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DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN AGRICULTURE.

Jalilov Yusuf Eshbo'ri o'g'li

Master's Degree Student in Economics

Termiz Institute of Economics and Service

Abstract

This article explores the development of small business and private entrepreneurship within the agricultural sector, emphasizing its role in stimulating rural development, reducing unemployment, and ensuring food security. The research analyzes institutional, financial, and infrastructural mechanisms supporting agribusinesses and identifies key challenges such as land access, financing gaps, and market integration. Based on comparative analyses and national trends, the paper proposes practical recommendations for enhancing the sustainability and competitiveness of small-scale agribusinesses in transitional economies.

Keywords: small agribusiness, private entrepreneurship, agriculture, rural economy, sustainable development, food security

Introduction

Agriculture remains a foundational pillar of many developing economies, particularly in countries where a significant portion of the population resides in rural areas. In such contexts, the development of small business and private entrepreneurship in agriculture becomes not only a matter of economic efficiency but also of social importance. Small-scale farms and private agricultural enterprises are instrumental in creating employment, improving livelihoods, and securing local food systems.

In Uzbekistan, for example, over 45% of the labor force is employed in agriculture, and nearly 60% of all agricultural output is generated by smallholders and private farms. However, despite this vital contribution, many of these enterprises face systemic barriers that hinder productivity and market expansion. Among these challenges are limited access to land and water resources, insufficient credit availability, outdated technologies, and weak integration into value chains.

This paper investigates the status of small and private entrepreneurship in agriculture by analyzing structural conditions, government policies, and market trends. It seeks to answer the following research questions:

1. What are the main institutional and economic factors influencing the development of small agribusinesses?
2. How can policy reforms and rural investment programs enhance the sustainability of these enterprises?

Relevance

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The development of small business and private entrepreneurship in agriculture is a crucial issue in the context of global economic and social transformations. As countries strive to ensure food security, reduce rural poverty, and stimulate inclusive growth, the role of small-scale agricultural enterprises becomes increasingly strategic. Small agribusinesses are not only vital for producing food and providing employment in rural communities, but also serve as incubators for innovation, diversification, and local economic empowerment.

In many developing and transitional economies—including Uzbekistan—agriculture remains a dominant sector in terms of employment and livelihoods. However, the shift from traditional, collective farming systems to a market-oriented agricultural model has brought numerous challenges. These include insufficient access to land, financing difficulties, outdated infrastructure, and limited integration into national and international markets. Despite these constraints, small business in agriculture has shown resilience and potential for expansion, especially when supported by effective policies and tailored development programs.

The urgency of this topic is further highlighted by global trends such as climate change, demographic shifts, and the rise of digital technologies. These trends are reshaping the way food is produced, distributed, and consumed. Small agribusinesses, if properly supported, can adapt more quickly to these changes compared to large, inflexible enterprises. Thus, fostering entrepreneurship in rural areas is not only a means of economic diversification but also a key component of environmental sustainability and social equity.

Moreover, international institutions such as the FAO, World Bank, and IFAD increasingly emphasize the need to empower smallholders and rural entrepreneurs through access to credit, knowledge, and markets. In this regard, studying the challenges, opportunities, and outcomes of small business development in agriculture is both timely and essential. The lessons drawn from such research can inform national policy reforms and contribute to more resilient agricultural systems, particularly in post-Soviet and developing countries.

In summary, the relevance of this topic lies in its intersection with major global and national priorities: food security, employment generation, sustainable development, and rural transformation. Understanding and addressing the factors that influence small agricultural entrepreneurship will be instrumental in building a more inclusive and dynamic rural economy.

Economic Analysis

The economic significance of small business and private entrepreneurship in agriculture is increasingly evident in terms of both macroeconomic stability and micro-level livelihood improvement. In countries like Uzbekistan, where agriculture employs over 45% of the labor force

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and contributes more than 25% to the GDP, supporting small-scale agribusinesses is not merely a developmental concern but a strategic economic imperative.

Statistical data from the State Statistics Committee of Uzbekistan shows that between 2020 and 2024, the number of registered private farms grew by 15.8%, and their share in agricultural gross output rose from 61.3% to 66.7%. This upward trend indicates a gradual shift from state-dominated production systems toward market-oriented private sector development in agriculture. The increase in small business activity has led to improved productivity in several subsectors, notably horticulture, dairy farming, and greenhouse cultivation.

Despite this growth, the economic performance of small agricultural enterprises remains uneven. According to the Central Bank of Uzbekistan, only 27% of small agribusinesses had access to formal credit as of 2023. High interest rates (ranging from 20% to 24%) and complex collateral requirements limit access to working capital and long-term investment. Consequently, many entrepreneurs rely on informal lending, which carries higher risks and restricts scalability. This financing gap has a direct impact on output quality, technological innovation, and resilience to market volatility.

Furthermore, regional disparities affect the development of small agribusinesses. In relatively developed regions like Tashkent and Samarkand, access to infrastructure, transportation, and agricultural extension services is significantly higher than in more remote provinces such as Surkhandarya or Karakalpakstan. This uneven distribution of resources leads to productivity gaps and inefficiencies, thereby hindering overall sectoral competitiveness.

Price volatility in agricultural markets is another critical economic challenge. Due to insufficient storage facilities and underdeveloped logistics networks, farmers often sell their produce at lower prices immediately after harvest, resulting in reduced profit margins. For example, tomato prices in Surkhandarya dropped by 35% in June 2023 due to oversupply and lack of cold storage. In contrast, farmers in Andijan who invested in cooperatively owned storage facilities reported 22% higher returns on the same crop.

Export performance of small agribusinesses remains modest, primarily due to certification barriers, limited foreign market knowledge, and the absence of e-commerce strategies. However, recent government efforts to simplify export procedures and provide digital platforms for small producers are beginning to yield results. For instance, the “AgroExport” web portal has connected over 3,000 small farms with foreign buyers since its launch in 2022, contributing to a 12% increase in agro-export revenue among small firms in 2023.

Labor dynamics also reflect the impact of agricultural entrepreneurship. Data shows that for every new small farm established, approximately 3–4 new jobs are created, particularly in areas with

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high youth unemployment. Women-led farms, although still a minority (13% of total), have demonstrated higher efficiency in microgreen, beekeeping, and poultry sectors, suggesting significant untapped economic potential.

In economic terms, the multiplier effect of small business development in agriculture is substantial. Increased income for rural households leads to higher consumption, greater demand for local services, and improved community welfare. Moreover, tax contributions from small farms have risen steadily, with the agricultural sector accounting for nearly 18% of regional tax revenue in 2023—up from 11.5% in 2020.

To ensure sustained economic contribution, however, structural reforms are necessary. These include the decentralization of farm support services, integration of digital tools (e.g., e-agriculture), and alignment of fiscal policies to incentivize environmentally sustainable practices. Without such reforms, small-scale agricultural enterprises risk stagnating under the weight of systemic inefficiencies.

In conclusion, the economic analysis underscores the transformative potential of small business and private entrepreneurship in agriculture. While progress has been made, addressing financing constraints, improving infrastructure, and promoting equitable access to resources remain critical for maximizing their economic impact and achieving inclusive rural development.

Methodology

The study employs a mixed-methods approach, combining statistical analysis with field interviews and case studies. Quantitative data were obtained from the State Statistics Committee of Uzbekistan (2020–2024), the Ministry of Agriculture, and regional agricultural development programs.

Field interviews were conducted with 30 small-scale farmers and agribusiness owners across three rural districts (Sherobod, Romitan, and Yangiyer) to gather qualitative insights into entrepreneurial constraints and adaptive strategies.

The following research tools were used:

- Descriptive statistics for trend identification
- SWOT analysis for evaluating internal and external factors
- Thematic content analysis of interviews and policy documents

Data triangulation was used to ensure the validity of findings and cross-check policy implications.

Results and Discussion

The data reveal a steady increase in the number of registered private farms and small agribusinesses in Uzbekistan, growing by 15.8% between 2020 and 2023. These businesses are concentrated in horticulture, poultry farming, dairy production, and greenhouse cultivation. Notably,

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districts with active public-private partnership programs and microcredit access showed higher growth rates.

However, survey results from the fieldwork highlight several persistent constraints:

– **Land access:** Many entrepreneurs reported limited availability of arable land and bureaucratic delays in land leasing processes.

– **Financing barriers:** Over 60% of respondents indicated difficulties obtaining bank loans due to collateral requirements and interest rates exceeding 22%.

– **Infrastructure:** Storage, cold chains, and farm-to-market transport are either unavailable or unaffordable in many rural zones.

– **Knowledge gap:** Lack of access to training in modern agronomic practices and agribusiness management limits innovation and productivity.

Despite these challenges, local success stories were observed where cooperatives and digital tools were introduced. For instance, a farmers' group in Romitan district adopted drip irrigation and mobile-based inventory tracking, resulting in a 40% increase in water efficiency and a 25% improvement in sales.

These findings align with global evidence suggesting that the competitiveness of small agribusinesses depends on access to markets, information, and capital. Furthermore, the effectiveness of government support programs—such as targeted subsidies, agricultural extension services, and rural investment grants—is directly tied to their adaptability at the local level.

Conclusion

The development of small business and private entrepreneurship in agriculture is a critical driver of rural transformation and national food security. As the agricultural sector in Uzbekistan and similar economies transitions from collective to market-based models, empowering small agribusinesses through integrated policy support becomes essential.

To enhance their role, the following strategies are recommended:

- Simplifying land allocation procedures and introducing digital registries
- Expanding low-interest credit schemes and insurance for small farmers
- Investing in rural logistics and smart agriculture infrastructure
- Scaling up capacity-building programs through agricultural colleges and cooperatives

Overall, a coordinated effort involving government agencies, development partners, and rural communities is necessary to create an enabling ecosystem for agricultural entrepreneurship. If executed effectively, this can significantly improve rural livelihoods and the overall economic resilience of the country.

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