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Current Conditions And Development Issues Of Small And Medium-Sized Enterprises In The Fergana Region: An Analytical Review And Practical Solutions

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Abstract. This scientific article examines the current state of small and medium-sized enterprises (SMEs) development in the Fergana region, existing problems, their role in economic growth, as well as modern challenges hindering development and possible solutions from a scientific perspective. In addition, a literature review based on the scientific views of local and foreign scholars is conducted, and priority directions, institutional mechanisms, and innovative approaches to SME development are scientifically substantiated. The main indicators of the development of small and medium-sized enterprises (SMEs) in the Fergana region are analyzed based on tables and diagrams, and relevant conclusions are formulated.

Keywords: Fergana region, small and medium-sized enterprises, entrepreneurship, regional economy, innovation, investment climate.



Аннотация. В данной научной статье исследуются современное состояние развития малого и среднего бизнеса (МСБ) в Ферганской области, существующие проблемы, их роль в обеспечении экономического роста, а также современные факторы, препятствующие развитию, и пути их решения с научной точки зрения. Кроме того, на основе научных взглядов отечественных и зарубежных ученых проведён анализ литературы, научно обоснованы приоритетные направления, институциональные механизмы и инновационные подходы к развитию МСБ. Основные показатели развития субъектов малого и среднего бизнеса (МСБ) в Ферганской области проанализированы на основе таблиц и диаграмм, сформулированы соответствующие выводы.

Ключевые слова: Ферганская область, малый и средний бизнес, предпринимательство, региональная экономика, инновации, инвестиционный климат.

Annotatsiya. Ushbu ilmiy maqolada Farg‘ona viloyatida kichik va o‘rta biznes (KO‘B)ni rivojlantirishning hozirgi holati, mavjud muammolari, ularning iqtisodiy o‘shidagi o‘rni hamda rivojlanishga to‘sqinlik qilayotgan zamonaviy muammolar hamda ularning yechimlari ilmiy jihatdan tadqiq qilingan. Shuningdek, mahalliy va xorijiy olimlarning ilmiy qarashlari asosida adabiyotlar tahlili amalga oshirilib, KO‘Bni rivojlantirishning ustuvor yo‘nalishlari, institusional mexanizmlari va innovasion yondashuvlari ilmiy jihatdan asoslab berilgan. Farg‘ona viloyatidagi kichik va o‘rta biznes (KO‘B) sub’yektlarini rivojlantirishning asosiy ko‘rsatkichlari jadval va diagrammalar asosida tahlili qilinib, tegishli xulosalar shakllantirilgan.

Kalit so‘zlar: Farg‘ona viloyati, kichik va o‘rta biznes, tadbirkorlik, hududiy iqtisodiyot, innovatsiya, investisiya muhiti.

Introduction

In the global economy, small and medium-sized enterprises (SMEs) are a vital driver of economic growth, fostering a competitive environment in industries, and providing employment. Experience in developed countries shows that SMEs account for over 50-60 percent of gross domestic product. Therefore, special attention is paid to the development of these enterprises. In the Republic



of Uzbekistan, support for entrepreneurship has also been identified as a priority area of state economic policy. In particular, the Fergana region, with its high population density, labor force, and production potential, offers significant opportunities for SME development. At the same time, the deepening of market relations also creates contemporary challenges. Small and medium-sized enterprises (SMEs) are a crucial element of the modern market economy, providing employment, fostering a competitive environment, developing innovation in regions, and achieving sustainable economic growth. In many countries, the SME sector is the primary source of economic resilience and social stability.

In the Republic of Uzbekistan, entrepreneurship development is defined as a strategic priority of state economic policy. In the context of economic liberalization and large-scale reforms, the role of small and medium-sized businesses in shaping the gross domestic product, regional development, and the diversification of economic sectors is increasingly important. At the same time, despite positive institutional changes, a decline in the number of economically active enterprises has been observed in recent years. This situation indicates the presence of structural and institutional problems that require research and the development of practical solutions. The purpose of this article is to identify the main challenges facing small and medium-sized business development in the Fergana region and to substantiate ways to improve the effectiveness of state support for this sector.

Literature Review

Small and medium-sized business development has been extensively studied by foreign and domestic scholars. In particular, J. Schumpeter considered entrepreneurship as the main driving force behind innovation. P. Drucker views small business as a flexible and productive segment of the economy [1].

Research works by local scholars Sh. Shodmanov and B. Khodiyev are devoted to improving the business environment in Uzbekistan and enhancing financial support mechanisms. Their research emphasizes the need for SME development, taking into account regional specifics [2]. A literature review reveals that infrastructure, finance, human resources, and an innovative



environment are crucial for SME development at the regional level. The development of small and medium-sized enterprises (SMEs) has been studied by numerous local and international scholars in terms of regional economic impact, employment generation, increased income, and enhanced innovation. Global economic literature views SMEs as an important driver of economic growth. In particular, J. Schumpeter viewed entrepreneurship as the primary force driving innovation and emphasized the crucial role of small businesses in economic development. P. Drucker's research demonstrated that the development of entrepreneurial activity is directly linked to the institutional environment and management effectiveness [3,4].

OECD and World Bank analyses identify the main challenges facing SMEs as limited access to financial resources, the tax burden, underdeveloped infrastructure, and difficulties in implementing innovative and digital technologies. These organizations have identified the implementation of public-private partnerships, business incubators, and cluster models as priorities in supporting SMEs [5,6]. Research by scholars from the CIS and Russia (A. Granberg, I. Ansoff, V. Polterovich) emphasizes the importance of SMEs in regional economic development, particularly in fostering a competitive environment in the industrial and service sectors. They substantiate the need for institutional reforms, regional programs, and the efficient use of local resources in SME development [7, 8].

Research by Uzbek economists has assessed SME development as a priority in the country's economic policy. In particular, A. Vakhobov, Sh. Mustafakulov, B. Berkinov, and K. Abdurakhmanov thoroughly examine the issues of increasing the share of small businesses in the gross regional product, improving the business environment, and stimulating investment activity [9, 10, 11].

Research using the Fergana region as an example (I. Ergashev, N. Rakhmonov, M. Yuldashev) notes the lack of production infrastructure, inefficient use of export potential, and the low share of innovative products as the main problems hindering SME development in the region. The authors proposed improving the regional investment climate, streamlining the banking and credit systems, and creating an innovation ecosystem to address these issues [12].



An analysis of regulatory documents also shows that Decrees and Resolutions of the President of the Republic of Uzbekistan aimed at supporting entrepreneurship have created a solid legal basis for SME development. However, in practice, the issue of fully and effectively leveraging these opportunities in different regions remains relevant, as this topic has been insufficiently explored.

Overall, the results of the literature review point to the need for a comprehensive approach to SME development in the Fergana region, namely institutional reforms, the introduction of innovative technologies, improving the investment climate, and developing business infrastructure.

Methodology

The methodological basis of the study was the research of local and international economists in the field of entrepreneurship and small business. The study utilized statistical analysis, systematic and comparative approaches, logical analysis, and generalization methods. Official statistical data from the Fergana region and legal acts governing entrepreneurial activity served as the empirical basis.

Discussion And Results

Overall, a study of small and medium-sized enterprises in the Fergana region identified the following current development challenges:

- Limited access to financial resources;
- Insufficient infrastructure in some regions;
- Low levels of entrepreneurial knowledge and management skills;
- Difficulties in implementing innovative and digital technologies;
- Underutilization of export potential.

State strategies for supporting small and medium-sized businesses in the Fergana region include:

1. Institutional reforms and liberalization of the business environment: The development of small and medium-sized businesses is supported by a systematic state strategy implemented at the presidential and government levels. Support for entrepreneurship is seen as an important tool for structural modernization of the



economy and increasing its stability. In recent years, procedures for registering and liquidating business entities have been significantly simplified, the number of permits required has been reduced, and digital services have been introduced in collaboration with government agencies. At the same time, the system of state control and inspection is shifting to a risk-based and preventive approach. 2. Financial and credit support: One of the key areas of state policy is expanding access to financial resources for SMEs. Programs for preferential lending, state guarantees, and interest rate subsidies are being implemented. Priority is given to investment projects aimed at creating added value, increasing employment, and developing export potential. The President's initiatives provide for a transition to performance-oriented financial support mechanisms.

3. Diversification of industries and human capital development: The state strategy envisages the active involvement of small and medium-sized enterprises in the industrial, agro-industrial, construction, logistics, and service sectors. Particular attention is paid to stimulating export activities, product certification, and integration into international value chains. Human capital development plays a crucial role in the development of entrepreneurship. Educational and consulting programs are being implemented to improve the financial literacy, management, and innovation skills of entrepreneurs among young people and in the regions. According to statistical data analysis, small and medium-sized enterprises account for more than half of the Republic of Uzbekistan's gross domestic product and occupy a priority position in sectors such as agriculture, construction, and trade. Although the number of enterprises increased during the period of economic liberalization, a decline in the number of economically active entities has been observed in recent years. At the same time, the registration rate of new enterprises remains stable, indicating a structural renewal of the business environment. As of October 1, 2025, the number of small and micro-businesses operating in the region amounted to 30,427.

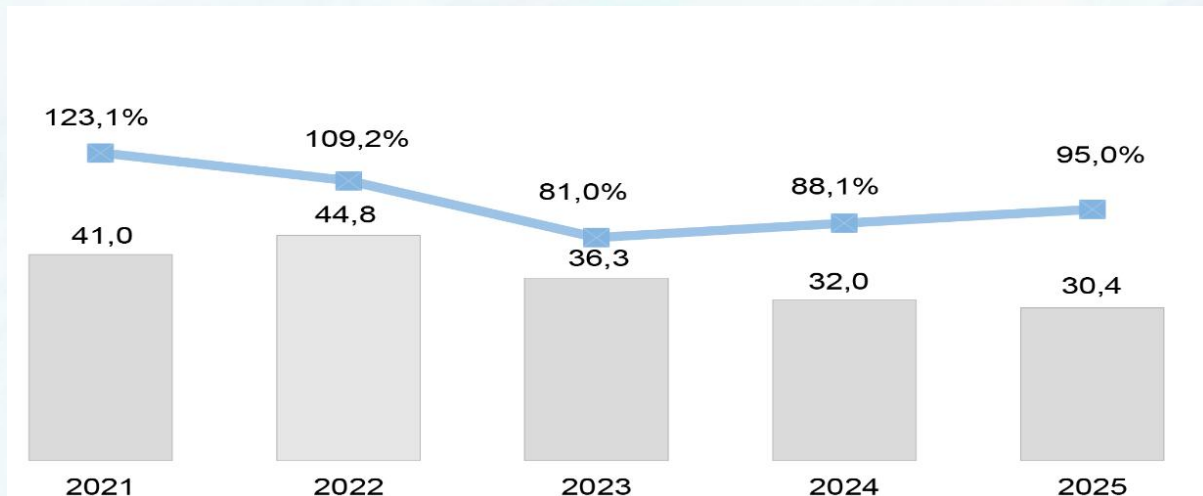


Figure 1. Analysis of the dynamics of the number of small and micro-enterprises operating in the Fergana region

In January-September 2025, small businesses produced industrial output worth 22,816.8 billion soums, or 56.1% of total industrial output. This represents a 120.5% growth rate compared to January-September 2024.

By region, small businesses accounted for the largest share of total industrial output in the Buvayda district (100.0%), Sokh district (100.0%), Yozyavon district (96.3%), and Margilan city (97.1%).

In January-September 2025, the volume of exports of goods (works and services) carried out by small businesses amounted to \$424.3 million, or 60.5% of total exports. In January-September 2025, the largest share of exports of goods (works and services) carried out by small business entities by region in relation to total export volume was accounted for by the Buvayd district (100.0%), the Sokh district (100.0%), the Yozyavon district (100.0%), and the Toshlok district (97.4%).

However, the study identified the following key challenges to entrepreneurship development in the Fergana region:

- a decrease in the number of operating enterprises;
- formalization of entrepreneurial activity;
- inefficient use of preferential credit resources;
- administrative obstacles and limited financing opportunities;



- the lack of a long-term, development-oriented approach among some entrepreneurs.

Formally registered but economically inactive entities reduce the effectiveness of state support programs.

Promising areas of SME support in the Fergana region are:

- the transition from quantitative growth to qualitative and sustainable growth;
- the introduction of a system for assessing the performance of small and medium-sized enterprises; - expanding small business participation in export activities;
- supporting family and youth entrepreneurship in the regions;
- strengthening mutual responsibility between the state and entrepreneurs.

To address the above-mentioned issues in the Fergana region, the following priority areas are considered:

1. Developing innovative entrepreneurship and supporting start-ups;
2. Expanding preferential lending and financial instruments;
3. Implementing elements of the digital economy;
4. Supporting export-oriented small and medium-sized enterprises.
5. Improving the system of personnel training and retraining.

Also recently adopted was the Presidential Decree "On measures to create the Fergana tourist and recreational zone" (No. PK-5, 12.01.2026). In accordance with this Decree, the Fergana tourist and recreational zone will be created with a total area of 2,396 hectares. This will lay the foundation for the further development of small and medium-sized business tourism zones. The tourist zone created within these entities will operate for 30 years, with the possibility of subsequent extension.

In the Fergana region, the necessary infrastructure will be created to transform the "Vodiil" agritourism cluster, which grows raspberries, into a tourist destination. Light infrastructure will be built on the raspberry plantations, attracting potential entrepreneurs.

In 2026-2027, jobs will be created at the Central Fergana Reservoir in the Yozyavon district by establishing tourism services in the surrounding areas.

In the Fergana region, the "Sanoat" and "Osilot" microfinance enterprises, drawing on the positive experience of foreign countries, will establish agritourism



services by establishing raspberry plantations, constructing refrigeration units, and building deep processing facilities.

This will create new opportunities for small and medium-sized enterprises in the Fergana region to reach a new level. The creation of similar territories in many parts of the Fergana region will open up opportunities for the further development of medical, eco-, and agrotourism.

Conclusion

Overall, the development of small and medium-sized businesses in the Fergana region is of great importance for ensuring the stability of the regional economy. The competitiveness of SMEs can be enhanced by systematically addressing identified contemporary challenges and implementing innovative and institutional reforms.

Small and medium-sized businesses in the Fergana region are currently undergoing institutional and structural renewal. To ensure sustainable economic growth, it is necessary to transition to high-quality entrepreneurship development. Improving results-oriented government support mechanisms is an important condition for increasing the competitiveness of the national economy.

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