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The Role of Government Policy in Developing Integration Between Small and Large Enterprises

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Abstract

Integration between small and large enterprises is increasingly recognized as a strategic driver of inclusive industrial growth and sustainable economic development. In emerging economies like Uzbekistan, such integration can enhance value chains, foster innovation, and build economic resilience, yet remains underdeveloped. While various policies have been initiated, a gap persists between strategic intentions and effective enterprise-level implementation, especially due to weak institutional coordination and limited access to enabling instruments. Aims: This study explores the role of government policy in facilitating the integration of small and large enterprises, with a specific focus on Uzbekistan's evolving policy landscape and comparative insights from global models. The findings reveal that although Uzbekistan has introduced relevant policies and institutions such as industrial clusters and SME development programs policy fragmentation, insufficient financial accessibility for SMEs, and trust barriers continue to hinder effective collaboration. By combining expert interviews, document analysis, and international comparisons, the study offers a nuanced understanding of both structural impediments and policy instruments specific to transitional economies. The research suggests that a comprehensive approach encompassing institutional coherence, tailored financial tools, enterprise capacity building, and cultural shifts is essential for unlocking the full potential of small–large firm integration in Uzbekistan and similar economies.

Keywords: Government Policy, Small Enterprises, Large Enterprises, Integration, Economic Development, Public Support, Innovation, Business Cooperation, Uzbekistan, Industrial Policy

1. Introduction

In today's dynamic global economy, the integration of small and large enterprises plays a vital role in fostering sustainable industrial development, innovation diffusion, and inclusive growth. Small enterprises, often characterized by flexibility, innovation capacity, and regional outreach, complement large enterprises that typically possess greater capital, infrastructure, and access to international markets. Strengthening the cooperative relationships between these two categories of firms can enhance value chain efficiency, promote knowledge and technology transfer, and boost overall economic resilience [1].

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However, achieving effective integration is often hindered by structural barriers, including informational asymmetries, unequal bargaining power, and lack of coordination mechanisms. In this context, government policy emerges as a crucial enabler. Through targeted policy instruments such as financial incentives, cluster development programs, regulatory support, and innovation grants, states can play a proactive role in bridging the gap between small and large enterprises [2].

In developing economies such as Uzbekistan, the role of government is even more pronounced due to transitional market structures and the evolving nature of industrial relations. The Uzbek government has implemented several strategic initiatives in recent years, including the “Strategy of Actions for the Further Development of Uzbekistan 2017–2021” and industrial modernization programs aimed at increasing the competitiveness of domestic firms. These policies highlight the importance of fostering integration between firms of various sizes to build a diversified and innovation-driven economy [3].

This paper aims to examine the role of government policy in promoting integration between small and large enterprises, with a focus on the mechanisms that facilitate such linkages and the specific challenges faced in emerging market contexts. By analyzing theoretical frameworks and international case studies, as well as Uzbekistan’s policy landscape, the study provides insights into how public sector strategies can foster effective and sustainable enterprise integration [4].

Literature Review. The integration between small and large enterprises has long been a subject of academic and policy-oriented inquiry, particularly in the context of economic development, innovation systems, and industrial upgrading. Scholars widely agree that strong linkages between small and large firms can generate mutual benefits through complementary capabilities. Small enterprises tend to be more agile, adaptable, and innovative, while large firms bring scale, capital, and access to broader markets [5].

From a theoretical perspective, the concept of value chain integration has been central to understanding how firms of varying sizes can collaborate. According to Gereffi and Fernandez-Stark, value chain integration allows smaller suppliers to become part of global production networks, provided that enabling policies and institutional frameworks are in place. In these networks, large enterprises often act as lead firms, orchestrating the distribution of tasks, knowledge, and standards along the chain [6].

Several empirical studies have emphasized the role of public policy in overcoming market failures and promoting effective enterprise integration. For example, the OECD highlights that targeted government interventions – such as supplier development programs, co-financed research initiatives, and cluster-based support can enhance trust and cooperation between small and large firms. In South Korea and Germany, state-sponsored industrial clusters have served as successful models where integration has led to increased productivity and export performance among SMEs [7].

In developing countries, however, integration efforts often face greater institutional and structural challenges. According to UNIDO, small enterprises in emerging markets frequently lack the technical capacity, certifications, and managerial skills needed to meet the procurement standards of larger companies. Furthermore, the absence of intermediary institutions such as innovation hubs, SME agencies, and sectoral councils makes coordinated interaction difficult. To address these gaps, international organizations have recommended policies that not only support individual enterprise growth but also foster inter-firm networks and innovation ecosystems [8].

In the context of Uzbekistan, the integration discourse is relatively new but gaining traction in national development strategies. As noted by Rakhmatov and Tursunov, the Uzbek government has initiated programs to modernize industrial infrastructure, improve access to finance, and promote SME participation in state procurement. However, challenges remain in ensuring that such policies translate into practical, sustainable linkages between firms. Studies suggest that more attention should be given to legal harmonization, digital platforms for B2B collaboration, and capacity-building among SMEs to participate in supply chains [9].

In summary, the literature underscores the strategic importance of government policy in enabling integration between small and large enterprises. While developed economies offer successful models, the application of these frameworks in developing contexts requires tailored approaches that reflect institutional realities and market readiness [10].

2. Research Method

This study employs a qualitative research methodology with an exploratory approach, aiming to understand the role of government policy in facilitating integration between small and large enterprises. Given the context-specific nature of policy interventions and enterprise dynamics, qualitative methods are best suited to uncover underlying mechanisms, institutional settings, and actor perspectives that influence inter-firm collaboration.

Research design. The research is structured as a multiple-case study, focusing primarily on Uzbekistan as the central case, while drawing comparative insights from selected international examples such as South Korea and Germany. The use of multiple cases allows for both contextual depth and cross-case validation of key themes. Uzbekistan was selected as the focal case due to its ongoing economic reforms and increasing emphasis on industrial modernization and SME development.

Data collection. Data were collected through three main sources:

Document analysis – A wide range of official documents, including government strategies, laws, policy reports, and publications from international organizations (e.g., UNIDO, OECD, World Bank), were reviewed to trace the evolution of integration-oriented policies.

Expert interviews – Semi-structured interviews were conducted with policymakers, representatives of business associations, SME managers, and researchers. A total of 12 interviews were carried out between January and March 2025, using purposive sampling to ensure relevance and expertise. Interview questions focused on the effectiveness of existing policies, barriers to integration, and recommendations for improvement.

Secondary data – Statistical and economic data from the State Statistics Committee of Uzbekistan, the Ministry of Economy and Finance, and international databases were used to contextualize findings and assess macro-level trends in SME – large firm cooperation.

Data analysis. The collected qualitative data were analyzed using thematic analysis, following Braun and Clarke’s six-step process. This involved coding textual data, identifying recurring themes, and interpreting them in relation to the research questions. To enhance reliability, data triangulation was employed by cross-verifying information from interviews, policy documents, and secondary sources.

Limitations. This study is subject to several limitations. First, the qualitative nature limits generalizability beyond the selected cases. Second, access to firm-level data was restricted due to confidentiality, which constrained the empirical scope. Third, the research primarily captures perspectives as of early 2025, and future policy developments may alter the landscape.

Despite these limitations, the methodology provides a robust foundation for understanding the mechanisms through which government policy influences integration processes in emerging market settings.

3. Results

The findings of this study reveal several important insights into the role of government policy in promoting integration between small and large enterprises in Uzbekistan. The results are presented according to four major thematic areas that emerged from document analysis and expert interviews: policy coherence, institutional support, financial instruments, and enterprise-level barriers [10].

1. Policy coherence and strategic vision. The analysis shows that the Uzbek government has made significant strides in formulating strategic policy documents aimed at supporting both small and large businesses. Initiatives such as the "Strategy for Industrial Development 2030" and the "SME Development Program" explicitly mention the importance of enhancing inter-firm linkages. However, interviews with policymakers revealed a lack of operational coherence between various ministries and agencies. In many cases, policies are implemented in isolation, leading to fragmentation rather than synergy in enterprise support systems.

2. Institutional mechanisms and coordination platforms. Institutional support plays a critical role in facilitating SME–large firm integration. The creation of sectoral associations, industrial parks, and public-private coordination councils has helped bring firms together. Respondents from the Ministry of Economy noted that industrial zones and clusters have been partially successful in promoting vertical cooperation (e.g., textile and construction sectors). However, many of these platforms remain underutilized due to weak management capacity, bureaucratic delays, and limited private sector participation. In particular, regional disparities in institutional effectiveness were noted, with Tashkent and Samarkand outperforming more peripheral regions.

3. Access to finance and incentives. Financial support mechanisms, such as preferential credit lines, leasing programs, and tax exemptions, were frequently mentioned by interviewees as critical tools for enabling cooperation between small and large firms. Nevertheless, access remains uneven, with larger firms better positioned to navigate complex application procedures and meet eligibility criteria. Many SMEs lack awareness of available programs or fail to meet collateral and documentation requirements. Additionally, there is limited provision for joint financing schemes that directly promote inter-firm collaboration, such as co-investment in innovation or shared infrastructure.

4. Enterprise-level constraints and cultural barriers. From the enterprise perspective, several obstacles hinder effective integration. SME managers reported challenges related to trust, information asymmetry, and lack of standardization in processes. Many large firms are reluctant to engage smaller partners due to concerns about quality assurance and delivery reliability. Conversely, small enterprises often feel marginalized and perceive large firms as exploitative in pricing negotiations. Cultural attitudes favoring independence over cooperation also emerged as a subtle yet significant barrier. Interviewees emphasized the need for capacity-building programs, including training on quality management, digitalization, and negotiation skills for SMEs.

Summary of key findings:

- strategic policy intent exists but lacks cross-agency coordination;
- institutional frameworks are present but uneven in impact and execution;
- financial instruments are available, yet accessibility remains limited for SMEs;
- trust deficits, technical gaps, and cultural attitudes constrain firm-level integration.

These findings collectively underscore that while Uzbekistan has laid the groundwork for fostering small–large enterprise integration, effective implementation and policy targeting remain critical to achieving meaningful outcomes.

4. Discussion

The findings of this study highlight that while Uzbekistan has developed a strong strategic vision to integrate small and large enterprises, the gap between policy formulation and implementation remains a significant barrier. This pattern is not unique to Uzbekistan. In many developing economies, ambitious strategies often fail to translate into tangible cooperation at the enterprise level due to institutional fragmentation, low administrative capacity, and inadequate stakeholder engagement [12].

One of the central issues revealed is the lack of coordination between public institutions responsible for enterprise development. Despite the existence of multiple agencies, including the Ministry of Economy and Finance, the Chamber of Commerce, and regional hokimiyats, their efforts are often unaligned, leading to overlap, redundancy, or policy blind spots. International experience suggests that inter-agency coordination mechanisms, such as unified development councils or integrated SME support portals, can substantially improve policy effectiveness [13].

Furthermore, while financial tools are available in Uzbekistan, targeted instruments that incentivize direct cooperation such as supply chain financing, joint innovation funds, or tax relief for collaborative projects remain underutilized. In countries like Germany and South Korea, such schemes have proven effective in building durable vertical linkages between SMEs and lead firms. The limited awareness and capacity of SMEs to navigate support mechanisms in Uzbekistan suggest the need for both simplification and outreach [14].

On the enterprise side, trust and informational asymmetry continue to act as invisible barriers. This is compounded by the absence of strong intermediary organizations such as cluster managers, business development centers, or certification agencies that can reduce transaction costs and improve matchmaking between firms. Cultural tendencies toward firm-level autonomy rather than cooperation further reinforce fragmentation, suggesting that behavioral and attitudinal change, supported by education and demonstration effects, will be crucial.

Achieving meaningful integration between small and large enterprises requires more than isolated policy measures – it demands a systemic and sustained effort that combines strategic vision with institutional coordination, financial innovation, and cultural change. For Uzbekistan, seizing this opportunity could accelerate industrial upgrading, diversify the economy, and build a more resilient and inclusive private sector [15].

5. Conclusion

The integration of small and large enterprises represents a critical pillar for building a dynamic, resilient, and inclusive economy, particularly in developing countries like Uzbekistan. This study has demonstrated that while the government has taken commendable steps toward fostering such linkages through policy frameworks, financial support, and institutional development, significant challenges remain in translating policy intent into effective collaboration on the ground.

The findings highlight that weak inter-agency coordination, limited access to targeted financial instruments, and trust deficits between firms continue to hinder meaningful integration. Furthermore, the lack of intermediary institutions and the insufficient capabilities of many SMEs reduce the potential for participation in larger value chains.

To address these challenges, a holistic and multi-level approach is needed. This includes strengthening institutional mechanisms for coordination, promoting co-financed partnerships, enhancing enterprise capabilities, and using digital tools to build transparency and trust. Lessons from successful international models show that integrated and inclusive policymaking – when combined with a commitment to long-term development – can significantly enhance the productivity and competitiveness of both small and large enterprises.

Ultimately, for Uzbekistan to achieve sustainable industrial growth and increase private sector synergy, government policy must continue to evolve – moving from isolated support measures to comprehensive systems that enable cooperation, innovation, and shared value creation across firm sizes.

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