurs annually will be reduced to 6 percent.”

In accordance with Presidential Resolution No. PQ-306 dated September 14, 2023, approving the “Comprehensive Program for Continuous Support of Small Business,” it has been determined that between 2023 and 2026, 6 trillion soums of state funds and USD 1.2 billion from international financial institutions will be allocated to support small business entities.

The emergence and development of any economic activity in the country relies on state financial support. In particular, special attention is being paid to increasing the role of banks in supporting small business and private entrepreneurship.

Literature Review

A number of foreign and national economists have conducted theoretical research on the economic essence and characteristics of small business and entrepreneurship. According to I. Salamov, T. Qudratov, and I. Qudratova, “the economic study of entrepreneurship and business dates back a long history. Scholars note that in the XVIII–XIX centuries, German scientists I. Thünen and G. Mangold, the American economist F. Knight, as well as great scholars such as R. Cantillon, F. Quesnay, A. Smith, J. Say, and J. Schumpeter, studied the socio-economic nature and characteristics of entrepreneurship.”¹³⁸

According to American economists Campbell R. McConnell, Stanley L. Brue, and M. Flynn, the modern market economy is primarily based on private property, entrepreneurship, freedom of choice, and the predominance of entrepreneurs’ personal interests.¹³⁹

V. Yu. Burov notes that “in the European Union countries such as Germany, Italy, Denmark, and other developed states, the share of small entrepreneurship in gross national product amounts to 65–70 percent or even higher. As a result, in these countries small entrepreneurship not only addresses employment issues and contributes to income growth, but also emerges as one of the key factors in ensuring macroeconomic stability.”¹⁴⁰

The definitions provided above demonstrate that entrepreneurial activity is one of the main elements of the modern market economy and serves as its primary driving force.

Research Methodology

The scientific works of foreign and national economists who have conducted research on the economic essence, characteristics, and significance of small business and entrepreneurship, as well as the role of commercial banks in their financing, constitute the theoretical and methodological foundation of this study. The research employs methods such as abstract and analytical reasoning, normative and positive analysis, as well as comparative and factor analysis.

In preparing the article, data from the official website of the Statistics Agency under the President of the Republic of Uzbekistan were utilized.

Analysis and Results

In our country, private entrepreneurship occupies a special place in the development of the state and society. Today, without developing this sector, it is impossible to ensure the future of our economy. The private entrepreneurship sector plays a crucial role in supplying the domestic market with competitive and high-quality products, creating employment opportunities, enabling citizens to earn stable incomes, and improving overall welfare.

As a result of consistent reforms aimed at developing small business and private entrepreneurship in the Republic, the share of small business in the country’s Gross Domestic Product (GDP) and in the output of various sectors of the economy has significantly increased. According to statistical data, although the share of small business entities in GDP declined from 57.7% to 54.3% during 2020–2024, it still remains one of the backbone sectors of the economy (Table 1).

Table 1. Share of small business in the Gross Domestic Product (GDP) of the Republic of Uzbekistan (as a percentage of the total).

Sectors	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.	Dif.for 2024, %
Republic of Uzbekistan	411 203	462 834	523 556	417 080	358 116	87,1
Republic Of Karakalpakstan	18 288	19 998	22 863	22 066	17 180	93,4
Andijan province	31 683	34 999	39 038	24 381	19 967	63,0
Bukhara region	24 809	27 690	30 082	27 594	22 615	91,1
Jizzakh region	17 725	19 463	22 474	16 677	13 534	76,3
Kashkadarya region	25 297	31 152	36 421	27 980	22 452	88,7
Navoi region	17 931	20 472	22 844	19 539	16 165	90,1
Namangan province	26 531	28 949	32 305	23 136	19 547	73,7
Samarkand region	33 114	40 724	47 943	37 398	31 470	95,0
Surkhandarya region	21 563	24 395	27 368	20 589	19 101	88,6
Syrdarya region	13 360	13 808	15 036	11 217	8 639	64,7
Tashkent region	40 223	44 156	49 145	38 953	34 389	85,5
Fergana region	36 117	40 403	46 350	36 238	28 076	77,7
Khorezmcityion	18 875	21 984	25 616	23 854	20 528	108,8
Tashkent city	85 687	94 641	106 071	87 458	84 453	98,6

In particular, in 2024 the share of small business in GDP formation amounted to 95.8% in agriculture, forestry and fisheries; 78.4% in construction; 49.8% in services; and 25.9% in industry (Table 1).

It should also be noted that the share of small business in various sectors of the national economy remains substantial (Table 2).

Table 2. Share of small business in sectors of the national economy of the Republic of Uzbekistan (as a percentage of the total).

Sectors	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.	Dif.for 2024%
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 region	8,78	8,73	8,85	8,68	7,84	– 0,94
Khorezmcityion	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

Specifically, by the end of 2024, small business entities accounted for 95.2% of agricultural, forestry and fisheries production; 90.6% of passenger transportation; 84.0% of trade turnover; 76.5% of construction works; 57.0% of services; 51.8% of total investment volume; 50.4% of freight transportation; 48.6% of imports; 33.3% of exports; and 32.4% of industrial production.

When establishing small businesses and private enterprises, attention is paid to both qualitative and quantitative indicators. Qualitative indicators include the simplicity of the enterprise’s management system and its market share, while commonly used quantitative indicators include the number of employees, the value of fixed assets, and the volume of product sales. There is considerable variation internationally in defining small enterprises based on the number of employees. For example, enterprises with up to 300 employees are considered small in Japan and Western European countries; up to 500 employees in the United States and Italy; and up to 50 employees in Thailand and Singapore.

The Presidential Decree of the Republic of Uzbekistan No. PF-21 dated February 10, 2023, “On the Criteria for Categorizing Business Entities and Further Improving Tax Policy and Tax Administration,” established criteria for classifying business entities into small, medium, and large enterprises. According to the Decree, businesses are categorized as follows:

1. Small business entities:

Individual entrepreneurs;

Microfirms — business entities founded by individuals with total annual revenue of up to 1 billion soums;

Small enterprises — entities with total annual revenue between 1 billion and 10 billion soums, as well as microfirms established by legal entities.

2. Medium-sized business entities:

Business entities with total annual revenue between 10 billion and 100 billion soums.

3. Large business entities:

Business entities with total annual revenue of 100 billion soums or more per calendar year.

The development of small business and private entrepreneurship and their financing through commercial banks is of significant importance. According to

Presidential Resolution No. PQ-292 dated September 4, 2023, “On Measures to Implement the Tasks Identified during the 2023 Open Dialogue of the President of the Republic of Uzbekistan with Entrepreneurs,” a “Roadmap” was approved, focusing on the following priorities:

- creating new opportunities for small businesses;
- transforming medium-sized businesses into a guarantee of sustainable economic growth;
- entering new markets with high-quality and competitive products;
- increasing the number of high-income enterprises;
- creating a simple tax administration system and a business-friendly environment free from excessive bureaucracy.

In accordance with this Resolution, the Joint-Stock Commercial Bank “Qishloq Qurilish Bank” was reorganized into the Joint-Stock Commercial Bank “Business Development Bank.” Its activities are primarily aimed at financing projects of small business entities and providing them with comprehensive services.

Under the Business Development Bank, the following institutions were established:

- The “Small Business Development Fund” LLC, which implements promising small business projects by attracting funds from international financial institutions and private investments;
- Fourteen Small Business Support Centers operating in the Republic of Karakalpakstan, regions, and the city of Tashkent, responsible for assisting small business entities in developing, financing, and launching business projects, as well as providing consulting services.

Additionally, the Business Development Bank, together with authorized banks, provides loans for small business projects on favorable terms for up to seven years. For entrepreneurs with positive credit and tax histories who implement projects with the assistance of Small Business Support Centers, collateral requirements are reduced by 50% when granting loans for business expansion.

According to the Presidential Resolution No. PQ-292, key performance indicators for the activities of the Business Development Bank and the Entrepreneurship Development Company for 2024–2026 have been established. In particular:

- The share of loans allocated to small entrepreneurs in the bank’s credit portfolio will increase from 28% to 43% by expanding the outstanding loan balance by 1.7 times. Up to USD 800 million will be attracted from international financial institutions and foreign government financial organizations to finance small business projects, enabling the establishment and expansion of 150,000 small businesses.
- The bank will issue USD 300 million in international bonds (Eurobonds) in global capital markets, while the Entrepreneurship Development Company will issue Eurobonds in the same amount.
- The Entrepreneurship Development Company will increase the volume of financial services provided to small and medium-sized enterprises from 8 trillion soums to 14 trillion soums.

- Regional commissions will be established to involve the population more broadly in small and medium-sized business activities, with 2 million citizens expected to be engaged in business in 2024.
- The Fund for Reconstruction and Development will allocate USD 300 million to the Business Development Bank to finance projects, including USD 75 million to increase its authorized capital and USD 225 million as a subordinated loan for 15 years at an annual rate of 5% with a 5-year grace period.

Furthermore, the Presidential Decree of December 21, 2022, “On Additional Measures to Support the Export Activities of Business Entities,” outlines tasks aimed at improving living standards, aligning education quality with advanced international standards, ensuring sustainable economic growth, and reducing poverty in accordance with the Development Strategy of New Uzbekistan for 2022–2026.

Conclusion and Recommendations

At present, all individuals and legal entities engaged in entrepreneurial activities should begin their operations in cooperation with commercial banks. In many cases, entrepreneurial activities established solely on a partnership basis do not yield effective results. Simplifying lending procedures for small business entities would help address issues such as shortages of financial resources necessary for investment activities and deficiencies in working capital.

In our opinion, it is necessary to develop new types of loans designed specifically for small business entities, simplify loan application procedures, improve methodologies for assessing the creditworthiness of small businesses, ensure broader participation of banks in regional state programs, establish compensation mechanisms, and guarantee interest rates on loans provided to small business entities. These measures will ultimately expand opportunities for supporting small businesses.

Improving the financial and credit mechanism for supporting small business activities will create a solid foundation for stimulating their sustainable development.

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