Spanish Journal of Innovation and INTEGRITY
ISSN: 2792-8268
Volume: 55, June-2026
http://sjii.indexedresearch.org

Comparative Analysis of Small Business Development Policies in Developed Economies and Options for Domestic Adaptability

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Abstract: *This study examines international institutional frameworks and financing models for small and medium enterprises (SMEs) across advanced market economies and Thailand to evaluate their adaptability within the national context of the Republic of Uzbekistan. Utilizing comparative analysis and empirical macroeconomic indicators, the research demonstrates that the structural resilience of the SME sector depends on state-backed risk-sharing mechanisms, systematic lifecycle support, and the diversification of financing channels. While developed nations utilize robust public credit guarantees and dedicated regulatory bodies, contemporary frameworks increasingly integrate non-bank alternative financing instruments, including venture capital incentives, crowdfunding, and private placements. Given that small businesses generate 53.3% of Uzbekistan's Gross Domestic Product (GDP) and absorb 78.3% of total employment, the findings suggest that transitioning toward public-private risk-sharing mechanisms and operationalizing specialized capital market instruments will significantly optimize the financial sustainability and competitiveness of the domestic entrepreneurial ecosystem.*

Keywords: *Small and Medium Enterprises (SMEs), Entrepreneurial Financing, Alternative Financing Instruments, Public Credit Guarantees, Economic Development Policy, Uzbekistan.*

1. Introduction

In numerous jurisdictions, substantial strategic emphasis is placed on the macroeconomic role of small businesses, particularly regarding their contribution to fostering entrepreneurial activity and structuring market relations. Consequently, a comprehensive examination of financing mechanisms for small businesses within advanced market economies—with the ultimate objective of integrating effective methodologies into the national economy while accounting for localized institutional specificities—constitutes a primary research imperative. This approach, in turn, serves to optimize and enhance the financing framework for small-scale entrepreneurial projects within the Republic of Uzbekistan.

Table 1

Key Indicators of Small Business Development in Advanced Market Economies1 (in percent)

Countries	Share of Small Businesses in Gross Domestic Product (GDP)	Share of Small Businesses in Total Employment	Share of Small Enterprises within the Total Number of Registered Entities
USA	52,0	50,1	97,6
Canada	43,0	47,0	99,8
Japan	51,6	69,5	99,2
Germany	57,0	69,3	99,3
France	49,8	56,6	97,6
Italy	55,0	71,0	99,2

England	52,0	55,5	99,1

Based on the empirical data, it is pertinent to observe that the contribution of small businesses to Gross Domestic Product (GDP) has reached substantial levels in advanced economies, accounting for 57% in Germany, 52% in the United States, and 55% in Italy. These high metrics signify the existence of highly developed, comprehensive institutional frameworks designed to support small enterprise development within these nations1.

In the United States, financial assistance targeted at small businesses is primarily channeled through a dedicated government agency, the Small Business Administration (SBA)—an institutional mechanism that remains absent in many other countries. The modalities of state support provided by the SBA are highly diversified. They encompass the provision of complimentary information services, the extension of government credit guarantees to lenders, the identification of economically viable manufacturing sectors for small firms, and various other forms of strategic aid. Furthermore, the financial assistance framework managed by the SBA comprises a wide array of credit programs. Consequently, small business enterprises in the US satisfy their financing requirements predominantly through debt and equity capital structures.

In the United Kingdom, personal savings and commercial bank credit serve as the primary conduits for small business financing. More than 20% of all small enterprises in the UK secure credit facilities from the Industrial and Commercial Finance Corporation. A cornerstone of British government intervention in this sector is the Loan Guarantee Scheme. This mechanism enables commercial banks to extend credit to entrepreneurial ventures that otherwise fail to meet independent borrowing criteria. Under this scheme, the government guarantees up to 70% of the loan principal against default, rising to 85% in economically vulnerable or high-risk regions. The premium rate for such guarantees is fixed at 2.5% per annum, and 2.0% in high-risk zones. Through this framework, between 70% and 80% of bank loans extended to small businesses are backed by state guarantees, supported by an annual budgetary allocation of approximately £50 million.

Germany has designed and implemented a structured state program for small business promotion. In accordance with this policy, entrepreneurs are granted interest-free loans during the first two years of operation, followed by highly subsidized, low-interest rates in subsequent periods. This effectively supplies startups with quasi-free initial seed capital.

In Japan, state stimulation of small enterprises is executed systematically across all lifecycle stages. To this end, a robust matrix of economic levers is deployed, including preferential loans and credits, fiscal incentives, technical and advisory assistance, information technology services, and workforce training programs. Currently, small enterprises constitute 99% of all corporate entities in Japan, totaling 6.5 million firms. These entities employ approximately 54 million individuals, which represents 80% of the national labor force, while generating 55% of the country's GDP.

Driven by targeted state support and strategic developmental frameworks, the Republic of Uzbekistan has likewise achieved palpable structural transitions within its economic landscape. Specifically, the small business sector now accounts for 53.3% of national GDP and absorbs 78.3% of the total economically active population. With more than 20,000 new small enterprises established annually, this sector represents over 90% of the total corporate ecosystem, comprising approximately 300,000 operational units.

A defining feature of Japanese jurisprudence in this domain is the precise delineation of statutory scopes, the unambiguous definition of enterprise structures, the clear specification of implementation mechanisms, and the formal mapping of interactions among executing actors. The provision of

1 Axatova Shahnoza Akram Qizi (2026). KICHIK TADBIRKORLIKNING MAMLAKAT IQTISODIYOTIDAGI O‘RNI VA RIVOJLANISH TENDENSIYALARI. Raqamli iqtisodiyot (Цифровая экономика), (15.1), 1047-1058.

subsidized public loans remains a primary operational axis of state corporations, which dispense approximately 20 billion yen in financial assistance annually.

In South Korea, the state offers highly favorable terms to small enterprises executing capital upgrades, specifically for the decommissioning of obsolete machinery and the installation of advanced manufacturing equipment. Within this framework, large corporations are eligible for credit lines up to 1.5 billion won, whereas small enterprises can access up to 3 billion won. The associated arrangement fees are capped at 1.0% per annum for small firms and 1.5% for large enterprises. Furthermore, bank loans utilized by small businesses for fixed asset acquisitions are insured up to 70% of their value, up to a maximum threshold of 1.5 billion won.

In 2020, the small and medium enterprise (SME) sector in Thailand comprised approximately 3.13 million units, representing 99.6% of all registered businesses. This ecosystem consisted of 2,673,922 micro-enterprises (85.3%), 415,673 small enterprises (13.3%), and 44,847 medium-sized enterprises (1.4%). Structurally, these SMEs can be categorized into three distinct legal forms: corporate legal entities (756,344 units), sole proprietorships and ordinary partnerships (2,286,326 units), and community enterprises (91,772 units).

Commercial bank credit remains the largest single source of external financing for Thai SMEs. In 2020, outstanding SME loan volumes reached 3,409.192 billion baht, constituting 37.27% of the aggregate outstanding commercial business credit portfolio within the banking system.

Table 2

Structural Distribution of Small and Medium Enterprises (SMEs) in Thailand, 2020

Disaggregation by Enterprise Size		
Enterprise size (employees / revenue)	**Number**	**In percent**
Total small and medium-sized enterprises	3 134 442	100
Microenterprises	2 673 922	85,3
Small enterprises	415 673	13,3
Medium enterprises	44 847	1,4

Based on the tabulated empirical data, micro-enterprises constitute the overwhelming majority of the small and medium enterprise (SME) sector, accounting for 85.3% of the total composition.

In terms of sectoral distribution, more than 41.1% of Thai SMEs operate within the wholesale and retail trade sectors. This is followed closely by the service sector at 40.1%, manufacturing at 17.0%, and agriculture at 1.8% [1].

Furthermore, according to the ministerial regulations promulgated by the Ministry of Industry in 2023, the formal definition and classification of SMEs are strictly determined based on two primary quantitative criteria: employee headcount and annual revenue thresholds.

Table 3

Statutory Classification and Criteria Framework for Small and Medium Enterprises (SMEs) in Thailand, 2023

Type	**Micro**		**Small**		**Medium**	
	Number of	Revenue (million	Personnel per	Revenue (million	Personnel per	Revenue (million

	employees	baht)	booklet.	baht)	booklet.	baht)
Production	Not more than 5	Must not exceed 1.8	From 50	Not more than 100	Over 200	Not more than 500
Wholesale and retail, Service	Not more than 5	Must not exceed 1.8	over	Not more than 50	not	Not more than 300

Small and medium-sized enterprises (SMEs) in Thailand have access to various alternative non-bank financing mechanisms, such as the Market for Alternative Investment (MAI), crowdfunding platforms, venture capital arrangements, and private placements.

The Market for Alternative Investment (MAI) serves as a specialized secondary stock exchange designed for smaller corporate entities. It provides a capital-raising platform for SMEs with significantly lower paid-up capital requirements compared to the primary Stock Exchange of Thailand (SET). Through the MAI, small and medium enterprises can mobilize equity capital provided they maintain a minimum post-Initial Public Offering (IPO) paid-up capital threshold of 50 million baht. As of 2020, the MAI listed a total of 182 companies.

Crowdfunding represents an additional viable channel for SMEs seeking to secure external financing. Under the regulatory oversight of the Securities and Exchange Commission (SEC), enterprises are authorized to mobilize capital from retail and institutional investors through equity-based crowdfunding frameworks.

Venture capital (VC) provides another institutional pathway for companies to secure equity financing from professional investors, including institutional financial intermediaries. In Thailand, venture capital funds are incentivized through explicit fiscal instruments, such as exemptions from corporate income tax. Furthermore, the Bank of Thailand has systematically revised its regulatory frameworks governing venture capital investments and FinTech enterprises within financially consolidated corporate groups. The overarching objective of this regulatory restructuring was to enhance access to alternative financing channels for unlisted entities—with a strategic emphasis on SMEs and FinTech startups—while simultaneously fostering the efficient expansion of specialized financial services supplied by banking institutions and financial conglomerates.

To further diversify capital market access, the Thailand Securities and Exchange Commission (SEC) enacted regulatory provisions enabling SMEs and early-stage startups to mobilize funds in public capital markets via private placements, a mechanism structurally designated as PP-SME. Under this framework, eligible entities can issue newly floated common shares or convertible debentures (CDs) directly to pre-selected investors. To qualify for a PP-SME issuance, small and medium enterprises and startups must formally register with the Office of Small and Medium Enterprises Promotion (OSMEP) and compile a comprehensive SME Factsheet. This mandatory disclosure document must rigorously delineate corporate operations, financial statements, the structural characteristics of the issued asset class, and the associated risk matrices before the newly issued equity or debt instruments can be offered to pre-selected private investors or institutional buyers.

2. Conclusion

Based on the comparative analysis of small and medium enterprise (SME) development models across advanced market economies—such as the United States, the United Kingdom, Germany, Japan, and South Korea—and emerging markets like Thailand, it is evident that a structured, multi-tiered state support mechanism is imperative for fostering a resilient entrepreneurial ecosystem. The empirical data underscores that small businesses consistently generate over half of national Gross Domestic Product (GDP) and absorb the vast majority of the national workforce across these jurisdictions.

Crucially, the success of these international frameworks lies in the diversification and institutionalization of financing vehicles. While advanced Western economies leverage robust state-backed credit guarantee schemes and specialized agencies like the US Small Business Administration to mitigate commercial banking risks, East Asian models emphasize systematic lifecycle stimulation, fiscal incentives, and targeted capital upgrades. Furthermore, contemporary legal and regulatory adaptations in nations like Thailand demonstrate a strategic shift toward non-bank alternative financing channels—such as equity-based crowdfunding, venture capital tax exemptions, and streamlined private placements (PP-SMEs).

For the Republic of Uzbekistan, where the small business sector already commands a vital structural share of national GDP (53.3%) and total employment (78.3%), integrating these foreign methodologies offers a clear path toward optimization. By transitioning from traditional credit lines to an integrated framework of public-private risk-sharing mechanisms, legal codification of enterprise lifecycle stages, and the operationalization of capital market instruments, Uzbekistan can enhance the financial sustainability and competitiveness of its domestic small-scale entrepreneurial projects within the broader macroeconomic landscape.

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