



## LEGAL PROTECTION OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP ENTITIES IN UZBEKISTAN

**Umidjon Khujabekov Uchkun ogli**

National University of Uzbekistan named after Mirzo Ulugbek  
Jurisprudence (Business Law) 3rd-year student  
[umidjonkhujabekov@gmail.com](mailto:umidjonkhujabekov@gmail.com)  
+998 97 915 57 51

**Munisa Khujanova Sherzod qizi**

National University of Uzbekistan named after Mirzo Ulugbek  
Field of Study: Law (Business Law) 3rd-year student  
[munisakhujanova@gmail.com](mailto:munisakhujanova@gmail.com)  
+998 95 080 04 16

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### ABSTRACT

*This article examines the legal protection of small business and private entrepreneurship entities in Uzbekistan. It analyzes the legal essence of entrepreneurial activity, the historical development of its protection, the current legal framework, and the role of state bodies and public institutions in safeguarding entrepreneurs' rights. The article also identifies existing practical problems, including bureaucratic barriers, inconsistencies in legal enforcement, and deficiencies in dispute-resolution mechanisms. Based on the analysis, the article concludes that strengthening legal guarantees, reducing administrative burdens, improving judicial and non-judicial remedies, and expanding institutional support are essential for creating a more favorable entrepreneurial environment in Uzbekistan.*

### Introduction

Small business and private entrepreneurship are among the main driving forces of Uzbekistan's economy. They contribute to employment, encourage competition, stimulate innovation, and support regional socio-economic development. [1; Art. 2] For this reason, the effectiveness of entrepreneurial activity depends not only on economic policy, but also on the level of legal protection provided to business entities. A reliable legal

framework increases business confidence, improves the investment climate, and promotes sustainable economic growth. [2; Art. 53].

In Uzbekistan, support for entrepreneurship has been defined as a priority of state policy. At the constitutional level, the state guarantees freedom of economic activity, freedom of entrepreneurship, equal protection of all forms of property, and the inviolability of private property. Entrepreneurs are entitled to engage in any activity not



prohibited by law and to choose their line of business independently. These guarantees create the legal foundation for the protection of small business and private entrepreneurship entities.

The Legal Nature of Small Business and Entrepreneurship

Entrepreneurial activity is generally understood as an independent initiative carried out at one's own risk for the purpose of making profit through the use of property, production of goods, performance of works, or provision of services. Small business is a component of entrepreneurship that usually operates within legally defined limits concerning scale, number of employees, or turnover. Such entities play a major role in satisfying local market needs and in maintaining the flexibility of the national economy.

The legal essence of entrepreneurship is reflected in the guarantees granted by law. Under the Constitution of Uzbekistan, [3; Art. 53] every person has the right to own property, private property is inviolable, and the owner has the right to possess, use, and dispose of property at their own discretion. The state is also required to create favorable conditions for market relations, fair competition, and a stable business environment. These constitutional principles serve as the basis for the legal protection of entrepreneurs against unlawful interference and unjustified restrictions. The Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurial Activity" further develops these principles. [4; §3] It states that its main purpose is to create guarantees and conditions for citizens'

free participation in entrepreneurial activity and to protect the rights and legitimate interests of business entities. The law also establishes an important principle: irresolvable contradictions and ambiguities in legislation related to entrepreneurial activity are interpreted in favor of the entrepreneur. Historical Development of Legal Protection

The legal protection of entrepreneurship in Uzbekistan has evolved significantly. During the Soviet period, private property and free entrepreneurial activity were severely restricted, and the economy functioned primarily under state control. After independence, the transition to a market economy made the protection of entrepreneurial activity an urgent legal and policy issue. The recognition of private property and economic freedom at the constitutional level opened new opportunities for business development and required the creation of a modern system of legal guarantees. [3; Art. 53]

In the years following independence, Uzbekistan gradually developed a legislative framework aimed at protecting business activity. This process later intensified through reforms designed to liberalize the economy, reduce excessive state interference, and strengthen institutional safeguards for entrepreneurs. The creation of a specialized Business Ombudsman and the enhancement of business-support institutions marked an important stage in this development.

The current system of legal protection for small business and private entrepreneurship in Uzbekistan is based on a set of constitutional and legislative guarantees. The Constitution protects



freedom of economic activity and private property. The Law “On Guarantees of Freedom of Entrepreneurial Activity” provides specific safeguards for business entities, including judicial protection, protection of property, freedom to dispose of income and funds, and protection from unlawful decisions or actions by state bodies. [4; §5] It also limits the retroactive application of laws that worsen business conditions by introducing new obligations or restrictions.

Another important legal act is the Law “On Protection of Private Property and Guarantees of Owners’ Rights.” This law establishes that private property is inviolable and protected by the state. [5; §2] It also provides that there is no limit on the amount or value of private property and that unresolved legal contradictions in relations between owners and state bodies must be interpreted in favor of the owner. The law prohibits unlawful interference with private property and places strict limits on expropriation and similar measures.

In addition, the Civil Code of Uzbekistan forms the general legal basis for civil circulation, contractual relations, and the property status of legal subjects, including entrepreneurs. [6; Art. 1] Together with special legislation, it provides the normative foundation for business operations, liability, and dispute resolution in the entrepreneurial sphere.

A key institutional mechanism in Uzbekistan is the Business Ombudsman under the President of the Republic of Uzbekistan. According to the relevant law, the purpose of this institution is to regulate and ensure the protection of the

rights and legitimate interests of business entities. The Ombudsman acts independently, monitors compliance by state bodies, including supervisory and law-enforcement authorities, reviews complaints from entrepreneurs, participates in improving legislation, and may defend entrepreneurs’ interests in court. [7; §6]

This makes the Business Ombudsman one of the central guarantees of non-judicial protection for entrepreneurs. Another major institution is the Chamber of Commerce and Industry of Uzbekistan. By law, the Chamber is a non-governmental, non-profit organization uniting business entities. Its purpose is to create favorable legal, economic, and social conditions for business initiative, strengthen the protection of entrepreneurs’ rights and legitimate interests, improve the business and investment climate, and support entrepreneurs in their domestic and foreign economic activities. The Chamber provides legal and consultative assistance, represents entrepreneurs’ interests, and participates in public control and dispute resolution mechanisms. [8; §82]

Chamber of Commerce and Industry of Uzbekistan. Thus, the legal protection of entrepreneurs in Uzbekistan is carried out through several interconnected forms: judicial protection, administrative complaint procedures, the activities of the Business Ombudsman, and institutional support by the Chamber of Commerce and Industry and other public structures. The effectiveness of this system depends on transparency, procedural fairness, and



the practical accessibility of these mechanisms for business entities.

#### Existing Problems in Practice.

Despite broad reforms, a number of serious practical problems remain in the protection of entrepreneurial rights. One of the main issues is the persistence of bureaucratic barriers. In some areas, entrepreneurs still face excessive paperwork, lack of transparency in licensing and permit procedures, and unjustified inspections by supervisory bodies. Such problems increase transaction costs and weaken trust in the legal environment. These challenges are inconsistent with the policy direction aimed at reducing administrative burden on entrepreneurs. [4; §12]

Another problem lies in inconsistencies and gaps in legislation and legal enforcement. Where norms are unclear, contradictory, or insufficiently coordinated, law-enforcement practice may become uneven and open to abuse. In addition, some entrepreneurs still face difficulties in effective access to justice due to delays in court proceedings, issues in enforcement of court decisions, and the continuing negative impact of corruption and misuse of authority. These factors reduce confidence in legal protection and can negatively affect investment attractiveness. [6; Art. 12]

#### International Experience and Directions for Improvement

International practice shows that effective protection of small business requires not only formal legal guarantees, but also efficient justice systems, accessible dispute-resolution mechanisms, and reduced administrative burdens. OECD materials emphasize that better justice systems improve access to

legal remedies for small and medium-sized enterprises, while European administrative reforms show that digital simplification can significantly reduce the regulatory burden on SMEs. OECD European Commission.

For Uzbekistan, this means that further improvements should focus on full digitalization of licensing and permit procedures, broader use of mediation and arbitration in business disputes, stronger safeguards against unlawful interference by state authorities, and greater effectiveness of property-rights protection. It is also important to strengthen legal awareness among entrepreneurs and to continue refining institutional mechanisms, especially the practical role of the Business Ombudsman and the Chamber of Commerce and Industry.

#### Conclusion

The legal protection of small business and private entrepreneurship entities is one of the key conditions for sustainable economic development in Uzbekistan. The country has already established an important legal and institutional foundation for the protection of entrepreneurs through constitutional guarantees, special legislation, protection of private property, and dedicated institutions such as the Business Ombudsman and the Chamber of Commerce and Industry. Lex.uz Lex.uzAt the same time, the practical effectiveness of this system still depends on eliminating bureaucratic barriers, improving the consistency of legal enforcement, strengthening judicial and extra-judicial remedies, and continuing the reduction of unlawful state interference. If these issues are



addressed consistently, Uzbekistan will be able to create a more predictable, fair, and investment-friendly environment for

small business and private entrepreneurship.

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