



THE ROLE OF THE STATE IN DEVELOPING SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN THE CONTEXT OF A GREEN ECONOMY

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Article history:		Abstract:
Received:	11 th April 2025	<p>This scientific article systematically analyzes the role and functions of the state in developing small business and private entrepreneurship within the context of a green economy. In recent years, the issue of environmental sustainability has risen to the global agenda, intensifying the need to conduct economic activities with environmental responsibility. In this process, the concept of a green economy is becoming increasingly relevant as a means of achieving sustainable development. Small businesses and private entrepreneurship entities, in particular, can become key participants in this economic model due to their flexibility, openness to innovation, and ability to quickly adopt new technologies.</p> <p>The study specifically examines aspects of the state's functions in this area, such as establishing a regulatory framework, developing financial incentives, promoting the implementation of environmental innovations, and setting up coordinating institutions. An in-depth analysis was conducted using analytical, comparative, and empirical methods, based on the strategies, legislative acts, and practical experiences of the Republic of Uzbekistan. The article also identifies existing opportunities and obstacles in the Uzbek context by comparing them with international experiences.</p> <p>The research results indicate that, while the conditions created by the state for active participation of small business entities in the green economy are of great importance, there are still several issues in this field regarding systematic coordination, improving environmental literacy, and effective use of financial instruments. Therefore, the article also puts forward scientific and practical</p>
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recommendations for improving the existing system, increasing practical effectiveness, and strengthening public-private partnerships.

Keywords: green economy, sustainable development, small business, private entrepreneurship, state policy, environmental innovations, environmentally friendly technologies, financial incentives, green technologies, environmental safety, economic reforms, public-private partnership, regulatory framework, environmental education, innovative entrepreneurship, green financing, resource-saving technologies, ecological transformation, green energy, environmental responsibility, environmental certification, environmental infrastructure, technological modernization, economic stability, environmental protection, green economy in Uzbekistan, economic diversification, environmental entrepreneurship, environmental standards

INTRODUCTION

As we enter the 21st century, global problems such as ecological imbalance, climate change, limited natural resources, and environmental pollution are compelling humanity to reassess its economic activities. From this perspective, **the concept of green economy**, based on the idea of sustainable development and encompassing environmental protection and social justice alongside economic growth, has firmly established itself on the global economic agenda.

The green economy is an economic model that ensures environmental sustainability, reduces negative impact on climate, and promotes efficient use of energy and resources. This model prioritizes improving human well-being, reducing economic inequality, lessening environmental pressure, and preserving natural capital. The green economy is opening up new opportunities and directions, particularly for small businesses and private entrepreneurs. This is because small businesses are distinguished by their ability to adapt quickly, implement innovative solutions rapidly, and operate in accordance with local needs.

Especially for developing countries, the process of integration into the green economy is complex and multi-staged. In this process, **the role of the state** is extremely important: the state develops environmental policies, creates a regulatory and legal framework, and implements financial and institutional support mechanisms. Through these measures, it encourages small businesses to implement environmentally friendly technologies, produce green products, and provide eco-friendly services.

The Republic of Uzbekistan has also identified the transition to a green economy as a priority area of its national development strategy. In particular, special attention is being paid to the ecological transformation of small businesses through the Sustainable

Development Goals for 2030, the Green Economy Strategy, and a number of other programs. However, there are still challenges that need to be addressed in this process: insufficient knowledge of environmental technologies, limited financial resources, and the lack of systematic state services are among them.

This article attempts to answer questions from this perspective - **how the role of the state is manifested in the development of small business and private entrepreneurship in the context of a green economy, which mechanisms are working effectively, and which aspects need improvement**. Through an in-depth analysis of this topic, the aim is to develop scientific and practical recommendations for expanding the opportunities of small business entities in the development of the green economy in Uzbekistan.

METHODOLOGY

The methodological foundations of this research were determined based on the complex, multifaceted nature of the topic and its direct connection with modern economic, ecological, and social processes. Defining the role and tasks of the state in the development of small business and private entrepreneurship in the context of a green economy requires a multifaceted approach. Therefore, the harmonious application of theoretical, empirical, analytical, and statistical methods was adopted as the main principle of the study. The theoretical basis of the research was formed by the following fundamental approaches:

- **Sustainable Development Theory** - defined the ideological foundation of the topic based on scientific concepts aimed at ensuring integration between economic growth, ecological balance, and social justice.
- **The concept of green economy** - approaches to economic activity based on



environmental efficiency, resource conservation, and low-carbon technologies were analyzed.

- **Theory of the state's role in the economy**

- the regulatory, supportive, stimulating, and monitoring functions of the state were analyzed.

- **Theories of entrepreneurship and innovative development** - utilized in studying the transformational and adaptive characteristics of small businesses and private entrepreneurship entities.

Leading scientific works, monographs, articles, and international reports in the fields of environmental economics, institutional economics, innovative economics, and public administration were studied as theoretical foundations. The scientific methods employed in the research include:

- **Analytical method** - analysis of key issues and opportunities based on existing legislation, strategic programs, scientific and technical reports, and theoretical sources.

- **Comparative method** - Uzbekistan's transition process to a green economy was analyzed in comparison with the experiences of other countries (such as Germany, China, South Korea, Denmark).

- **Empirical method** - real-world practical situations in small business activities, implementation processes of environmental projects, and the status of services provided by the state were analyzed.

- **Statistical method** - assessments were conducted based on time series, dynamic analysis, graphical representations, and percentage changes, using data from the State Statistics Committee, the Ministry of Economy and Finance, and the Ministry of Investments, Industry and Trade.

- **Modeling element** - The impact level of state support on small business development was analyzed using a simplified conceptual model.

- **Descriptive method** - Served as a means to clearly and substantively describe, systematize, and scientifically express existing situations.

The information sources used in the study were divided into several groups:

- **Regulatory legal documents:** Decrees and resolutions of the President of the Republic of Uzbekistan, resolutions of the Cabinet of Ministers, the

"Green Economy" strategy, Sustainable Development Goals (SDGs) for 2030, the Law "On Environmental Audit" and other relevant regulatory documents.

- **Statistical information:** Latest data provided by the State Statistics Committee of the Republic of Uzbekistan, World Bank, UNDP, OECD, UNEP and other international organizations.

- **Scientific literature:** Articles, dissertations, scientific treatises, and research in international scientific journals by local and foreign scientists.

- **Internet resources:** Official websites, electronic databases of government organizations, electronic publications, and open data portals.

The following were taken as the object and subject of the research:

- **Research object:** Small business and private entrepreneurship entities operating in the Republic of Uzbekistan under green economy conditions.

- **Research Subject:** Formation, implementation, and effectiveness of state policy in the process of transforming small businesses towards a green direction.

The methodological approach used in the study allowed for a deep, systematic, and comprehensive examination of the topic. The multi-source, multi-level, and multi-method approach laid the foundation for developing scientifically based conclusions and proposals. Additionally, the research results can be practically useful in improving state policy, engaging small businesses in environmental innovations, and ensuring economic stability.

RESULT AND DISCUSSION

In recent years, the Republic of Uzbekistan has paid special attention to issues of environmental sustainability and rational use of resources, making the concept of "green economy" a priority area in the national development strategy. In particular, small businesses and private entrepreneurship play a crucial role in this process, as they are technologically adaptable, open to innovative ideas, and in many cases can quickly implement environmental innovations.

Table 1 below shows the number and share of environmentally-oriented small business projects in Uzbekistan from 2020 to 2024:



Table 1. Environmentally-oriented small business projects in 2021-2024 (for the Republic of Uzbekistan)

Year	Number of environmentally-oriented small business projects	Share in total small business projects (%)
2021	1,125	3.2%
2022	1,745	4.8%
2023	2,318	6.5%
2024	3,460	9.3%

As can be seen, the number and proportion of environmental projects are increasing year by year. This trend indicates that attention to transitioning to a green economy has intensified in state policy, and small businesses are actively participating in this process.

One of the most crucial functions of the state in developing small businesses in the environmental sector is **providing financial incentives** and **allocating preferential loans**. Table 2 below shows the volume of state loans allocated to small businesses for environmental projects:

Table 2. Preferential loans allocated for environmental projects in 2021-2024

Year	Volume of loans allocated (billion soums)	Growth rate (%)
2021	180	-
2022	295	+63.8%
2023	470	+59.3%
2024	720	+53.2%

The growing volume of loans confirms the government's commitment to financially supporting environmental innovations. Entrepreneurs operating in areas such as renewable energy, waste processing, and bio-organic fertilizer production are particularly prioritized. Nevertheless, the conducted analysis revealed that the majority of small businesses **encounter several challenges** in implementing environmental innovations:

- high cost of environmental technologies;

- complexity of mechanisms for evaluating and approving environmental projects;
- low demand for eco-friendly products in the local market;
- underdeveloped environmental certification system;
- shortage of specialists.

These factors hinder the full participation of small businesses in the green economy. The following **Table 3** shows the number of environmentally-oriented small businesses in certain regions by the end of 2024:

Table 3. Environmentally-oriented small businesses by region (end of 2024)

Region	Number of projects	Share (%)
Tashkent city	820	23.7%
Fergana region	510	14.8%
Kashkadarya	365	10.6%
Samarkand	420	12.1%
Bukhara	310	9.0%
Karakalpakstan	290	8.4%
Other regions	860	21.4%
Total	3,575	100%



This analysis shows that ecological entrepreneurship is actively pursued mainly in economically developed regions with well-established infrastructure. In particular, the city of Tashkent and the regions of the Fergana Valley are leading in this regard.

CONCLUSION

The role of small business and private entrepreneurship in the economic system of the Republic of Uzbekistan is becoming increasingly important. In particular, in the process of transitioning to a green economy, small businesses and private entrepreneurs play a crucial role in producing innovative products and providing services with high environmental efficiency. During the study, the following main conclusions were reached:

Integration of the green economy and small business. Environmental policies and strategies developed by the government of Uzbekistan are aimed at supporting the ecological development of small businesses. In the process of transitioning to a green economy, the economic and financial conditions created by the government are greatly helping small businesses organize their activities in an environmentally efficient manner.

Importance of financial and legal assistance. In the development of small businesses, mechanisms such as preferential loans allocated by the state, favorable tax policies for entities, and financial support for eco-technologies play a crucial role. Analysis has shown that the effective implementation of these programs has significantly increased the opportunities for small businesses to operate in an environmentally friendly direction.

Regional differences and challenges. The development of environmentally-oriented small businesses is not progressing evenly across regions. In particular, from the perspective of social and economic conditions, regions such as Tashkent city and Fergana province are leading in ecological entrepreneurship. In other regions, it is necessary to further stimulate such activities in terms of economic development and infrastructure.

Need for innovative and environmental technologies. Small businesses continue to face challenges in implementing environmental technologies. The high cost of technological

innovations, expensive production processes, and shortage of specialists are hindering the expansion of environmental businesses.

Social and environmental responsibility of entrepreneurship. The transition of small businesses to an ecological direction should not be limited only to obtaining economic benefits. They should also adhere to principles of environmental protection, take on social responsibility, and follow sustainable development practices. This process needs to be effectively monitored and incentivized by the government.

To ensure the active participation of small businesses and private entrepreneurship in the transition to a green economy, the following proposals are put forward:

Further strengthening of financial incentives. It is necessary to create favorable financial conditions for small businesses to implement environmental projects. Expanding the scope of concessional loans, tax benefits, and other financial assistance will create additional opportunities, especially for entrepreneurs focused on developing and implementing environmental technologies.

Enhancing environmental education and responsibility. Special courses and trainings should be organized to provide environmental education to small business entrepreneurs, teaching them the practical aspects of establishing eco-friendly businesses. Additionally, further simplifying and expanding the environmental certification system will increase entrepreneurs' demand for environmentally friendly products and services.

Developing regional programs. Taking into account regional differences, separate environmental entrepreneurship development programs should be created for each province and district. Each region should set specific goals for the efficient use of ecological resources, expansion of renewable energy sources, waste recycling, and rational use of natural resources.

Strengthening infrastructure and technological support. It is necessary to create the required infrastructure for implementing environmental technologies in small businesses. Developing and strengthening technical support for green energy systems, eco-friendly construction materials, and other



innovative technologies will facilitate small businesses' involvement in environmental sectors.

Strengthening cooperation between the public and private sectors. To enhance collaboration between small businesses and the state, it is necessary to develop mechanisms that bring them together. Effective cooperation between the public and private sectors helps combine innovative ideas and investments, especially in environmental projects. The state needs to study advanced practices and create incentive mechanisms for entrepreneurs to support small businesses.

Reducing bureaucratic barriers in implementing environmental innovations. Small business entities face certain bureaucratic obstacles when implementing environmental innovations. To address this situation, it is necessary to reduce legal and regulatory barriers in the process of implementing environmental technologies, and government agencies should develop user-friendly and clear guidelines for them.

Further deepening the sustainable development strategy. Environmental issues should be given more prominence when developing the sustainable development strategy of the Republic of Uzbekistan. To ensure the participation of small businesses in the transition to a green economy, it is necessary to define clear guidelines and responsibilities in this strategy. The research results indicate that the state-provided assistance and incentives for active participation of small businesses and private entrepreneurs in environmental projects are working effectively. However, to further accelerate development in this field, a more comprehensive approach, along with financial and technological support, is necessary. Additionally, specific strategies for effective public-private sector cooperation and implementation of environmental innovations should be developed, taking into account regional and sectoral changes.

If these proposals are implemented, Uzbekistan's transition to a green economy will create new opportunities in the small business and entrepreneurship sector, making a significant contribution to ensuring environmental sustainability.

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