



Article

Opportunities for Small Business Development in Mahallas (Neighborhoods) of Uzbekistan

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Abstract: The article examines the development of small business in mahallas (neighborhoods) of Uzbekistan and the factors influencing it. A comparative analysis of scientific approaches to the socio-economic essence and significance of the concept of entrepreneurship is conducted. The dynamics of small business development in the republic and its place in the national economy, the distribution of small businesses by regions and sectors are analyzed. The need for small business development in neighborhoods (in Uzbek - mahalla), which are considered important institutional structures in Uzbekistan, and its importance for ensuring employment and improving the well-being of the population are studied. The organizational, economic, regulatory, and legal foundations of the "mahallabai" work system are revealed. The main factors influencing the development of this "mahallabai" work system are studied, and recommendations for its improvement are developed.

Keywords: Entrepreneurship, Small Business, Entrepreneurial Activity, Income, Profit, Employment, Welfare, Mahalla (Neighborhood), "Mahallabai Work System", Assistant Khokim, Mahalla Specialization, Growth Points and Driving Forces of Mahallas, Small Industrial Enterprises, Services, Tourism, Handicraft, Family Business, Microprojects, Financial Resources, Subsidies, Credit

Citation: Satovich, Y. M., Akram kizi, A. S. Opportunities for Small Business Development in Mahallas (Neighborhoods) of Uzbekistan. American Journal of Social and Humanitarian Research 2026, 7(7), 36-48.

Received: 23rd Apr 2025

Revised: 28th May 2026

Accepted: 20th Jun 2026

Published: 13th Jul 2026



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1. Introduction

Development trends in Uzbekistan demonstrate the growing importance of private entrepreneurship and small business in the country's economic development. As President of the Republic of Uzbekistan Shavkat Mirziyoyev noted at a meeting with representatives of small and medium-sized businesses on March 19, 2025: "In our country, this sector has become the area providing the greatest impetus for increasing employment, investment, innovation, competition, added value, and exports. Over the past five years, the number of small and medium entrepreneurs has doubled. 10.5 million people - 74 percent of the total employed population - earn a living in this sector. More than half of the economy and a third of industry and exports are accounted for by representatives of this sector" [1].

According to the National Statistical Committee of the Republic of Uzbekistan, the share of small business in the gross domestic product (GDP) of the country by the end of 2025 amounted to 52.2%; in agriculture, forestry and fisheries - 91.9%; in total trade turnover - 83.0%; in construction - 73.6%; in the service sector - 56.7%; in industry - 34.9%;

in capital investments - 61.4%; in employment - 74.0% (2024); in exports - 36.6% and in imports - 53.6% [2].

The Strategy "Uzbekistan-2030", approved by the Decree of the President of the Republic of Uzbekistan No. PF-21 dated February 16, 2026 "On additional measures for the consistent continuation and advancement to a new stage of reforms within the framework of priority areas of the country's development until 2030", provides for the implementation of such important tasks as: creating conditions for organizing entrepreneurial activity and forming permanent sources of income; increasing the share of the private sector in the gross domestic product to 60 percent; increasing the share of small and medium-sized enterprises operating for three years or more to 60 percent [3].

The role and significance of the mahalla (a local territorial-administrative unit in Uzbekistan, a citizen's self-governing body) in the development of private entrepreneurship and small business in the country is growing. In his Address to the Oliy Majlis and the People of Uzbekistan on December 26, 2025, President of the Republic of Uzbekistan Sh.M. Mirziyoyev emphasized that "The role and influence of the mahalla system in achieving this great goal are invaluable. When there is peace and harmony in the mahalla, our society will be peaceful and united. If the mahalla develops, the entire country will prosper" [2]. The President's declaration of 2026 as the "Year of Mahalla Development and Community Prosperity" further enhances the significance of the mahalla in the country.

Entrepreneurship development based on the "mahallabai work system" remains important. This system includes: identifying and implementing drivers of economic potential and development in each mahalla; developing and implementing programs for the socio-economic development of the mahalla; identifying and developing measures to address issues that hinder entrepreneurial activity in populated areas. This article examines the improvement of organizational and economic mechanisms for entrepreneurship development in the mahallas based on the "mahallabai work system".

Literature Review

Several foreign and domestic economists have conducted theoretical studies of the socio-economic essence and characteristics of entrepreneurship. In particular, these include R. Cantelon, J. Schumpeter, P. Khizrech, N. Filimonova, N. Morgunova, E. Lovkova, V. Burova, H. Abulkosimov, D. Kosimova, M. Eshov, U. Gafurov, I. Kamoliddinov and others [4]-[12].

However, the theoretical and methodological foundations for the development of private entrepreneurship and small business within the framework of the "mahallabai work system", where the mahalla acts as a form of territorial public self-government of citizens and the local community uniting the residents of a single neighborhood, village, or town, have not been sufficiently studied, and scientific research in this area has only recently begun.

As T. Akhmedov notes, "the mahalla represents a unique model of local self-government that combines traditional community principles with modern approaches to governance. Its activities include mobilizing the population to participate in reforms, developing entrepreneurship, creating jobs, and providing social support" [13].

According to B. Gafurov, "the main goal of the system of work at the mahallabai level is the reduction of poverty among the population and the broad involvement of underutilized resources in the regions in the production" [14].

A. Akhmedov asserts that "local entrepreneurship is one of the most important factors in the sustainable development of the country's economy. In particular, small businesses and private entrepreneurship play an important role in increasing the competitiveness of the economy, creating new jobs, and increasing the population's income" [15].

According to U. Gafurov's research, "the development of entrepreneurship and crafts in mahallas has not only economic but also social significance, promoting self-employment, reducing poverty, and ensuring social stability. However, it is necessary to study the scientifically based development of this system and conduct a comprehensive analysis of the relationships between local infrastructure, financial resources, and human capital" [16].

2. Materials and Method

The theoretical and methodological basis of the study is based on scientific works of foreign and domestic scholars who conducted researches on the socioeconomic nature of entrepreneurship and the role of the mahalla in its development. The study utilized methods such as abstract analytical observation, normative positive analysis, analysis and synthesis, comparative and factor analysis, and statistical research methods.

In preparing the article, the regulatory legal acts in force in the Republic of Uzbekistan, data from the National Statistical Committee of the Republic of Uzbekistan, analytical data from research institutions and other sources were used.

3. Results and Discussion

As a result of consistent reforms carried out in the area of development of private entrepreneurship and small business, the share of small business in the country's gross domestic product (GDP) and the volume of output created by economic sectors remains significant (Table 1).

Table 1. The share of small business in the economy of the Republic of Uzbekistan, in % of the total amount [2].

Indicators	2020	2021	2022	2023	2024	2024 to 2020, in p. p.
Gross domestic product (GDP)	57.5	56.9	54.6	54.3	54.3	– 3.2
Industry	27.9	27.4	26.0	27.0	32.4	+ 4.5
Construction	72.5	72.5	71.5	78.6	76.5	+ 4.0
Investments in fixed assets	46.0	45.6	47.9	49.6	51.8	+ 5.8
Export	20.5	20.0	31.2	27.9	33.3	+ 12.8
Import	51.7	45.2	49.4	50.5	48.6	– 4.9
Trade	82.3	86.2	84.7	82.9	84.0	+ 1.7
Agriculture, forestry and fishing	96.7	96.0	94.8	94.6	95.2	– 1.5
Services	51.8	51.7	49.4	56.8	57.0	+ 5.2
Cargo transportation	51.6	42.9	47.4	50.3	50.4	– 1.2
Passenger transportation	93.5	92.7	92.4	91.5	90.6	– 2.9

Between 2020 and 2024, the share of small businesses in the country's gross domestic product (GDP) decreased from 57.5 to 54.3%, or 3.2 percentage points. However, over this period, there was an increase in the share of small businesses in industrial output from 27.9 to 32.4%, or 4.5 percentage points; in construction, from 72.5 to 76.5%, or 4.0 percentage points; in fixed capital investment, from 46.0 to 51.8%, or 5.8 percentage points; in exports, from 20.5 to 33.3%, or 12.8 percentage points; and in the service sector, from 51.8 to 57.0%, or 5.2 percentage points.

The share of small businesses decreased in imports from 51.7 to 48.6%, or 4.9 percentage points, in agriculture, forestry and fisheries from 96.7 to 95.2%, or 1.5 percentage points, in freight transportation from 51.6 to 50.4%, or 1.2 percentage points, and in passenger transportation from 93.5 to 90.6%, or 2.9 percentage points (Table 1).

Considering that the Development Strategy of the Republic until 2030 “Uzbekistan-2030” sets the goal of increasing the share of small businesses in the gross domestic product (GDP) to 60%, the country faces many challenges in this area.

Dynamics of changes in the number of small business entities in the Republic of Uzbekistan as of January 1, 2021 -2026 is presented in Table 2 below.

Table 2. Dynamics of change in quantity of small business entities in the Republic of Uzbekistan. (as of January 1) (in thousands of units)
[compiled by the authors based on 17; 18; 19; 20; 21]

Indicators	2021	2022	2023	2024	2025	2026	2026 to 2021, in %
Registered small business entities	437.0	488.9	556.0	614.9	651.8	595.7	136.3
Operating small business entities	411.2	462.8	523.6	417.1	358.1	403.8	98.2
Inactive small business entities	25.8	26.1	32.4	197.8	293.7	191.9	7.4 p.
Newly created small business entities	93.2	98.9	90.2	86.0	77.1	82.4	88.4
Liquidated small business entities	9.9	47.0	23.0	30.2	36.4	139.3	14.0 p.
The share of operating small business entities to registered ones, in %	94.1	94.7	94.2	67.8	54.9	67.8	-26.3 p.p.
The share of inactive small businesses to registered ones, in %	5.9	5.3	5.8	32.2	45.1	32.2	+26.3 p.p.
The share of liquidated small business entities to registered ones, in %	1.3	1.1	1.0	5.2	6.9	5.4	+4.1 p.p.

As can be seen from Table 2, during the analyzed period, the number of registered small business entities in the republic increased by 36.3%. However, during this period, there was a decrease in the number of operating small business entities by 1.8 %. Since the growth of registered small business entities outpaces the growth of existing ones, during this period the share of operating small business entities to registered ones decreased from 94.1 to 67.8% or by 26.3 percentage points.

In recent years, there has been an increase in the number and proportion of inactive small businesses in the republic. In particular, during the period under review, their number increased from 25.8 to 191.9 thousand units, or 7.4 times. And the share of inactive small businesses among registered ones increased from 5.9 to 32.2%, or by 26.3 percentage points.

The number of liquidated small businesses increased from 9.9 to 139.3 thousand units, or a 14-fold increase, during this period. This was especially noticeable in 2025 (139.3 thousand units).

In our opinion, the sharp increase in the number of inactive and liquidated small businesses in Uzbekistan in recent years can be explained by the following factors:

- The introduction of mandatory use of electronic invoices, online cash registers and product labeling prevents the concealment of real turnover, forcing those who have not been able to adapt to close;
- Strengthening control over artificial business fragmentation schemes due to the value added tax (vat) transition threshold (in 2024-2025, if a business entity's turnover exceeded the threshold of 1 billion soums, it was obliged to register as a vat payer) and transit operations (cashing out) contributed to the closure of companies that were conducting business in bad faith;

- A radical simplification of the liquidation procedure has led to the closure of thousands of inactive businesses. Beginning in september 2025, the procedure for voluntary closure of businesses without tax audits has been simplified if the annual turnover of the business entity does not exceed 10 billion soums over the past three years and there are no tax arrears. Previously, entrepreneurs would not close inactive companies for years, fearing complex and lengthy tax audits;
- The timeframes and mechanisms for the forced exclusion of inactive legal entities from the state register were optimized, which led to the simultaneous write-off of thousands of “frozen” companies;
- The approved strategy to reduce the shadow economy by half by 2030 and strengthen the fight against it deprives informal businesses of price and other advantages over formal businesses;
- The gradual liberalization of prices for resources (gas, electricity, fuel) for legal entities has led to an increase in the cost of production, forcing unprofitable firms to leave the market;
- Problems in the area of infrastructure provision (difficulties in connecting to gas, electricity and water supply networks; interruptions in the supply of energy resources during adverse weather conditions, etc.) Also complicate the situation for small businesses.;
- High interest rates on commercial loans for business and complex bureaucratic procedures for obtaining them are significant barriers to successful business.

It should be noted that most small businesses prefer to operate in the retail and catering sectors, as it is not so easy to do business in the industrial or other real sectors of the economy. Table 3 presents the number of active small businesses by type of economic activity (sector). The data in the table show that in 2020-2024, the number of operating small business entities in trade increased from 32.0 to 38.1%, while in industry it decreased from 20.1 to 15.3%, in agriculture, forestry and fisheries from 9.9 to 8.5%, in construction from 9.9 to 7.5%.

Table 3. Number of operating small business entities by economic sector
(in % of the total number) [22].

Sectors of the economy	2020	2021	2022	2023	2024	2024 to 2020, in p. p.
Total	100	100	100	100	100	
Trade	32.0	33.8	34.8	37.7	38.1	+ 6.1
Industry	20.1	19.5	18.7	16.4	15.3	– 4.8
Agriculture, forestry and fisheries	9.9	9.9	10.2	8.9	8.5	– 1.4
Construction	9.9	9.4	8.9	8.2	7.5	– 2.4
Accommodation and food services	7.3	7.1	7.0	6.8	7.2	– 0.1
Other industries	20.8	20.3	20.4	22.0	23.4	+ 2.6

In recent years, several obstacles that negatively impacted the development of small businesses in the Republic of Uzbekistan have been eliminated:

- From July 1, 2025 to 2028, a ban was introduced on the adoption of legislative acts imposing new obligations on small businesses;
- Entrepreneurs are exempt from liability in the event of a violation of the law in the field of entrepreneurial activity for the first time in the first year of commencement of work;
- More than 1,600 requirements and restrictions in the field of entrepreneurial activity have been cancelled, including the certification of many product items.

However, it should be noted that there are some problems in this regard. In particular, on August 11, 2023, the Chamber of Commerce and Industry of Uzbekistan (CCI) published on its Telegram page the results of a survey conducted among more than 2,000 entrepreneurs [23]. The survey mainly examined the opinions of entrepreneurs on the following issues: 1) the activities of government organizations; 2) problems related to infrastructure; 3) problems in the banking and credit system; 4) problems of the tax system; 5) problems in the field of exports and foreign trade, as well as other issues.

1. Respondents identified the following problems in relation to government agencies (in % of the total number of respondents):
 - Untimely consideration of appeals (48%, in particular, in the water resources management system - 73%; in the internal affairs system - 70%; in the Farmers' Council - 63%);
 - Corruption and nepotism (30%, in particular, in the local government system - 59%; in the prosecutor's office system - 55%; in the environmental sector - 50%);
 - Insufficient qualifications of personnel (24%, in particular, in the agricultural inspection system - 54%; in the employment sector - 41%; in the chamber of commerce and industry system - 32%);
 - Excessive documentation requirements (18%, in particular, in the customs system - 52%; in the construction sector - 38%; in the statistics system - 32%).

Some entrepreneurs surveyed reported unlawful and excessive inspections by government agencies, as well as difficulties in defending their rights in disputes with them. Problems with obtaining business licenses and permits were also noted.

2. Problems with infrastructure: 45% of respondents named interruptions in electricity supply, 17% - in gas supply, and 14% - in water supply as the main problems in this area.
3. Problems related to the banking and credit system:
 - 73% of respondents reported that commercial banks offer high interest rates on loans, 25% noted the large number of documents required to obtain a loan, 19% indicated the undervalued property (other assets) provided as collateral for the loan;
 - 37% of respondents reported having applied for a loan from commercial banks, and 10% of their applications were rejected by the banks. The main reasons cited for refusal were: 27% - lack of collateral; 25% - insufficient income to repay the loan; 12% - a negative credit history. However, onerous loan requirements and complex bureaucratic procedures for obtaining them were also cited as problems.
4. Problems related to the tax system:
 - 62% of respondents noted that the tax reforms carried out in the country in recent years had a positive impact on the activities of enterprises, while 8% had a negative impact;
 - 8% of respondents had problems with value added tax (VAT) refunds, the main reasons for which were: employee irresponsibility - 31%; insufficient transparency - 28%; insufficient digitalization - 29%; gaps in regulatory documentation - 21%.

According to the results of a sample survey conducted by the National Statistical Committee of the Republic of Uzbekistan among small businesses [24] in the fourth quarter of 2024, 36.5% of respondents rated the general economic situation (business environment) as favorable, 56.7% as satisfactory, and 6.8% as unsatisfactory.

It should be noted that in 2024, compared to 2020, the share of those who rated the general economic situation as favorable increased from 24.3 to 36.5% (+12.2 percentage points), while the share of those who rated it as satisfactory decreased from 63.9 to 56.7% (-7.2 percentage points), and the share of those who rated it as unsatisfactory decreased from 11.8 to 6.8% (-5.0 percentage points).

When analyzing by economic sectors, it was found that the overall economic situation in 2024 was assessed as favorable in trade (38.4%), construction (37.2%) and the

service sector (36.1%), satisfactory in agriculture, forestry and fisheries (60.2%), the service sector (57.3%) and industry (57.2%), and unsatisfactory in construction (8.1%), industry (6.9%) and the service sector (6.6%).

When assessing business confidence in the fourth quarter of 2024 compared to the fourth quarter of 2023, taking into account such criteria as the total turnover of enterprises, the number of employees, the price of products sold (goods, works and services), the availability of financial resources (equity, loans and borrowed funds) and the competitive environment, the following results were obtained (Table 4):

Table 4. Assessment of the level of business confidence of small businesses participating in the survey (Q4 2024) [25].

Indicators	Changes compared to Q4 2023		
	Increase (improvement*)	No changes	Decrease (worsening)
Total turnover of enterprises	42.5	47.6	9.9
Number of employed	25.6	67.8	6.6
Price of goods (works and services) sold	36.6	58.3	5.1
Financial resources (equity capital, loans and borrowed funds)	28.6	65.9	5.5
Competitive environment	39.5	56.5	4.0

* refers to the competitive environment

- 42.5% of respondents reported an increase in their company's total turnover compared to the baseline period, 47.6% reported that it remained unchanged, and 9.9% reported that it decreased;
- 25.6% of respondents reported an increase in the number of employees in their business, 67.8% reported that it remained unchanged, and 6.6% reported that it decreased;
- 28.6% reported an increase in financial resources, 65.9% reported that they remained unchanged, and 5.5% reported that they decreased;
- 39.5% of respondents reported that the competitive environment had improved, 56.5% reported that it had remained unchanged, and 4.0% reported that it had worsened.

The Central Bank of the Republic of Uzbekistan also conducts a quarterly "Business Sentiment Survey" on entrepreneurship [26]. A total of 2,731 entrepreneurs participated in the Business Sentiment Survey published by the Central Bank for the fourth quarter of 2025, and 60% of them acknowledged that their business situation had improved compared to the third quarter of 2025.

Respondents cited improved banking services and a more competitive environment, simplified licensing procedures, and a slight reduction in administrative interference in entrepreneurial activities as positive changes in the business environment. At the same time, they noted that the level of monopolization, tax administration, energy supply, and customs duties remained at the same level as the previous quarter. Entrepreneurs cited power outages, rising fuel prices, complexities in the tax system, low working capital, and high rent as the main challenges in this area.

In recent years, the country has paid particular attention to the role of the mahalla in the development of private entrepreneurship and small business. Two characteristics of the mahalla are important to note. On the one hand, the mahalla is a traditional form of local citizen self-government, making it an important social institution. According to Law of the Republic of Uzbekistan "On Citizen Self-Government Bodies" of April 22, 2013, the mahalla is "citizen self-government, independent activity of citizens guaranteed by the [Constitution](#) and laws of the Republic of Uzbekistan to resolve issues of local importance

based on their interests, historical development, as well as national and spiritual values, local customs and traditions."

On the other hand, a mahalla is an administrative-territorial unit, a small geographical division of the country. Each city, town, village, or aul is divided into several (or one) mahalla (citizen's assembly).

As T. Akhmedov notes, "an official document of the General Assembly on the unique system of citizen self-government – "mahalla" in Uzbekistan – was distributed to the United Nations. It is based on the Samarkand Declaration, adopted during the International Conference "The Role of the Mahalla in Improving the Standards of Living of the Population", which was held from October 2 to 5, 2024, in Samarkand. The Samarkand Declaration highlights several key aspects of the mahalla: confirmation of the significance of the mahalla as an important element of the social structure; strengthening the role of the mahalla in achieving sustainable development goals; the formation of the mahalla as a center of social activity and civic participation; the exceptional role of the mahalla in the context of global change; the integration of modern technologies into the mahalla system" [15].

Based on the role and importance of the mahalla in the socioeconomic development of Uzbekistan, since the beginning of 2021, the country has been actively implementing the "mahallabai work system" to develop entrepreneurial skills, reduce poverty, and increase employment and well-being. Essentially, "mahallabai" is a system of socioeconomic, organizational, and legal measures aimed at the comprehensive development of the primary unit of society (mahalla), drawing on the mahalla's centuries-old accumulated human and natural potential, its experience, historical development, as well as national and spiritual values, local customs, and traditions.

The mahallabai system was first introduced by Presidential Decree No. PD-5214 of August 5, 2021, "On additional measures to further support entrepreneurship and develop cooperation between business entities and the population in mahallas" and Cabinet of Ministers Resolution No. 504 of August 9, 2021, "On measures to reduce poverty through the development of family entrepreneurship and increasing permanent sources of income for the population based on mahallabai in the regions". These measures laid the foundation for large-scale efforts aimed at developing entrepreneurship in the republic's mahallas using the completely new "mahallabai system", and, on this basis, reducing unemployment and improving the well-being of the population.

Based on the Decree of the President of the Republic of Uzbekistan dated December 3, 2021, No. PD-29 "On priority areas of state policy for the development of entrepreneurship, ensuring employment and reducing poverty in the mahalla" and the Resolution of the President of the Republic of Uzbekistan dated December 3, 2021, No. PP-31 "On measures to organize the activities of khokims assistants in the mahalla on issues of developing entrepreneurship, ensuring employment and reducing poverty", the position of "the khokim's assistant" (khokim is the governor or the head of the district (city) administration) was established in each mahalla of the republic, who is responsible for the development of entrepreneurship, ensuring employment and reducing poverty by supporting family entrepreneurship.

By the Decree of the President of the Republic of Uzbekistan dated December 21, 2023, PD-209 "On measures to radically increase the role of the mahalla institution in society and ensure its functioning as the primary link in solving the problems of the population", a "mahalla seven group" was organized in each mahalla, consisting of the mahalla chairman, the khokim's assistant, youth leader, women's activist, prevention inspector, social worker, and tax inspector, who work together to enhance the role of the mahalla in public life and improve the local governance system.

This decree defines the following main tasks and areas of activity of the khokim's assistant:

1. Taking measures to provide training in vocations and entrepreneurship, and to ensure employment for the unemployed population who do not have a permanent source of income.
3. Facilitating the allocation of loans and subsidies for the development of entrepreneurship in the mahalla and supporting business initiatives of the population.
4. Identifying interest in entrepreneurship among self-employed and proactive citizens, and facilitating their development into small businesses.
5. Maintains records of crops and produce grown on land areas and household plots allocated to the population based on lease rights, and also organizes cooperation between peasant farms and exporters, brokers, and processing enterprises.
6. Forms a targeted program of micro-projects for small-scale production and services in mahallas, and assists in resolving problems that hinder the implementation of projects.
7. Identifies empty buildings and structures, land areas in the mahalla, and takes measures to put them up for auction in accordance with the established procedure in order use them in entrepreneurship.
8. Develops an "individual program" for each needy family in the mahalla and determines measures to increase their income.

In fact, the khokim's assistant is tasked with reducing poverty, increasing employment and incomes of the population. At the same time, he serves as a "bridge" between the residents of the mahalla and the government bodies.

To fully perform his duties, the the khokim's assistant has the right to use several financial levers; that is, access to subsidies, preferential loans, and other resources is carried out through him. By the Decree of the President of the Republic of Uzbekistan dated December 21, 2023, No. PD-209 "On measures to radically increase the role of the mahalla institution in society and ensure its functioning as the primary link in solving the problems of the population", a list of subsidies, interest-free loans, and preferential loans of 18 types was approved, allocated on the recommendation and with the participation of the the khokim's assistant (Table 5).

To ensure transparency and fair distribution of allocated public financial resources (subsidies, concessional loans), the "Online Mahalla" digital online platform has been introduced. Essentially, it is [a state electronic system that integrates the services of local governments, khokim's assistants, and state governing bodies](#). It allows citizens of Uzbekistan to submit online applications for subsidies and concessional loans for entrepreneurial activities.

Table 5. List and size of subsidies, interest-free loans, and preferential credits provided based on collegial decisions of the "mahalla seven" group.

(By the Decree of the President of the Republic of Uzbekistan dated December 21, 2023, No. PD-209 "On measures to radically increase the role of the mahalla institution in society and ensure its functioning as the primary link in solving the problems of the population")

No.	Types of social assistance and subsidies	Size
I. Documents prepared by the the khokim's assistant		
1.	Allocation of subsidies to owners of private land for the installation of lightweight greenhouses	Up to 30 times the Basic calculation value* size (hereinafter referred to as BCV)
2.	Allocation of subsidies to owners of private lands for the purchase of irrigation equipment	Up to 10 times the BCV size
3.	Allocation of a subsidy for the purchase of seeds and seedlings	Up to 3 times the BCV size

4. Allocation of a subsidy to unemployed citizens, family members included in the Social Register and persons returning from external labor migration, for contribution as a share in the authorized capital of agricultural cooperatives organized for the purpose of ensuring their employment	Up to 10 times the BCV size
5. Allocation of a subsidy to individuals engaged in the hand-made production of carpets and silk fabrics within the Uzbekipaksanoat Association to cover the costs of purchasing machines for the production of carpets and silk fabrics, with the condition of creating at least 3 jobs	Up to 10 times the BCV size
6. Allocation of a subsidy to members of the Association for the Development of Pasture Farms to cover the costs of purchasing equipment for manual labor, with the condition of creating at least one job	Up to 10 times the BCV size
7. Allocation of a one-time subsidy to cover the costs of training individuals in training courses on fish farming in residential areas	In an amount not exceeding 2 times the BCV size
9. Allocation of a subsidy to unemployed citizens starting a business for the payment of rent for buildings and structures, after state registration as a business entity during the first three months	Up to 10 times the BCV size
10. Allocation of a one-time subsidy to unemployed individuals registered with the Employment Assistance Center who wish to start a business to cover the costs of registering as an individual entrepreneur and for state registration of small businesses and micro-firms	Up to 1time the BCV size
11. Allocation of a subsidy to young people who wish to learn a craft based on the master-apprentice tradition in areas of professions that are difficult to teach in the classrooms of vocational training centers, or to masters who teach (or wish to teach) a craft, for the training of apprentices and the provision of salaries for apprentices	Up to 4 times the BCV monthly
12. Allocation of a one-time subsidy to an applicant who has organized home-based activities for the home-based activities of each homemaker during the first three months	In the amount of the average monthly income
14. Allocation of a subsidy to business entities to cover the costs of adapting the workplace of persons with disabilities working at home based on homeworking or handicrafts, as well as for each adaptable workplace	Up to 40 times the BCV size
15. Allocation of subsidies to business entities to cover the costs of training home-based workers in professions	Up to 2 times the minimum monthly allowance for each homemaker
16. Providing business entities with an interest-free loan for each home-based worker hired to replenish working capital.	Up to 1 million soums, but for a period of up to 2 years, up to 150 million soums in total
17. Allocation of preferential loans within the framework of family business development programs	For individuals - up to 33 million soums, for legal entities - up to 300 million soums
18. Allocation of subsidies for the following purposes to support handicraft activities depending on the category of districts (cities): artisans who train young people based on the master-apprentice tradition, to prepare apprentices, purchase	from 2 to 5 times the BCV size

the necessary raw materials and provide the apprentices with wages;	50-75 percent of expenses, but up to 30 times the BCV
for students - for the purchase of necessary equipment and supplies to establish independent activities;	50-75 percent of expenses, but up to 30 times the BCV
for craftsmen - for the creation of websites, the placement of their products on global electronic trading platforms and advertising costs;	up to 5 times size of the BCV
Allocation of a subsidy for the costs of membership fees in the Association "Khunarmand"	

* The Base Calculation Value (BCV) in Uzbekistan is UZS 440,000 per month. It is used to calculate taxes, administrative fines, state fees, public service tariffs, and business licenses.

It also allows for online monitoring of the resource potential and the state of entrepreneurship in the mahalla and each family: the number of families and the population in the mahalla; income of the population by source; types of entrepreneurial activity and the number of entrepreneurs in the mahalla; the number of labor resources, both employed and unemployed; the area of household plots and crops by type of agricultural crop; livestock and poultry numbers; production volume; the need of entrepreneurs for subsidies and loans; the distribution of subsidies, interest-free loans, and concessional loans, etc.

According to the Ministry of Employment and Poverty Reduction of the Republic of Uzbekistan, in 2024 the following funds were allocated to reduce poverty and increase the income of the population within the framework of the "mahallabai system" [27]:

- To improve the infrastructure of 1,024 mahallas with difficult conditions - 3.2 trillion soums;
- For the implementation of 326.6 thousand micro-projects of small business entities - 18,990 billion soums;
- Within the framework of the program "development of family entrepreneurship" for 372.6 thousand projects – 6,841 billion soums;
- Within the framework of the program "comprehensive program of continuous support for small businesses" - a preferential loan in the amount of 4,845.4 billion soums;
- To attract 67.7 thousand unemployed people to entrepreneurial activity – subsidies in the amount of 355.0 billion soums.

4. Conclusions

Based on scientific research, we put forward the following recommendations for the development of small businesses and private entrepreneurship in mahallas and regions of the republic:

1. In the development of small businesses, both the effective use of opportunities created by the state and the optimization of internal business strategies are important.
2. Effective use of the natural, socio-economic and organizational potential of the mahalla through the "mahallabai system" in the development of small business and private entrepreneurship:
 - Identify priority "driver directions" and "growth points" for each mahalla, corresponding to the natural climatic conditions and resource potential, specialization, experience and skills of the local population;
 - Identification of empty buildings, production areas and facilities in mahallas and their involvement in entrepreneurial activity on preferential terms;

- In mahalla households, give priority to the development of such areas of small business and entrepreneurship as: handicrafts, sewing, weaving, embroidery, pottery, jewelry;
 - Extension of assistance in providing preferential loans for the organization of small-scale intensive gardening, viticulture, vegetable growing, melon growing, legumes, oilseeds and potatoes on household plots;
 - Extension of assistance in the development of beekeeping, greenhouse farming, and fish farms on a cooperative basis;
 - Strengthening the training system based on short-term vocational training courses and entrepreneurship training for unemployed people in mahallas who do not have a permanent source of income;
 - Identifying the interests of self-employed and enterprising citizens in the field of entrepreneurship, providing them with assistance in creating small businesses;
 - Assistance in increasing the income of low-income families in mahallas by providing them with assistance in engaging in entrepreneurship.
3. Creation of new business entities and expansion of existing ones:
 - Determination of the real social situation in the mahalla based on the maintenance of a household register: study of the level of employment of the population, sources of their income and the economic situation of families, the desire and ability of people to organize entrepreneurial activity;
 - Identifying "leading economic entities" among existing entrepreneurs and conducting a dialogue with them on expanding their activities;
 - Pairing unemployed individuals with entrepreneurial abilities with "leading entrepreneurs" to learn from experience and develop skills;
 - Expansion of preferential loans and subsidies for: the purchase of equipment and various tools for the unemployed and those starting their own business; rental of buildings and structures; construction of greenhouses and irrigation systems; purchase of seeds and seedlings, etc.
 4. Expanding financial opportunities for small businesses and private entrepreneurship:
 - Expanding access to preferential loans for promising start-up projects, especially for entrepreneurs just starting their business, with coverage of part of the interest rate on the loan that exceeds the Central Bank's refinancing rate, and the widespread use of state guarantees as collateral;
 - Attracting alternative sources of financing through fintech platforms, in addition to traditional bank loans;
 - Focusing on expanding foreign investment and credit resources, as well as grant funds for financing small business projects;
 - Assistance in the correct development of business plans and feasibility studies of business projects, as well as improving the financial literacy of entrepreneurs for rational business management.

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