



**INNOVATIVE DEVELOPMENT OF SMALL
BUSINESS AND PRIVATE ENTREPRENEURSHIP:
MODERN TRENDS AND ORGANIZATIONAL-
ECONOMIC MECHANISMS**

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ABSTRACT

This article analyzes the theoretical and methodological foundations of the innovative development of small business and private entrepreneurship, as well as current trends in this area in Uzbekistan. It identifies digitalization, innovation infrastructure, the financing of innovation projects, the startup ecosystem, human capital, and science-business collaboration as key directions for the innovative development of small businesses. Uzbekistan's statistical indicators for 2025 and the policies aimed at supporting small and medium-sized businesses in the country have been analyzed, and scientific-practical proposals have been developed to improve the organizational-economic mechanism for fostering innovative entrepreneurship.

Today, the acceleration of technological transformation, the widespread adoption of digital technologies, and intensifying global competition are significantly impacting the operating environment for business entities. In this context, the economic efficiency of small businesses and private entrepreneurship is determined not merely by increasing production volumes or operating within existing markets, but also by the ability to generate and commercialize innovative ideas. The growing role of small business entities in the economy further underscores the importance of the innovative development of this sector. According to data from the National Statistics Committee of Uzbekistan, the volume of small business entities' contribution



to GDP amounted to 923.5 trillion soums in January-December 2025, representing a 52.2% share of the GDP. Additionally, 82,386 new small enterprises and micro-firms were established in the country in 2025. This demonstrates the high level of economic activity within the small business sector and the significant number of entrepreneurial entities. However, an increase in the number of small business entities does not automatically imply high levels of innovative activity. Innovative development requires technological upgrading, modern financing instruments, skilled personnel, the commercialization of research findings, and the effective functioning of market institutions.

In economic literature, the concept of innovation is interpreted as the process of creating and implementing a new product, service, technology, production method, management mechanism, or business model. Innovative entrepreneurship, meanwhile, refers to entrepreneurial activity aimed at creating economic value by aligning innovative ideas with market demands. In J. Schumpeter's concept of innovative development, the entrepreneur is viewed as a key agent of change within the economic system. The introduction of a new product, technology, market, or production method defines the innovative nature of entrepreneurship. Meanwhile, P. Drucker regards innovation as a crucial instrument of entrepreneurial activity, emphasizing the necessity of identifying innovative opportunities and deriving economic results from them. In the current environment, the concept of innovation has expanded further to encompass the following areas: product innovation, technological innovation, service innovation, marketing innovation, organizational innovation, digital innovation, business model innovation, and environmental innovation. Small business and private entrepreneurship play a significant role in Uzbekistan's economy. Results for 2025 indicate that small business entities account for more than half of the GDP.

Table 1

Dynamics of the share of small business entities in Uzbekistan's GDP

№	Years	Contribution of small business entities to GDP, trillion soums
1	2021	455,7
2	2022	533,1
3	2023	646,8
4	2024	789,5
5	2025	923,5

Source: Compiled by the author based on data from the National Statistical Committee of the Republic of Uzbekistan.

The data in the table shows that the economic contribution of small business entities to GDP grew steadily between 2021 and 2025. In 2025, the highest shares of small business entities by economic activity were recorded in agriculture, forestry, and fisheries (93.1%), followed by



construction (75.6%), the services sector (47.2%), and industry (28.5%**). While illustrating the participation of small businesses across various economic sectors, these figures also highlight opportunities to enhance their innovative potential within the industrial and high-tech sectors. Several important modern trends are currently being observed in the innovative development of small business.

1. Digitalization - Digital technologies enable small businesses to reduce market entry costs and effectively manage customer relationships. The use of e-commerce, online payments, digital marketing, CRM systems, cloud technologies, and elements of artificial intelligence helps enhance the competitiveness of small business entities.

2. Development of startups and innovative business models-unlike traditional entrepreneurship, startups rely on innovative business models with high scalability potential. In particular, sectors such as FinTech, AgriTech, EdTech, HealthTech, E-commerce, GreenTech, and IT outsourcing are emerging as new growth points for small businesses.

A key characteristic of innovative projects is the high level of uncertainty and risk involved. Consequently, standard lending mechanisms are not always sufficient to finance innovative startups. The importance of venture capital, private investment, grants, guarantee mechanisms, and equity-based financing instruments is growing. According to World Bank data from 2025, the FINGROW project-aimed at expanding access to capital for small and medium-sized enterprises in Uzbekistan-includes the allocation of \$100 million in loans and \$5 million in grants. The project focuses on expanding credit guarantees and private equity investments. In recent years, measures aimed at enhancing the role of small and medium-sized businesses in Uzbekistan's economy have been intensified. Notably, Decree No. PF-50 of the President of the Republic of Uzbekistan, dated March 19, 2025, focuses on strengthening the position of small and medium-sized enterprises in the economy, outlining initiatives such as supporting the implementation of startups and innovative business projects, as well as encouraging entrepreneurship among youth and women. Furthermore, Decree No. PF-67, dated April 18, 2025, covers areas including the promotion of manufacturing, export, and entrepreneurial activities, the support of investments, and the reduction of production costs.

In conclusion, it can be emphasized that the innovative development of small business and private entrepreneurship today is a key factor in enhancing the country's economic competitiveness, creating new jobs, increasing household incomes, and effectively utilizing the economic potential of the regions. Small business entities play a significant role in Uzbekistan's economy. According to official statistics, in 2025, the share of small business and private entrepreneurship in the country's GDP stood at 52.2%. Furthermore, the number of people employed in the small business sector reached 11.18 million in 2025. At the same time, further boosting innovation activity requires addressing issues such as limited financial resources, insufficient access to modern technologies, the need to improve financing mechanisms for innovative projects, and a lack of digital and technological skills. International experience



demonstrates that, alongside state financial and institutional support, collaboration with business incubators, accelerators, technology parks, universities, and research centers plays a crucial role in the innovative development of small businesses. World Bank data regarding rural entrepreneurship in Uzbekistan in 2026 also notes that the development of business incubators and the entrepreneurial ecosystem contributes to the creation of new businesses and jobs. Consequently, it is appropriate to view the innovative development of small business not merely as a process of introducing new technologies, but as a comprehensive economic mechanism encompassing financing, workforce training, digitalization, research and development, marketing, and market infrastructure.

It is advisable to implement the following proposals:

1. Expanding mechanisms for financing innovative projects of small businesses.
2. Accelerating the digital transformation of small business entities.
3. Developing a network of business incubators and accelerators.
4. Strengthening cooperation between higher education institutions and business entities.
5. Developing innovative entrepreneurship in the regions. Kichik korxonalarining innovatsion eksport salohiyatini oshirish.
6. Improving the system for training personnel in innovative entrepreneurship.
7. Establishing the “innovative region – innovative business – innovative product” principle.

Overall, the innovative development of small business and entrepreneurship is a key strategic direction that contributes to the sustainable growth of Uzbekistan's economy, the creation of new jobs, and the improvement of the population's well-being.

List of used literature

1. Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022, “On the Development Strategy of New Uzbekistan for 2022–2026.”
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