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Enhancing the Export Potential of Small Business and Private Entrepreneurship in Uzbekistan

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Abstract: This study examines the factors that shape the export potential of small businesses and private entrepreneurship (SBPE) in Uzbekistan, with a focus on the Surkhandarya region. SBPE has been shown to support sustainable growth, regional development, employment and integration into global value chains. However, key constraints to export performance include limited access to finance, weak logistics infrastructure and costly certification. The research employs econometric models (OLS and panel regression), gravity analysis and index-based measures (Revealed Comparative Advantage (RCA), Trade Complementarity Index (TCI) and Productive Capacity Index (PCI)) to evaluate competitiveness and diversification. The findings suggest that improved financial access, digital trade platforms and state subsidies have a positive influence on export growth, whereas logistics and certification costs hinder it. Regional results show that Surkhandarya's exports increased 1.6-fold between 2020 and 2024, although there are still significant disparities between districts. Rising RCA and PCI values signal a shift towards higher-value output and quality improvement. The paper recommends strengthening financial support, upgrading logistics, streamlining certification processes and accelerating digitalisation alongside industrial modernisation, e-commerce expansion and the development of regional export clusters, in order to foster inclusive and sustainable SBPE export growth.

Keywords: small business, private entrepreneurship, export potential, diversification, RCA, TCI, PCI, digital transformation, Uzbekistan.

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1. Introduction

In the economy of Uzbekistan, the development of export potential of small businesses and private entrepreneurs (SBPE) is one of the most important factors for sustainable economic growth and to the integration into international markets. SBPE has already been playing an important role in supplying the domestic market with goods and services, employment generation, regional economic activity and encouraging innovative development. Nevertheless, the full export potential is often not harnessed as SBP entities are confronted with considerable challenges: lack of access to finance, certification issues at international level, infrastructure problems in terms of logistics and limited use of digital trade [1]. These difficulties have also been addressed by international bodies. There's an official OECD document highlighting the importance of implementing a system of indicators and KPIs to facilitate export for small businesses in Uzbekistan. At the regional level, Surkhandarya's exports multiplied 1.6 times over 2020 through 2024, but with significant differences between districts remaining. Increases in RCA and PCI indicate movement to higher-value output by the quality improvement. The paper also recommends increased financial support and logistics, simplified certification processes

and digitalisation, in conjunction with industrial modernisation, e-commerce expansion and the creation of regional export clusters to promote inclusive and sustainable SBPE export growth.

"Deepening GVC integration is associated with export diversification, the upgrading of value added and the development of high-technology industries," reads 2023 UNCTAD Trade and Development Report. For its part, the World Bank points to institutional strengthening, simplification of customs and better introduction of finance support systems as prerequisites for increasing A. small business exports' momentum. At the national level some decrees and resolutions for encouraging export have been issued in past years. In 2022 upgraded PQ-148 provided export contracted insurance, financial reimbursement for participation in international exhibitions and compensation for the cost of certificate. Moreover, the Digital Uzbekistan 2030 development programme is focused on fast acceleration of external market integration through broad access of small and medium-sized enterprises to e-commerce sites [2].

In this regard, the export potential of small businesses and private entrepreneurship should be developed not only for diversification of the economy and national competitive power, but also for ensuring a position of Uzbekistan in the global economic system. The theoretical and methodological efforts have to be streamlined, experiences from other countries must be combined with local needs and new instruments for promoting exports must be developed.

Literature Review

Export potential of small business and private entrepreneurship in Uzbekistan is one of the most important problems that have been discussed actively in last years both in national regulatory documents, and foreign scientists' works. These research works fall under the following practices: economic and statistical analysis based, gravity models, export diversification measurement approach, financial and institutional support practice and; digital transformation perspective.

This categorization makes it possible to determine the existing trends, to support methodological framework for its development and create practical instruments of increasing export potential. Uzbek scientists pay their main attention to economic-statistical investigations of determinant factors affecting the export potential of small enterprises. Thus, for example C.Tukhtabaev used an econometric-modeling approach to determine the main factors of influence on export volumes, Substance efficient resource use and state support tools. Razakova et al. studied the impact of digital economy factors on small enterprise exports through dynamic regression models [3].

Taken as a group of studies, the export potential is found to be proxied by access to credit, good government policy and innovative practices. Second, international studies generally employ gravity models to measure export potential of Uzbekistan. Well, Yuldashev and Moon showed that Uzbekistan (being a 'doubly landlocked country') heavily binds its external trade flows [4]. Similarly, Kler et al. applied a panel gravity model to examine the impact of trade with post-Soviet countries on export volumes [5], [6].

These works show that logistics, transportation infrastructure and interregional trade costs are lethargic of small business exports. Third, export diversification has become a research priority. Applying UNCTAD's Productive Capacity Index (PCI), Sultanova evaluated the comparative degree of export diversification in Uzbekistan, revealing that export capacity is still overly dominated by raw materials and low-technology branches6. Sudakov proposed methodological tools for evaluating export potential according to the indicators of Revealed Comparative Advantage (RCA) and Trade Complementarity Index (TCI), which could be used as instruments for determining new markets [7], [8]. Otamurodov and Mamadjanova [8, by Balassa Index (PCI) stressed out that, as regards the development of marketing strategies in leading the exports of fruit and vegetables is important to account for the real levels of competitiveness. Such studies highlight that

when measuring the prospects for export, investment-financed and endogenous comparative advantage might equally be considered important while both quantitative and qualitative evidence are included in an evaluation.

Fourth, many analyses underscore the necessity of financial and institutional support to encourage small enterprises to engage in exports. Tadjibaeva mentioned the low level of access to credit as one of the primary hurdles for small companies [9]. The OECD suggested the introduction of effective KPI system and monitoring for export promotion. From a survey, Gaybullaev and Oliński found that the financial incentives and government guarantees for export were significant. "As a whole, all these studies highlight the challenge to enhance support systems with the priority for financial services and protection services [10], [11].

Finally, with regard to the third research question, modern literature indicates that digital transformation contributes to small business export capability. Laporte, Talamon and van de Ven concluded that through digital competencies, e-commerce involvement and CRM system investment a business can accelerate time-to-market [12]. This process is also being further strengthened within the country, with the Digital Uzbekistan-2030 strategy. Thus, the overall analysis of academic sources confirms that improving the methodological basis for increasing the export potential of small business in Uzbekistan is a complex problem that needs to be addressed comprehensively by combining economic index and econometric estimates with the formation of digital and institutional support tools [13].

2. Materials and Methods

This research method is based on scientific methods that have already been applied to the study of the export potential of small business and private entrepreneurship (SBPE). Firstly, basic econometric models such as OLS, panel regression and dynamic modelling are applied to examine the determinants of export potentials. Among these there is access to finance, policy environment, technology and digital economy. With such models, we can quantitatively estimate how broad- and micro-level factors influence the export capacity.

Moreover, gravity models are employed to study the position of transportation and logistics infrastructure in Uzbekistan's geography and market linkage between abroad trading regions. These models are able to identify spatial as well as of structural constraints having an impact on export expansion and give insight into trade flows in regional and global patterns.

The second stage assesses export potential on the basis of qualitative and index indicators. Specifically, three indexes (Revealed Comparative Advantage, RCA index; Trade Complementarity Index, TCI and Productive Capacity Index: PCI) is used to analyze competitiveness, structural consistency and productivity of export sectors. These indexes assist in recognizing sectors with high potential for diversification and value added growth.

The study also uses survey techniques, comparisons and the diffusion of international best practice to scrutinise how financial instruments, institutions and support mechanisms enable small firms to access export markets. The surveys offer insight into the present challenges of financing, certification and government incentives [14], [15].

In assessing the digitalisation impact on export performance and carried out of e-commerce, there is for qualitative content analysis, followed by policy checkup systems, KPI based indicators. This is to say, both the quantitative (model-based) and qualitative (policy-& institution- based perspective are included.

In the end, this approach gives us a holistic-analytical kit by connecting theoretical elements with empirical references. The methodology integrates econometric, institutional and digital methods to create policy recommendations based on the implementation of measures that boost export capacity for SMEs and private entrepreneurship in Uzbekistan.

3. Results

This section presents an assessment of the export potential of small businesses and private entrepreneurship (SBPE) in Uzbekistan, with a particular focus on the Surkhandarya region and its districts, over the period 2015–2024. The analysis is structured around four tables reflecting: 1) national export dynamics of SBPE; 2) the main factors influencing export volume; 3) district-level export indicators in the Surkhandarya region; and 4) export diversification indices [16].

Together, these tables provide a comprehensive overview of national performance, the main determinants and regional differentiation and diversification trends.

Table 1. Dynamics of SBPE Exports in Uzbekistan

Year	Export Volume (billion USD)	SBPE Export Share (%)	Number of New Exporting Firms
2015	2.1	26.3	450
2017	2.8	28.7	520
2019	3.6	30.5	610
2021	4.2	32.1	740
2024	5.4	35.0	950

Table 1 is recent IMF assessments confirm that Uzbekistan's macroeconomic reforms have significantly boosted export growth and improved the business climate [17]. Data indicate that, between 2015 and 2024, export performance by small businesses and private entrepreneurs grew steadily. Export volume increased from USD 2.1 billion to USD 5.4 billion – a 2.6-fold rise – while the share of SBPE in total exports grew from 26.3% to 35%. The number of new export firms also more than doubled, rising from 450 to 950, which highlights the growing participation of SBPE in foreign trade and the effectiveness of government support measures [18].

Initially, exports of cotton and fruit and vegetables dominated. However, over time, exports of textiles, processed food, chemicals, pharmaceuticals and automotive components increased. This shift demonstrates the increasing importance of SBPE in producing value-added industrial products rather than just raw materials.

Table 2. Determinants Affecting SBPE Export Volume (2024)

Factors	Value	Impact on Export Volume (β -coefficient)
Financing (billion soums)	12.5	+0.34
Logistics costs (billion soums)	8.3	-0.21
Digital trade platforms (%)	42.0	+0.29
Certification expenses (billion soums)	1.8	-0.17
State subsidies (billion soums)	2.7	+0.25

Regression analysis in Table 2 for 2024 reveals that financing had the most positive effect on export performance ($\beta = +0.34$). This indicates that increased access to credit, concessional loans and investment funds directly enhances export capacity.

Digital trade platforms also had a positive effect ($\beta = +0.29$), highlighting the importance of e-commerce and digital infrastructure in facilitating external trade.

Similarly, state subsidies had a positive effect ($\beta = +0.25$), confirming that financial incentives can improve the competitiveness of small businesses.

In contrast, logistics costs ($\beta = -0.21$) and certification expenses ($\beta = -0.17$) had negative effects, demonstrating that transportation, customs procedures and compliance costs continue to pose significant challenges for exporters.

Table 3. SBPE Export Volume by Districts of Surkhandaryo Region (million USD)

District	2020	2021	2022	2023	2024
Termez city	72	79	87	95	104
Sherobod	34	37	41	45	49
Denov	50	55	61	66	72
Muzrabot	19	22	25	29	33
Kumkurgan	14	16	19	22	26
Sariosiyo	22	26	29	34	38
Bandikhan	11	13	15	18	21
Uzun	8	10	12	15	18
Boysun	5	6	7	8	9
Oltinsoy	0	0	2	3	5
Angor	0	0	0	1	2
Shurchi	0	1	1	2	3
Total	235	265	299	336	380

Table 3 thanks to this, he built firms and factotums that naturally were directly involved from its outset in all the forms of surplus value production presented above for foreigners did surkhandarya's total exports are converted into ultimate equalized form. The city of Termez is in first place (USD 104 million - around 27% of the region's total), second and third places are held by Denov (USD 72 million) and Sherobod (USD 49 million). Sariosiyo, Muzrabot managed also to keep growth but export totals within the wide provinces like Uzun, Bandikhan, Oltinsoy along with Angor and Shurchi were well below comparatives. Such inequalities point to the necessity for better infrastructure, funding, and transportation capacity in more backward districts.

The diversity metrics show continuous progress over the period between 2020 and 2024. The RCA of fruit and vegetable exports rose from 1.60 to 1.83, which indicates that international competitive strength increased. The TCI of textiles increased from 0.85 to 1.18, which means development in new sub-sector as well. In the meantime, the PCI increased from 39.2 to 45.6 indicating an overall improvement in productive capacity and export quality, see Table 4.

Table 4. Export Diversification Indicators in Surkhandarya Region Table

Year	RCA	TCI	PCI
2020	1.60	0.85	39.2
2021	1.67	0.93	41.0
2022	1.72	1.02	42.5
2023	1.78	1.10	44.1
2024	1.83	1.18	45.6

The results of the analysis provide a comprehensive understanding of the export dynamics and performance of small businesses and private entrepreneurs (SBPE) in Uzbekistan, particularly in the Surkhandarya region, from 2015 to 2024. Data from the four analytical tables highlight multidimensional progress at national and regional levels, reflecting positive trends in export growth, diversification and institutional support mechanisms. As shown in Table 1, SBPE exports from Uzbekistan increased substantially over the past decade, rising from USD 2.1 billion in 2015 to USD 5.4 billion in 2024. This represents 2.6-fold growth, accompanied by an increase in the share of SBPE in total exports, rising from 26.3% to 35%. The number of newly established exporting firms doubled, signalling an expanding entrepreneurial base and the growing competitiveness

of small business sectors in global markets. These figures align with the IMF's 2023 assessment, which confirmed that Uzbekistan's ongoing macroeconomic reforms — such as trade liberalisation, currency convertibility and improved access to financial resources — have played a pivotal role in strengthening the external trade position of private enterprises. The structural composition of exports has also undergone a significant transformation. While cotton, fruit and vegetables dominated the export structure in earlier years, recent data show a clear shift towards value-added sectors, including textiles, food processing, chemicals, pharmaceuticals and automotive components. This evolution indicates a progressive trend of industrialisation and reflects the government's long-term strategy to promote non-primary sectors and increase the share of industrial production in GDP. The transition from dependency on raw materials towards processed and semi-finished goods suggests that SBPE are adapting to global market demands and implementing innovative business practices. The regression analysis results presented in Table 2 highlight the key factors that will influence SBPE export volume in 2024. Of the factors studied, financing had the most significant positive effect ($\beta = +0.34$), confirming that improved access to credit, concessional loans and targeted investment funds directly stimulates export activity. These findings corroborate those of earlier studies [19], which emphasised the need for improved financial intermediation and export-oriented lending mechanisms for SMEs in developing economies.

Digital trade platforms emerged as another strong positive factor ($\beta = +0.29$). The growing penetration of e-commerce platforms and digital infrastructure has simplified market entry, improved transaction efficiency, and enabled firms to access foreign buyers with reduced costs. This trend aligns with the OECD's 2023 report [20], which emphasizes digital competitiveness as a critical driver for SME export performance in Uzbekistan.

4. Conclusion

This study's analysis demonstrates that enhancing the export potential of small businesses and private entrepreneurship (SBPE) requires a multidimensional and comprehensive approach, as illustrated by the example of Uzbekistan and the Surkhandarya region. Between 2015 and 2024, the export volume and share of SBPE showed steady growth. However, in several regions, this potential was not fully realised. The following key conclusions and evidence-based recommendations are presented:

Firstly, the export volume of SBPE across Uzbekistan increased from USD 2.1 billion to USD 5.4 billion, while its share of total exports rose from 26.3% to 35%. This confirms that small enterprises are becoming increasingly active participants in external markets. Nevertheless, raw materials still account for a considerable proportion of total exports. Therefore, accelerating industrial modernisation, promoting the production of high-value finished goods and facilitating compliance with international quality standards is crucial. Secondly, the main drivers of export potential are access to finance, digital trade platforms and government subsidies. These factors have all had a positive impact. In contrast, logistics and certification costs continue to be restrictive factors. Therefore, dedicated export credit lines and preferential financial instruments must be expanded, logistics infrastructure developed, and certification procedures simplified to enhance export competitiveness.

Thirdly, the RCA and PCI indicators for the Surkhandarya region confirm a competitive advantage in agricultural exports; however, diversification is progressing too slowly. Therefore, it is crucial to promote deep processing, packaging and storage systems for fruit and vegetable exports, and to encourage the growth of the textile and food industries as new export-oriented sectors.

Fourthly, significant regional disparities in export performance exist among the districts of the Surkhandarya region. While Termez, Denov and Sherobod lead in export volume, districts such as Angor, Oltinsoy and Shurchi remain underdeveloped in this regard. To address these imbalances, targeted regional support programmes should be developed, and export clusters, logistics centres and storage facilities should be established to boost export activity in lagging districts.

Fifthly, according to UNESCAP (2023), integrating digital and sustainable trade facilitation mechanisms across Central Asia is essential for reducing export transaction costs and improving the competitiveness of SMEs. Within the framework of the Digital Uzbekistan-2030 strategy, it is therefore recommended that specialised training programmes focusing on e-commerce, international marketing and logistics are introduced for small business managers and entrepreneurs. This approach will increase export volume and improve its quality and sustainability.

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