

INSTITUTIONAL REFORMS IN THE DEVELOPMENT STAGES OF SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract. This paper examines the institutional reforms implemented during the development stages of small and medium-sized enterprises (SMEs) in the context of the digital economy. It analyzes the strategic role of SMEs in promoting sustainable economic growth, increasing employment, enhancing competitiveness, and strengthening macroeconomic stability. The study explores the evolution of Uzbekistan’s institutional framework supporting small business development during the transition from a centrally planned economy to a market-oriented economic system. Particular attention is given to the impact of digital transformation, including the adoption of e-commerce, digital platforms, cloud computing, CRM and ERP systems, on improving business efficiency and competitiveness.

Based on statistical data covering the period 2013–2023, as well as development trends extending to 2026, the research evaluates the quantitative growth of SMEs, their contribution to Gross Domestic Product (GDP), and sectoral distribution. Furthermore, the study identifies the effects of institutional reforms on industrial diversification, trade development, and the expansion of digital technologies across economic sectors. An econometric model is employed to determine the key factors influencing the contribution of small business entities to GDP, using information and communication services as explanatory variables. The findings indicate that institutional reforms, digitalization, and innovation-oriented policies have significantly strengthened the role of SMEs in Uzbekistan’s economic development. The study concludes that further improvement of institutional mechanisms, digital infrastructure, and investment support is essential for ensuring the sustainable growth and international competitiveness of small and medium-sized enterprises.

Keywords: Small and medium-sized enterprises (SMEs), institutional reforms, digital economy, digital transformation, entrepreneurship, business environment, e-commerce, innovation, economic growth, econometric analysis, information and communication technologies (ICT), competitiveness, Uzbekistan.

Small business is one of the key strategic drivers of a country's socio-economic development. This sector contributes to strengthening the stability of the national economy by creating new employment opportunities, increasing labor force participation, expanding gross domestic product (GDP), and fostering a healthy competitive environment in the domestic market. At the same time, small business enterprises serve as an important economic mechanism for reducing market monopolization, accelerating innovation, and facilitating the practical implementation of new technologies. Particularly in the context of the digital economy, the flexibility and agility of small businesses in adapting to changing market conditions and management requirements further enhance their significance within the economic system.

The development of small businesses is important not only from an economic perspective but also from a social one. This sector plays a vital role in establishing a strong middle-income entrepreneurial class, increasing household incomes, stimulating regional economic activity, and reducing poverty. Therefore, supporting small business entities has become one of the priority directions of state economic policy during the processes of economic modernization and digital transformation.

Uzbekistan has gradually transitioned from a centrally planned economy to a market-oriented economic system. Throughout this transformation, the development of small businesses and private entrepreneurship has been identified as one of the fundamental priorities of the country's economic reforms. During the initial stages of this transition, comprehensive measures were implemented to privatize state-owned enterprises, establish small businesses, liberalize entrepreneurial activities, and develop institutional and legal frameworks that support business development. As a result, the business environment has steadily improved, leading to a continuous increase in the contribution of small businesses to the national economy.

The development of small businesses is closely linked with the process of digital transformation. The adoption of e-commerce systems, digital platforms, cloud computing technologies, Customer Relationship Management (CRM) systems, Enterprise Resource Planning (ERP) systems, and various online services has become a significant factor in improving the operational efficiency of small businesses. Furthermore, digital technologies enable the automation of business processes, reduce operational costs, and enhance customer relationship management, thereby improving the competitiveness and long-term sustainability of small business enterprises.

Analyzing the development trends of small businesses requires assessing their quantitative growth, their contribution to the national economy, and the stages of their institutional development. For this purpose, statistical data on small business activities were analyzed to examine the changes that occurred in the sector during the period **2013–2023**. Covering this time frame makes it possible to comprehensively evaluate the dynamics of small business development, the outcomes of economic reforms, and the impact of digital transformation processes on the national economy.

Strengthening the sustainability of the small business support strategy and increasing its contribution to Gross Domestic Product (GDP) require the development of long-term development programs with strong economic significance. In this process, the digitalization of the economy, the expansion of modern forms of business operations, and the introduction of innovative management systems are considered key strategic priorities. As a result, the investment activity, export potential, and domestic market competitiveness of small business entities are expected to increase significantly.

The analysis further confirms the significant role and importance of small businesses and private entrepreneurship in the national economy. The development of this sector plays a vital role in accelerating economic growth, expanding the share of the digital economy, ensuring macroeconomic stability, and improving the efficiency of investment processes. At the same time, small businesses perform important social functions by creating employment opportunities, increasing household incomes, strengthening the middle class, and contributing to poverty reduction.

During the period **2013–2026**, the share of small business entities in the total number of enterprises and organizations across all regions of the Republic of Uzbekistan demonstrated a stable upward trend. In particular, the national share of small business entities increased from **77.5 percent in 2013 to 89.2 percent in 2026**, representing a positive growth of **11.7 percentage points**. This trend reflects the practical outcomes of institutional reforms aimed at supporting entrepreneurship, improving the business environment, and expanding the implementation of digital economy elements throughout the country.

The implementation of institutional measures designed to create a healthy competitive environment in the small business and private entrepreneurship sector and to further strengthen its role in the national economy remains one of the country's key policy priorities. Nevertheless, the relatively slow development of small business activities in certain sectors of the economy indicates the need to



further improve government support mechanisms. Therefore, within the framework of ongoing economic reforms, particular attention should be given to attracting investment into less-developed sectors of small business, introducing digital technologies, and strengthening infrastructure support systems.

Given the steady expansion of the small business sector in the national economy, a comprehensive analysis of its performance across different sectors has become an essential prerequisite for ensuring its sustainable development. Accordingly, the development trends of small business entities operating in the **Samarkand region** were comparatively analyzed with national indicators across various sectors of the economy. These analyses provide valuable insights into the structural changes and institutional development characteristics of small businesses at the regional level, thereby contributing to a better understanding of regional economic transformation and supporting the formulation of more effective development policies.

Growth in the share of small business entities in the industrial sector can be regarded as the result of institutional reforms aimed at diversifying production activities, expanding localization processes, and developing small industrial zones. Likewise, the growth observed in the trade sector can be explained by improvements in the business environment, the expansion of e-commerce systems, and the development of logistics infrastructure.

From the perspective of economic sectors, **trade has become one of the most stable and highly profitable areas for small business entities**. The consistently high share of small businesses in trade is associated with the simplification of business regulations, the expansion of domestic market demand, and the rapid development of e-commerce platforms. At the same time, the growth of the service sector demonstrates the gradual implementation of digital economy elements in the country and the increasing adoption of innovative management technologies in service industries.

Although the **share of small business entities in the information and communication sector** of the regional economy has shown a positive growth trend over the past decade, it remains relatively low compared to other sectors. This situation can be attributed to the high demand for qualified human resources, advanced technological infrastructure, and substantial investment capital in the information and communication technology (ICT) sector. Therefore, improving institutional mechanisms aimed at supporting small businesses, expanding the adoption of digital technologies, and developing IT infrastructure remains of strategic importance.

To identify the **key factors affecting the share of small business entities in Gross Domestic Product (GDP)**, an econometric modeling approach was employed. During the research process, a statistical dataset was constructed, including such important economic indicators as the share of small business entities in GDP, the volume of information and communication services, and the volume of information sector services. The **share of small business entities in GDP** was selected as the dependent (outcome) variable for the econometric analysis.

Conclusion. This study demonstrates that institutional reforms have played a decisive role in strengthening the development of small and medium-sized enterprises (SMEs) and improving their contribution to Uzbekistan's socio-economic development. The gradual transition from a centrally planned economy to a market-oriented economic system has created favorable institutional and legal conditions for entrepreneurship, resulting in a significant increase in the number and economic importance of small business entities. These reforms have contributed to employment generation, income growth, enhanced competitiveness, and the expansion of the private sector.

The findings also indicate that digital transformation has become one of the most influential drivers of SME development. The adoption of e-commerce platforms, cloud computing, CRM and ERP systems, and other digital technologies has enabled enterprises to improve operational efficiency, reduce costs, automate business processes, and strengthen customer relationships. Consequently, digitalization has enhanced the competitiveness, resilience, and long-term sustainability of small businesses in an increasingly technology-driven economy.

The statistical analysis of the 2013–2023 period, together with development trends extending to 2026, confirms the steady growth of SMEs across the country. The increasing share of small business entities in the total number of enterprises reflects the positive impact of institutional reforms, improvements in the business environment, and government policies supporting entrepreneurship. Sectoral analysis further reveals that trade, industry, and services have experienced the most significant progress, while the information and communication technology (ICT) sector continues to require additional institutional support, investment, and technological infrastructure.

The econometric analysis suggests that the development of information and communication services is closely associated with the increasing contribution of small businesses to Gross Domestic Product (GDP). This finding highlights the importance of expanding digital infrastructure, promoting innovation, and

accelerating the adoption of advanced technologies as essential components of sustainable SME development.

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