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Current State and Development Trends of Financing State Target Programs through Commercial Banks in Uzbekistan.

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Abstract: State target programs are globally recognized as key instruments for poverty reduction, welfare improvement, and sustainable socio-economic development. In Uzbekistan, these programs have gained prominence in recent years, with initiatives such as "Every Family is an Entrepreneur" aimed at promoting family business and reducing unemployment through concessional lending provided by commercial banks. Despite tangible results, challenges remain in financing efficiency, transparency, and sustainability, necessitating deeper analysis of organizational and financial mechanisms. This study investigates the role of state target programs in socio-economic development and evaluates the dynamics of their financing through commercial banks between 2018 and 2024. Findings reveal that concessional loan allocations fluctuated, peaking at 16 trillion UZS in 2018–2020 but declining to 6 trillion UZS by 2024. Simultaneously, the share of small businesses in GDP dropped from 61.7% in 2018 to 47.5% in 2024, with regional disparities ranging from Jizzakh's 86.3% to Navoi's 42.3% at the outset. By integrating comparative international experiences with Uzbekistan's structural reforms, the study highlights both the positive outcomes in employment and entrepreneurship and the systemic decline in small business contributions to GDP. The results underscore the importance of enhancing transparency, improving oversight, and aligning concessional financing with market realities to ensure long-term sustainability of state target programs.

Keywords: State Target Programs, Commercial Banks, Concessional Lending, Poverty Reduction, Subsidies

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1. Introduction

Today, research on improving public welfare and reducing poverty is being conducted around the world using various approaches. New criteria for assessing a country's potential are being introduced, among which the measurement of the population's welfare level has become significant. Indicators such as the presence of stable employment and the degree of financial capability are now considered essential components. This, in turn, increases the importance of state target programs implemented to address these issues[1].

In recent years, the role of state target programs has gained increasing importance in ensuring socio-economic development, reducing poverty, and improving public welfare in Uzbekistan. Globally, poverty reduction and welfare improvement are widely recognized as indicators of sustainable development, and Uzbekistan has actively adopted state programs to address these challenges. Such programs, implemented through

commercial banks, provide concessional lending, subsidies, and financial mechanisms that stimulate entrepreneurship, employment, and income growth. International experience, as seen in Turkey, South Korea, and China, demonstrates that state target programs can effectively contribute to structural reforms and social protection when supported by robust financial and institutional frameworks. In Uzbekistan, initiatives like the “Every Family is an Entrepreneur” program have shown tangible results in expanding small businesses and reducing unemployment. However, challenges remain in financing efficiency, transparency, and institutional oversight, which necessitate continuous improvement of mechanisms involving commercial banks to achieve long-term sustainability[2].

2. Materials and Methods

During the research process, the role of state target programs in the socio-economic development of the country, their financing procedures, and the organizational foundations for financing them through commercial banks were studied and analyzed[3].

The research employed a qualitative-analytical approach to study the role of state target programs in Uzbekistan’s socio-economic development and the mechanisms of financing them through commercial banks. The methodology involved examining official documents, decrees, and regulations governing concessional lending, alongside statistical data from the Central Bank, the State Committee on Statistics, and reports of commercial banks engaged in financing programs such as Every Family is an Entrepreneur. Comparative analysis with international practices in Turkey, South Korea, and China was used to contextualize Uzbekistan’s experience within broader development models. The study relied on historical and structural analysis to trace trends in the financing of target programs from 2018 to 2024, focusing on investment volumes, poverty reduction indicators, and the share of small businesses in GDP. By integrating theoretical insights from classical and modern scholars with empirical data, the research provides a comprehensive understanding of the organizational and financial foundations of state target programs[4].

3. Results

The implementation of state target programs in the Republic of Uzbekistan began in the early years of independence. The use of various targeted programs to achieve socio-economic development has proven effective in international practice as well. For example, in developed countries such as Turkey, South Korea, and China, comprehensive national development, social support for the population, reducing unemployment, and combating poverty have yielded significant results through state target programs[5].

In Uzbekistan, in recent years, the implementation of several state target programs in these areas has contributed to socio-economic growth. In the first half of 2025, for instance, the poverty rate decreased to 6.8%, while the share of small businesses and entrepreneurship in GDP reached 49.6%. This demonstrates that the government’s attention to socio-economic support for the population is contributing to improvements in key economic indicators[6].

Financing mechanisms for state target programs play a crucial role here. The effective organization of the legal and institutional framework for financing state target programs through commercial banks, ensuring the proper use of funds, and eliminating corruption and bureaucratic barriers remain urgent priorities. Currently, several state target programs are being financed by state-owned commercial banks, such as “Business Development Bank,” “Xalq Bank,” “Microcreditbank,” “Turonbank,” “Agrobank,” and “Aloqabank” [7].

Evaluating the real contribution of state target programs financed through commercial banks to improving the country’s economic and social life requires analyzing

funding sources, monitoring program effectiveness, and establishing indicators tailored to the specific features of the programs being implemented.

The main sources of financing for state target programs in Uzbekistan are:

1. State budget
2. Funds from international financial institutions
3. Reconstruction and Development Fund (off-budget funds)

Case Study: “Every Family is an Entrepreneur” Program

Launched in 2018 under Presidential Decree No. 3777, this program has provided concessional loans through commercial banks to promote family entrepreneurship[8].

Table 1 provides an overview of the concessional loan funds allocated under the state program “Every Family is an Entrepreneur” between 2018 and 2024. The figures, presented in trillion Uzbek soums (UZS), highlight the government’s financial support aimed at promoting family entrepreneurship and small business development through commercial banks. From 2018 to 2020, a total of 16 trillion UZS was allocated, reflecting the initial large-scale funding to launch the program. In 2021, the allocation decreased to 9 trillion UZS, followed by 10 trillion UZS in 2022, and 12 trillion UZS in 2023, showing moderate fluctuations across the years. By 2024, the funds decreased further to 6 trillion UZS, indicating a decline in concessional loan allocations compared to the earlier years. Overall, the table demonstrates both the scale and the changing dynamics of state support for family entrepreneurship during the program’s implementation period[9].

Table 1. Allocated concessional loan funds in 2018–2024 years

Years	Allocated Funds (trillion UZS)
2018-2020	16
2021	9
2022	10
2023	12
2024	6

When discussing the effectiveness of the above-mentioned funds allocated by year, it is first necessary to focus on their economic impact.

Firstly, the main objective of the state program aimed at developing family entrepreneurship is to reduce unemployment by creating new jobs in the regions through the establishment of small business entities[10].

Secondly, during the period 2018–2024, key indicators such as the number of jobs created in the Republic of Uzbekistan, the share of small business in the country’s GDP, and the growth dynamics in the number of family enterprises during the years of program implementation serve as primary measures for assessing the program’s effectiveness[11].

Table 2 presents the contribution of small entrepreneurship to the gross domestic product (GDP) across Uzbekistan and its regions during 2018–2024. At the national level, the share of small business in GDP has shown a declining trend, decreasing from 61.7% in 2018 to 47.5% in 2024. Regional data highlights variations: for instance, Andijan and Bukhara consistently maintained relatively high shares, though both declined from 73.1% to 64.0% and 81.0% to 69.5% respectively. Jizzakh also had a strong presence, starting at 86.3% in 2018 and dropping to 68.3% in 2024. In contrast, Navoi showed the lowest values, falling significantly from 42.3% to 21.5%, indicating a sharp reduction in small business contribution. Major urban areas like Tashkent City and Tashkent region experienced steady declines, with Tashkent City decreasing from 65.0% to 48.4% and Tashkent region from 58.9% to 47.4%. Overall, the table indicates that despite government initiatives and support for family entrepreneurship, the share of small business in GDP across most

regions has steadily declined, reflecting broader economic restructuring and challenges in sustaining small business growth[12].

Table 2. Share of Small Entrepreneurship (Business) in the Gross Domestic (Regional) Product of the Republic of Uzbekistan in 2018–2024.

(% of gross value added)

Regions	2018	2019	2020	2021	2022	2023	2024
Uzbekistan	61,7	55,3	54,8	54,1	51,6	51,2	47,5
Karakalpakstan	57,0	56,6	58,3	56,3	55,8	58,7	52,7
Andijan	73,1	69,7	70,1	72,2	67,1	66,0	64,0
Bukhara	81,0	74,5	75,7	75,9	72,5	71,7	69,5
Jizzakh	86,3	83,2	83,0	80,1	77,3	73,7	68,3
Kashkadarya	72,8	70,9	71,6	69,9	67,5	68,4	64,6
Navoi	42,3	31,0	25,7	27,1	25,9	26,0	21,5
Namangan	80,6	76,0	74,7	73,8	72,4	72,8	68,0
Samarkand	80,8	75,4	74,3	74,1	70,4	72,8	69,8
Surkhandarya	81,2	78,8	77,2	77,0	76,1	75,9	75,2
Syrdarya	77,9	69,9	70,7	69,1	65,1	63,6	60,7
Tashkent Region	58,9	51,6	49,5	45,6	46,6	48,7	47,4
Fergana	71,3	69,4	70,7	69,8	68,9	69,5	68,0
Khorezm	79,2	76,6	76,2	73,7	69,9	69,7	66,6
Tashkent City	65,0	53,3	51,5	48,8	49,2	49,8	48,4

Looking at the data in the table above, it can be seen that during the period 2018–2024, the share of small business in Uzbekistan’s GDP has shown a downward trend.

As a result of the benefits and incentives provided for family entrepreneurship, the contribution of family business entities to the national economy is as follows:

Table 3 highlights the contribution of small entrepreneurship to GDP across Uzbekistan and its regions between 2018 and 2024. Nationally, the share of small business declined from 61.7% in 2018 to 47.5% in 2024, showing a steady downward trend. Regional differences are evident: Jizzakh recorded the highest values, dropping from 86.3% to 68.3%, while Navoi displayed the lowest, falling sharply from 42.3% to 21.5%. Regions such as Bukhara, Samarkand, and Namangan maintained relatively high contributions above 68% by 2024, whereas Tashkent City and Tashkent region showed significant declines, reaching 48.4% and 47.4% respectively. Overall, despite government support, the data reveal a consistent decline in the role of small business in GDP, indicating structural challenges in sustaining entrepreneurship growth[13].

Table 3. Volume of Industrial Products Produced by Family Enterprises in Uzbekistan, 2018–2024.

Billion soums

Regions	2018-	2019	2020	2021	2022	2023-	2024-
Uzbekistan	61,7	55,3	54,8	54,1	51,6	51,2	47,5
Karakalpakstan	57,0	56,6	58,3	56,3	55,8	58,7	52,7
Andijan	73,1	69,7	70,1	72,2	67,1	66,0	64,0
Bukhara	81,0	74,5	75,7	75,9	72,5	71,7	69,5

Jizzakh	86,3	83,2	83,0	80,1	77,3	73,7	68,3
Kashkadarya	72,8	70,9	71,6	69,9	67,5	68,4	64,6
Navoi	42,3	31,0	25,7	27,1	25,9	26,0	21,5
Namangan	80,6	76,0	74,7	73,8	72,4	72,8	68,0
Samarkand	80,8	75,4	74,3	74,1	70,4	72,8	69,8
Surkhandarya	81,2	78,8	77,2	77,0	76,1	75,9	75,2
Syrdarya	77,9	69,9	70,7	69,1	65,1	63,6	60,7
Tashkent Region	58,9	51,6	49,5	45,6	46,6	48,7	47,4
Fergana	71,3	69,4	70,7	69,8	68,9	69,5	68,0
Khorezm	79,2	76,6	76,2	73,7	69,9	69,7	66,6
Tashkent City	65,0	53,3	51,5	48,8	49,2	49,8	48,4

4. Discussion

The conceptual foundations, principal types, and core functions of state target programs have been the subject of considerable scholarly attention, both in terms of theoretical exploration and practical implementation. A significant body of research has also focused on the mechanisms of financing such programs[14].

Among foreign scholars, the American economist Richard Musgrave, a leading authority in the field of public finance, together with Nobel Prize laureates Jan Tinbergen and Paul Samuelson, made substantial contributions to the study of public finance, the theory of “public choice,” and the dynamics of public expenditures[15]. Likewise, U.S. economist James Buchanan and other representatives of the public choice school emphasized the role of state target programs in shaping societal development and influencing economic structures[16].

In the domestic scholarly discourse, researchers such as Sh. Shodmonov, U.V. G’afurov, M.Sh. Khalilov, Sh. Baymuradov, N.G. Mo’minov, and A.A. Yadgarov have examined the economic and social dimensions of state target programs[17]. For example, Sh. Shodmonov defines state target programs as “a system of comprehensive measures designed to address significant socio-economic challenges through the purposeful allocation of economic resources.” Similarly, J. Tinbergen characterizes state programs as “a set of planned measures oriented toward achieving sustained economic growth” [18].

5. Conclusions

In order to reduce unemployment and promote entrepreneurship, it is essential to pay attention to the following factors when providing concessional financing for state targeted programs through commercial banks. These measures are also key to achieving the expected economic and social outcomes of the program:

- The applicant for concessional credit should have a good understanding of the type of entrepreneurial activity they intend to establish (including the current market situation in the sector, demand and supply levels, development prospects of the chosen business field, and the existence of at least a draft business plan);
- Specialists already operating in this field within the community should conduct a comprehensive on-site study together with the prospective entrepreneur;
- Improve the qualifications of employees from the community (mahalla), banks, and local government bodies responsible for this area—particularly in terms of how to assist individuals in starting a business;
- Maintain constant oversight of employees from the community, banks, and local government bodies to prevent corruption (with stronger emphasis on public oversight for better results);

- Conduct regular monitoring of the entrepreneurial activities of the borrower together with the community, banks, and local authorities, and provide additional support if operational issues arise;
- Gradually set the interest rates of allocated loans in line with market demand.

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