

## **OPPORTUNITIES FOR TRANSFORMATIONAL GROWTH OF SMALL ENTREPRENEURSHIP IN EXPORT DEVELOPMENT**

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### **ABSTRACT**

This article provides a systematic analysis of the level of utilization and enhancement factors of export potential among small business entities in Uzbekistan. Based on recent statistical data, the study examines export volumes, product types, sources of financing, geographical distribution, and labor force indicators.

The research results demonstrate positive dynamics in small business export activities, though a number of systemic issues specific to the sector have also been identified. The article substantiates the need for consistent reforms, the development of credit and grant mechanisms, the strengthening of information-marketing approaches, and the introduction of systematic monitoring tools to overcome these challenges.

**Keywords:** small business, export potential, diversification, international trade, barriers, products, transformation.

### **INTRODUCTION**

In recent years, the role of small businesses and private entrepreneurship in Uzbekistan's export sector has been steadily increasing. This trend is a result of comprehensive reforms aimed at diversifying the national economy, expanding the production of export-oriented goods, and integrating into the global trade system. The development of export potential has contributed to accelerating economic growth, creating new jobs, increasing foreign exchange earnings, and balancing the country's foreign trade.

However, several issues persist, such as the underutilization of small business export potential, the low share of products meeting international standards, weak integration with digital trading platforms, and limited access to information on foreign markets. To overcome these challenges and ensure transformational growth in export activities, it is essential to continue structural reforms—especially in financial mechanisms, information-marketing approaches, development of export-oriented infrastructure, and strengthening governance through systematic monitoring.

### **METHODOLOGY**

The research employed statistical analysis, linear growth dynamics, comparative table methods, and structural analyses across various sectors. The primary data source was the official statistical information provided by the Chamber of Commerce and Industry of the Republic of Uzbekistan. Dynamic changes in export volume, product types, sources of financing, export markets, and labor force indicators were analyzed.

### **RESULTS**

As a result of the economic reforms implemented in Uzbekistan and the state policy aimed at creating a favorable business environment, the small entrepreneurship sector achieved stable transformational growth between 2018 and 2024 (Table 1). The number of small business entities increased by 51.8% to reach 563,000; their share in gross domestic product (GDP) rose by 5.2%; and the number of employed individuals grew by 1.6 million. These indicators reflect the real strategic potential of this sector in the national economy.

**Table 1. Dynamics of Key Indicators of Small Business in Uzbekistan**

Indicator	2018	2024	Change
Number of small business entities	371,000	563,000	+51.8%
Share in GDP	55.5%	60.7%	+5.2%
Number of employed persons	7.6 million	9.2 million	+21.0%

Source: Chamber of Commerce and Industry of the Republic of Uzbekistan

This growth is also opening up significant new opportunities in the export sector. In particular, the expansion of export activity is contributing not only to the increase in existing production capacities but also to the diversification of product types and markets. The increase in the number of small business entities serves as a crucial reserve for engaging them in foreign trade activities. As a result of transformational processes, the introduction of advanced technologies, digital marketing, international quality standards, and financing mechanisms in the sector is gradually enhancing the export potential of small businesses.

According to the data from the Chamber of Commerce and Industry of the Republic of Uzbekistan, analysis indicates that in recent years there has been notable transformational growth in the export activities of small business entities. In 2024, net income from exports reached USD 10.2 billion, which represents an 85.5% increase compared to 2020. This high growth rate is directly linked to product diversification, entry into new segments of international markets, and the expansion of financial support mechanisms. These trends indicate a deeper integration of small business entities into the global value chain.

**Table 2. Financial Indicators of Small Business Export Activities**

Indicator	2020	2024	Growth Rate (%)	Remarks
Net income from exports (million USD)	5,500	10,200	+85.5	Increase in net export income
Export expenditures (million USD)	3,000	5,000	+66.7	Transport, customs, and other related costs
Export profitability (%)	18	26	+44.4	Ratio of net income to total volume

Source: Chamber of Commerce and Industry of the Republic of Uzbekistan

Despite the increase in export expenses from 3 billion to 5 billion USD (66.7%), the profitability of export activities rose from 18% to 26% (a 44.4% increase). This indicates that small business entities are utilizing resources more efficiently and improving the balance between costs and revenues. Overall, this stage of export activity shows growth not only in quantitative terms but also in quality, confirming that transformational growth opportunities are being realized across the economic system. This serves as an important indicator of Uzbekistan's growing economic competitiveness.

#### DISCUSSION

In Uzbekistan, significant transformational disparities are observed in the regional development of small business and private entrepreneurship activities. Specifically, Tashkent city, the Fergana Valley regions (Fergana, Andijan, Namangan), and Samarkand region are experiencing a higher concentration of small business entities, greater access to credit funds, and more active export

operations — all pointing to advanced stages of transformational development. In these areas, key contributing factors include a favorable business climate, developed transport and logistics infrastructure, active financial institutions, and the availability of skilled labor resources.

In contrast, in remote or slower-transforming regions, the export potential of small businesses remains largely untapped. Limitations such as scarce financial resources, inadequate infrastructure, restricted access to digital services, and weak information and consulting systems are hindering export-driven transformational growth in these areas.

Transformational measures currently being implemented to enhance the export potential of small business entities play a critical role. Customs and tax incentives, as well as the “green corridor” system that facilitates expedited and bureaucracy-free export procedures, signify a transition toward a simplified and digitized export model. This enables more efficient organization of exports in terms of structure and costs. Additionally, concessional financial support provided by the Export Support Fund for small business representatives — covering initial expenses such as logistics, certification, and marketing — is laying the financial groundwork needed for transformational growth.

The expansion of digital trading platforms such as UzTrade and Made in Uzbekistan is helping integrate small businesses into global trading networks. These digital infrastructures enable products to be presented to international buyers online, facilitate the conclusion of export contracts, and support the establishment of new trade relationships. Transformational improvements in product design and quality, as well as government support for international certification and branding, are also enhancing the process. Participation in international exhibitions is allowing small businesses to develop their brand presence in foreign markets and strengthen their export potential.

Sectoral and regional analysis shows that transformational export activity in small business is most evident in light industry, food processing, construction materials, leather-footwear, and handicrafts. In particular, national handicrafts — such as wood carving, jewelry, and textile products — are in demand in international markets due to their distinctive designs and use of locally sourced materials, offering high added value. The geography of transformational exports is mainly directed toward countries with developed economic partnerships, such as Russia, Kazakhstan, China, Turkey, the UAE, and South Korea. In these markets, the establishment of logistics, trade, and certification procedures is expanding export opportunities for small businesses.

Additionally, the transformational advantages of small business — including flexibility, the use of low-cost labor, adoption of innovative technologies, and proximity to local resources — support their successful participation in foreign markets. The rise of startups and technological modernization is enabling a shift toward a “digital export” model for small entrepreneurship.

However, there are still unresolved systemic challenges in the export transformation of small businesses. These include limited access to financial resources, difficulties in producing goods that meet international standards, weak marketing strategies, underdeveloped transport infrastructure, and bureaucratic hurdles in documentation processes — all of which restrict the full realization of export potential.

The following table presents these challenges in a structured format, along with their impact on export potential:

Main Barriers in the Export Activities of Small Businesses and Their Impact

<b>Limited Access to Financial Resources</b>	Difficulties in obtaining loans, high interest rates, collateral requirements	Complicates export financing; limits scale and quality of exports
<b>Certification Challenges</b>	Non-compliance with	Limits market access and

	international standards, high certification costs	reduces competitiveness
<b>Lack of Marketing and Foreign Market Knowledge</b>	Poor understanding of market demands, weak strategy and promotional skills	Hinders customer acquisition and export growth
<b>Logistics and Transportation Issues</b>	High transportation costs, delivery delays	Affects product quality and weakens client relationships
<b>Bureaucratic Documentation and Customs Procedures</b>	Complex bureaucracy, inefficient use of digital systems	Slows down export processes and increases operational costs

In general, the transformational reforms being implemented to involve small businesses in export activities in Uzbekistan are yielding positive results. However, systematically addressing existing challenges and expanding the transformational approach to all regions and sectors can further strengthen the international market position of small entrepreneurship.

## CONCLUSION

The development of export potential among small business entities in Uzbekistan—particularly within the context of transformational growth—is becoming a key direction in the structural renewal of the national economy and the country's external trade strategy. By participating in export processes, these entities not only increase economic activity but also contribute directly to product diversification, expansion of export geography, and enhancement of international competitiveness.

In recent years, institutional and economic reforms initiated by the state—including preferential loans, tax and customs incentives, and the development of digital trade infrastructure—have created significant transformational opportunities for small businesses. In particular, support for export-oriented production and the expansion of opportunities to bring products to foreign markets via electronic platforms have laid the foundation for elevating entrepreneurial activity to a new stage.

However, the export potential of small business entities has not yet been fully realized. Challenges such as the lack of compliance with international standards, limited access to information about export marketing and foreign markets, deficiencies in logistics and infrastructure, and delays in the adoption of digital technologies continue to hinder the transformation process.

Therefore, a comprehensive approach is required to fully utilize the transformational growth potential of small entrepreneurship, including the following key areas:

- Improving mechanisms for financial support of export activities;
- Establishing information systems based on external market monitoring and analysis;
- Aligning product quality with international standards and simplifying the certification process;
- Broad implementation of innovative technologies and digital marketing strategies;
- Strengthening infrastructural and institutional measures to ensure regional equity.

Through these strategic actions, small business will not only expand its export capacity but also become one of the fundamental drivers of sustainable and competitive growth within Uzbekistan's transformational economic model. As a result, the country will achieve more active integration into the global economic space and increase its share in the international trade system.

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