

Article

State Support for Small Business and Entrepreneurship: Economic Mechanisms and Policy Directions

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Abstract: Small business and entrepreneurship play a significant role in ensuring sustainable economic growth, employment generation, and economic diversification in modern economies. In many developing countries, including Uzbekistan, the development of small enterprises largely depends on effective government support and institutional reforms. This study examines the role of state support mechanisms in the development of small business and entrepreneurship. The research analyzes key indicators such as the contribution of small enterprises to GDP, employment levels in the SME sector, and the growth in the number of registered small businesses. The study is based on statistical data from national and international sources and applies comparative and descriptive analysis methods to evaluate the effectiveness of government policies. The results indicate that financial support programs, institutional reforms, and improved access to credit have significantly contributed to the growth of small businesses in Uzbekistan. Furthermore, the expansion of digital government services and the simplification of administrative procedures have improved the entrepreneurial environment. The findings suggest that comprehensive government support mechanisms are essential for strengthening the competitiveness, sustainability, and economic contribution of small enterprises.

Keywords: small business, entrepreneurship, government support, SME development, economic policy, entrepreneurship support mechanisms, Uzbekistan economy



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Introduction

Small business and entrepreneurship play a crucial role in ensuring sustainable economic growth, employment generation, and economic diversification in modern economies. In both developed and developing countries, small and medium-sized enterprises (SMEs) represent a significant share of the national economy and serve as an important driver of innovation and competitiveness. According to international economic studies, SMEs account for more than 90 percent of all businesses worldwide and provide more than half of total employment [1].

In recent decades, many governments have recognized the importance of supporting entrepreneurial activity in order to stimulate economic development and reduce unemployment. State support mechanisms, including financial assistance, institutional reforms, and regulatory improvements, are considered essential tools for creating a favorable environment for business development.

In Uzbekistan, the development of small business and private entrepreneurship has become

one of the strategic priorities of national economic policy. Since gaining independence, the government has implemented numerous reforms aimed at improving the business climate, simplifying business registration procedures, and expanding financial support programs for entrepreneurs [2], [3]. These reforms are intended to increase the contribution of small businesses to the national economy and strengthen their competitiveness in domestic and international markets.

Despite these efforts, small businesses still encounter several challenges such as limited access to financial resources, insufficient technological capacity, and institutional barriers. Therefore, analyzing the effectiveness of government support mechanisms is important for understanding how these policies influence entrepreneurial development [4].

The purpose of this study is to examine the role of state support in the development of small business and entrepreneurship and to evaluate its impact on economic indicators such as business growth, employment generation, and the expansion of entrepreneurial activity.

Methodology

This study employs a mixed analytical approach that combines theoretical analysis with empirical statistical evaluation to investigate the impact of government support on the development of small businesses and entrepreneurship.

The research is based primarily on secondary data obtained from official statistical reports, international economic organizations, and national policy documents related to small business development. Data sources include publications from the State Statistics Committee of the Republic of Uzbekistan, reports from the World Bank, OECD, and UNCTAD, as well as government programs aimed at supporting entrepreneurship.

To evaluate the role of state support mechanisms, several key indicators were analyzed, including the contribution of small businesses to gross domestic product (GDP), employment levels within the SME sector, and the number of registered small enterprises. These indicators provide insight into the growth dynamics of entrepreneurship and the effectiveness of government policies.

Comparative analysis was used to examine the changes in these indicators over time and to identify the relationship between government support measures and entrepreneurial development. In addition, descriptive statistical methods were applied to interpret the collected data and to identify key trends in small business growth.

This methodological approach allows for a comprehensive assessment of the economic mechanisms through which government support influences entrepreneurial activity and contributes to the development of small businesses.

Results

1. The Impact of Government Support on Small Business Development

The analysis of government policies and statistical indicators demonstrates that state support plays a decisive role in the development of small businesses and entrepreneurship. In many emerging economies, government intervention is essential for reducing financial barriers, improving institutional conditions, and stimulating entrepreneurial activity. In Uzbekistan, small businesses constitute a significant part of the national economy. According to national statistical data, small enterprises contribute more than half of the country's GDP and employ a large share of the working population [5], [6]. Over the last decade, the government has implemented a number of reforms aimed at strengthening the entrepreneurial environment, including tax reductions, simplified registration procedures, preferential credit programs, and the expansion of digital services for businesses.

To evaluate the impact of government support on entrepreneurial development, several key indicators were analyzed, including the share of small businesses in GDP, employment levels in the

SME sector, and access to financial resources.

Table 1. Key Indicators of Small Business Development under Government Support¹.

Indicator	2018	2020	2023
Share of SMEs in GDP (%)	52.3	55.7	58.1
Employment in SMEs (%)	68.2	71.5	74.3
Number of registered small enterprises (thousand)	230	275	340

The data presented in Table 1 indicate a steady growth in the contribution of small businesses to the national economy. Between 2018 and 2023, the share of SMEs in GDP increased from 52.3% to 58.1%. Similarly, employment in the SME sector rose from 68.2% to 74.3%. This positive trend suggests that government support measures have significantly contributed to the expansion of entrepreneurial activity.

Furthermore, the number of registered small enterprises increased considerably during the observed period. This growth can be attributed to simplified business registration procedures, improved access to financial resources, and the introduction of digital government services.

2. Financial Support and Access to Credit

Access to financial resources is one of the most important factors influencing small business growth. Many small enterprises face difficulties in obtaining loans due to limited collateral, high interest rates, and strict lending requirements. To address these challenges, the government of Uzbekistan has implemented several financial support programs, including preferential loans, state guarantees, and entrepreneurship support funds [7], [8]. These programs are designed to improve access to capital and encourage business expansion. Empirical analysis shows that entrepreneurs who receive financial support from government programs demonstrate higher business growth rates and stronger market performance compared to those without such support.

Discussion

The results of the study highlight the critical role of government support in strengthening small business development and entrepreneurial activity. The observed growth in the number of small enterprises, their contribution to GDP, and employment levels confirms the effectiveness of state policies aimed at supporting entrepreneurship. Government financial programs significantly reduce the financial constraints faced by small businesses [9]. Access to preferential loans and state guarantees allows entrepreneurs to invest in new technologies, expand production capacity, and improve service quality. As a result, supported enterprises demonstrate higher productivity and stronger market competitiveness.

In addition to financial assistance, institutional reforms play a crucial role in improving the business environment. Simplification of administrative procedures, reduction of regulatory barriers, and expansion of digital public services contribute to a more favorable entrepreneurial ecosystem. These reforms reduce transaction costs and increase the efficiency of business operations [10]. The findings of this study are consistent with international research emphasizing the importance of institutional quality and government intervention in entrepreneurial development. Studies conducted by the World Bank and OECD indicate that countries with strong government support mechanisms tend to experience higher levels of entrepreneurial activity and economic growth [11].

However, despite the positive outcomes, several challenges remain. Small businesses in some

¹ State Statistics Committee of the Republic of Uzbekistan (2023)

regions still face limited access to financial services and insufficient technological capacity. Therefore, further policy improvements are necessary to ensure equal access to support programs and to promote digital transformation among small enterprises [12]. Overall, the results demonstrate that government support mechanisms are essential for promoting sustainable entrepreneurship and strengthening the role of small businesses in economic development.

Conclusion

The development of small business and entrepreneurship is one of the most important factors for achieving sustainable economic growth, increasing employment opportunities, and strengthening economic stability. The findings of this study demonstrate that effective government support plays a significant role in promoting entrepreneurial activity and enhancing the overall performance of small enterprises. The analysis shows that state support mechanisms, including financial assistance, preferential credit programs, institutional reforms, and digital government services, have contributed to the steady growth of small businesses in Uzbekistan. The increase in the share of SMEs in GDP, the rise in employment within the sector, and the growing number of registered enterprises indicate the positive impact of government policies on entrepreneurial development.

Furthermore, access to financial resources remains a critical factor influencing the expansion and sustainability of small businesses. Government programs that provide preferential loans and financial guarantees enable entrepreneurs to invest in new technologies, improve productivity, and expand their market presence. At the same time, institutional improvements such as simplified administrative procedures, reduced regulatory barriers, and the expansion of digital public services create a more favorable environment for business operations. These reforms reduce transaction costs and enhance the efficiency and competitiveness of small enterprises.

However, despite the progress achieved, certain challenges remain, particularly in terms of equal access to financial resources and technological opportunities across different regions. Therefore, further policy measures are necessary to strengthen institutional frameworks, expand digital infrastructure, and promote innovation within the SME sector. Overall, the study confirms that a comprehensive and well-coordinated system of government support is essential for fostering sustainable entrepreneurial development and strengthening the role of small businesses in the national economy.

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