HUDUDLARDA KICHIK BIZNESNI RIVOJLANTIRISH ORQALI IQTISODIY TENGSIZLIKNI KAMAYTIRISH ISTIQBOLLARI

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Annotatsiya. Mazkur maqolada O‘zbekistonda hududlarda kichik biznes va xususiy tadbirkorlikni rivojlantirish orqali iqtisodiy tengsizlikni kamaytirish istiqbollari kompleks tarzda tahlil qilingan. Tadqiqotda hududlar o‘rtasidagi ijtimoiy-iqtisodiy tafovutlar, ularning bandlik va aholi daromadlariga ta’siri statistik va taqqoslash usullari asosida o‘rganilgan. Shuningdek, kichik biznesning YAIMdagi ulushi hamda bandlik ko‘rsatkichlarining 2018–2025 yillardagi dinamikasi tahlil qilinib, pandemiya davri va undan keyingi tiklanish jarayonlari baholangan. Natijalar shuni ko‘rsatadiki, kichik biznes hududiy iqtisodiy faollikni oshirish, yangi ish o‘rinlari yaratish va daromadlar tengsizligini kamaytirishda muhim rol o‘ynaydi. Shu bilan birga, moliyalashtirish muammolari, infratuzilma yetishmovchiligi va investitsiya oqimining notekis taqsimlanishi kabi omillar uning rivojlanishini cheklamoqda. Tadqiqot yakunida kichik biznesni qo‘llab-quvvatlash, raqamli iqtisodiyotni rivojlantirish va hududiy siyosatni takomillashtirish bo‘yicha ilmiy asoslangan takliflar ishlab chiqilgan.

Kalit so‘zlar: kichik biznes, xususiy tadbirkorlik, iqtisodiy tengsizlik, hududiy rivojlanish, bandlik, daromadlar, xizmat ko‘rsatish sektori, raqamli iqtisodiyot, investitsiyalar, infratuzilma, iqtisodiy o‘sish.

PROSPECTS FOR REDUCING ECONOMIC INEQUALITY THROUGH THE DEVELOPMENT OF SMALL BUSINESS IN THE REGIONS

Abstract: This article examines the prospects for reducing economic inequality through the development of small business and private entrepreneurship across the regions of Uzbekistan. The study analyzes regional socio-economic disparities and their impact on employment and income levels using statistical and comparative methods. It also evaluates the dynamics of small business contributions to GDP and employment indicators during 2018–2025, including the effects of the COVID-19 pandemic and the subsequent recovery period. The findings indicate that small business plays a significant role in increasing regional economic activity, creating jobs, and reducing income inequality. At the same time, challenges such as limited access to finance, underdeveloped infrastructure, and uneven distribution of investments continue to constrain its growth. The paper proposes evidence-based recommendations aimed at strengthening support mechanisms, advancing the digital economy, and improving regional development policies.

Keywords: small business, private entrepreneurship, economic inequality, regional development, employment, income, service sector, digital economy, investment, infrastructure, economic growth.

ПЕРСПЕКТИВЫ СНИЖЕНИЯ ЭКОНОМИЧЕСКОГО НЕРАВЕНСТВА ЗА СЧЁТ РАЗВИТИЯ МАЛОГО БИЗНЕСА В РЕГИОНАХ

Аннотация: В данной статье рассматриваются перспективы снижения экономического неравенства за счет развития малого бизнеса и частного предпринимательства в регионах Узбекистана. В исследовании на основе статистического и сравнительного анализа изучены региональные социально-экономические различия, а также их влияние на уровень занятости и доходов населения. Проанализирована динамика доли малого бизнеса в ВВП и показателей занятости за 2018–2025 годы, включая влияние пандемии COVID-19 и последующий этап восстановления экономики. Результаты показывают, что малый бизнес играет важную роль в повышении экономической активности регионов, создании рабочих мест и снижении доходного неравенства. Вместе с тем выявлены такие проблемы, как ограниченный доступ к

финансированию, недостаточное развитие инфраструктуры и неравномерное распределение инвестиций. В статье предложены научно обоснованные рекомендации по совершенствованию механизмов поддержки, развитию цифровой экономики и региональной политики.

Ключевые слова: малый бизнес, частное предпринимательство, экономическое неравенство, региональное развитие, занятость, доходы, сфера услуг, цифровая экономика, инвестиции, инфраструктура, экономический рост.

Introduction. At the present stage of Uzbekistan's economic development, ensuring sustainable economic growth while reducing socio-economic disparities among regions has become one of the country's key strategic priorities. The uneven distribution of economic development across the regions is reflected in significant differences in production capacity, investment inflows, infrastructure development, and business activity. While certain regions demonstrate relatively high levels of economic performance and investment attractiveness, others continue to experience comparatively low rates of economic growth. Consequently, these disparities have contributed to increasing regional economic inequality.

Regional inequality is particularly evident in employment opportunities and household income levels. Economically developed regions generate a greater number of jobs and offer more diversified sources of income, whereas less developed areas experience higher unemployment rates and relatively lower household incomes. Such imbalances intensify internal migration, lead to the uneven allocation of labor resources, and exacerbate existing socio-economic challenges.

Within this context, the development of small businesses and private entrepreneurship represents an effective instrument for promoting balanced regional development. Small business entities generally require relatively limited start-up capital, can be established within a short period, and demonstrate a high degree of adaptability to local economic conditions and available resources. In particular, expanding small business activities in rural and remote areas contributes to job creation, income generation, and the stimulation of regional economic activity. Therefore, the development of small businesses can be regarded as one of the most effective mechanisms for reducing regional economic disparities.

Recognizing the strategic importance of this sector, Uzbekistan has established a comprehensive legal and institutional framework aimed at supporting entrepreneurial activity. In particular, Presidential Decree No. PF-60 identifies comprehensive regional development, employment generation, and support for entrepreneurship as priority directions for reducing disparities among regions. Furthermore, Presidential Resolution No. PQ-104 on measures to promote entrepreneurship and employment in the regions provides a set of systematic initiatives designed to stimulate small business development, create new employment opportunities, and improve household incomes throughout the country.

Based on these considerations, the primary objective of this study is to examine the potential of small business development as an instrument for reducing regional economic inequality in Uzbekistan and to formulate scientifically grounded recommendations aimed at improving the effectiveness of this process.

Literature review. Recent years have witnessed a substantial increase in scholarly research devoted to the development of small businesses and private entrepreneurship in Uzbekistan, as well as to examining the contribution of the service sector to economic growth and social stability. Existing studies have comprehensively investigated various dimensions of small business development, including export potential, innovation capacity, financing mechanisms, and the functional role of the service sector within the national economy. In particular, these studies provide a valuable theoretical foundation for assessing the contribution of small businesses to regional development and the reduction of regional economic disparities.

The reviewed literature indicates that the service sector should be viewed not only as a driver of economic growth but also as a strategic instrument for reducing regional disparities, promoting employment, and enhancing local economic activity. In particular, the study conducted by Oltiboyeva F.U. (2025) examines the export potential of small business enterprises and demonstrates that service-sector infrastructure—including logistics, financial services, insurance, and information services—constitutes a strategic support system for export-oriented business activities. This perspective further

highlights the role of the service sector in strengthening regional economic integration and expanding market opportunities across different territories.

Similarly, Abduqahhorov A. (2025) argues that the growing contribution of the service sector to the national economy is primarily driven by rapid expansion in trade, transportation, and information technology services, which have become the most dynamic areas of small business development. According to the author, the service sector enhances the adaptability and resilience of the economy by creating new business opportunities and expanding economic activities across regions, thereby contributing to the reduction of regional economic inequality.

In a study employing a systematic analytical framework, Djalolova U.N. (2025) investigates the socio-economic determinants influencing small business development. The findings reveal a strong positive relationship between the expansion of the service sector and improvements in employment, household income, and regional economic balance. The author characterizes small service enterprises as "micro-drivers" of regional economic development due to their capacity to stimulate local entrepreneurship and employment generation.

International experience also provides important theoretical and practical insights into this issue. Drawing on the case of Guangdong Province, China, Ochilov Sh. (2023) demonstrates that effective government policy, cluster-based development strategies, and innovation-oriented infrastructure significantly enhance the growth of small businesses and the service sector. This experience confirms that institutional support plays a decisive role in achieving balanced regional development and reducing territorial disparities.

The research conducted by Karimova K.D. (2025) focuses on mechanisms for attracting investment to small businesses. The study identifies the service sector as one of the most attractive areas for investment and emphasizes that the expansion of digital services, financial technologies (FinTech), and logistics infrastructure can significantly increase regional investment inflows, thereby contributing to the reduction of economic inequality across regions.

Furthermore, Xalmatjanova G.D. (2025) examines the legal and institutional foundations of the service sector, arguing that a stable regulatory and legal environment is a prerequisite for sustainable small business development. According to the author, strengthening the institutional framework facilitates entrepreneurial activity, expands economic opportunities, and promotes more balanced regional development.

Overall, the reviewed literature consistently confirms that the service sector represents a central component of small business development. By promoting economic growth, generating employment, attracting investment, and encouraging innovation, it plays a comprehensive role in reducing regional economic disparities. At the same time, previous studies identify several persistent challenges, including uneven infrastructure development, insufficient digital literacy, limited access to financial resources, and pronounced regional imbalances, all of which continue to constrain the full potential of small businesses.

Despite the considerable body of research devoted to small businesses and the service sector, the existing literature has primarily examined these issues separately. Their interrelationship in the context of reducing regional economic inequality—particularly under the conditions of digital economic transformation—has not yet been comprehensively investigated through an integrated analytical framework.

Accordingly, the present study seeks to fill this research gap by examining the potential of small business development to reduce regional economic inequality through an integrated perspective that explicitly incorporates the service sector and the digital economy. This integrated approach constitutes the principal scientific contribution of the study and enhances its practical significance for regional economic policy and sustainable development.

Research methodology. This study examines the processes of reducing regional economic inequality through the development of small businesses in Uzbekistan on the basis of a comprehensive analytical approach. The research methodology is designed to identify the relationship between small business activity, employment generation, service-sector development, and balanced regional growth.

The study applies the method of statistical analysis to examine official data on the share of small businesses in employment and the national economy. This method makes it possible to evaluate the role

of small business entities in economic growth and to determine their contribution to regional socio-economic development.

In addition, the comparative analysis method is used to assess differences in key economic indicators across regions, particularly income levels, employment rates, and business activity. This approach allows the study to identify the scale and nature of regional disparities and to evaluate how small business development may contribute to narrowing these differences.

The systematic analysis method is also employed to reveal the interrelationship between small business development, the service sector, and regional economic development. Through this method, the study considers small business not as an isolated economic phenomenon, but as an integral part of the broader regional development system.

Furthermore, the dynamic analysis method is used to assess changes and development trends observed in recent years. This method enables the identification of growth patterns, structural shifts, and future prospects in the development of small businesses across Uzbekistan's regions.

Overall, the selected methodological framework provides a scientific basis for evaluating the role of small business development in reducing regional economic inequality and for developing practical recommendations aimed at improving regional economic policy.

Analysis and results. The contribution of small businesses to Uzbekistan's Gross Domestic Product (GDP) during the period 2018–2025 demonstrates several distinct stages of development, reflecting the influence of both external economic shocks and domestic structural reforms.

The analysis reveals a significant decline in the contribution of small businesses to GDP during the period 2018–2020. The share decreased from 63.5% in 2018 to 56.7% in 2020**,** representing a reduction of 6.8 percentage points**.** This decline can largely be attributed to the adverse economic consequences of the COVID-19 pandemic, which severely disrupted business operations, reduced consumer demand, and particularly affected the service sector. Numerous small enterprises experienced temporary closures or substantial reductions in business activity, resulting in a lower contribution to national economic output.

Table 1. Share of small business in GDP, 2018–2025

Year / Period	Share (%)
2018	63.5
2019	58.1
2020	56.7
2021	56.3
2022	54.3
2023	53.8
2024	53.5
2025 (Q1–Q4)	45.6 → 52.2

The period from 2021 to 2024 may be characterized as one of relative stabilization. Although the share of small businesses continued to decline gradually—from 56.3% in 2021 to 53.5% in 2024—the pace of contraction slowed considerably compared with the previous period. This trend reflects the gradual recovery of the national economy following the pandemic, accompanied by the revitalization of the service sector and the progressive restoration of small business activities.

At the same time, structural changes within the economy also influenced this indicator. The expansion of large-scale industrial projects, increasing investment in capital-intensive sectors, and accelerated growth in major enterprises altered the overall composition of GDP. Consequently, although small businesses continued to expand in absolute terms, their relative share in GDP declined because other sectors experienced faster rates of growth.

A notable improvement became evident in 2025. During the first quarter, the share of small businesses temporarily declined to 45.6%. However, a steady recovery was observed throughout the

subsequent quarters, and by the fourth quarter the indicator had increased to 52.2%, representing a 6.6 percentage-point improvement within a single year.

This positive development may be associated with several interrelated factors, including the expansion of economic activity, continued growth of the service sector, improvements in the business environment, and the effectiveness of government policies aimed at supporting small businesses and private entrepreneurship. These measures contributed to strengthening entrepreneurial activity and enhancing the overall resilience of the small business sector.

Overall, the findings suggest that the declining share of small businesses in GDP during 2018–2024 should not necessarily be interpreted as evidence of weakening entrepreneurial performance. Rather, it reflects the structural transformation of Uzbekistan's economy, in which large-scale industries and investment-intensive sectors expanded at a comparatively faster pace. The recovery observed in 2025 indicates that the contribution of small businesses to national economic development is once again strengthening, highlighting their continuing importance as a key driver of sustainable and inclusive economic growth.

An analysis of employment dynamics in small business entities in Uzbekistan over the period 2018–2025 reveals several distinct stages of development, reflecting the impact of external economic shocks, post-pandemic recovery, and government support measures.

The results indicate that 10.54 million people were employed in small business entities in 2018, representing a relatively stable period for the national economy. However, employment gradually declined during 2019–2021, reaching 9.87 million in 2021, the lowest level recorded during the study period.

Table 2. Employment in Small Business Entities in Uzbekistan, 2018–2025 (thousand persons)

Region	2018	2019	2020	2021	2022	2023	2024	2025
Uzbekistan	10541.5	10128.8	10318.9	9865.7	10080.6	10131.1	10373.3	10628.7
Karakalpakstan	486.0	532.8	532.9	524.8	521.6	528.9	547.6	563.9
Andijan	1110.4	1035.3	1054.6	989.9	1020.0	1040.0	1071.9	1094.4
Bukhara	648.7	619.8	606.9	590.5	576.8	579.6	598.4	601.5
Jizzakh	378.7	384.5	427.2	418.7	434.1	422.6	427.1	434.9
Kashqadarya	973.9	965.8	958.1	914.1	943.7	943.8	952.4	1020.1
Navai	250.6	229.3	227.0	207.4	214.5	209.7	222.2	226.1
Namangan	863.9	872.3	914.7	888.4	907.7	891.9	913.8	949.5
Samarkand	1286.9	1216.1	1205.5	1158.3	1174.7	1197.8	1219.5	1236.1
Surkhandarya	802.6	781.0	814.9	770.3	785.5	773.6	776.1	792.3
Sirdarya	278.4	274.2	267.4	247.5	248.7	244.1	243.0	258.3
Tashkent region.	968.5	898.8	897.8	833.4	853.3	843.3	872.0	889.5
Fergana	1229.3	1144.5	1185.0	1136.3	1164.7	1190.4	1230.1	1258.3
Khorezm	599.2	573.4	591.9	567.9	574.3	579.3	609.8	621.0
Tashkent city.	664.4	601.0	635.0	618.2	661.0	686.1	689.4	682.8

This decline was primarily associated with the economic consequences of the COVID-19 pandemic, which significantly disrupted business activity, particularly in the service sector, and forced many small enterprises to reduce or temporarily suspend their operations. As a consequence, employment opportunities within the small business sector contracted considerably.

Beginning in 2022, the labor market exhibited clear signs of recovery. Employment in small business entities increased steadily over the following years, reaching 10.63 million people in 2025. This upward trend reflects the gradual restoration of economic activity following the pandemic, together with the positive effects of government initiatives aimed at supporting entrepreneurship, expanding access to finance, and improving the overall business environment. These policy measures strengthened the resilience of small businesses and enhanced their capacity to generate employment across the country.

Regional analysis demonstrates considerable differences in employment levels among Uzbekistan's regions. As of 2025, the highest levels of employment in small business entities were recorded in

Fergana Region (1,258.3 thousand persons), Samarkand Region (1,236.1 thousand persons), and Andijan Region (1,094.4 thousand persons). The relatively high employment levels in these regions can be attributed to their large populations, well-developed service sectors, favorable business environments, and diversified economic structures, all of which create greater opportunities for entrepreneurial activity and job creation.

In contrast, the lowest employment levels were observed in Navoi Region (226.1 thousand persons), followed by Syrdarya Region (258.3 thousand persons) and Jizzakh Region (434.9 thousand persons). These comparatively low figures are largely explained by differences in demographic characteristics, industrial specialization, and regional economic structure. For example, Navoi Region is characterized by the dominance of large industrial enterprises and a relatively small population, which limits the expansion of employment within the small business sector.

Overall, the findings indicate that employment in Uzbekistan's small business sector experienced a temporary decline during 2018–2021, followed by a sustained recovery beginning in 2022. By 2025**,** employment had surpassed its pre-pandemic level, demonstrating the increasing resilience of the sector and its growing contribution to national economic development. Nevertheless, significant regional disparities persist, suggesting that the development of small businesses remains uneven across the country. These findings underscore the need for region-specific policy measures aimed at strengthening entrepreneurial activity in less-developed areas and promoting more balanced regional economic growth.

The empirical findings demonstrate that small business development plays a crucial role in reducing regional economic inequality by creating employment opportunities, stimulating local economic activity, and expanding household income sources. Nevertheless, the effectiveness of this process continues to be constrained by several structural and institutional challenges.

One of the principal barriers to small business development is limited access to financial resources. Many entrepreneurs encounter difficulties in obtaining start-up capital and working capital, while relatively high lending interest rates increase the financial burden on newly established enterprises. These constraints discourage entrepreneurial initiatives and limit business expansion, particularly in economically disadvantaged regions.

Another major obstacle is the uneven development of regional infrastructure. Inadequate transportation networks, underdeveloped logistics systems, and insufficient digital connectivity reduce business efficiency and increase operational costs. Furthermore, shortages of qualified human resources and unequal access to banking and financial services continue to restrict entrepreneurial activity in several regions.

These challenges largely stem from disparities in regional economic development. While economically advanced regions attract substantial investment and business activity, less-developed areas continue to experience lower levels of investment attractiveness and weaker economic performance. The concentration of investment in major urban centers further widens regional economic disparities and limits opportunities for balanced territorial development.

To address these issues, several policy measures should be prioritized. These include expanding preferential lending programs for small businesses, simplifying financing procedures, promoting digital entrepreneurship and e-commerce, strengthening vocational education and workforce development, modernizing regional infrastructure, and improving the overall investment climate. Implementing these measures would enhance the competitiveness of small businesses, stimulate regional economic activity, and contribute to a more equitable distribution of economic opportunities throughout Uzbekistan.

Conclusion. The findings of this study demonstrate that the development of small businesses and private entrepreneurship plays a pivotal role in reducing regional economic inequality in Uzbekistan. By creating employment opportunities, expanding household income sources, and stimulating local economic activity, small businesses contribute significantly to balanced regional development and inclusive economic growth.

The empirical analysis indicates that although the share of small businesses in Gross Domestic Product declined during the period 2018–2024, this trend should primarily be interpreted as a consequence of structural transformation within the national economy rather than a deterioration in

entrepreneurial performance. The recovery observed in 2025 reflects the increasing resilience of the small business sector and confirms its continuing importance as a key contributor to sustainable economic development. Furthermore, employment data reveal that the sector has successfully recovered from the adverse effects of the COVID-19 pandemic, with the number of people employed in small business entities exceeding pre-pandemic levels.

Despite these positive developments, considerable regional disparities remain evident. The unequal distribution of investment, differences in infrastructure quality, limited access to financial resources, and shortages of qualified human capital continue to constrain the development of small businesses, particularly in less-developed regions. These structural challenges reduce the effectiveness of entrepreneurship as a mechanism for narrowing regional economic disparities.

Based on the research findings, several policy recommendations are proposed to enhance the contribution of small businesses to regional development:

- Expand preferential financing mechanisms by improving access to low-interest loans, microfinance, and other financial instruments for small business entities, particularly in economically disadvantaged regions.
- Strengthen regional infrastructure through investments in transportation networks, logistics facilities, digital communication systems, and public utilities to improve the business environment and reduce regional development gaps.
- Promote digital entrepreneurship by encouraging the adoption of e-commerce platforms, digital business models, financial technologies (FinTech), and innovative online services, thereby increasing the competitiveness and productivity of small enterprises.
- Enhance human capital development by expanding vocational education, entrepreneurship training, and professional skills development programs that correspond to the evolving needs of the regional labor market.
- Improve the investment climate through regulatory simplification, administrative reforms, and stronger institutional support designed to attract both domestic and foreign investment into regional economies.
- Implement region-specific development strategies that take into account the unique economic characteristics, resource potential, and comparative advantages of each region in order to achieve more balanced territorial development.

In conclusion, the study confirms that small business development represents one of the most effective policy instruments for reducing regional economic inequality in Uzbekistan. However, achieving sustainable and inclusive regional development requires an integrated policy framework that combines financial support, institutional reforms, infrastructure modernization, digital transformation, and human capital development. The implementation of these measures will strengthen the competitiveness of small businesses, improve regional economic resilience, and contribute to long-term, balanced economic growth throughout the country.

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