

THE ROLE OF LOCAL GOVERNMENT BODIES IN ENTREPRENEURSHIP DEVELOPMENT

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Abstract: This article examines the role of local government bodies in entrepreneurship development based on empirical analysis of 14 regions in Uzbekistan covering 2020-2024.

Keywords: local government, entrepreneurship development, small business support, administrative reform, business environment.

Local government bodies constitute critical institutional actors in entrepreneurship development, serving as primary interface between national policy frameworks and local business communities while possessing unique advantages including proximity enabling responsive service delivery, contextual knowledge of local economic conditions, authority over critical business environment determinants, and capacity for policy experimentation tailored to regional circumstances. In Uzbekistan, comprehensive administrative reforms initiated through Presidential Decrees PQ-4365 (June 2019) and PF-6224 (April 2021) fundamentally restructured local government functions, expanding autonomy and responsibilities for entrepreneurship support while implementing performance accountability systems linking leadership evaluation to socioeconomic outcomes. However, substantial regional disparities characterize entrepreneurship development: small business GDP contribution ranges from 42.8% in Tashkent city to 28.4% in Karakalpakstan, business formation rates vary from 28.4 to 11.7 per 1,000 adults, and three-year survival rates span 68.4% to 47.2% across regions. These disparities reflect heterogeneous local government institutional capacity, policy effectiveness, and resource availability. Understanding mechanisms through which local government actions influence entrepreneurship outcomes—regulatory efficiency, business support services, infrastructure provision, ecosystem coordination—proves essential for optimizing institutional design, capacity building programs, and resource allocation. The research addresses critical knowledge gaps regarding quantitative relationships between local government capacity indicators and entrepreneurship performance metrics, qualitative processes through which effective local governments support business development, constraints limiting local

government effectiveness particularly in resource-poor peripheral regions, and policy interventions for enhancing institutional capacity and service delivery quality.

The research employs mixed-methods design integrating quantitative econometric analysis with qualitative case studies and stakeholder consultations. Panel regression specification: $\text{Business_Outcome}_{it} = \alpha + \beta(\text{Local_Gov_Capacity})_{it} + \gamma X_{it} + \mu_i + \lambda_t + \epsilon_{it}$, where i indexes regions, t indexes years, X_{it} represents controls (GDP per capita, urbanization, education, infrastructure), μ_i captures region fixed effects, λ_t captures time effects. Local government capacity measured through composite indicators including one-stop shop quality index (service range, processing speed, staff professionalism, digital integration), regulatory efficiency (average days for licensing/permitting), support program spending per capita, and staff capacity (share of employees with business-relevant qualifications). Entrepreneurship outcomes include business formation rate (registrations per 1,000 adults), three-year survival rate, employment per business, and small business GDP contribution.

First, local government capacity demonstrates statistically significant positive relationships with entrepreneurship outcomes: one standard deviation improvement in one-stop shop quality index associates with 4.2 additional business registrations per 1,000 adults annually (18% increase, $p < 0.01$); 10-day reduction in regulatory processing time correlates with 2.8 more registrations per 1,000 adults ($p < 0.05$) and 3.4 percentage point better three-year survival rates ($p < 0.05$); support program spending shows diminishing returns with largest impacts at low levels—increasing from 50,000 to 150,000 UZS per capita associates with 6.4 more registrations ($p < 0.01$) while increase from 150,000 to 250,000 shows only 2.1 additional registrations ($p < 0.10$); and 10 percentage point increase in staff with business-relevant qualifications correlates with 3.2 more registrations ($p < 0.05$) and 2.7 percentage point better survival ($p < 0.05$). Second, substantial regional heterogeneity reflects institutional capacity variations: Tashkent city with 15 modern one-stop shops, 2.3-day average registration time, 287,000 UZS per capita support spending, and comprehensive digital platform achieves 28.4 registrations per 1,000 adults, 68.4% survival rate, and 42.8% small business GDP contribution, while Karakalpakstan with 3 basic service centers, 11.4-day processing, 42,000 UZS spending, and minimal digitalization shows 11.7 registrations, 52.3% survival, and 28.4% GDP contribution. Third, entrepreneur stakeholder interviews ($n=124$) identify critical local government functions and satisfaction variations: 84% of Tashkent entrepreneurs rate registration as efficient versus 34% in slow-processing regions; land allocation and infrastructure provision emerge as essential location determinants with road access, electricity reliability, and water supply shaped by local investment priorities; support programs show quality variations with 67% finding programs helpful in Tashkent and Fergana

but only 28% in peripheral regions; and regulatory oversight preferences favor risk-based approaches (1.4 inspections annually) over blanket regimes (5.7 inspections). Fourth, local official interviews (n=38) reveal capacity constraints: 73% of district hokimiyats lack specialized business development personnel; limited budgets in poor regions (40,000-60,000 UZS per capita) support only minimal activities; coordination challenges between regional and district levels create implementation gaps with unclear mandates and conflicting directives; 58% of district one-stop shops lack modern digital systems requiring manual processes; and 71% report infrequent business community consultation limiting policy responsiveness.

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