

An Overview of the Impact of Small Business on the Economic Development in Emerging Economies: The Case of Uzbekistan

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Abstract: Small enterprises play a significant role in the economies of emerging countries, serving as key drivers of economic growth, job creation, improved living standards, and poverty reduction. They act as sources of innovation, resilience for local economies, and integration points for emerging markets into global production and consumption chains. This paper examines the impact of small businesses on economic development, the socio-economic effects of their activities, as well as the challenges and obstacles they face in the context of developing economies. Particular attention is given to government support measures aimed at improving the operating environment and fostering the growth of small enterprises.

Keywords: small business, emerging economy, economic growth, employment, innovation, government support, social development.

I. Introduction.

Small businesses, defined as enterprises with a limited number of employees (typically up to 50) and modest turnover, are crucial components of the economic structure in developing countries. In environments characterized by limited resources, underdeveloped infrastructure, and high poverty levels, small enterprises become primary sources of employment, innovation, and economic expansion. They contribute to economic diversification, the creation of new markets, and an overall improvement in the population's standard of living. However, despite their considerable potential, small businesses encounter numerous barriers that hinder their growth.

For Uzbekistan, currently in an active phase of market economy development, fostering small businesses should form the foundation for social restructuring, enabling broad public participation in fully-fledged market processes. This development simultaneously addresses economic and social challenges, including financing and supporting small business initiatives.

II. Theoretical Background.

Small entrepreneurship is an essential element of a market economy, facilitating the resolution of key socio-economic challenges. This is corroborated by the experiences of developed nations, where small businesses occupy stable positions within national economies. For instance, in the United States, small firms account for

46% of total employment and contribute 44% to GDP; in Germany, these figures are 60% and 55%, in South Korea 87% and 50%, and in Australia 65% and 55%, respectively.

Small enterprises represent independent and typical organizational forms of economic life under market conditions. They possess distinct characteristics, including operations in specific local markets, rapid response to market fluctuations, specialization in narrow market segments, direct consumer interaction, and a relatively small need for start-up capital. These features enhance their resilience and adaptability as structural elements of the economy, simplifying management and promoting efficiency. However, their limited capital base constrains production scope and restricts access to additional resources.

From a theoretical perspective, according to Joseph Schumpeter, small enterprises are agents of innovation capable of disrupting established markets and creating new ones. Gary Becker's human capital theory emphasizes the role of small businesses in skill development and education. Robert Solow's economic growth theory highlights small businesses' contributions to diversification and productivity improvement, often through the adoption of new technologies and production methods.

Studies by the World Bank and the International Labour Organization indicate that small businesses create up to 70% of jobs in developing countries. In regions such as Africa and South Asia, small enterprises constitute over 90% of all businesses.

III. Main Body

Among the key aspects of the impact of small businesses on the economies of emerging countries, the following can be highlighted:

3.1. Job Creation.

One of the primary contributions of small businesses to the economies of developing nations is the creation of employment opportunities, particularly in rural areas and small towns where economic activity is traditionally limited. This is especially crucial in countries where unemployment rates may reach double digits, and local labor markets are unable to provide sufficient job opportunities for the working-age population.

Reference:

The share of employment generated by small businesses is approximately 46% in the United States, 60% in Germany, 70% in Japan, and 80% in Uzbekistan.

3.2. Economic Diversification and Resilience

Emerging economies often face significant dependency on a limited number of key industries, such as agriculture, mining, or heavy industry. This reliance makes them vulnerable to fluctuations in global commodity prices and natural resource markets. Small businesses contribute to economic diversification by increasing the share of the service sector, manufacturing, and innovative industries. The development of small enterprises fosters the creation of a more resilient economy, less susceptible to risks associated with global economic crises.

Reference:

The share of employment attributed to small businesses is approximately 46% in the United States, 60% in Germany, 53% in Japan, and 51% in Uzbekistan.

3.3. Innovation and Competitiveness

Entrepreneurs in the small business sector often introduce new products and services tailored to local needs, thereby enhancing living standards and expanding consumer choices. Small enterprises not only innovate through new products but also through processes, offering new business models and methods of labor organization.

3.4. Poverty Reduction

Small businesses provide employment opportunities for individuals with low levels of education and from disadvantaged backgrounds, helping to improve living conditions and reduce social inequality. Small enterprises create pathways for social mobility, particularly benefiting women and youth, and contribute to reducing inequality and improving living standards, especially in rural areas where alternative employment opportunities are limited.

Reference:

Percentage of the population living below the national poverty line: 11.5% in the United States, 14% in Germany, 15% in Japan, and 17% in Uzbekistan.

3.5. Women's Entrepreneurship and Inclusivity.

In emerging economies, there is significant potential for the development of women's entrepreneurship. Small businesses offer women opportunities for self-realization, financial independence, and active participation in economic life. Support programs for women entrepreneurs, such as access to microfinance and specialized training, can significantly enhance the social structure and promote more inclusive economic growth.

4. Challenges and Constraints for Small Businesses in Emerging Economies.

Despite their widespread presence and crucial role in economic development, entrepreneurs in emerging economies face a number of serious challenges. The main constraints can be identified as follows:

4.1. Limited Access to Finance.

One of the primary obstacles for small businesses in developing countries is restricted access to financing. High interest rates on loans, insufficient collateral for banks, and limited access to venture capital hinder the growth and development of small enterprises. While microfinance and alternative forms of financing play an important role, they often fall short of fully meeting the capital needs of small businesses.

4.2. Limited Access to Markets.

Small enterprises frequently face barriers to entering international markets due to high tariffs and complex export procedures. Such limitations restrict their potential for growth and expansion into global markets.

4.3. Shortage of Skilled Labor.

A persistent shortage of qualified personnel is observed in many emerging economies, which constrains opportunities for the expansion and modernization of small businesses. Educational systems often do not align with the needs of labor markets, and small enterprises typically lack the financial resources to invest in employee training and professional development.

4.4. Administrative Barriers and Corruption.

Bureaucratic procedures, high taxation, and corruption represent significant obstacles to the development of small businesses. In countries with underdeveloped legal institutions, entrepreneurs often encounter administrative barriers when registering businesses, obtaining permits, and securing licenses. These challenges lead to additional operational costs and a reduction in overall business competitiveness.

4.5. Lack of Infrastructure.

Inadequate infrastructure — including poor road conditions, unreliable energy supplies, limited access to gas, water networks, and the internet — significantly restricts the operational capabilities of small businesses. This issue is particularly acute in rural areas, where access to basic infrastructure is often absent.

5. Government support is a critical factor in overcoming the aforementioned challenges. The strategic directions of public policy toward small business development should include:

Financing and Credit Support.

Government programs aimed at financing and subsidizing small enterprises can significantly improve access to capital. The establishment of state microfinance

funds, subsidization of interest rates on loans, and the provision of tax incentives facilitate the launch and growth of entrepreneurial activities.

Education and Workforce Training.

The development of education systems, particularly in the field of entrepreneurship, along with professional training programs for small business employees, contributes to improving workforce quality and increasing productivity.

Simplification of Administrative Procedures.

Simplifying business registration processes, reducing tax burdens, and eliminating bureaucratic barriers create a more favorable environment for small business operations. The development of digital platforms for business registration and tax reporting also helps lower administrative costs for entrepreneurs.

Infrastructure Support.

Public investment in infrastructure – including roads, transportation networks, and communication systems – is essential to provide small businesses with access to critical resources and markets.

IV. Stages of Small Business Development in Uzbekistan.

The development of small businesses and private entrepreneurship has consistently been one of the key priorities of Uzbekistan's economic policy. To stimulate the growth of this sector, a number of critical measures have been implemented:

1. Ensuring Access to Goods and Raw Materials.

The government facilitated the ability of small enterprises to purchase raw materials and goods on a competitive basis. A significant step was the establishment of the Uzbekistan Commodity Exchange (UzEX), through which, starting from 2017, large enterprises were mandated to sell up to 50% of their output via UzEX. This policy allowed small businesses to procure raw materials at market prices without intermediaries, reducing corruption risks and ensuring transaction transparency.

2. Expanding Access to Financial Resources.

The government attracted international credit lines to support small and medium-sized enterprises (SMEs), including:

- The Asian Development Bank (ADB) — allocated USD 500 million for supporting SMEs, particularly in agriculture and industry;
- The World Bank — the "Economic Stimulation" program (approximately USD 1 billion), including targeted loans for women and youth;
- The European Bank for Reconstruction and Development (EBRD) — financing for "green" projects and enterprise modernization.

Additionally, conditions were created for accessing loans from local financial institutions:

- The Entrepreneurship Support Fund provides concessional loans at 5–7% annual interest rates (compared to market rates of 20–25%);
- Specialized lending programs were developed by banks such as "Xalq Bank", "Ipoteka Bank", and "Agrobank";
- The "Ishga Marhamat" program offers loans for unemployed individuals wishing to start a business;
- The "Khotin-Qizlar" program provides preferential loans for women entrepreneurs.

3. Introduction of Tax Incentives and System Simplification.

In 2019, a Unified Tax Payment (UTP) system was introduced for microenterprises, with a rate of 4%, compared to the previous rate of 13%. For industrial enterprises, the rate was set at 5%. This measure significantly eased the tax burden on small and micro businesses and encouraged the formalization of entrepreneurial activities.

4. Strengthening the Legal Protection of Entrepreneurs.

Several important initiatives were undertaken to reinforce the legal protection of business owners:

- Economic dispute resolution courts were established under the Chamber of Commerce and Industry to facilitate the prompt settlement of commercial conflicts;
- Bankruptcy and debt restructuring procedures were simplified;
- A moratorium / suspension on scheduled inspections of enterprises and microbusinesses was introduced, including a ban on unscheduled inspections without the approval of the Prosecutor General's Office, a reduction in the number of supervisory bodies, and the creation of an "Anti-Rating" system allowing businesses to evaluate the conduct of inspectors;
- In 2020, the Department for the Protection of Small Business was established within the Prosecutor General's Office, tasked with handling business complaints against officials and regulatory agencies, overturning unlawful penalties or suspensions of activity, and monitoring law enforcement practices related to small business activities.

Outcomes of the Reforms.

The implementation of these reforms led to several significant outcomes:

- Reduced pressure on businesses: Inspections became less frequent, and access to credit improved markedly;
- Increased financing: The volume of concessional loans expanded sevenfold since 2017;
- Enhanced protection of rights: The Department for the Protection of Small Business at the Prosecutor General's Office assisted more than 10,000 entrepreneurs in resolving their legal issues.

A series of key measures aimed at the development of small enterprises and the liberalization of markets was initiated in 2016 at the initiative of the President of the Republic of Uzbekistan, Shavkat Mirziyoyev. Particular emphasis was placed on providing affordable financing for entrepreneurs and removing restrictions on foreign exchange operations, significantly improving the business environment. Prior to 2017, Uzbekistan maintained strict currency controls and a multiple exchange rate regime, which hampered the effective functioning of business structures.

The new reforms included:

- The elimination of mandatory foreign currency surrender requirements — enterprises were no longer required to sell 50% of their export earnings to the state at below-market rates;
- The unification of the exchange rate – eradicating the "black market" and transitioning to a market-determined exchange rate for the Uzbek sum;
- The authorization for businesses and individuals to open foreign currency accounts freely.

As a result of these measures, trust in the national currency increased, and the gap between the official and market exchange rates narrowed to 1–2% (previously reaching up to 50%).

Further Reforms and Legislative Developments.

Since 2020, Uzbekistan has begun transitioning toward full currency convertibility. Banks and exchange offices have been granted the right to freely buy and sell foreign currency, enterprises have been permitted to purchase foreign currency for import transactions without requiring additional approvals from the Central Bank, and citizens have been allowed to purchase up to USD 10,000 annually without the need to justify the intended use of funds.

As a result, for the first time in its history, Uzbekistan was included in the IMF's ranking on currency convertibility, and the volume of foreign exchange operations increased fivefold compared to 2017.

In parallel, entrepreneurship training courses have been widely organized across the country to support and develop business competencies. It is also important to highlight the continuous improvement of the legislative framework in recent years, as evidenced by the adoption of key regulatory acts, including:

- Presidential Decree "On Measures to Categorize the Territories of the Republic and Introduce a Differentiated System of Entrepreneurial Support" (2022);
- Presidential Decree "On Measures to Improve the System of Financial Support for Small and Medium Enterprises" (2023);
- Presidential Resolutions:
 - "On Additional Measures to Finance the 'Every Family — Entrepreneur' Program" (2020),

- "On Additional Measures for State Support of Organizations Representing Persons with Disabilities and for Promoting the Employment of Persons with Disabilities" (2022),

- "On Additional Measures to Promote Employment and Improve Women's Health" (2022),

- "On Measures to Implement the Tasks Defined During the 2023 Open Dialogue between the President of the Republic of Uzbekistan and Entrepreneurs" (2023),

- and other significant initiatives.

In parallel, effective measures are being implemented to address the challenges and obstacles faced by entrepreneurs, while necessary organizational and legal mechanisms are being established to support and develop this vital sector and to ensure its legal protection.

In 2023, a comprehensive program for the continuous support of small businesses was launched. The Business Development Bank was designated as the responsible financial institution for its implementation. For the execution of this program, the government has allocated 6 trillion Uzbek sums from the state budget for the period 2023–2026.

Additionally, approximately USD 1.2 billion will be attracted from international financial institutions to further support the initiative.

Participants in the program are eligible for the following forms of financial support:

- Provision of loans of up to 1.5 billion Uzbek sums for establishing or expanding business activities, with a loan term of up to 7 years, including a grace period of up to two years;

- Leasing of fixed assets valued up to 1.5 billion Uzbek sums with installment payment terms over a period of up to 7 years;

- Equity contributions of up to 20% (but not exceeding 1 billion Uzbek sums) in the form of vacant state-owned properties, land plots, equipment, buildings, and structures, to support new or expanding production projects carried out by small businesses operating for more than 24 months.

Additionally, program participants will have access to advisory services on:

- Obtaining licenses, permits, and certificates;
- Customs and tax administration;
- Handling import-export operations;
- Participation in public procurement processes;
- Purchase and lease of land, buildings, and facilities;
- Utilization of available benefits, preferences, and other forms of business support.

The government's commitment to creating favorable conditions for small businesses has led to relatively positive results in increasing the role of small enterprises and organizations within the national economy. However, it should be noted that there has been a decline in the share of small businesses in the country's GDP in recent years:

| № | Indicator | 2010 | 2015 | 2020 | 2024 | Growth vs 2010 (%) | Growth vs 2020 (%) |
|---|--|---------|---------|---------|---------|--------------------|--------------------|
| 1 | Number of small business entities | 152 246 | 196 014 | 334 767 | 358 116 | 235% | 107% |
| 2 | Share of small business in employment (%) | 74.3 | 77.9 | 74.5 | 74.0 | 99.6% | 99.3% |
| 3 | Share of small business in GDP (%) | 60.8 | 64.6 | 57.5 | 54.3 | 89.3% | 94.4% |
| 4 | Share of small business in exports (%) | 13.7 | 27.0 | 20.5 | 33.3 | 243% | 162% |
| 5 | Share of small business in total imports (%) | 35.8 | 44.5 | 51.7 | 48.6 | 136% | 94% |
| 6 | Share of small business in industrial output (%) | 26.6 | 40.6 | 27.9 | 32.4 | 122% | 116% |
| 7 | Share of small business in construction (%) | 52.5 | 66.7 | 72.5 | 76.5 | 146% | 105% |

As seen from Table 1, although the number of small business entities more than doubled over the period, their contribution to GDP slightly declined, while their roles in exports and construction activities have grown substantially.

Tourism in Uzbekistan.

In recent years, tourism in Uzbekistan has evolved into one of the key sectors of the economy, contributing to job creation and regional development. Thanks to the country's rich cultural and historical heritage, diverse natural landscapes, and strong

government support, Uzbekistan is becoming increasingly attractive to both international and domestic tourists.

From 2020 onwards, the number of tourists visiting Uzbekistan has increased more than fivefold, from 1.5 million in 2020 to 7.9 million in 2024. By 2030, it is planned to raise the number of international tourists to 15 million and domestic tourists to 25 million. The share of tourism in the national GDP has grown from 2.1% in 2016 to 7% in 2023.

According to forecasts, by 2030, this figure is expected to reach 10%. Tourism is a highly labor-intensive sector, also providing employment in related industries. Since 2017, more than 500,000 jobs have been created in the sector (hotels, guides, transportation services, craftsmen). Every 10th new business in Uzbekistan is related to tourism (cafes, souvenir shops, guided tours).

Over the past five years, the following have been achieved:

- Over 500 new hotels commissioned;
- More than 200 guest houses opened;
- Restoration of over 250 madrasahs, fortresses, and mausoleums completed.

The visa regime has also been significantly simplified: citizens from 90 countries can now enter Uzbekistan visa-free.

Uzbekistan offers all types of tourism, making it highly competitive on the global stage:

- Cultural and historical tourism (Samarkand, Bukhara, Khiva – UNESCO World Heritage sites);
- Pilgrimage tourism (mausoleums of Imam al-Bukhari, Bahauddin Naqshband, and others);
- Gastronomic tourism (Uzbek cuisine and wines);
- Extreme tourism (mountain tourism in Chimgan, Kyzylkum Desert adventures);
- Ecotourism (Aydar-Arnasay lake system, Zaamin National Park);
- Medical tourism (high-quality sanatoriums and clinics).

More than 50,000 craftsmen are involved in the tourism industry, including potters (Rishtan, Gijduvan), silk weavers (Margilan), jewelers (Bukhara), ceramists, and woodcarvers (Khiva, Samarkand).

Due to government support, infrastructure investments, and huge potential, tourism has become the second most profitable sector of the economy after raw materials, a major source of employment, and Uzbekistan's business card on the global stage.

Small Business and Home-Based Enterprises.

Another important feature of small business development in Uzbekistan is the use of household farms in local community gatherings (mahallas) and rural areas, alongside home-based labor and craftsmanship.

Since the mahalla (local community) traditionally plays a crucial role in the socio-economic life of Uzbekistan, the government actively engages its residents in developing their own businesses and home-based industries. In recent years, several key measures have been implemented:

- The official introduction of the position "assistant to the hokim" (mayor) within each mahalla committee. Their responsibilities include promoting professional training, supporting employment for the jobless, facilitating the allocation of loans and grants, and assisting in the development of entrepreneurship within the mahalla.

- Widespread growth of home-based production in rural areas (around 50% of Uzbekistan's population – 18 million people – live in rural areas), particularly due to a shortage of arable land, leading to the development of mini-farms focusing on:

- Animal husbandry (cattle, sheep, goats, rabbits);
- Poultry farming (chickens, ducks, turkeys);
- Fish farming;
- Gardening and greenhouse farming (vegetables and fruits);
- Dairy production (milk, cheese, yogurt, sour cream);
- Floriculture and beekeeping.

Thus, household farming is a vital tool for ensuring employment, food security, and export potential.

Home-based labor is a critical element in supporting rural populations. It includes handicrafts, textile production, food processing, and other activities. The main types of home-based labor are textiles and sewing, crafts, agricultural product processing, and national cuisine production.

In 2020, about 350,000 households and 700,000 people were engaged in home-based work. By 2024, due to government initiatives, this number had grown to more than 500,000 households and around 1 million workers. The average monthly income is estimated between USD 100 and USD 300.

However, certain challenges persist:

- A high rate of informal employment (many do not register their businesses);
- Difficulties in accessing markets;
- Low productivity due to reliance on manual labor.

Craftsmanship Development.

In recent years, the craftsmanship sector has actively developed thanks to government support and the growing interest in ethnic goods among tourists and international markets.

The main types of craftsmanship include:

- Ceramics and pottery (Rishtan, Gijduvan, Khorezm);
- Silk weaving and embroidery (Margilan, Bukhara, Nurata);
- Carpet weaving (Surkhandarya, Kashkadarya, Bukhara);
- Jewelry making (Bukhara, Khiva, Tashkent);
- Wood carving and gypsum carving (Samarkand, Khiva, Shakhrisabz);
- Musical instrument making (Tashkent, Fergana);
- Felt production (Karakalpakstan, Fergana Valley).

In 2020, around 200,000 households and 400,000 people were engaged in craftsmanship. By 2024, these figures had increased to around 300,000 households and 600,000 people. The average monthly income for artisans varies depending on the craft and market access and ranges from approximately USD 150 to USD 500.

V. Recommendations for the Advancement of Small Business in the Context of an Emerging Economy.

5.1. Development of Alternative Financial Instruments:

- **Introduction of Crowdfunding.** Crowdfunding can allow entrepreneurs to raise funds from a wide range of investors through online platforms, which is especially relevant for creative projects, social initiatives, and technology startups, bypassing traditional bank loans or private investor searches.

There are different models of crowdfunding: Debt-based crowdfunding (private loans from individuals), Reward-based crowdfunding (supporters receive bonuses or pre-ordered products as rewards), Equity crowdfunding (investors receive a share in the business);

- **Utilization of Venture Capital:** Venture capital is a tool for small businesses with high growth potential, enabling them to attract large investments in exchange for equity in the company. Unlike traditional loans, venture capital investors are willing to fund high-risk but promising projects, providing not only capital but also expertise and mentorship support. This form of financing is particularly beneficial for tech startups and innovative companies that require significant funds for product development, market entry, or business scaling.

In Uzbekistan, venture financing is gaining momentum due to the establishment of technoparks, IT clusters, and government startup support programs. Local venture funds and international investors are actively investing in promising projects, particularly in AgriTech, FinTech, and EdTech sectors.

The key advantages of venture financing include access to large investments without debt burdens, expertise, and valuable networking opportunities. However, entrepreneurs must be prepared for investors to demand a share in the business and to participate in its management.

5.2. Support for Export-Oriented Enterprises.

First and foremost, entrepreneurs should make full use of the existing government export support programs. The Export Promotion Agency and the Export Support Fund offer a wide range of incentives, including preferential loans for export operations at below-market interest rates, partial compensation for transportation costs, and organizational and financial assistance in obtaining necessary international conformity certificates.

In agriculture, for example, emphasis should be placed on the export of high value-added products — such as packaged organic fruits, processed dried fruits, and pre-packaged spices — instead of raw product exports. Particular growth prospects also exist in the IT sector, where small businesses can offer software development and digital solution outsourcing services for the Middle East and Southeast Asian markets.

Another important element of small business export strategies should be cooperation with large exporters. Integrating into the supply chains of major export-oriented companies (for example, large fruit processing plants) through subcontracting mechanisms enables small enterprises to secure stable sales channels and indirectly access international markets with minimal commercial risks.

Reference: In recent years, Uzbekistan has witnessed significant growth in the number of small enterprises engaged in export activities. In 2020, about 1,500 small enterprises and individual entrepreneurs participated in export activities.

By the end of 2024, their number had exceeded 5,000 (a 3.3-fold increase). Over this period, the volume of small business exports increased fourfold, from USD 500 million in 2020 to USD 2.0 billion in 2024. The main exported goods included: Agricultural products (fruits, vegetables, dried fruits, nuts), Textile and clothing products (cotton garments, knitwear), Leather products (shoes, bags), Handicrafts (ceramics, handmade carpets), Chemical products (plastics, fertilizers).

5.3. Improvement of the Vocational Education System.

To better prepare and retrain representatives of small businesses, the following measures are proposed:

- Modernization of vocational college programs to meet the demands of business infrastructure and the current and future development of industries;
- Establishment of business incubators at universities across the country, creating a “bridge” between theory and practice and providing feedback loops for updating curricula based on real-world empirical experience;
- Engagement of international and local business experts at the regional level to educate entrepreneurs, especially in remote areas and towns.

Reference:

Uzbekistan has established a multi-level system for entrepreneurship education, whose main elements include: "Ishga Marhamat" Centers, which have trained around 200,000 people since 2020, The "1 Million Programmers" Program, The Academy of Public Administration, Various international training projects.

From 2020 to 2024, more than 1 million people in Uzbekistan completed entrepreneurship training (including online courses), including 300,000 women and 50,000 young entrepreneurs (under 30 years old). During this period, about 150,000 new small and individual enterprises were established in sectors such as: Agriculture (mini-farms, processing), Trade and services (cafes, repair workshops), IT and digital services (freelance, startups), Crafts and textiles (art workshops, sewing ateliers).

However, as noted above, not all trained individuals were able to launch businesses, mainly due to a lack of start-up capital.

5.4. Development of Cultural and Ethnic Services.

As part of small business development, and considering the rich cultural and historical heritage of most regions of the country, it is proposed to implement targeted measures to develop cultural and ethnic services specific to each region.

In this context, it is proposed to:

- Produce souvenirs and other products reflecting the unique cultural and ethnic heritage of each region (souvenirs, household items, traditional clothing, tableware, fabrics, etc.);
- Develop cultural and ethnic services (theaters, dance ensembles, artistic productions, etc.);
- Expand the network of food service establishments specializing in the regional national cuisine;
- Develop hotels and other accommodation facilities that incorporate national traditions of hospitality and lifestyle;
- Carry out broad promotional campaigns and organize tours to natural and historical sites.

The development of these services will help:

- Reduce labor market tension in the regions by promoting self-employment and additional employment opportunities;
- Stimulate the growth of small businesses;
- Foster the development of cultural spheres and support traditional crafts and folk arts;
- Enhance the country's tourist image by offering modern, authentic, and attractive destinations for visitors.

Additionally, the growing tourist interest will help shape and expand service infrastructure in historical and cultural zones and ensure their preservation.

Reference:

The main types of cultural and ethnic services in Uzbekistan include:

- Ethnotourism and cultural programs in historic cities (Khiva, Bukhara, Shakhrisabz), craft master classes (pottery, weaving), folklore shows, and national festivals (Nowruz, "Boysun Bahori");
- National cuisine and culinary tourism, ethnic restaurants and teahouses, culinary master classes (preparing pilaf, samosa, halva);
- Festivals and ethnographic exhibitions: "Atlas Bayrami" (Margilan), "Silk and Spices" (Bukhara), and the international festival "Sharq Taronalari" (Samarkand).

The sector employs over 50,000 artisans, around 10,000 people in ethnographic tourism, and 5,000 chefs specializing in national cuisine. The total turnover of the handicraft market is approximately USD 300 million per year, the revenue from ethnographic tourism is around USD 120 million, and the export volume of handicraft products is approximately USD 50 million annually.

The main challenges include the lack of modern marketing tools (such as promotion on social media and international platforms) and competition with mass-produced counterfeit goods (mainly from China).

VI. Conclusion.

Small businesses play a vital role in the economic and social development of developing countries. They contribute to employment creation, economic diversification, innovation, and community improvement. To fully unlock their potential, challenges such as limited access to financing, workforce development, and infrastructure deficiencies must be addressed. Government interest and action are crucial in establishing small businesses as key segments and driving forces of national economies.

Key priorities include:

- Direct governmental support for small enterprise development;
- Promotion of innovative entrepreneurship;
- Protection of legal rights and interests of entrepreneurs;
- Incentivization through favorable taxation and financial access measures.

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