

EVALUATING THE EFFECTIVENESS OF SMALL AND MEDIUM ENTERPRISE SUPPORT PROGRAMS IN UZBEKISTAN: PATHWAYS FOR IMPROVEMENT

Ravshanova Sarvinoz

Bukhara State University Faculty of Economics and Tourism Student of group 10-IIQT-24

Abstract: *This article examines the effectiveness of government-led small and medium enterprise (SME) support programs in Uzbekistan and proposes evidence-based pathways for their improvement. As SMEs constitute over 90% of all businesses, approximately 75% of total employment, and contribute more than 54% of GDP, their sustainable development is critical for national economic growth and diversification. Through a mixed-methods approach combining quantitative analysis of national statistical data with qualitative assessment of policy frameworks, the study evaluates the impact of financial, institutional, and regulatory support mechanisms implemented between 2017 and 2025. The findings reveal that while significant progress has been made in expanding access to preferential lending, simplifying registration procedures, and establishing digital platforms, persistent challenges remain in areas including financial accessibility for micro-enterprises, regional disparities in program delivery, human capital development, and technological adoption. The article proposes a comprehensive improvement framework encompassing enhanced financial inclusion strategies, digitalization of support services, targeted capacity-building programs, and strengthened monitoring and evaluation systems. The recommendations are grounded in international best practices and adapted to the specific socioeconomic context of Uzbekistan.*

Keywords: *small and medium enterprises, SME support programs, program effectiveness, Uzbekistan economy, entrepreneurship development, financial inclusion, policy evaluation*

Small and medium enterprises (SMEs) serve as the backbone of economic systems worldwide, contributing significantly to employment generation, innovation, and socioeconomic development. In the context of transitional economies, SMEs play an especially crucial role in facilitating market diversification, reducing dependence on state-owned enterprises, and fostering inclusive growth.

Uzbekistan, as one of the most dynamically reforming economies in Central Asia, has placed SME development at the center of its national development strategy since the initiation of large-scale market reforms in 2017 under the leadership of President Shavkat Mirziyoyev. According to the Agency of Statistics under the President of the Republic of Uzbekistan, as of January 2025, the total number of active small enterprises and microfirms amounted to 358,100 entities, equivalent to 12.1 units per 1,000 population. In 2024, small businesses accounted for 54.3% of GDP, with particularly dominant contributions in agriculture (95.2%), construction (76.5%), and retail trade (84.0%).

The SME sector employs approximately 75% of the total workforce, underscoring its fundamental importance to the national economy and social stability.

Despite these impressive macroeconomic indicators, the SME sector in Uzbekistan continues to face significant structural challenges that limit its full potential. Access to

credit remains critically low, with only 10% of small enterprises and 16% of medium enterprises reporting ability to obtain bank loans. Over one-third of MSMEs lack formal bank accounts, and less than 30% of sales transactions are conducted electronically. The estimated total demand for MSME credit stands at approximately \$13 billion, leaving a financing gap of roughly \$6 billion. These constraints necessitate a rigorous evaluation of existing support programs and the development of evidence-based improvement strategies.

The purpose of this article is threefold: first, to systematically analyze the current landscape of SME support programs in Uzbekistan; second, to evaluate their effectiveness using a multi-dimensional assessment framework; and third, to propose actionable recommendations for enhancing program impact. The study contributes to the academic literature on SME policy evaluation in transitional economies and offers practical insights for policymakers, development practitioners, and researchers engaged in entrepreneurship development. The theoretical foundation for government intervention in SME development rests on several established economic and institutional frameworks. Market failure theory (Stiglitz, 2002) posits that information asymmetries, externalities, and imperfect competition create conditions where markets alone cannot efficiently allocate resources to SMEs. This justifies public intervention through financial support, information provision, and regulatory reform. The institutional economics perspective (North, 1990) emphasizes the role of formal and informal institutions in shaping entrepreneurial behavior and business outcomes, suggesting that effective SME policies must address both regulatory frameworks and the broader institutional environment.

The resource-based view (Barney, 1991) provides additional theoretical grounding by highlighting the importance of firm-specific resources and capabilities in determining competitive advantage. Applied to SME support policy, this perspective suggests that programs should focus not only on providing financial resources but also on building organizational capabilities, human capital, and technological competencies. Furthermore, the systems approach to entrepreneurship (Acs et al., 2014) emphasizes the interconnectedness of various support elements and argues for holistic, ecosystem-based interventions rather than isolated programmatic efforts. International literature on SME support program evaluation has identified several key dimensions of effectiveness. Storey (2000) proposed a three-level evaluation framework comprising monitoring (tracking program activities), assessment (measuring outcomes), and evaluation (determining causality and cost-effectiveness). This framework has been widely adopted in both developed and developing country contexts, providing a systematic approach to understanding program impact.

The Organisation for Economic Co-operation and Development (OECD, 2021) has advocated for evidence-based SME policy design, emphasizing the importance of rigorous impact evaluation methodologies, including randomized controlled trials, quasi-experimental designs, and longitudinal studies. The OECD framework identifies five key dimensions of SME program effectiveness: relevance, efficiency, effectiveness, impact, and sustainability. Cross-country comparative studies, including those by the World Bank (2020) and the European Bank for Reconstruction and Development (EBRD, 2024), have consistently found that the most effective SME support programs combine financial

assistance with capacity building, market access facilitation, and regulatory simplification. Research on SME development in Central Asia, while growing, remains relatively limited compared to other regions. Studies by Aidis et al. (2008) and Smallbone and Welter (2012) have examined the particular challenges facing entrepreneurs in post-Soviet transitional economies, including legacy effects of centralized planning, weak institutional frameworks, and cultural factors influencing entrepreneurial behavior. In the specific context of Uzbekistan, scholars including Djuraev (2022) and Ruziev and Midmore (2015) have documented the evolution of SME policy from the restrictive approach of the pre-reform period to the more market-oriented framework adopted after 2017.

This study employs a mixed-methods research design combining quantitative data analysis with qualitative policy assessment. The quantitative component utilizes official statistical data from the Agency of Statistics under the President of the Republic of Uzbekistan (2020-2025), financial sector reports from the Central Bank of Uzbekistan, and program-specific data from the Ministry of Economy and Finance. Key quantitative indicators analyzed include the number of active SMEs, SME contribution to GDP and employment, access to finance metrics, and program coverage rates. The qualitative component involves a systematic review of policy documents, legislative frameworks, and program design materials, supplemented by analysis of reports from international development organizations including the World Bank, Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The evaluation framework adopted in this study integrates the OECD DAC criteria (relevance, coherence, effectiveness, efficiency, impact, and sustainability) with context-specific indicators adapted to the institutional environment of Uzbekistan. Data triangulation was achieved by cross-referencing multiple data sources and employing both descriptive statistical analysis and comparative policy analysis methods. The temporal scope of the study covers the period from 2017 to 2025, coinciding with the comprehensive reform era initiated under the Uzbekistan Development Strategy.

The government of Uzbekistan has implemented a multi-faceted approach to SME support, encompassing financial assistance programs, institutional development initiatives, regulatory reform measures, and international cooperation frameworks. The key support mechanisms are summarized in Table 1.

Table 1.

Key SME Support Programs and Mechanisms in Uzbekistan (2020–2025)

Program Category	Key Instruments	Target Beneficiaries	Budget Allocation
Financial Support	Preferential lending, loan guarantees, grants, subsidized interest rates	MSMEs, women and youth entrepreneurs	€9.23 billion (2025), incl. €1.69 billion preferential lending
International Financing	World Bank FINGROW (\$105M), ADB SME Development (\$100M), EBRD Green Facility	Capital-constrained MSMEs, high-growth SMEs	\$305+ million (combined international)
Innovation Support	MUNIS ICP grants (\$50K per project),	Innovative SMEs, R&D-active firms	Variable by program cycle

	Innoweek, technology parks		
Regulatory Reform	3-year regulatory moratorium (from July 2025), simplified registration, first-violation immunity	All SMEs	Indirect cost savings
Digital Infrastructure	hamroh.biznes-portal.uz platform, electronic registration, digital loan processing	All entrepreneurs	Integrated into national budget

Source: Compiled by the author based on data from the Ministry of Economy and Finance and international development organizations.

Analysis of key performance indicators reveals a mixed picture of SME sector development during the study period. As illustrated in Table 2, while macroeconomic indicators such as GDP contribution have remained relatively stable, several micro-level indicators demonstrate significant improvement.

Table 2.

Key Performance Indicators of SME Sector in Uzbekistan (2020–2025)

Indicator	2020	2022	2024	2025*
SME Share in GDP (%)	52.8	54.0	54.3	51.5**
Active SMEs (thousands)	325.4	389.7	358.1	362.0
SME Employment Share (%)	73.0	74.5	75.0	75.2
SME Share in Industrial Output (%)	28.5	30.1	32.4	33.4
SME Share in Construction (%)	72.3	74.8	76.5	75.7
SME Share in Fixed Capital Investment (%)	46.2	49.3	51.8	60.9

Source: Agency of Statistics under the President of the Republic of Uzbekistan.

*January–September 2025. **Nine-month figure.

The data in Table 2 demonstrates several noteworthy trends. The SME share in fixed capital investment showed the most dramatic improvement, rising from 46.2% in 2020 to 60.9% in the first nine months of 2025, reflecting increased entrepreneurial confidence and improved access to investment financing. Industrial output from SMEs also showed consistent growth, increasing from 28.5% to 33.4% over the same period, indicating successful diversification beyond traditional service and trade sectors. However, the decline in the total number of active SMEs from 389,700 in 2022 to 358,100 in 2024 warrants careful interpretation. This apparent decrease is largely attributed to the reorganization and updating of data in state registers, including the removal of dormant enterprises and improved statistical methodology, rather than a genuine contraction of the SME sector. Nonetheless, the rate of new enterprise creation, with 77,000 new small enterprises and microfirms established in 2024, suggests continued entrepreneurial dynamism.

Financial support programs represent the most substantial component of Uzbekistan's SME assistance framework. In 2025, the government allocated €9.23 billion for SME support, with €1.69 billion specifically designated for preferential lending, half of which is earmarked for young and women entrepreneurs. This represents a significant

increase in financial commitment compared to previous years. The effectiveness of financial support programs can be assessed through several dimensions. First, in terms of coverage and accessibility, the introduction of collateral-free lending has been a transformative measure. Small enterprises can now access loans of up to €23,000, while family entrepreneurs may obtain up to €3,800 without collateral, provided they demonstrate positive credit and tax history. Women-owned businesses benefit from interest rates that are two percentage points lower than standard preferential rates, promoting gender-inclusive entrepreneurship.

Second, the engagement of international financial institutions has substantially expanded the resource base for SME financing. The World Bank's FINGROW project, approved in December 2025 with \$105 million in funding, aims to enable approximately 7,000 MSMEs to access credit financing by 2030, with 4,500 of these being businesses led by women and youth. The project is expected to generate 100,000 new jobs, with women and young workers occupying more than half of these positions. Similarly, the ADB's \$100 million SME Development Program focuses on strengthening the operating environment for SMEs and building resilience to economic shocks. Despite these positive developments, significant challenges persist. The financing gap remains substantial at approximately \$6 billion, indicating that current programs, while expanding, are insufficient to meet total demand. Over one-third of MSMEs continue to lack formal bank accounts, and the penetration of electronic payment systems remains below 30%, limiting the effectiveness of digital financial services.

Regulatory reform has been a cornerstone of Uzbekistan's SME support strategy. The introduction of a three-year moratorium on new regulatory obligations for SMEs, effective from July 2025, represents a significant commitment to reducing administrative burden. Under this moratorium, new regulations affecting SMEs may only be introduced twice per year, providing businesses with greater regulatory predictability. Additionally, first-time violations in commerce will not result in administrative penalties until 2028, creating a more forgiving environment for new entrepreneurs. The digitalization of government services through platforms such as hamroh.biznes-portal.uz has streamlined business registration and loan application processes, reducing paperwork and improving accessibility for first-time business owners. These digital infrastructure investments represent a fundamental shift toward more efficient service delivery and reduced transaction costs for entrepreneurs. Institutional reforms have also included the strengthening of the Entrepreneurship Development Company, which from December 2025 began issuing guarantees and sureties, with limits of up to 10 billion soums for large businesses. Entrepreneurs with good credit history can benefit from a 50% increase in guarantee limits, while from 2026, entrepreneurs in remote regions will receive compensation for part of their loan costs through refinancing mechanisms of 1.5 to 5 billion soums.

A critical dimension of program evaluation concerns the geographic distribution of SME support outcomes. Statistical data reveals significant regional variations in SME development. The Bukhara region demonstrates the highest SME share in gross regional product at 73.0%, while several regions, particularly the Republic of Karakalpakstan and

remote areas, show substantially lower levels of SME activity and program penetration. These disparities reflect differences in infrastructure quality, market access, human capital availability, and institutional capacity at the subnational level. The launch of the U-HOPE 2025 innovation initiative in Karakalpakstan under the Yuri-I project represents a targeted effort to address regional disparities by bringing skills development tools to underserved areas. However, systematic evaluation of regional program effectiveness remains limited, constraining the ability of policymakers to design geographically differentiated interventions.

The analysis reveals several notable strengths in Uzbekistan's current approach to SME support. First, the scale of financial commitment is substantial and growing, with the 2025 allocation representing one of the largest SME support budgets in the Central Asian region. Second, the emphasis on gender and youth inclusion, with dedicated funding streams and preferential terms, aligns with international best practices and addresses critical demographic challenges. Third, the integration of international development partner support, through mechanisms like the World Bank's FINGROW and the ADB's SME Development Program, provides both financial resources and technical expertise for institutional strengthening. Fourth, the regulatory reform agenda, particularly the moratorium on new regulations and the first-violation immunity provision, demonstrates a genuine commitment to reducing the administrative burden on entrepreneurs. Fifth, the digitalization of support services through dedicated online platforms represents a forward-looking approach that can significantly reduce transaction costs and improve program accessibility.

Despite these strengths, several significant gaps and challenges have been identified through this evaluation. The persistent financing gap of \$6 billion indicates that supply-side interventions alone are insufficient, and demand-side barriers, including limited financial literacy, inadequate business planning capacity, and informational asymmetries, must also be addressed. The shadow economy, estimated at approximately 20% of GDP in 2024, suggests that many entrepreneurs remain outside the formal support system, reducing both the reach and effectiveness of government programs. Human capital constraints represent another critical challenge. While financial programs are relatively well-developed, systematic capacity-building and skills development programs for SME owners and managers remain underdeveloped. The gap between the skills demanded by modern business environments, including digital literacy, strategic management, and international market competencies, and the skills available within the SME workforce constrains the absorptive capacity of enterprises to benefit fully from available support programs. Monitoring and evaluation systems for SME support programs remain fragmented and primarily output-focused rather than outcome-oriented. The absence of systematic impact evaluation using rigorous methodological approaches limits the evidence base for program design and resource allocation decisions. This gap is particularly significant given the substantial public resources invested in SME support. Based on the analysis presented above and drawing on international best practices, the following comprehensive improvement framework is proposed:

Table 3.

Proposed Framework for Improving SME Support Program Effectiveness

Strategic Pillar	Key Actions	Expected Outcome	Timeline
Financial Inclusion Deepening	Expand mobile banking for MSMEs; develop microfinance infrastructure; create venture capital ecosystem; establish credit guarantee fund for startups	Reduce financing gap by 40% by 2030	2026–2030
Digital Transformation Acceleration	Integrated digital SME ecosystem; AI-powered business advisory; blockchain-based supply chain; e-commerce market access platforms	Double electronic transaction share to 60%	2026–2028
Human Capital Development	National SME management academy; mentorship networks; international exchange programs; digital literacy campaigns	Train 50,000 entrepreneurs annually	2026–2029
Regional Equity Enhancement	Differentiated regional support packages; rural innovation hubs; regional export clusters; infrastructure investment for remote areas	Reduce inter-regional SME disparity by 30%	2026–2030
M&E System Strengthening	Establish impact evaluation unit; develop longitudinal SME panel survey; implement real-time digital monitoring dashboard; conduct randomized evaluations	Evidence-based policy decisions across all programs	2026–2027
Innovation Ecosystem Development	University-SME partnerships; technology transfer offices; industry-specific incubators; green economy transition support	Increase innovative SMEs by 25%	2026–2030

Source: Developed by the author.

The proposed framework is designed as an integrated system where each pillar reinforces the others. Financial inclusion deepening provides the resource foundation, while digital transformation creates the infrastructure for efficient delivery. Human capital development ensures that entrepreneurs can effectively utilize available resources, and regional equity enhancement guarantees that support reaches all areas of the country. The monitoring and evaluation pillar provides the feedback mechanism for continuous improvement, while innovation ecosystem development creates the conditions for long-term competitiveness and sustainability.

This study has provided a comprehensive evaluation of SME support programs in Uzbekistan, examining their effectiveness across financial, regulatory, institutional, and regional dimensions. The analysis demonstrates that Uzbekistan has made significant strides in developing a supportive ecosystem for SME growth, with substantial financial commitments, progressive regulatory reforms, and increasing integration of international development resources. The government’s target to increase the SME contribution to the economy to 55% by 2030 appears achievable given current trajectories, though its attainment will require sustained policy commitment and program enhancement. However,

the evaluation also identifies persistent challenges that limit the full effectiveness of existing programs. The substantial financing gap, regional disparities, human capital constraints, and limited monitoring and evaluation capacity all require targeted attention. The proposed improvement framework, encompassing six strategic pillars, offers a comprehensive roadmap for enhancing program effectiveness while maintaining alignment with national development priorities and international best practices.

Future research should focus on developing rigorous impact evaluation methodologies tailored to the Uzbekistan context, conducting longitudinal studies of SME program beneficiaries, and undertaking comparative analyses with other Central Asian and transitional economies. The establishment of a dedicated SME research center or observatory would provide the institutional foundation for sustained evidence generation to inform policy design. In conclusion, the effectiveness of SME support programs in Uzbekistan depends not only on the scale of resource commitment but also on the quality of program design, the efficiency of delivery mechanisms, and the capacity for continuous learning and adaptation.

By embracing a more integrated, evidence-based, and regionally differentiated approach, Uzbekistan can unlock the full potential of its entrepreneurial sector and accelerate its transition toward a more inclusive, diversified, and resilient economy.

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