

INSTITUTIONAL IMPROVEMENT OF ENTREPRENEURSHIP FOR ENHANCING LIVING STANDARDS

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Abstract. This article explores the institutional improvement of entrepreneurship and its crucial role in enhancing the living standards of the population in Uzbekistan. Using statistical data, comparative policy analysis, and theoretical review, the study highlights the dynamics of entrepreneurial growth, institutional reforms, and their socio-economic implications. The results reveal a positive correlation between entrepreneurship development, income growth, and poverty reduction. The paper concludes with policy recommendations aimed at further strengthening institutional capacity and promoting sustainable, inclusive entrepreneurship.

Keywords: entrepreneurship, institutional reform, living standards, socio-economic development, small business, innovation, Uzbekistan.

Introduction

Entrepreneurship is a cornerstone of sustainable economic growth and an effective mechanism for improving the welfare of the population. In developing countries such as Uzbekistan, entrepreneurship not only stimulates production and innovation but also contributes to job creation, poverty reduction, and income equality. Over the past decade, Uzbekistan has undergone major institutional reforms designed to support private sector expansion, improve the business environment, and strengthen property rights. The “New Uzbekistan Development Strategy (2022–2026)” prioritizes institutional modernization, focusing on digital transformation, administrative simplification, and financial inclusivity.

Literature Review

The theoretical foundations of entrepreneurship and institutional development are rooted in the works of Schumpeter (1934), who emphasized innovation as the driving force of economic progress, and North (1990), who

defined institutions as “the rules of the game” shaping human interaction. According to North, strong institutions lower transaction costs, increase efficiency, and enhance productivity — all essential for sustainable entrepreneurship. In the context of Uzbekistan, recent works by Turayeva (2024) and Yusufaliyev (2025) highlight how institutional transformation—especially digitalization and regulatory simplification—has improved SME performance, yet regional disparities and financial constraints persist. Thus, institutional reform is not merely an administrative process but a strategic mechanism for inclusive and sustained development.

Results and Discussion

Since 2017, Uzbekistan has implemented comprehensive institutional reforms aimed at fostering entrepreneurship and creating a favorable business climate. These reforms have included the simplification of business registration and licensing procedures, the establishment of the Entrepreneurship Support Fund, the promotion of women’s and youth entrepreneurship through microloan programs, the expansion of e-government services to support small and medium enterprises (SMEs), and the introduction of tax incentives to encourage innovation-driven start-ups. Collectively, these measures have strengthened the competitiveness of the private sector, increased employment opportunities, and contributed to higher income levels, thereby improving the overall social welfare of the population.

Table 1.

Dynamics of Entrepreneurship and Living Standards in Uzbekistan (2017–2024)

Indicators	2017	2019	2021	2023	2024	Change (%)
Share of small business in GDP (%)	47.0	51.5	54.2	56.9	57.6	+22.5
Employment in private entrepreneurship (%)	30.2	34.7	38.1	40.5	42.3	+40.0
Average income per capita (UZS thousand)	1,200	1,750	2,420	3,280	3,750	+212.5
Number of registered	250	310	395	470	520	+108.0

SMEs (thousand)						
Poverty rate (%)	12.8	11.2	9.7	8.5	7.9	–38.3

Source: State Statistics Committee of Uzbekistan, 2025; Ministry of Economy and Finance.

The data presented in Table 1 clearly demonstrate that entrepreneurship development has become one of the most powerful engines of social and economic progress in Uzbekistan. Over the period from 2017 to 2024, the country has witnessed a remarkable transformation in its business environment, supported by institutional reforms, improved access to finance, and targeted state programs promoting private initiative. These changes have not only stimulated economic activity but have also had a direct and measurable impact on people's living standards. Between 2017 and 2024, the share of small business in Uzbekistan's GDP increased by 22.5%, signifying a structural shift in the economy from state-dominated sectors to a more diversified and market-oriented system. This growth reflects the growing capacity of private enterprises to contribute to national income and demonstrates the government's success in creating conditions conducive to entrepreneurship. Small and medium-sized enterprises (SMEs) have become key drivers of value creation, innovation, and employment, helping to build a more resilient and inclusive economy.

Employment in the private sector rose by nearly 40% during this period, indicating that entrepreneurship has become a crucial source of job creation. This increase encompasses both formal employment within registered enterprises and the expansion of self-employment opportunities, especially among youth and women. As new businesses have emerged across regions, they have generated sustainable livelihoods and reduced dependence on public-sector jobs. Consequently, the private sector now plays a central role in absorbing labor, reducing unemployment, and stabilizing household incomes. Another significant indicator of social improvement is the tripling of average household income between 2017 and 2024. Rising entrepreneurial activity has increased wages, expanded production capacities, and encouraged investment in local economies. The growth in household income reflects not only higher employment rates but

also the spillover effects of business development—such as increased demand for goods and services, better access to markets, and higher productivity levels. These factors collectively enhance purchasing power, leading to improved consumption, better housing, and access to quality education and healthcare services.

Analysis of Results

The empirical data presented in Table 1 clearly demonstrate that the institutional modernization of entrepreneurship in Uzbekistan has become a decisive factor in improving living standards. Over the 2017–2024 period, key indicators such as GDP share, employment rates, household income, and poverty reduction have shown stable and positive dynamics. This confirms that entrepreneurship development is not only an economic phenomenon but also a powerful social transformation tool. One of the most important findings is the strong correlation between the expansion of small businesses and poverty reduction ($r = -0.79$). This relationship indicates that as entrepreneurship grows, more employment opportunities emerge, especially in rural areas, thereby enhancing household income and decreasing social vulnerability.

Table 2.

Institutional Challenges and Strategic Priorities for Entrepreneurship Development in Uzbekistan

Institutional Challenges	Future Priorities and Policy Directions
Limited access to venture capital and innovation funding	Expand public-private partnership (PPP) mechanisms to attract private investors and stimulate innovation-driven projects
Uneven enforcement of property and contract laws	Strengthen legal institutions and ensure transparent enforcement of business rights and obligations
Low participation of rural women in entrepreneurship	Develop gender-inclusive programs, provide training, and expand microcredit access for women entrepreneurs
Insufficient digital literacy and e-governance adoption outside major cities	Establish regional innovation hubs and promote nationwide digital skills programs to accelerate digital inclusion

—	Integrate green entrepreneurship and sustainability principles into national development strategies
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The data presented in **Table 2** highlight that, despite significant institutional progress in entrepreneurship development, Uzbekistan continues to face several systemic challenges that constrain the sector's full potential. The most pressing among them are limited access to venture capital, uneven enforcement of property and contract laws, and low participation of rural women in business activities. These issues indicate that while structural reforms have improved the business climate, certain institutional bottlenecks persist—particularly in financing innovation and ensuring equal opportunities across regions.

Conclusion

The conducted research confirms that entrepreneurship plays a decisive role in enhancing the living standards of the population and ensuring sustainable economic growth in Uzbekistan. Over the past several years, consistent institutional reforms—aimed at improving the business environment, supporting private initiative, and expanding access to finance—have transformed entrepreneurship into a key driver of socio-economic progress. The data clearly demonstrate that the expansion of small business activities correlates with rising household incomes, declining poverty, and increasing employment opportunities, especially in rural areas.

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