

ECONOMIC ASSESSMENT OF THE DEVELOPMENT DYNAMICS OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN NAMANGAN REGION

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Abstract. This article conducts a comprehensive economic analysis of the current development status of small business and private entrepreneurship in Namangan region, with a particular focus on structural changes, performance dynamics, and institutional support mechanisms. The study evaluates the effectiveness of ongoing socio-economic policies and regional development programs aimed at stimulating entrepreneurial activity, improving business environment quality, and enhancing the contribution of small business to regional economic growth. The research identifies key constraints limiting the competitiveness and productivity of small enterprises, including access to finance, market integration challenges, technological limitations, and institutional inefficiencies.

Keywords: small business, private entrepreneurship, gross regional product, regional development, employment generation, economic efficiency, competitiveness, export potential, investment climate, institutional environment.

INTRODUCTION

Small business and private entrepreneurship are widely recognized in modern economic systems as endogenous drivers of economic growth. According to neoinstitutional and evolutionary economic theories, this sector enhances system flexibility by facilitating resource reallocation, accelerating innovation diffusion, and stabilizing labor market dynamics. In this sense, the contribution of small business is reflected not only in output generation but also in improving institutional efficiency and reducing regional development disparities [1].

According to the World Bank and OECD studies, small and medium-sized enterprises (SMEs) account for more than 90% of all firms globally and provide approximately 60–70% of total employment, while also contributing a significant share to GDP formation [2]. This sector demonstrates high resilience to economic shocks and serves as a key mechanism of inclusive growth, particularly in developing economies. UNCTAD emphasizes that the integration of SMEs into global value chains plays a crucial role in export diversification and technological upgrading [3].

In recent years, international economic policy has increasingly aligned SME development with the paradigm of inclusive growth. In particular, Sustainable Development Goal 8 (SDG 8) highlights the importance of promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all, where SMEs are identified as a central mechanism for achieving these objectives [4]. This strengthens the need for in-depth empirical and regional-level analysis of SME development dynamics.

In the Republic of Uzbekistan, the development of small business and private entrepreneurship has become one of the key priorities of national economic policy. The “Uzbekistan – 2030” Strategy defines structural transformation of the economy, enhancement of regional economic activity, and strengthening the competitiveness of business entities as strategic objectives [5]. In addition, presidential decrees and resolutions have introduced institutional reforms aimed at improving the business environment, optimizing the tax burden, expanding access to financial resources, and strengthening investment conditions [6].

Despite these reforms, significant spatial disparities in SME development persist across regions of Uzbekistan, including Namangan region. These disparities are explained by uneven distribution of investment resources, differences in infrastructure development, market integration levels, and innovation capacity. From a regional economics perspective, such inequalities are associated with

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growth pole effects and spillover mechanisms, making spatial economic analysis particularly relevant.

In Namangan region, small business and private entrepreneurship play a significant role in shaping gross regional product, employment, and household income dynamics. However, despite its potential, the sector still faces structural challenges such as inter-district disparities in efficiency, insufficient export performance, and relatively low technological intensity of production. These issues highlight the necessity of applying not only descriptive statistics but also econometric and institutional approaches to analyze SME development more rigorously.

The main objective of this study is to identify the economic and spatial development trends of small business and private entrepreneurship in Namangan region, assess their performance efficiency, and develop scientifically grounded recommendations aimed at reducing regional disparities and improving sectoral competitiveness.

LITERATURE REVIEW

The contemporary literature recognizes small business and private entrepreneurship as fundamental drivers of economic growth, employment generation, productivity enhancement, and regional development. Existing studies indicate that the development trajectory of small and medium-sized enterprises (SMEs) is determined by a complex interaction of institutional, financial, innovation, and spatial factors.

Within the framework of entrepreneurship theory, Schumpeter argues that entrepreneurs are key agents of economic transformation through the process of innovation and “creative destruction,” whereby new business entities replace inefficient production structures and stimulate economic renewal [6]. Subsequent empirical studies have confirmed that SMEs play a significant role in facilitating technological diffusion and accelerating structural transformation, particularly in developing and transition economies [7].

A substantial body of empirical research emphasizes the contribution of SMEs to economic growth and employment. Beck, Demirgüç-Kunt, and Levine, using cross-country data, demonstrate that SME development is positively associated with GDP growth and poverty reduction, although these effects depend heavily on financial sector development [8]. Similarly, Ayyagari, Demirgüç-Kunt, and Maksimovic find that SMEs account for a substantial share of net job creation; however, their productivity varies considerably across countries due to differences in institutional quality and access to finance [9].

Financial accessibility remains one of the most frequently discussed determinants of SME performance. Berger and Udell argue that information asymmetry and limited collateral significantly constrain SMEs’ access to external financing, thereby restricting their growth potential [10]. Their findings indicate that the effectiveness of financial intermediation mechanisms directly influences entrepreneurial activity and business expansion.

Innovation capacity has also emerged as a critical determinant of SME competitiveness. Audretsch and Thurik demonstrate that the transition from a managed economy toward an entrepreneurial economy increases the importance of knowledge spillovers and innovation-driven enterprises [7]. In this context, SMEs serve as important channels for knowledge commercialization and technological adaptation.

Recent studies increasingly emphasize the spatial dimension of entrepreneurship. Fujita, Krugman, and Venables show that agglomeration economies, infrastructure quality, and market accessibility generate significant spatial disparities in business development [11]. Regions with stronger economic concentration tend to attract investment and skilled labor, creating cumulative advantages that reinforce regional inequality.

The relationship between institutions and entrepreneurship has attracted considerable scholarly attention. Acemoglu and Robinson argue that inclusive institutions promote entrepreneurial activity by protecting property rights, reducing transaction costs, and ensuring equitable market access [12]. In transition economies, institutional reforms significantly influence business formation and sustainability.

Focusing specifically on transition economies, Estrin and Mickiewicz demonstrate that entrepreneurship is highly sensitive to institutional transformation processes, including regulatory reforms, privatization policies, and governance quality [13]. Their findings reveal substantial regional heterogeneity in entrepreneurial outcomes, suggesting that national reforms may generate uneven local effects.

Empirical studies on regional entrepreneurship further indicate that infrastructure quality, human capital, and innovation ecosystems significantly influence SME performance. Fritsch and Mueller find that regional entrepreneurial activity generates both direct and indirect spillover effects through employment creation, knowledge diffusion, and productivity enhancement [14].

In the context of developing economies, Naudé argues that entrepreneurship should not be viewed solely as a consequence of economic growth but rather as an endogenous factor capable of accelerating structural transformation and regional convergence [15]. However, the effectiveness of entrepreneurship-led development depends on the quality of institutions, access to resources, and regional policy design.

Overall, the reviewed literature suggests that SME development is a multidimensional phenomenon shaped by financial accessibility, institutional quality, innovation capacity, and spatial-economic conditions. Nevertheless, previous studies have predominantly focused on cross-country or national-level analyses, while micro-level regional disparities and spatial dynamics remain underexplored. In particular, empirical evidence regarding district-level differences in SME development within Uzbekistan is limited. This research gap underscores the importance of conducting a region-specific analysis of small business and private entrepreneurship in Namangan region.

RESEARCH METHODOLOGY

This study employs a mixed-method research design combining descriptive, comparative, and econometric approaches to examine the development patterns and performance of small business and private entrepreneurship in Namangan region. The empirical analysis is based on secondary data obtained from the Statistics Agency under the President of the Republic of Uzbekistan, the regional departments of the State Tax Committee, and official reports published by the regional administration and relevant ministries. The study covers the period from 2015 to 2025 and utilizes indicators such as the number of active small business entities, employment generation, gross regional product, investment volume, export performance, and labor productivity.

To assess the determinants of small business performance, the study adopts an econometric framework grounded in regional economics and entrepreneurship theory. Correlation and multiple regression analyses are employed to estimate the effects of investment, employment, and export intensity on the contribution of small business to gross regional product.

ANALYSIS AND RESULTS

The identification of promising areas of activity for small business and private entrepreneurship operating in Namangan region, as well as the study of necessary conditions for enhancing their competitiveness, represents one of the key directions of this research. Small business and private entrepreneurship play a significant role in the economic structure of Namangan region. In recent years, the share of small enterprises in the total number of production and service enterprises has been

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steadily increasing. Moreover, the continuous growth in the number of employees engaged in small business and private entrepreneurship contributes directly to addressing key socio-economic development challenges in the region.

An important direction for improving the efficiency of resource utilization in small business and private entrepreneurship in Namangan region is the development of the textile and garment industries. Considering the availability of sufficient raw materials and labor resources, this sector is regarded as one of the most promising areas of economic specialization. The development of textile and garment production in the region should be viewed as a mechanism for strengthening competitive advantages, increasing entrepreneurial activity, expanding employment opportunities, and improving the financial performance of business entities.

In the context of ongoing structural transformations, small business and private entrepreneurship operate across all sectors of the regional economy. This clearly demonstrates that SMEs not only contribute to employment generation and economic growth but also occupy a stable and increasingly important position within all major economic sectors of the region (Table 1).

Table 1.

Share of small business entities in the economic sectors of Namangan region (%)

Indicators	2020	2021	2022	2023	2024	2025	Change in 2025 Compared to 2020 (-/+)
Gross Regional Product	73.7	73.5	72.8	72.8	64.4	73.6	-0.1
Industry	50.0	49.2	45.7	47.2	50.1	55.3	+5.3
Construction	91.3	93.5	89.1	91.7	91.9	91.9	+0.6
Employment	82.0	81.7	81.4	81.1	—	—	—

Source: Data on the share of small business entities in employment for 2024–2025 were not available at the time of the study.

During the period 2020–2025, the share of small business entities across the major sectors of Namangan region’s economy demonstrated heterogeneous dynamics. In particular, the contribution of small businesses to Gross Regional Product (GRP) slightly decreased from 73.7% in 2020 to 73.6% in 2025, representing a marginal decline of 0.1 percentage points. Despite this fluctuation, the indicator remained consistently high throughout the study period, confirming the dominant role of small businesses in the regional economy. The industrial sector exhibited a positive trend, with the share of small businesses increasing from 50.0% in 2020 to 55.3% in 2025, equivalent to a growth of 5.3 percentage points. In the construction sector, small businesses maintained a leading position, with their share rising from 91.3% to 91.9% over the same period. Meanwhile, the share of small businesses in total employment declined moderately from 82.0% in 2020 to 81.1% in 2023. However, the absence of official data for 2024–2025 limits the comprehensive assessment of recent employment dynamics.

These findings indicate that small business and private entrepreneurship continue to play a decisive role in the economic development of Namangan region. The persistently high share of SMEs in GRP underscores their substantial contribution to regional value creation and economic resilience. The upward trend observed in the industrial sector reflects the expansion of production capacities, increased investment activity, and the positive effects of institutional support measures implemented by the government. Similarly, the consistently high share of SMEs in the construction sector highlights the sector's strong dependence on entrepreneurial activity. At the same time, the gradual decline in the employment share may indicate improvements in labor productivity, increased digitalization of business operations, or the growing contribution of large enterprises in selected

industries. These developments suggest the need for further econometric investigation into the determinants of SME employment and productivity at the regional level.

Table 2.

Key statistical indicators of small business entities in major economic sectors of Namangan region (billion UZS)

Sectors	2020	2021	2022	2023	2024	2025	Change in 2025 to 2020 (-/+)
Gross Regional Product (GRP)	28,077.4	34,479.8	40,565.1	47,112.6	71,869.1	85,419.0	+57,341.6
Trade	1,929.1	2,434.5	2,877.3	3,477.9	4,005.1	26,901.7	+24,972.6
Agriculture,	11,551.2	13,681.8	15,927.3	18,921.1	32,497.2	26,611.5	+15,060.3
Services	8,030.4	9,886.4	14,629.5	17,000.6	781.8	16,808.3	+8,777.9

Source: Compiled by the author based on data from the Namangan Regional Department of Statistics.

Between 2020 and 2025, the main economic sectors of Namangan region experienced substantial growth in the contribution of small business entities. Gross Regional Product (GRP) generated by small businesses increased from UZS 28,077.4 billion in 2020 to UZS 85,419.0 billion in 2025, representing an absolute increase of UZS 57,341.6 billion, or approximately 3.0 times over the study period. The trade sector demonstrated the most remarkable growth, rising from UZS 1,929.1 billion to UZS 26,901.7 billion, which corresponds to an increase of UZS 24,972.6 billion. Similarly, the output of small businesses in agriculture, forestry, and fisheries expanded from UZS 11,551.2 billion in 2020 to UZS 26,611.5 billion in 2025, indicating an overall increase of UZS 15,060.3 billion. The services sector also exhibited positive dynamics, with output increasing from UZS 8,030.4 billion to UZS 16,808.3 billion during the study period. However, the reported value of UZS 781.8 billion in 2024 deviates substantially from the established trend and may reflect a statistical revision, reporting error, or changes in data classification.

The observed dynamics indicate that small business and private entrepreneurship have become increasingly important drivers of economic growth and structural transformation in Namangan region. The significant expansion of GRP attributable to small businesses reflects the sector's growing role in regional value creation and economic diversification. The exceptional growth recorded in the trade sector suggests improved market integration, increased consumer demand, and the expansion of entrepreneurial activity supported by digital commerce and logistics infrastructure. Meanwhile, the sustained growth in agriculture and related activities underscores the strategic importance of agribusiness in the regional economy. The positive trajectory of the services sector further indicates the gradual transition toward a more service-oriented economic structure. Nevertheless, the presence of potential data inconsistencies highlights the importance of ensuring statistical reliability and conducting robustness checks before drawing definitive conclusions regarding sectoral performance.

Table 3.

Number of Newly Established Small Enterprises and Microfirms in Namangan Region by Territories

Region	2021	2022	2023	2024	2025
Namangan (Total)	6,469	5,542	4,778	4,636	3,929
Namangan city	1,749	1,689	1,257	1,211	1,204
Mingbulak	378	236	327	322	278
Kosonsoy	385	267	274	261	276

Namangan	444	344	250	242	159
Norin	389	335	252	247	211
Pop	405	324	327	312	305
Toraqorgon	481	358	377	370	192
Uychi	455	353	286	283	189
Uchkurgan	449	479	454	449	304
Chortoq	430	397	391	377	245
Chust	536	446	341	331	297
Yangikurgan	368	314	242	231	260

Source: Compiled by the author based on data from the Namangan Regional Department of Statistics.

The analysis of newly established small enterprises and microfirms across Namangan Region during 2021–2025 reveals a persistent and statistically significant contraction in entrepreneurial entry dynamics. The total number of newly created entities declined from 6,469 units in 2021 to 3,929 units in 2025, corresponding to an absolute reduction of 2,540 units or approximately 39.3%. This downward trend is observed consistently across most territorial units, indicating a region-wide slowdown rather than isolated local shocks. Namangan City, which represents the core entrepreneurial hub, experienced a decline from 1,749 to 1,204 units (–31.2%), while Mingbulak decreased from 378 to 278 units (–26.5%) and Namangan locality from 444 to 159 units (–64.2%), representing one of the most severe contractions. Similarly, Toraqorgon and Uychi recorded substantial declines of 60.1% and 58.5% respectively. In contrast, Pop and Uchkurgan maintained relatively higher stability, with 305 and 304 new entities in 2025, suggesting comparatively resilient local business ecosystems. Overall, the regional distribution demonstrates increasing asymmetry in entrepreneurial activity, with a gradual concentration in relatively more stable territories.

From an economic interpretation perspective, the observed contraction in entrepreneurial formation may be associated with a combination of structural and institutional factors influencing business entry conditions in the region. These include tightening credit conditions, increased market saturation in certain sectors, and rising compliance costs for small enterprises. The heterogeneity across territories suggests that spatial disparities in infrastructure quality, access to finance, and administrative efficiency play a decisive role in shaping entrepreneurial dynamics. Territories with relatively stable performance, such as Pop and Uchkurgan, are likely benefiting from stronger industrial linkages, better logistics connectivity, and more diversified local economies. Conversely, territories experiencing sharper declines may face structural constraints such as limited investment inflows, weaker institutional support systems, and lower levels of human capital accumulation. These findings imply that regional SME development is not uniform but highly path-dependent, requiring differentiated policy interventions aimed at improving territorial competitiveness, strengthening local business ecosystems, and reducing spatial inequalities in entrepreneurial opportunities.

Table 4.
Dynamics of Newly Established Small Enterprises and Microfirms Across Territorial Units of Namangan Region, 2023–2025

Region	2023	2024	2025
Namangan Region (Total)	5,542	4,636	2,190
Namangan city	1,689	1,211	649
Mingbulak	236	322	155
Kosonsoy	267	261	150
Namangan	344	242	78

Norin	335	247	124
Pop	324	312	174
Toraqorgon	358	370	108
Uychi	353	283	97
Uchkurgan	479	449	200
Chortoq	397	377	136
Chust	446	331	153
Yangikurgan	314	231	151

Source: Compiled by the author based on data from the Namangan Regional Department of Statistics.

The dynamics of newly established small enterprises and microfirms across Namangan Region during 2023–2025 demonstrate a pronounced contraction in entrepreneurial entry across all territorial units. The total number of newly registered entities declined sharply from 5,542 units in 2023 to 2,190 units in 2025, representing a reduction of 3,352 units or approximately 60.5%. This decline is consistently observed across both urban and rural territories, indicating a systemic rather than localized slowdown in entrepreneurial formation. Namangan City, as the primary economic center, experienced a significant decrease from 1,689 units in 2023 to 649 units in 2025 (–61.6%). Similarly, Namangan territory fell from 344 to 78 units (–77.3%), while Toraqorgon and Uychi recorded declines of 69.8% and 72.5% respectively. Even relatively stable territories such as Pop and Uchkurgan exhibited substantial reductions, confirming that the contraction is region-wide and not confined to specific localities.

From a structural interpretation perspective, the observed decline in new enterprise formation reflects deteriorating entrepreneurial entry conditions, likely driven by a combination of financial constraints, market saturation, and increased regulatory or compliance burdens. The uniformity of the downward trend across territorial units suggests that macro-level and institutional factors outweigh local idiosyncratic effects. In particular, the sharp reduction in urban entrepreneurial activity indicates weakening business dynamism in the region’s core economic hub, which may have significant implications for employment generation and regional productivity growth. At the same time, the relative persistence of activity in Pop and Uchkurgan suggests the existence of localized resilience factors, such as diversified economic structures or more stable production networks. Overall, these findings indicate increasing fragility in entrepreneurial ecosystems and highlight the need for targeted policy interventions aimed at restoring business entry incentives, improving access to finance, and strengthening institutional support mechanisms at the territorial level.

In 2025, the spatial distribution of newly established small enterprises and microfirms in Namangan region demonstrates a high degree of territorial concentration and structural imbalance. The dominant share is observed in Namangan City, which accounts for 30.3% of total newly created business entities, confirming its role as the primary economic and entrepreneurial hub of the region. Other relatively significant contributors include Uchkurgan (9.1%), Pop (7.9%), Mingbulak (7.1%), Chust (7.0%), and Yangikurgan (6.9%), while Kosonsoy (6.8%), Chortoq (6.2%), and Norin (5.7%) exhibit comparatively lower shares. This distribution clearly indicates the existence of spatial polarization in entrepreneurial activity, where economic dynamism is concentrated in a limited number of territorial units, while peripheral areas demonstrate weaker entrepreneurial intensity.

From a macro-regional perspective, small business and private entrepreneurship continue to play a dominant role in Namangan region’s economic structure. In 2025, the contribution of small businesses to Gross Regional Product (GRP) reached 73.6%, compared to 64.4% in 2024, reflecting a substantial increase in sectoral importance within the regional economy. This sharp rise suggests

either accelerated expansion of small business activity or a structural reclassification of output within the regional statistical framework. In addition, export performance of small business entities amounted to 135.8 million USD, representing 44.7% of total regional exports, while imports reached 214.1 million USD, accounting for 61.2% of total imports. These figures indicate that although small businesses play a significant role in external trade, the import dependency of the sector remains relatively high, which may reflect structural constraints in domestic production capacity, technological intensity, and value-added creation.

The empirical evidence highlights several interrelated structural barriers constraining the sustainable development of small business and private entrepreneurship in the region. First, limited access to financial resources and insufficient initial capital significantly restrict business entry and expansion. Second, underdeveloped production and market infrastructure reduces efficiency and increases transaction costs for small enterprises. Third, human capital constraints, including shortages of skilled labor and weak practical entrepreneurial competencies, negatively affect productivity growth. Fourth, institutional and systemic weaknesses, such as outdated training and retraining mechanisms, insufficient exposure to modern business practices, and irregular implementation of capacity-building programs, further limit entrepreneurial competitiveness.

In addition, weak integration into digital and global value chains represents a critical development bottleneck. The limited penetration of international e-commerce platforms and advanced marketing systems reduces the export potential of local enterprises. Outdated technical standards, weak protection of property rights, and insufficient adoption of information and communication technologies further constrain innovation capacity and business formalization. Collectively, these factors indicate that the current growth of small business in Namangan region is largely extensive rather than intensive, meaning that expansion is driven more by quantity than by productivity, innovation, or technological upgrading.

Overall, the findings suggest that the sustainability of small business development in Namangan region depends not only on quantitative expansion but also on qualitative transformation. Strengthening institutional frameworks, improving access to finance, enhancing human capital development, and accelerating digital transformation are essential preconditions for shifting the sector toward innovation-driven and export-oriented growth. Without addressing these structural constraints, regional disparities in entrepreneurial development are likely to persist or even intensify over time.

CONCLUSION

This study provides a comprehensive assessment of small business and private entrepreneurship development in Namangan region, covering structural, sectoral, and territorial dimensions. The empirical results indicate that the sector remains the dominant driver of regional economic activity, contributing 73.6% of Gross Regional Product (GRP) in 2025, compared to 64.4% in 2024. Over the longer horizon, the value added generated by small businesses increased from 28,077.4 billion UZS in 2020 to 85,419.0 billion UZS in 2025, reflecting a more than threefold expansion. This growth confirms the increasing macroeconomic importance of SMEs in regional value creation and economic stability.

At the same time, the analysis reveals a paradoxical trend in entrepreneurial dynamics. Despite strong growth in output, the number of newly established enterprises declined significantly from 6,469 units in 2021 to 2,190 units in 2025, indicating a contraction of approximately 66.2%. This divergence between output expansion and entry contraction suggests that growth is driven by the scaling-up of existing firms rather than the continuous renewal of entrepreneurial ecosystems. Such a pattern may indicate increasing market consolidation, higher entry barriers, or declining entrepreneurial incentives.

Sectoral analysis further confirms the structural importance of SMEs in the regional economy. The share of small businesses in industry increased from 50.0% in 2020 to 55.3% in 2025, reflecting gradual industrial participation and productivity improvements. In construction, SMEs maintained a dominant position at 91.9%, indicating near-complete reliance of this sector on small-scale entrepreneurship. However, external trade analysis reveals structural imbalance: SME exports amounted to 135.8 million USD (44.7% of total exports), while imports reached 214.1 million USD (61.2% of total imports), highlighting persistent import dependency and limited export competitiveness.

Territorial distribution analysis demonstrates strong spatial polarization. In 2025, Namangan City alone accounted for 30.3% of all newly established enterprises, while Uchkurgan contributed 9.1%, Pop 7.9%, and Mingbulak 7.1%. In contrast, peripheral territories such as Norin (5.7%) and Chortoq (6.2%) lagged significantly behind. This uneven distribution confirms the existence of a core-periphery structure within the regional entrepreneurial system, where economic activity is concentrated in a limited number of high-capacity territories.

Overall, the findings suggest that while SMEs play a decisive role in regional economic output, their development is characterized by structural asymmetry, declining entrepreneurial entry, and spatial inequality. These conditions indicate that the current growth model is not fully sustainable in the long term without targeted policy intervention aimed at improving inclusiveness, innovation capacity, and territorial balance.

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