PRIORITY DIRECTIONS FOR EFFECTIVE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES TO REDUCE POVERTY IN

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Annotatsiya. Ushbu maqolada O‘zbekistonda kambag‘allikni qisqartirish jarayonida kichik va o‘rta biznes (KOB) subyektlarining tutgan o‘rni va ahamiyati tahlil qilinadi. Tadqiqotda O‘zbekiston Respublikasi Milliy statistika qo‘mitasi hamda Jahon bankining rasmiy ochiq ma’lumotlari asosida 2010–2024 yillarda KOBning yalpi ichki mahsulot va bandlikdagi ulushi, shuningdek, 2021–2024 yillarda milliy kambag‘allik darajasi dinamikasi o‘rganildi. Tavsifiy tahlil, jadval va grafiklar hamda soddalashtirilgan ekonometrik (OLS) model asosida KOB rivojlanishi va kambag‘allik kamayishi o‘rtasidagi bog‘liqlik baholandi. Natijalar KOB bandlikda yuqori ulushni saqlab qolayotganini, biroq ularning YAIMdagi hissasi so‘nggi yillarda barqarorlashganini ko‘rsatadi. Tadqiqot yakunida KOB orqali inklyuziv iqtisodiy o‘sishni kuchaytirishga qaratilgan ustuvor yo‘nalishlar taklif etildi.

Kalit so‘zlar: kambag‘allikni qisqartirish, kichik va o‘rta biznes, inklyuziv iqtisodiy o‘sish, bandlik, YAIM, tadbirkorlik siyosati, O‘zbekiston.

Abstract. This article analyzes the role and importance of small and medium-sized enterprises (SMEs) in reducing poverty in Uzbekistan. Using official open data from the National Statistics Committee of Uzbekistan and the World Bank, the study examines the dynamics of SMEs’ shares in gross domestic product and employment during 2010–2024, as well as national poverty trends over 2021–2024. Descriptive analysis, tables, graphs, and an illustrative econometric (OLS) model are applied to assess the relationship between SME development and poverty reduction. The results indicate that SMEs consistently maintain a high share of employment, while their contribution to GDP has stabilized in recent years. The study concludes by identifying priority policy directions aimed at strengthening inclusive economic growth through SME development.

Keywords: poverty reduction, small and medium enterprises, inclusive growth, employment, GDP, entrepreneurship policy, Uzbekistan.

Аннотация. В статье рассматривается роль и значение малого и среднего бизнеса (МСБ) в снижении уровня бедности в Республике Узбекистан. На основе официальных открытых данных Государственного комитета по статистике Республики Узбекистан и Всемирного банка проанализирована динамика доли МСБ в валовом внутреннем продукте и занятости за 2010–

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2024 годы, а также изменения национального уровня бедности в 2021–2024 годах. С применением описательного анализа, таблиц, графиков и иллюстративной эконометрической модели (OLS) оценена взаимосвязь между развитием МСБ и сокращением бедности. Результаты показывают, что МСБ сохраняет высокую долю в занятости населения, в то время как его вклад в ВВП в последние годы стабилизировался. В работе сформулированы приоритетные направления политики, направленные на усиление инклюзивного экономического роста за счёт развития МСБ.

Ключевые слова: сокращение бедности, малый и средний бизнес, инклюзивный рост, занятость, ВВП, предпринимательская политика, Узбекистан.

INTRODUCTION

Reducing poverty is a central development priority for Uzbekistan. Recent official estimates show a sharp decline in poverty over 2021–2024, driven primarily by real wage growth and labor income improvements. In parallel, the small and medium enterprise sector plays a structural role in job creation and value added, potentially acting as a channel through which growth translates into inclusive outcomes. However, the poverty-reduction potential of SMEs depends not only on their size but also on productivity, formality, sectoral composition, and regional distribution.

This paper addresses the following research questions: (i) How have SMEs' shares in GDP and employment evolved in Uzbekistan during 2010–2024? (ii) What is the recent trajectory of the national poverty headcount rate (2021–2024) and how does it relate to SME dynamics? (iii) Which policy directions are most likely to raise SMEs' inclusive-growth contribution and accelerate poverty reduction?

METHODS

2.1 Data. We use two primary sources: (a) open-data indicators from the National Statistics Committee of the Republic of Uzbekistan (SIAT/Stat.uz) for SMEs' share in GDP (percent) and SMEs' share in total employment (percent) over 2010–2024; and (b) poverty estimates from the World Bank Poverty & Equity Brief for Uzbekistan (April 2024) complemented by the Government of Uzbekistan's official communication for the 2024 poverty rate.

2.2 Descriptive analytics. We construct time-series tables and visualize: (i) SME shares in GDP and employment; (ii) national poverty trend; (iii) simple scatter plots linking poverty to SME indicators.

2.3 Empirical model (illustrative). We estimate an ordinary least squares (OLS) model:

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$Poverty_t = \beta0 + \beta1 \cdot SME_GDP_Share_t + \beta2 \cdot SME_Employment_Share_t + \varepsilon_t$.

The model uses annual national data for 2021–2024 (n=4). Given the very small sample, results are presented as exploratory and interpreted with caution; we emphasize effect direction and consistency rather than statistical significance.

RESULTS

Table 1.

Uzbekistan: SME shares in GDP and employment (2010–2024) and national poverty rate (available years).

Year	SME GDP Share_%	SME Employment Share %	Poverty National Line %
2010.00	60.80	74.30	
2011.00	61.90	75.10	
2012.00	60.80	75.60	
2013.00	60.90	76.70	
2014.00	61.90	77.60	
2015.00	64.60	77.90	
2016.00	66.80	78.20	
2017.00	67.20	78.00	
2018.00	64.30	76.30	
2019.00	58.50	76.20	
2020.00	57.50	74.50	
2021.00	56.90	74.50	17.00
2022.00	54.60	73.90	14.10
2023.00	54.30	74.00	11.00
2024.00	54.30	74.50	8.90

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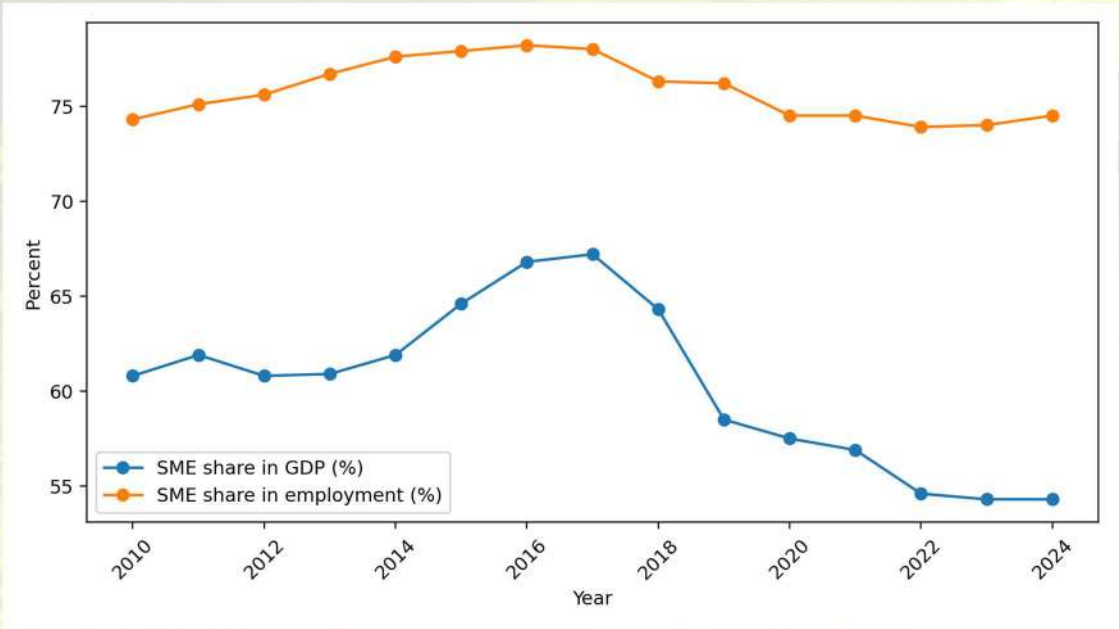


Figure-1. SME share in GDP and SME share in total employment in Uzbekistan (2010–2024). Source: Stat.uz open data.

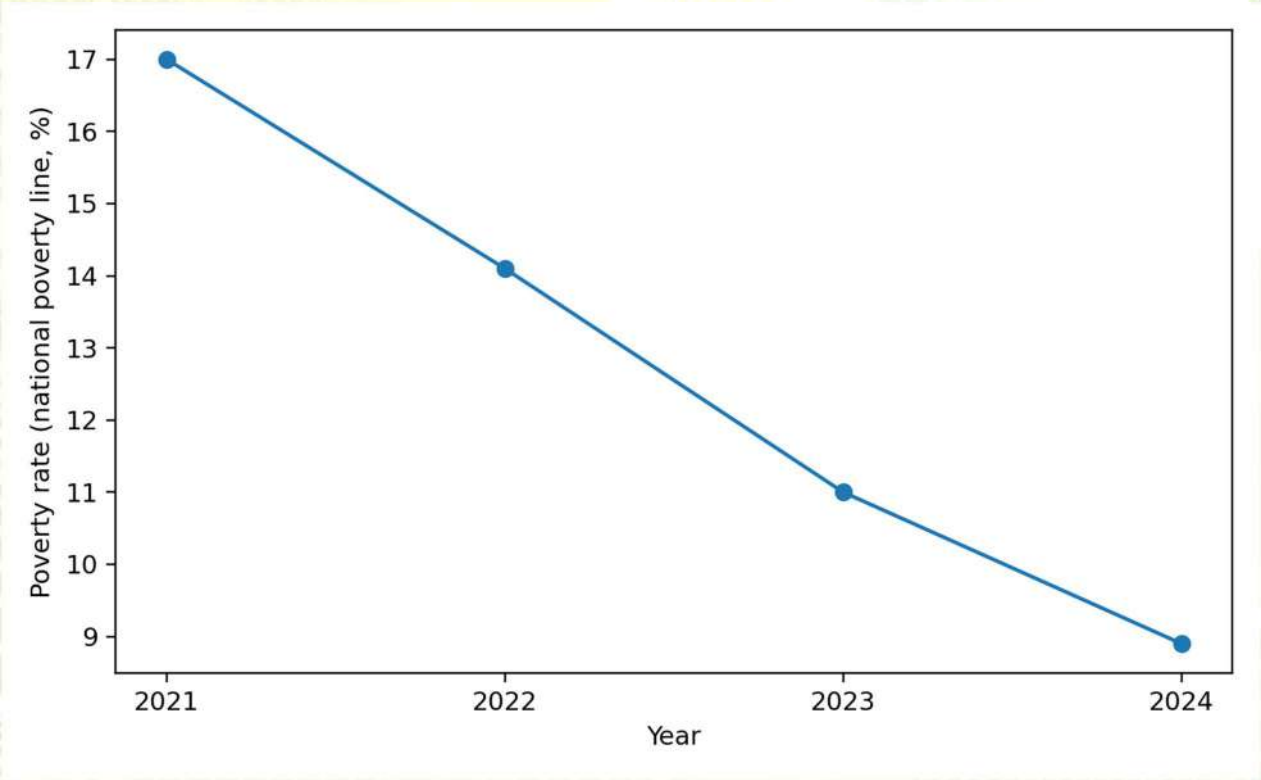


Figure-2. National poverty headcount rate (national poverty line) in Uzbekistan (2021–2024). Source: World Bank (2024) and Government of Uzbekistan (2025).

Table 2.

Descriptive statistics for SME indicators (2010–2024).

Variable	count	mean	std	min	max

ISSN 3030-3907

SME GDP Share %	15.00	60.35	4.29	54.30	67.20
SME Employment Share_%	15.00	75.82	1.56	73.90	78.20

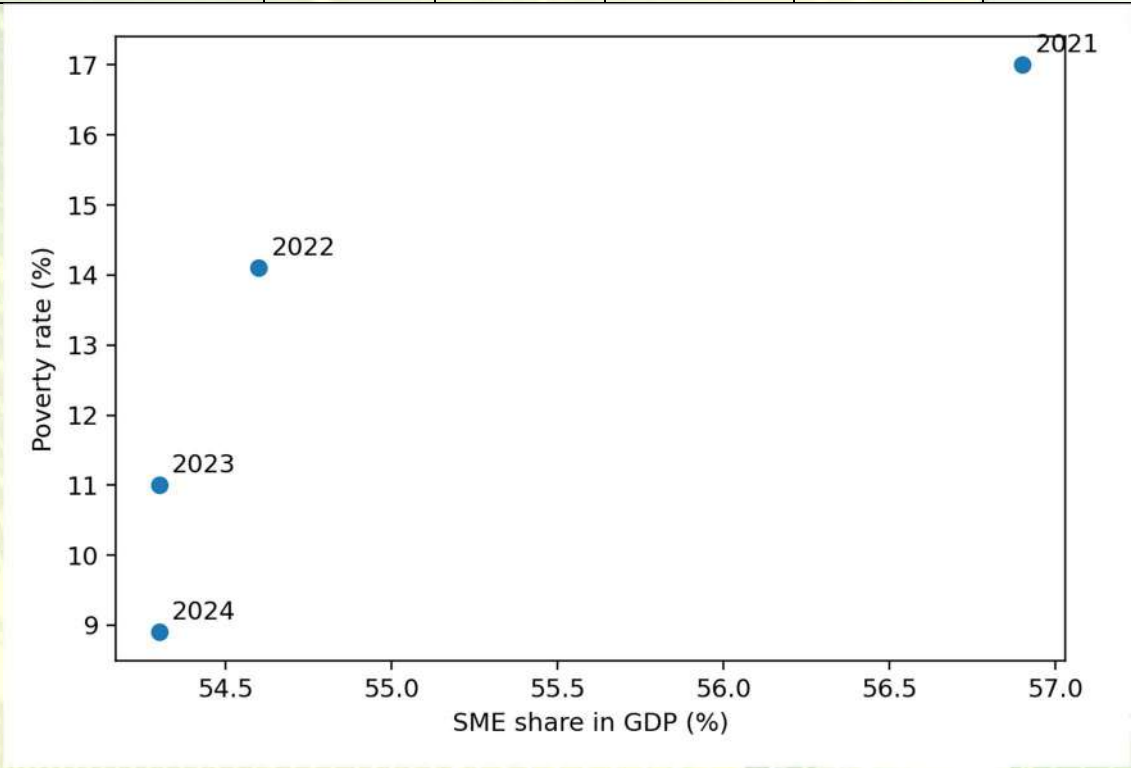


Figure-3. Scatter: SME share in GDP vs. poverty rate (2021–2024).

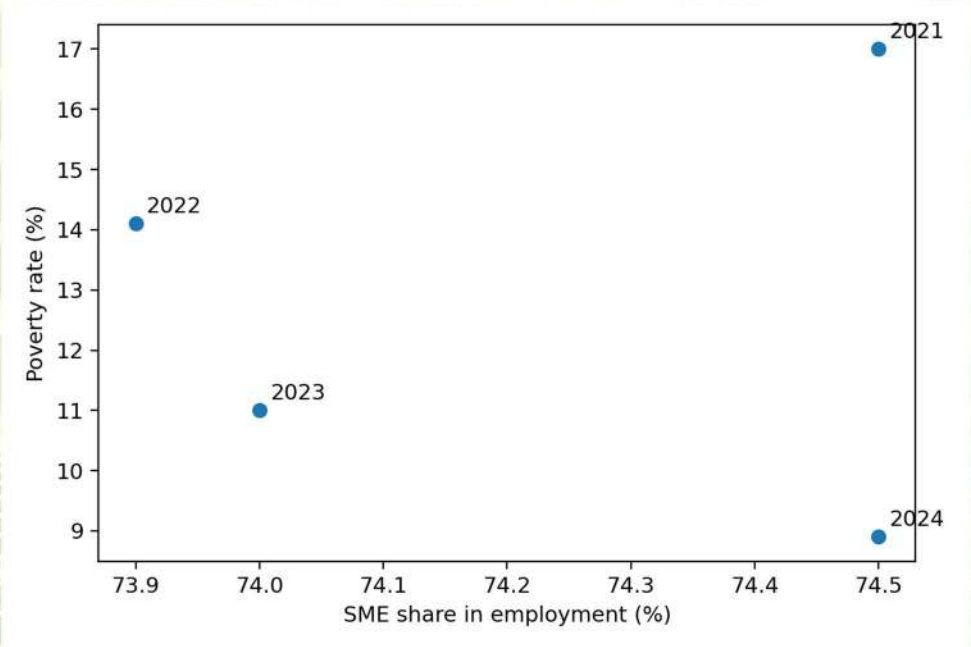


Figure-4. Scatter: SME share in employment vs. poverty rate (2021–2024).

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Table 3.

OLS regression (illustrative): Poverty rate (national poverty line, %) on SME indicators (2021–2024).

Variable	Coef.	Std. Err.	t	p
const	300.65	156.17	1.93	0.30
SME GDP Share %	3.23	0.58	5.54	0.11
SME Employment Share %	-6.27	2.29	-2.74	0.22

Key findings. (i) SMEs accounted for a very large share of total employment throughout 2010–2024, remaining close to 74–78%. (ii) SMEs' share in GDP increased up to 2016–2017, then declined and stabilized at about 54% in 2022–2024. (iii) Over 2021–2024, the national poverty rate declined substantially, while SME employment share remained broadly stable and SME GDP share continued a mild decline. The regression results should be interpreted as exploratory because of the short poverty series and multicollinearity between SME indicators.

DISCUSSION

The evidence suggests that the poverty-reduction impact of SMEs is likely to depend more on productivity-enhancing and formalization-oriented policies than on expanding the number of low-productivity firms. A stable, high SME employment share indicates strong labor absorption, while the decline in SME GDP share after 2017 may reflect structural changes: large-scale industrial projects, state-led investment, or faster growth in capital-intensive sectors relative to SMEs. This reinforces the need to shift SME policy toward productivity, technology adoption, and integration into higher value-added supply chains.

International evidence typically emphasizes three channels through which SMEs reduce poverty: (1) employment creation and wage income; (2) self-employment and household enterprise income; and (3) local market development and resilience. For Uzbekistan, recent poverty reduction has been strongly associated with wage income growth; SME-led formal job creation can reinforce this channel, especially for youth and women.

POLICY PRIORITIES FOR SME-LED POVERTY REDUCTION

Productivity-first SME strategy: scale support for technology upgrading, managerial skills, and quality standards (ISO, HACCP where relevant). Access to finance: expand credit guarantees and risk-sharing instruments for viable SMEs; improve collateral frameworks; promote SME digital lending and scoring. Formalization and compliance cost reduction: simplify permits, inspections, and

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reporting; incentivize transition from informal to formal activity. Regional entrepreneurship ecosystems: prioritize lagging regions with tailored business services, logistics, industrial zones, and market access. Sector targeting for inclusive growth: agriculture value chains, food processing, construction materials, services, and export-oriented light manufacturing. Human capital and labor market matching: dual education, apprenticeships, micro-credentials; special programs for women and youth entrepreneurship.

Digitalization: e-commerce adoption, digital bookkeeping, e-invoicing, and digital public services to reduce transaction costs and expand markets. Monitoring and evaluation: publish disaggregated SME and poverty indicators, support open-data dashboards, and institutionalize impact evaluation of SME programs.

LIMITATIONS AND FUTURE RESEARCH

The empirical model is limited by the short national poverty time-series available in this manuscript (2021–2024). Future work should exploit microdata (household surveys and firm-level surveys), regional poverty statistics, and policy variations to estimate causal effects of SME program participation on household welfare. Panel models across regions and sectors would enable more robust inference.

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