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THE LEGAL FRAMEWORK FOR THE DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN UZBEKISTAN DURING THE YEARS OF INDEPENDENCE.

Baxriddinov Odiljon Jamshid
Assistant, Navoi State Mining and Technology University
E-mail:odiljonbaxriddinov28@gmail.com
Tel: 99891 332-40-81
ORCID 0009-0009-5887-4329

Abstract

This article examines the legal framework for the development of small business and private entrepreneurship in Uzbekistan during the years of independence, focusing on the economic reforms implemented by the government and the mechanisms introduced to support entrepreneurial activity. In particular, it analyzes the privatization of state-owned property and highlights the objectives and significance of presidential decrees and legislative acts aimed at promoting entrepreneurship. The study also explores the financial support mechanisms for small businesses, cooperation with international financial institutions, and the system of concessional lending. Furthermore, the impact of these reforms on the national economy and employment generation is assessed on the basis of statistical data. The findings demonstrate that the development of small business and private entrepreneurship has established a solid legal and institutional foundation for strengthening market economy institutions, fostering the emergence of a class of private property owners, and facilitating the subsequent development of youth entrepreneurship in Uzbekistan.

Keywords: small business, private entrepreneurship, market economy, privatization, presidential decrees, concessional lending, investment, private property owners, economic reforms, Uzbekistan.



From the early years of independence, the development of small business and private entrepreneurship was identified as one of the priority directions of the state's economic policy in the Republic of Uzbekistan. Under the conditions of a gradual transition to a market economy, promoting entrepreneurship, protecting private property rights, and fostering a class of private property owners became integral components of the country's economic reform agenda. As the First President of Uzbekistan, Islam Karimov, emphasized: "By creating highly favorable and priority conditions for the development of small business, entrepreneurship, and private property, we primarily aim to accelerate the growth of our economy, increase employment and household incomes, and, at the same time, establish a strong middle class that serves as the principal pillar and driving force of democratic reforms" [1]. This conceptual approach laid the foundation for the country's long-term strategy of promoting entrepreneurship and defining the key priorities of its economic transformation.

With the emergence of market relations, citizens' right to engage freely in entrepreneurial activity was guaranteed through national legislation. Entrepreneurs were granted the legal right to establish new enterprises, acquire or reorganize existing businesses, voluntarily mobilize financial resources from both legal entities and individuals, employ hired labor, and conduct independent economic activities within the framework of the law. These legal guarantees facilitated the rapid expansion of various forms of entrepreneurship, including private, labor-based, and collective enterprises.

The privatization of state-owned property became one of the key drivers of entrepreneurial development in Uzbekistan. As part of this process, a real estate market was established, and small enterprises were privatized through auctions and competitive tenders, enabling citizens to acquire them as private property. A particularly significant milestone was the Presidential Decree of the Republic of

1 Karimov I.A. O'zbekiston erishgan yutuq va marralar – biz tanlagan islohotlar yo'lining tasdig'idir. – Toshkent: O'zbekiston, 2014. – B. 47.



Uzbekistan, “On Encouraging Initiative and Providing Incentives for Private Entrepreneurship,” which entered into force on 5 January 1995. This decree established an important legal foundation for accelerating the privatization process, fostering the emergence of a class of private property owners, and strengthening financial support for small businesses. In accordance with the decree, up to 50 percent of the proceeds generated from the privatization of state-owned assets was allocated to the Small and Medium Business Development Support Fund. These resources were designated for financing entrepreneurial projects, extending concessional loans, and providing guarantees for commercial bank loans issued to entrepreneurs[2].

The institutional framework for supporting entrepreneurship was further strengthened with the adoption of the Law of the Republic of Uzbekistan “On the Development of Small Business and Private Entrepreneurship” on 21 December 1995. This legislation established the principal mechanisms for promoting small business development at both the national and regional levels. In particular, it provided a comprehensive legal framework for entrepreneurial entities, introduced regional development programs, and established a range of tax incentives and exemptions with respect to local taxes and fees. As a result, the institutional and organizational infrastructure supporting entrepreneurship developed progressively, creating more favorable conditions for the sustainable growth of the small business sector[3].

Cooperation with international financial institutions also expanded significantly as part of Uzbekistan’s strategy to promote the development of small businesses. In particular, financial resources were mobilized from the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the German Development Bank (KfW), the International Finance Corporation (IFC), and other international financial institutions. As of 1 January 2003, the total volume of foreign credit resources attracted to support the development of small business and entrepreneurship had reached USD 450 million.

2 “Xususiy tadbirkorlikda tashabbus ko‘rsatish va uni rag‘batlantirish to‘g‘risida”. PF-1030-son. Toshkent, 1995-yil. 3-band.
3 Kichik va xususiy tadbirkorlikni rivojlantirish to‘g‘-risida“Toshkent, 1995-yil. 21-dekabr.



The favorable economic and legal environment created by the government contributed to the steady expansion of the small business sector. While approximately 85,000 small business enterprises were registered in Uzbekistan in 1996, their number exceeded 190,000 by 2001. Of these, 149,300 enterprises were actively operating, with nearly 63 percent engaged in the production sector. As of 1 January 2007, the number of active small business and private entrepreneurship entities had increased to 350,000, providing employment for approximately 7.1 million people. Consequently, the contribution of the small business sector to the country's Gross Domestic Product (GDP) reached 42.1 percent, underscoring its growing role in Uzbekistan’s economic development.

The policy of promoting small business development continued consistently in the following years. A significant milestone in this process was the designation of 2011 as the “Year of Small Business and Private Entrepreneurship,” which marked a new phase in the government's support for the sector. Throughout the year, comprehensive measures were implemented to strengthen financial support for entrepreneurial entities, provide state assistance to economically distressed enterprises, and encourage the implementation of new business initiatives. As a result of these policy measures, the share of the small business sector in Uzbekistan’s Gross Domestic Product (GDP) increased to 54 percent by the end of 2011, reflecting its expanding contribution to the country's economic growth and structural transformation[4].

Beginning in 2016, under the leadership of President Shavkat Mirziyoyev, Uzbekistan's policy on entrepreneurship development entered a new stage. Comprehensive reforms were implemented to eliminate administrative barriers, reduce excessive regulatory inspections, ease the tax burden, and limit state intervention in entrepreneurial activities. Among the most significant initiatives was the “Every Family Is an Entrepreneur” (Har bir oila – tadbirkor) program, under which UZS 5.9

4 Birinchi Prezdentimiz Islom Karimovning “2011-yilning yakunlari va 2012-yilda O‘zbekistonni ijtimoiy-iqtisodiy rivojlantirishning ustuvor yo‘nalishlari” mavzusida bag‘ishlangan nutqi.

trillion in concessional loans was allocated to support entrepreneurial activities. Furthermore, the implementation of a new tax policy reduced the tax burden on wages by 1.5 times, while the Value Added Tax (VAT) rate was lowered from 20 percent to 15 percent. These reforms enabled entrepreneurs to retain substantially greater financial resources, thereby enhancing their investment capacity and creating more favorable conditions for business expansion and sustainable economic development.

Overall, the consistent legal, institutional, and economic reforms implemented during the years of independence to promote small business and private entrepreneurship in Uzbekistan played a pivotal role in establishing the principles of a market economy, fostering the emergence of a class of private property owners, creating new employment opportunities, and improving both household incomes and living standards. Moreover, these reforms established a solid legal and institutional foundation for the subsequent development of youth entrepreneurship and facilitated the broader integration of young people into the country's economic life.

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