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Development of Population Entrepreneurship lending in Uzbekistan: analysis of implemented reforms and their effectiveness

Khusan Khusainov Baratovich*¹

1. Kimyo international university in Tashkent Independent Researcher

*Correspondence: yangihayot456x@gmail.com

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Abstract: This article comprehensively analyzes the reforms implemented in recent years in the direction of developing the credit system for entrepreneurship in Uzbekistan. In particular, such areas as family entrepreneurship support programs, preferential lending mechanisms, expansion of the microfinance system, and digitalization of credit allocation processes are studied. The study assesses the terms and interest rates of loans allocated within the framework of state programs, and their impact on employment and income of the population. It also examines the effectiveness of new lending mechanisms in the activities of commercial banks, in particular, an increase in the volume of unsecured microloans, a system for distributing lending risks, and measures to expand financial inclusion. As a result of the reforms implemented in recent years, it was found that the population has expanded its access to credit resources and increased its level of involvement in entrepreneurial activities. Based on the results of the study, scientific and practical proposals and recommendations have been developed to further improve the credit system for entrepreneurship.

Keywords: Population entrepreneurship, lending system, preferential loans, microfinance, financial inclusion, banking system, economic reforms, family entrepreneurship.

1. Introduction

In recent years, the development of entrepreneurial activity has become one of the priority areas of state policy in Uzbekistan, aimed at ensuring employment, expanding sources of income, and reducing poverty. In particular, special attention is being paid to increasing economic activity through financial support of household entrepreneurship, including the improvement of the lending system.[1]

Within the framework of programs such as “Every Family is an Entrepreneur”, a system of providing preferential loans to the population has been established, and lending procedures have been gradually simplified. These programs contribute to supporting entrepreneurial initiatives among the population, creating new jobs, and forming sustainable sources of income. [2]

At the same time, in recent years, a number of regulatory and legal acts aimed at improving lending mechanisms have been adopted. In particular, within family entrepreneurship programs, the conditions for loan allocation have been simplified, interest rates have been optimized, and lending processes have been fully digitalized. In addition, for the period 2024–2026, measures have been introduced to increase the volume

of microloans, expand access to unsecured lending, and establish systems for monitoring the efficiency of credit utilization. [3]

Institutional reforms in the banking sector, including the development of microfinance institutions, the improvement of credit risk management, and the adoption of international standards, have contributed to ensuring financial stability. As a result, access to financial services has increased, creating new opportunities for small businesses and family entrepreneurship.

The objective of this article is to analyze the reforms aimed at developing the system of household entrepreneurship financing in Uzbekistan and to evaluate their effectiveness. [4]

The issue of lending to entrepreneurial activity of the population is considered one of the important financial mechanisms for expanding the possibilities of business entities to use financial resources in the modern economy, ensuring employment of the population, encouraging self-employment, and developing small businesses in the regions. Scientific research in this area pays special attention to the issues of bank-credit mechanisms for financing entrepreneurship of the population, financial support from the state, preferential lending programs, microfinancing, and the effectiveness of using credit resources. Extensive scientific research has been conducted in this area by foreign and domestic economists. [5]

According to the Austrian economist Schumpeter, bank credit is considered the main tool in the theory of economic development that drives entrepreneurship and innovation. In his opinion, credit is a tool for mobilizing resources to create new combinations of capital.

According to the Russian scientist Lavrushin, the main task of lending is to ensure the continuity of production and entrepreneurial activity.

According to M. Yunus, when lending to small businesses that are just starting out, the main attention should be paid to the social impact of lending. After the financial capabilities of business entities expand, they will become the cause of an increase in demand for loans provided at market rates.

Scientific and theoretical views on the entrepreneurial activity of the population have been widely studied not only in the heritage of thinkers and statesmen of the historical period, but also by local economists working in the post-independence period.[6]

In his work, B. Berkinov emphasizes the importance of lending mechanisms in financial support of small businesses and entrepreneurship, justifying the fact that credit resources are an important factor in expanding the production activities of business entities.

In the scientific views of I. Alimardonov, the theoretical and methodological foundations of lending to small businesses are deeply studied.

In particular, the researcher substantiates the need to increase the volume of low-interest loans allocated to small businesses by commercial banks.[7]

2. Research Methodology

An analysis of the scientific literature shows that the main part of the existing research is formed in three areas: first, studying the mechanisms for providing business entities with financial and credit resources; second, assessing the role of state programs and preferential lending instruments in the development of entrepreneurship; third, to determine the impact of commercial bank loans on small businesses, family entrepreneurship, and entrepreneurship at the mahalla level. However, existing studies have not sufficiently systematized the issue of comprehensive assessment of the long-term dynamics of loans allocated to the population for entrepreneurial activities, their growth

rates, their share in the total volume of lending, their differences across regions, and changes in the composition of lending based on a single methodological approach.

In this article, scientific and theoretical studies relevant to the research topic were reviewed and comprehensively analyzed. To achieve the objectives of the study, a clear and appropriate research direction was selected. The research strategy was developed based on the examination and analysis of statistical data sources related to the field.[8]

3. Analysis and Discussion of the Results

Lending to population's entrepreneurial activity and small business entities is considered a necessary condition for the development of their operations. Therefore, since the early stages of independence of the Republic of Uzbekistan, special attention has been paid to implementing structural changes in the economy, developing the private sector, and increasing employment, as well as improving the system of lending to business entities, particularly small businesses and private entrepreneurship.[9]

It is well known that one of the main sources of financing small business entities and household entrepreneurial activities in the Republic of Uzbekistan is the credit resources provided by commercial banks. These loans serve as an important financial instrument for starting, expanding, and ensuring the sustainable development of entrepreneurial activities.

The article presents a comprehensive analysis of the volume, dynamics, and structural changes of loans allocated by commercial banks of the Republic of Uzbekistan during the period 2016–2025 for the financial support of small business entities and household entrepreneurial activities (Figure 1).

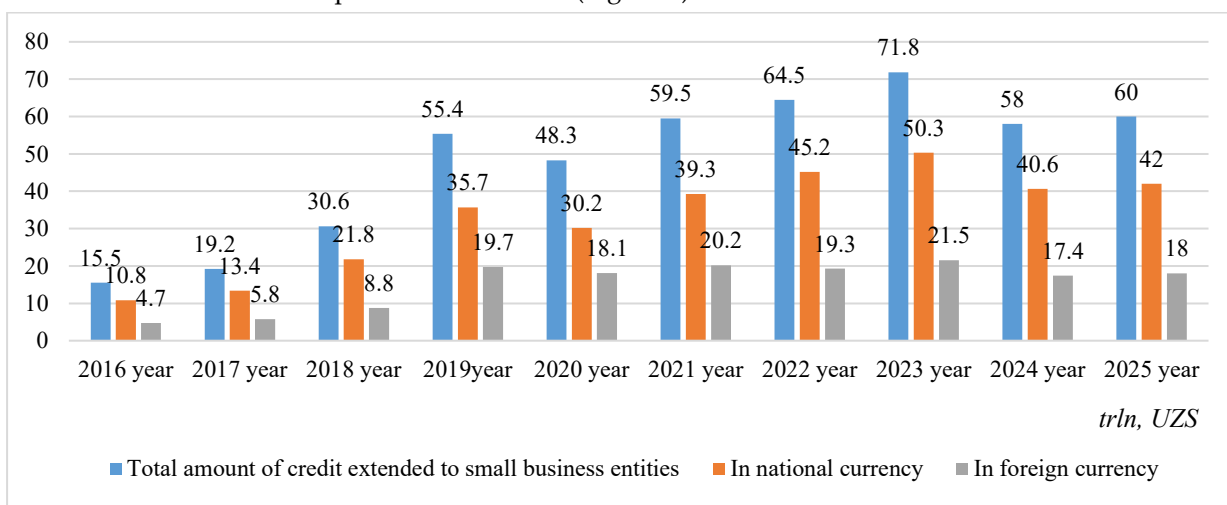


Figure 1. Loans Allocated by Commercial Banks of the Republic of Uzbekistan to Small Business Entities (trillion UZS).

Based on the analysis results of Figure 1 above, the total volume of loans allocated to small business entities amounted to 15.5 trillion UZS in 2016, while in 2025 this indicator reached 60 trillion UZS, increasing 3.6 times over the ten-year period. In particular, the highest growth rates were observed in 2018–2019 due to the liberalization of the foreign exchange market, and in 2021–2023 as a result of the introduction of the “Hokim Assistants” system, which significantly expanded opportunities for small and family entrepreneurship. [10][11]

The majority of loans provided by commercial banks (approximately 70%) were denominated in national currency and mainly directed toward working capital financing and trade services. In particular, such loans increased from 10.8 trillion UZS in 2016 to 42 trillion UZS in 2025, representing a 3.8-fold growth. This reflects the priority given to

national currency resources in banking lending practices and the effectiveness of policies aimed at reducing foreign exchange risk.

Foreign currency-denominated loans increased from 4.7 trillion UZS in 2016 to 18 trillion UZS in 2025, also growing 3.8 times. However, their share in total lending remained lower compared to loans in national currency. At the same time, the decline in total lending volume observed in 2020 can be explained by economic uncertainties during the pandemic period and a more cautious credit policy. [12]

The analysis indicates that over the studied period, lending by commercial banks to small business and private entrepreneurship entities demonstrated a stable upward trend. In particular, the dominance of national currency lending reflects the efficient use of domestic financial resources and the effectiveness of policies aimed at supporting entrepreneurship. At the same time, the relative slowdown observed in 2024–2025 highlights the need to further improve credit resource efficiency, diversify financing sources, and enhance the system of financing entrepreneurial activity.

Furthermore, during the analyzed period, the total volume of loans allocated to small business entities in the country amounted to 482.4 trillion UZS, while their share in gross domestic product remained relatively stable at an average level of 50–56% (Figure 2). This indicates the significant role of small businesses in the national economy and their substantial contribution to economic growth processes.

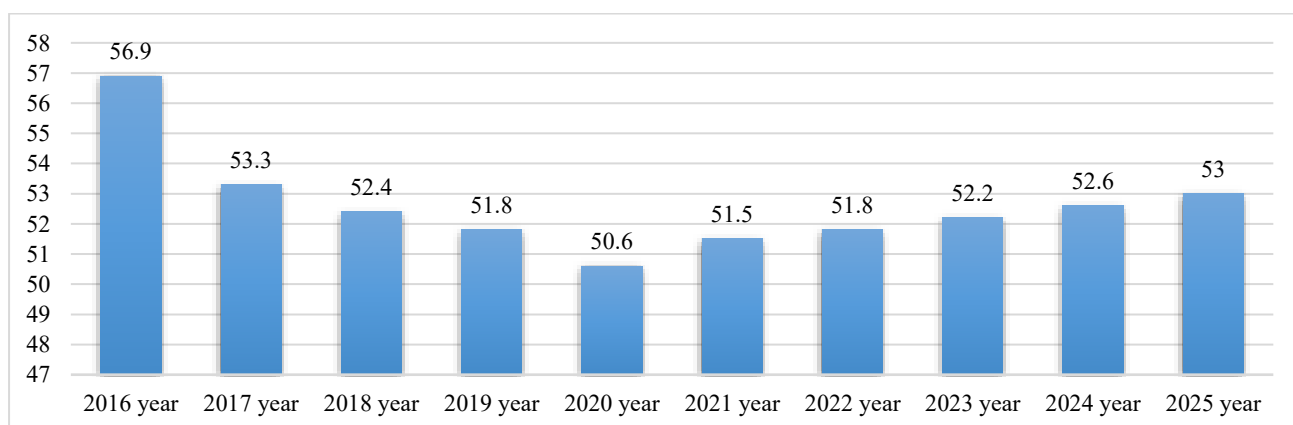


Figure 2. Dynamics of the Share of Loans Allocated to Small Business Entities in GDP in 2016–2025 (in percent).

The data presented in Figure 2 above indicate that during the period 2016–2020, the share of loans allocated to small business entities in GDP consistently declined. However, starting from 2021, a stable upward trend emerged as a result of state support for entrepreneurship, the improvement of credit mechanisms, and the recovery of economic activity.

Nevertheless, the achieved level of 53 percent in 2025 has still not reached the level observed in 2016. This indicates the need to further enhance the efficiency of small business financing, improve the accessibility of credit resources, and strengthen the mechanisms for their utilization.[13]

At the same time, the volume and structural composition of loans provided by commercial banks of the country to small and medium-sized enterprises as well as the population for entrepreneurial purposes were also analyzed (Table 1).

Table 1. Dynamics of Loans Allocated for Financing Small and Medium-Sized Enterprises and Household Entrepreneurial Activity.

Year	Including:							
	Disbursed loans		Legal entities		Individual entrepreneurs		For the population to carry out entrepreneurial activities	
	Number (thousand)	Amount (billion UZS)	Number (thousand)	Amount (billion UZS)	Number (thousand)	Amount (billion UZS)	Number (thousand)	Amount (billion UZS)
2016 year	156 410	15,5	22 180	12,4	18 540	1,2	115 690	1,9
2017 year	212 350	19,2	28 650	14,9	21 400	1,3	162 300	2,9
2018 year	345 120	31,1	42 300	25,2	25 910	1,9	276 910	4,1
2019 year	414 457	55,4	55 702	48,2	29 688	2,4	329 067	4,9
2020 year	281 214	48,4	71 883	42,3	33 209	2,3	176 122	3,6
2021 year	436 110	59,5	69 700	49,7	27 740	3,1	338 670	6,8
2022 year	507 856	69,8	60 811	57,1	24 819	3,7	422 226	9,1
2023 year	573 252	73,1	78 620	57,4	24 553	6,1	470 079	9,5
2024 year	538 538	92,4	78 602	68,9	87 293	17,2	372 643	6,3
2025 year	909 218	131,2	92 602	96,4	61 282	10,4	755 334	21,8

Based on the analysis of Table 1 above, the total volume of loans allocated increased from 15.5 trillion UZS in 2016 to 131.2 trillion UZS in 2025. In turn, the number of borrowers increased from 156 thousand to 909 thousand, representing a 5.8-fold growth. However, in 2020, due to the impact of the pandemic, the volume of loans decreased from 55.4 trillion UZS to 48.4 trillion UZS, although in subsequent years a stable growth trend was restored.

The volume of loans allocated to legal entities increased from 12.4 trillion UZS to 96.4 trillion UZS, or by 7.7 times. In 2025, this segment accounted for 73.5% of total lending, indicating that the main share of financing was directed to legal business entities.[14]

Loans allocated to individual entrepreneurs increased from 1.2 trillion UZS to 10.4 trillion UZS, representing an 8.6-fold increase. In 2024, this indicator reached its peak at 17.2 trillion UZS; however, in 2025 it decreased to 10.4 trillion UZS. This may be explained by the transition of some individual entrepreneurs into legal entity status or the reorientation of credit policy priorities.

Loans allocated for starting and developing household entrepreneurial activity increased from 1.9 trillion UZS to 21.8 trillion UZS, representing an 11.4-fold increase. This reflects the growing effectiveness of state programs aimed at supporting entrepreneurial initiatives of the population.

The analysis shows that during the studied period, both the volume of financing for small and medium-sized enterprises and the number of borrowers demonstrated a steady upward trend. In particular, during 2021–2025, lending to support household entrepreneurial initiatives and financing legal entities expanded significantly. This confirms the increasing effectiveness of state credit policy aimed at developing entrepreneurship, creating new jobs, and ensuring employment.

In the context of current economic reforms, family entrepreneurship has become one of the most important and promising forms of household entrepreneurial activity. In the Republic of Uzbekistan, the program aimed at developing family entrepreneurship was first introduced under the “Every Family is an Entrepreneur” program. This program was

designed as a comprehensive mechanism aimed at broadly involving the population in entrepreneurship, particularly through the development of family businesses, ensuring employment, and increasing household incomes.

In particular, loans allocated by commercial banks within the framework of the “Every Family is an Entrepreneur” program during 2018–2025 for supporting family entrepreneurship activities were analyzed (Figure 3).

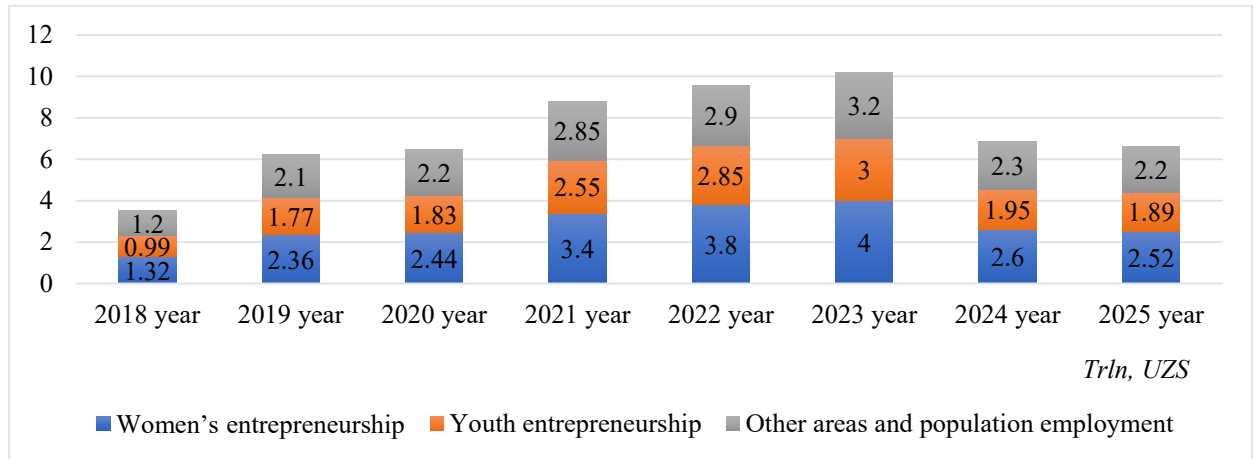


Figure 3. Volume of loans allocated under family entrepreneurship programs in 2018–2025 (trillion UZS).

Based on the analysis results of Figure 3 above, within the framework of family entrepreneurship development programs, a total of more than 58.2 trillion UZS in preferential loans was allocated over the last seven years to ensure broad involvement of the population in entrepreneurial activities, to create additional sources of income, and to financially support small business entities. As a result, this has enabled approximately 2.3 million people to engage in income-generating activities.

The highest indicators were observed in 2021–2023, during which the implementation of the “Hokim Assistants” system and the establishment of a community-based (mahalla-level) working approach significantly increased the annual lending volume to 8.5–10 trillion UZS. Approximately 40% of these funds were allocated through the “Women’s Register,” while 30% were directed through the “Youth Register” to finance projects in home-based work, handicrafts, and household (kitchen garden) activities of women and young people.

Furthermore, in the course of the research, the dynamics of preferential loans allocated by Xalq Bank, Agrobank, and Mikrokreditbank within the framework of family entrepreneurship development programs during 2018–2025 were analyzed (Table 2).

2.3-jadval. Analysis of Preferential Loans Allocated under Social Programs for the Development of Family Entrepreneurship in 2018–2025 (billion UZS)

Year	Indicators	Khalk bank	Agrobank	Microcreditbank
2018 year	Within the framework of the “Every Family is an Entrepreneur” program	700	650	450
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	120	165	110
	Women included in the “Women’s Register”	253,3	283,3	106
	Total employment created (thousand persons)	45 450	38 305	24 202

2019 year.	Within the framework of the “Every Family is an Entrepreneur” program	1 135	1 106	830
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	256	656	150,5
	Women included in the “Women’s Register”	163,2	293,2	130,2
	<i>Total employment created (thousand persons)</i>	75 365	84 303	68 309
2020 year.	Within the framework of the “Every Family is an Entrepreneur” program	1 798	1 651	1 295
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	136	236	86,6
	Women included in the “Women’s Register”	83,5	103,5	62,7
	<i>Total employment created (thousand persons)</i>	110 305	103 404	98 509
2021 year.	Within the framework of the “Every Family is an Entrepreneur” program	3 198	3 206	2 230
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	186	303	165,1
	Women included in the “Women’s Register”	103,6	183,1	98,7
	<i>Total employment created (thousand persons)</i>	175 200	200 400	128 100
2022 year.	Within the framework of the “Every Family is an Entrepreneur” program	3 856	3 655	2 603
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	203	386	192
	Women included in the “Women’s Register”	123,3	193,3	111,8
	<i>Total employment created (thousand persons)</i>	180 245	170 307	132 513
2023 year.	Within the framework of the “Every Family is an Entrepreneur” program	3 606	3 785	2 890
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	236,3	397,1	201,1
	Women included in the “Women’s Register”	153,2	163,5	148,8
	<i>Total employment created (thousand persons)</i>	197 749	205 404	158 645
2024 year.	Within the framework of the “Every Family is an Entrepreneur” program	2 590	3 890	2 800
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	200	305	188
	Women included in the “Women’s Register”	1 186	2 103	943,4
	<i>Total employment created (thousand persons)</i>	228 261	260 208	170 400
2025 year.	Within the framework of the “Every Family is an Entrepreneur” program	2 232	2 488	1 810
	Fund for Supporting Farmers, Dehkan Farms, and Household Plot Owners	101,7	808,9	150,3
	Women included in the “Women’s Register”	476,7	807,8	403,8
	<i>Total employment created (thousand persons)</i>	162 842	185 900	140 313

In Table 2 above, the volume of loans allocated by the main implementing banks of family entrepreneurship development programs—namely Xalq Bank, Agrobank, and Microcreditbank—was analyzed. In contrast, Biznesni Rivojlantirish Banki (Business Development Bank) and Asia Alliance Bank were not included in the analysis, as they specialize in financing projects aimed at ensuring the continuity of small business operations, rather than directly participating in the above-mentioned programs.[15]

According to the analysis results of Table 2.3, the social effectiveness of family entrepreneurship lending in the operations of Xalq Bank has significantly increased. In particular, the total number of jobs created increased from 45,450 in 2018 to 228,261 in 2024, representing a five-fold increase. This indicates the growing role of bank-financed family

entrepreneurship projects in ensuring employment and generating new sources of income for the population. However, in 2025, the number of jobs created declined to 162,842, which is a decrease of 28.7% compared to 2024. Methodologically, this situation cannot be explained solely by changes in lending volumes. It indicates the need for a deeper assessment of project sustainability, post-credit monitoring, regional market conditions, and the economic efficiency of newly implemented projects.

The analysis results for Agrobank show that the specific feature of family entrepreneurship lending is its direct linkage with involving farmers, dehkan farms, and household plot owners in economic activity. In particular, the total number of jobs created increased from 38,305 in 2018 to 206,208 in 2024, representing approximately a 6.8-fold increase. This result demonstrates the important role of Agrobank's lending mechanisms in supporting the economic activity of rural populations, farmers, dehkan households, and household plot owners. At the same time, the decline to 185,900 jobs in 2025 indicates the need to strengthen the sustainability of family entrepreneurship projects and improve post-credit monitoring services.

The analysis of Microcreditbank shows that the main outcome of family entrepreneurship financing is the transformation of small-scale business initiatives into economic activities and the expansion of access to entrepreneurship for the population. In particular, the total number of jobs created increased from 24,202 in 2018 to 170,400 in 2024, representing an almost seven-fold increase. This is the highest relative growth rate among the three banks. However, in 2025, the number decreased to 140,313, or by 17.6% compared to 2024. This indicates that short-term decline does not imply a loss of overall effectiveness, but rather highlights the importance of ensuring the sustainability and continuity of financed projects.

Based on the above analysis, it can be concluded that in Xalq Bank, credit allocation has contributed not only to self-employment but also to the formation of new business entities and income sources. Its social impact has been manifested through increased employment and expanded economic participation of women and socially vulnerable groups.

In Agrobank, the economic impact has been expressed through the expansion of income sources based on agriculture and household farming, while the social impact has been reflected in employment creation in rural areas and increased household incomes.

In Microcreditbank, the economic impact is manifested through the transformation of small-scale initiatives into active economic entities, while the social impact is reflected in expanded access of the population to entrepreneurship.

In this regard, within the framework of the family entrepreneurship development program, the dynamics of loans allocated during 2018–2025 by state-owned commercial banks in regional areas, particularly in regional centers, were analyzed to support entrepreneurial initiatives of the population.

The analysis shows that the development of family entrepreneurship remains one of the priority directions of state economic policy. It also indicates the necessity of further improving the efficiency of credit resources, strengthening their targeted allocation, and enhancing performance evaluation mechanisms in the future.

4. Conclusion and Recommendations

The results of reforms aimed at developing the system of lending to household entrepreneurial activities in Uzbekistan indicate that significant institutional and practical changes have been implemented in recent years. In particular, the expansion of state preferential lending programs, the increased accessibility of credit resources, and the introduction of digital services in the banking system have substantially strengthened the financial inclusion of business entities.

The analysis results show that the “Every Family is an Entrepreneur” program, along with mechanisms aimed at regional employment and poverty reduction, serves as an important factor in increasing the entrepreneurial activity of the population. Loans allocated within these programs have had a positive impact on job creation, the expansion of self-employment, and the formation of small business entities across regions.

At the same time, the conducted analysis reveals that the efficiency of credit resources is not yet fully optimal, and there are existing challenges related to the effective use of loans and project sustainability in certain regions. This indicates the need to strengthen post-credit monitoring systems, improve risk management mechanisms, and enhance the targeted allocation of financial resources.

Overall, the system of lending to household entrepreneurship is increasingly becoming one of the priority directions of Uzbekistan’s economic policy. In the future, improving the effectiveness of this system will require further liberalization of lending mechanisms, expansion of digitalization processes, and ensuring greater transparency in the use of financial resources.

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