

Women entrepreneurs in Uzbekistan: challenges and opportunities

POLICY BRIEF

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**Key messages**

1. Uzbek women entrepreneurs mainly work from home (one-person endeavor), with almost no (enough) deposit and credit but motivated and have ‘can-do’ spirit
2. Uzbek women entrepreneurs are mostly involved in low-return service entrepreneurship. The Big 3 sectors are (1) retail trade of food and non-food items, (2) bakery and cooking and (3) sewing and tailoring
3. Most entrepreneurship among Uzbek females is undertaken by necessity, not opportunity as a way out of unemployment (poverty). Therefore, they either have another full-time job or it is an extension of domestic responsibilities on the weekend
4. Most Uzbek women entrepreneurs highlight that promoting financial inclusion and focusing on capacity and skills enhancement for entrepreneurship are urgently needed
5. Young female college graduates are out of work and lack access to childcare parenthood support and high-potential business women mentors are in short supply
6. Close collaboration with international financial development community and the Chamber of Commerce and Industry of Uzbekistan, Women’s Committee of Uzbekistan, Business Women’s Association of Uzbekistan is needed for successful implementation of the Action Strategy

**Background**

Successful entrepreneurs are expected to create jobs, pay taxes, introduce innovations, and contribute to sustained economic growth. Increased competition from entrepreneurs challenges existing firms to become more competitive. Entrepreneurs provide new job opportunities and accelerate structural change by replacing established, sclerotic firms. However, women remain underrepresented among the ranks of entrepreneurs, particularly in transition countries. Substantially fewer women than men own and manage businesses worldwide and women, on average, earn less than men and are more likely to be engaged in unprotected jobs, such as domestic work. Despite a growing literature, we still need more research on female entrepreneurship, hence we focus on Uzbekistan – a middle-income transition economy with a growing number of initiatives aimed at promoting and empowering female entrepreneurship.

In December 2016, Uzbekistan elected a new President – Shavkat Mirziyoyev for five years. Following the elections, in February, the new government of Uzbekistan adopted a comprehensive and far-reaching Action Strategy and established national committee to implement the Action Strategy in the five priority areas of the Republic of Uzbekistan in 2017-2021. The five priorities in the Action Strategy include:

1. **Priority areas for the improvement of the system of state and public construction** – further strengthening of the role of the Oliy Majlis (parliament) and political parties in deepening democratic reforms and modernization; reform of the state administration system; improvement of the public administration system;
2. **Priority areas to ensure the rule of law and further reform of the judicial system** – genuine independence of the judicial power, increasing the court’s authority, democratization and improvement of the judicial system; provision of the guarantees for protection of the rights and freedoms of citizens; improvement of the administrative, criminal, civil and commercial law; improvement of the system of crime counteraction and crime prevention; further strengthening of the rule of law in the judicial system; improvement of the legal aid systems and services;
3. **Priority areas of development and liberalization of the economy** – further strengthening of the macroeconomic stability and sustaining high rates of economic growth; improving the competitiveness of the national economy through deeper structural reforms, modernization, and diversification of its leading industries; modernization and intensive development of agriculture; continued institutional and structural reforms aimed at reducing the state’s presence in the economy, further strengthening protection of the rights and priority role of private property, encouraging development of small businesses and private entrepreneurship; integrated and balanced socio-economic development of the regions, districts and cities, optimized and efficient use of their potential;
4. **Priority directions of the social sphere development** – consistent increase of the population’s real incomes and employment; improving the social security and health care system, improving the socio-political activity of women; implementation of earmarked programs on construction of affordable housing, development and modernization of the road and transport, engineering, communications and social infrastructure, ensuring improvement of the living conditions of the population; development of education and science; improving the government youth policy;
5. **Priority areas in the sphere of security, inter-ethnic harmony and religious tolerance**, and implementation of prudent, mutually beneficial and constructive foreign policy.

Many college-educated Uzbek women in the labor market are predominantly teachers, nurses, agricultural workers or they stay home to provide care for parents and children. Today more females are shifting out of traditional jobs into other professions and seizing new market opportunities such as entrepreneurship. In Uzbekistan, female entrepreneurial activities are dynamic and growing. A larger share of women are working as entrepreneurs than have previous generations and working full-time and much longer. It seems that women find entrepreneurial work opportunities increasingly meaningful and this reflects the importance of entrepreneurial career to women’s identity. Entrepreneurial activity choices may provide security and flexibility for family responsibilities if a woman needs. However, there clearly are some Uzbek women being driven to work as entrepreneurs by necessity when there is a large income shock to their household portfolio (e.g., job loss). Not every Uzbek woman has the drive to become an entrepreneur, because entrepreneurs face a substantial risk of failure. This can be evidenced by the Life in Transition household survey II and III, conducted jointly by the European Bank for Reconstruction and Development and the World Bank in late 2010 and 2015. Both surveys covered close to 1500 households in Uzbekistan and has a specific module on entrepreneurial activities, in which, the following question was asked: “*which job would you choose if choice is given?”*. More than half of the female respondents (52%) selected public sector employment (state-owned enterprises and government) as their main choice, not self-employment. By 2015, the share of women involved in self-employment declined by half, a decrease from 28% in 2010 to 14%.

To dig deeper to identify challenges and opportunities female entrepreneurs face in Uzbekistan, we conducted focus group discussions and structured interviews in four regions of Uzbekistan with close to 115 female entrepreneurs. We collected information from Bukhara region, Jizzakh region, Andijan region and Karakalpakstan. We first piloted our research instrument with a small group of female entrepreneurs in capital city – Tashkent. We also collected data via Google survey shared with Uzbek female entrepreneurship group on Telegram application. Our sampling strategy was based on randomly selected entrepreneurs from the list of all registered female entrepreneurs across four regions between April and October 2017. The administrative registration list for four regions was provided by the Chamber of Commerce and Industry of Uzbekistan. The Chamber of Commerce introduced an automated system of business registration on April 1, 2017 and began sorting registration information by gender. In Uzbekistan, fewer women than men start businesses to begin with (unfortunately, no information is collected on failure of businesses) and concentrate in different sectors.

Based on the administrative data provided by the Chamber of Commerce, we can see that over 6,000 women entrepreneurs registered their new business in only four regions of Uzbekistan between April and September of 2017. During the same period, there were nearly twice as many male entrepreneurs who registered their business – more than 10,500. At the national level, eighty percent of these individual female businesses are concentrated in three sectors: (1) retail trade of food and non-food items, (2) bakery and cooking, and (3) sewing and tailoring. One could argue that women prefer opening businesses in these three sectors because the government bureaucracy is the least involved and require little physical and human capital to start-up. Beauty salons, clothing accessories and Paynet, copy & photo centers also remain popular entrepreneurial choice for women. The largest share of newly registered female businesses is located in Bukhara region, followed by Andijan region and Karakalpakstan. Jizzakh region registered the least number of new female businesses. In the Appendix section, you will find similar information at the regional level and three things to immediately notice: (1) the types of activities are distributed differently (i.e., Andijani business women prefer sewing business the most vs. Karakalpakstani business women choose retail trade the most); (2) The diversity (complexity) of activities are different in each region (i.e., Andijani women can find work in eight main occupational sectors, including clothing accessories and shoe repairs vs. Karakalpakstani women mostly open their business in six main sectors); and (3) the distributional share of newly registered women businesses varies across districts within a region (i.e., newly registered businesses in Karakalpakstan are distributed fairly well across 14 districts and Nukus city vs. close to forty percent of all newly registered female businesses is concentrated in Bukhara city in Bukhara region).

Figure 1. The types and share of entrepreneurial activities in Uzbekistan, 2017

 

Note: Own estimates

*Source:* Chamber of Commerce and Industry of Uzbekistan

**Findings**

The profile of the Uzbek female entrepreneur is based on 115 women entrepreneurs we surveyed in our study. The average age is close to 40 years old. This older age indicates that many women prefer to start their business after their children grow up or this could be due to fewer years of experience in the labor market. It is possible that women at older ages have more free time and perhaps more capital and additional “helping hands” around the house. Close to half of female respondents surveyed have completed higher educational institution, this fact was mainly driven by Google female respondents who are mostly based in Tashkent city. Over 40% of women registered as an individual entrepreneur. This is another indication than women’s businesses tend to be smaller and grow less. Two-thirds of women are married. This is important because almost all women indicated that they consult with either their husband or their family members when they deal with business issues. Moreover, when husbands, parents and family members support women, they are more likely to cross over to traditionally male-dominated sectors. Women’s marital status is often significant because women rely more than men on extended families, who provide to be the only or major social network (capital) for women, particularly in rural settings. On average, these women work 50 hours per week and employ 8 persons on average. This employment indicator declines to 1-2 person if we consider only non-agricultural (non-farm) businesses. The biggest indicator is that more than two-thirds of surveyed women (77%) indicated that they need more finance and capital. Only 15% are export-oriented and 22% import goods and services. When it comes to competition, 1/3 of women assess the level of competition low, another 1/3 average and the rest assessed competition high. Above-mentioned female entrepreneurs’ firm performance can indicate that women tend to have lower growth expectations in terms of sales and employment, perhaps at this stage many Uzbek women are more concerned with survival rather than growth and competition. Our analysis of focus group discussions and structured interviews highlight the following issues that we categorized in this order: institutional constraints, sectoral/occupational challenges and individual obstacles.

**Institutional constraints and opportunities**

Weak institutional environments drive entrepreneurs to operate in the informal sector and stunt business growth. Entrepreneurs cannot succeed in an over-regulated economy. And institutions matter for protection of property rights, functioning free markets, good governance and international connectivity. Rules and regulations are part of formal institutions that contribute to the development of female entrepreneurship. Key highlights that were mentioned the most by surveyed business women are (in no particular order):

* Access to finance is difficult; low trust in the banking system and lack of deposits in rural area to get credit;
* The rule of law and its implementation of policy contradict each other on the ground;
* Tax reforms are urgently needed to incentivize business growth;
* “Red tape” bureaucracy must be cut;
* Constant change of low- and middle-level local government personnel is confusing;
* Professional college education and labor market significant mismatch exists.

Rural women entrepreneurs face major hurdles to start or grow their business as evidenced in Table 1. The share of households with access to tap water and pipeline gas suggest there are large regional disparities with access to basic utilities. The degree of satisfaction for local roads and postal service is meagerly above 50%. Rural households seem to be particularly less satisfied with utilities relative to their urban counterparts, including Tashkent city. Because of difficult access to basic infrastructure in rural areas, women are more likely to spend their time on household chores rather than supply their time in the labor market for wages. The poor state of rural infrastructure may also hamper women from investing in local entrepreneurial and commercial activities.

Table 1: The percentage share of the households reported with access to utilities (%)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Utility |  | National | Rural area | Urban area (excluding Tashkent city) | Tashkent city |
| Tap water | percentage with access | 66.6 | 37.9 | 92.4 | 100.0 |
| degree of satisfaction | 84.0 | 84.4 | 82.3 | 88.2 |
| Electricity | percentage with access | 100.0 | 100.0 | 100.0 | 100.0 |
| degree of satisfaction | 76.8 | 70.7 | 81.7 | 85.4 |
| Fixed telephone line | percentage with access | 39.5 | 17.3 | 52.3 | 87.5 |
| degree of satisfaction | 93.4 | 89.1 | 94.8 | 94.2 |
| Central heating | percentage with access | 30.2 | 14.8 | 32.4 | 84.2 |
| degree of satisfaction | 87.1 | 85.0 | 90.2 | 84.8 |
| Pipeline gas | percentage with access | 63.6 | 51.9 | 66.9 | 100.0 |
| degree of satisfaction | 81.2 | 74.1 | 83.0 | 92.1 |
| Postal service | percentage with access | - | - | - | - |
| degree of satisfaction | 53.7 | 52.7 | 54.6 | 54.6 |
| Local roads | percentage with access | - | - | - | - |
| degree of satisfaction | 57.2 | 60.5 | 53.4 | 56.0 |

Note: The estimates are weighted. Four regions are not covered in LiT III: Andijan region, Ferghana region, Kashkadarya region and Surkhandarya region.

*Source*: European Bank for Reconstruction and Development, Life in Transition survey III 2016.

Table 2 presents the percentage share of the households that declared ownership of household assets such as a computer and access to home internet. Roughly 1 in 3 Uzbeks own a computer and 1 in 4 has access to home internet.[[1]](#footnote-1) The degree of ownership of these household assets vary greatly across different types of residence. These results show that rural households face substantial challenges with access to modern information and communication technologies, hence they only receive information by traditional media outlets. Very low access to information and modern technologies in rural areas may significantly hamper the creativity and productivity of female entrepreneurs. Improving the conditions of the rural infrastructure can significantly help business women to connect with their urban counterparts, business mentors and professionals and international partners.

Table 2: The percentage share of the households reported with ownership of (%)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Asset | National | Rural area | Urban area (excluding Tashkent city) | Tashkent city |
| A computer | 35.5 | 25.5 | 41.3 | 57.1 |
| Access to home internet | 23.3 | 14.7 | 28.2 | 42.1 |

*Source*: European Bank for Reconstruction and Development, Life in Transition survey III 2016.

The implementation and enforcement of laws and regulations on the ground are different of what women expect on the books, especially during “tekshirish” or government inspection period. ‘Plov’ parties, gendered perceptions of business women, values and stereotypes are part of informal institutions that may put barriers to female entrepreneurial activities and choices and their access to resources. There is emerging evidence that the informal institutions play a larger role (relative to formal institutions) for a woman to become successful in business. Female networks, family support, children’s upbringing and social recognition of the female entrepreneurial career (not many business Uzbek women thought of entrepreneurship as an “elite” profession) are several examples. Formal and informal institutions also significantly contribute to potential regulations on expansion of businesses and business failure (e.g., bankruptcy laws, fear to fail). Reducing barriers to formal jobs will help eliminate informal or “bad” jobs for women.

**Sectoral challenges and opportunities**

Technology is affecting the way women conduct business and find business opportunities, yet access to Internet is very low in rural areas. There is still horizontal and vertical segregation across sectors with women being mostly represented in traditional sectors – sewing, knitting, and services such as bakery, educational centers, and beauty salons where technological adoption is low and the returns are low. Key sectoral highlights that were mentioned often by surveyed business women are (in no particular order):

* Low technological capital penetration and (lack of) training opportunities are limited;
* Cost of ICTs and transportation are expensive;
* Occupational licensing should be explored;
* Demand for young female college graduates requires more attention from policymakers and private sector companies;
* Copyright protection should be strengthened;
* Business exhibitions and fairs outside of Tashkent should be held more often;
* Export (new market) and investment opportunities are hard to find;
* Access to raw materials is difficult.

One fact is that many Uzbek women entrepreneurs do not consider competition as a major barrier to enter the market, even though there are many educational centers and beauty salons in the market, for example and some sectors are dominated by men, construction for instance. This again may signal that most Uzbek business women setup ‘survival’ type business rather than growth and competition. The process of getting access to banking, finance, accounting, tax and legal services affect all sectors and women would like to have more and easier access to such consulting and advisory services. Many rural female entrepreneurs still have two jobs, for example: they mainly work at a school or poliklinika, and also engage in business on evenings and weekends. Most women entrepreneurs are eager to find international partners, investors, exhibitions and have opportunities to go abroad for exchange of their knowledge, skills and experience.

**Individual obstacles and opportunities**

Business skills can be learned. Individual key factors that determine the (lack of) success of female entrepreneurship are role models, family support, self-confidence and skills. Key professional development highlights that were mentioned often by surveyed business women are (in no particular order):

* Training in languages (Russian, English) and computer literacy should be targeted and delivered;
* Training opportunities in finance, accounting and taxes, business management, risk analysis and cost-benefit analysis should be targeted and delivered;
* Legal rights of entrepreneurs and responsibilities should be enforced and informed;
* Successful women role models, business mentors are in short supply.

Women also assess their role as female entrepreneurs very critically because of their (less) time devoted to their families as a spouse and a mother. Female entrepreneurs are in urgent need of basic educational training in entrepreneurship, languages (Russian, English), Uzbek labor code and regulations, accounting, marketing, human resources, IT services, business management and economics. Most Master classes should be organized with more experienced entrepreneurs (experts) by each sector with ‘best practices’. Most women also find it hard to find role models, support networks and qualified specialists to expand their business. Telegram groups are helping women with networking and learning because women feel that there is large information vacuum to learn more about professional development opportunities and access to business networking events.

**Policy Recommendations**

Uzbek women entrepreneurs are a relatively untapped economic resource. Our policy objective is to foster high-growth and high-quality entrepreneurship and receive high returns to entrepreneurship. The key questions for policy design to achieve this policy objective should be the following: how entrepreneurship occurs (self-employment, new firm formation), why it is undertaken (out of necessity or opportunity), and what activity or outcome it can yield (growth in sales or employment). Such measures are important to understand the dynamics of entrepreneurship types and outcomes. Based on our evidence from Uzbekistan, we conclude that female entrepreneurship mainly occurs as self-employment and it is undertaken out of necessity and it does not yield growth. These pieces of evidence suggest that policymakers have a huge opportunity to implement policies and provide institutional support to promote and make women entrepreneurship great in Uzbekistan. We propose the following policy recommendations to grow entrepreneurs and contribute to family well-being (stable and strong nation).

1. **Institutional reforms, sectoral and individual professional development matter to create conditions for entrepreneurs. This could be done by increasing outreach:**
   * the priority areas (particularly, area #3) of the Action Strategy should be implemented integrating gender equality issues in promoting development of small businesses and private entrepreneurship as well as efficiently develop women’s socio-economic potential in the regions, districts and cities;
   * provide and promote information through the “Single Window” centers to rural women entrepreneurs and those who live in remote areas. The services of the “Single Window” for entrepreneurs should be regularly upgraded with modern information and communication technologies in order to eliminate information vacuum for potential ‘to-be’ women entrepreneurs;
   * fund more women-owned businesses and productive female-run projects and gender equality issues should be integrated into bank lending practices. Deposit requirements for obtaining bank loans for women should be reviewed, especially for purchasing new technology;
   * provide and promote subsidized childcare or pre-school facilities or other related programs targeted for female entrepreneurs with young families;
   * enhance basic infrastructure in rural areas using public-private partnership, for instance, providing more and better access to affordable kindergartens, postal services, internet access, stable electricity, gas and water supply;
   * develop a public-private partnership to link entrepreneurial education and vocational training to the demand of the up-to-date businesses so that the demand for young female college graduates receives attention. College practice hours at private companies should be implemented and monitored. College students should be linked to an industry mentor during their long-term professional internship. Universities should compete for the most talented along with the private sector;
   * provide targeted financial credit instruments based on the local profile of women entrepreneurs, preferably at *rayon* level. For example: women in Andijan are mostly engaged in sewing business so banking credit should be targeted for sewing business. On the other hand, women in Karakalpakstan are mostly retail traders so financial credit instrument may be different in this scenario;
   * occupational licensing for business women in sewing and bakery, for instance, should be explored in order to control for the quality of their product/service and meet the industry standard with receiving certification and recognition from the industry;
   * tax burden for individual entrepreneurs is too high, so reforms are necessary to incentivize their business to grow and hire more people. Tax holidays should be extended and implemented more often;
   * government services to support individual female entrepreneurs should be run at a stable pace and without constant change either in personnel or in implementation. The cost of government bureaucracy and highly regulated environment is too expensive for entrepreneurs to run their business formally. Reducing barriers, regulations and increasing transparency in government services should help reduce informality in the labor market;
   * develop business incubators along with the industry and universities to raise the capacity of female entrepreneurs.
2. **Develop entrepreneurial programs for (potential) women entrepreneurs and young high-school and college graduates tailored to each region and sector. This could be based on the example of *Goldman Sachs’ 10,000 Women initiatives (***[**http://www.goldmansachs.com/citizenship/10000women/**](http://www.goldmansachs.com/citizenship/10000women/)***)* or *The Thousand Talent Plan of China (***[**http://www.1000plan.org/en/entrepreneurs.html**](http://www.1000plan.org/en/entrepreneurs.html)***)* and target business development and consulting services for younger or older women, new entrants or women with labor market experience, women in rural or urban areas separately:**
   * enhance the capacity and capability of the Chamber of Commerce and Industry, Women’s Committee and Business Women’s Association staff to ‘be’ more entrepreneurial and to think more “outside the box’, particularly relevant for staff located outside of Tashkent city;
   * develop mentorship and internship opportunities with the private sector and professional business associations;
   * deliver start-up programs for young high-school and professional college students and post-training follow-up;
   * deliver business training and literacy programs on management, finance, accounting, marketing, law, taxes, particularly outside of Tashkent city. Westminster International University in Tashkent offers executive courses to entrepreneurs and can provide training at designated place on-demand;
   * deliver business Master classes and consultations on writing business plans, learning to develop own websites, risk analysis and cost-benefit analysis, information technology use and copyright protection;
   * deliver Russian and English language classes for adult audiences;
   * organize business exhibitions and trade fairs in rural areas and business networking events with professional experts.
3. **Celebrate successful women entrepreneurs in the society (social status). The Chamber of Commerce and Industry, Women’s Committee and Business Women’s Association should:**
   * organize Women’s council for young entrepreneurs and listen to their voice;
   * share stories of successful women role models and their experience and such success stories will support and build female confidence;
   * enhance the role and perception of women entrepreneurs in the society and their capacity to grow professionally in the labor market together with international organizations and *Mahalla* leaders. Effective social marketing campaigns can help change gender stereotypes of women entrepreneurs in rural areas and shed positive light on their contribution to their family and community well-being.
4. **More research and longitudinal individual and firm-level data are needed to continue generating evidence to inform policy-making. The Chamber of Commerce and Industry of Uzbekistan could lead the way to develop and report metrics for entrepreneurship programs and initiatives:** 
   * clear definition of female entrepreneurship is still needed;
   * collect more data to understand survival and growth among entrepreneurs as well as time of entry and exit from business;
   * registration systems should be further developed and provide follow-up with each individual entrepreneur every six months or annually.

**Appendix**

Figure A1. The types and share of entrepreneurial activities in Andijan region, Bukhara region, Jizzakh region and Karakalpakstan, 2017

 

 

 

 

1. Roughly 1 in 3 Americans own three devices: a smartphone, computer and tablet: http://www.pewresearch.org/fact-tank/2015/11/25/device-ownership/ [↑](#footnote-ref-1)