

# THE JOURNAL OF CENTRAL ASIAN STUDIES

Volume: 31 2024 ISSN: 0975-086X



Centre of Central Asian Studies  
University of Kashmir  
Srinagar, J&K, India

# THE JOURNAL OF CENTRAL ASIAN STUDIES

Volume: 31 2024 ISSN: 0975-086X

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University of Kashmir  
Srinagar, J&K, India

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The Journal is peer reviewed, refereed and indexed in EBSCOhost and ProQuest. The Journal is also available online through EBSCOhost Database: Political Science Complete on [web.ebscohost.com](http://web.ebscohost.com); and on the University of Kashmir web page <http://ccas.uok.edu.in>.

**Scope of the Journal:** The Journal welcomes original papers on all aspects of Central Asia, preferably, contemporary problems and emerging regional issues.



Price: Rs. 1000 / \$ 25

Design  
Discover Srinagar  
8716 892 892

Published by  
Centre of Central Asian Studies  
University of Kashmir  
2024-25

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# Fostering Sustainable Economic Growth in Tajikistan through Entrepreneurship: Policy Implications and Future Directions

*Dr Chittaranjan Senapati\**

## **Abstract**

*Entrepreneurship plays a critical role in driving sustainable economic development, especially in emerging economies like Tajikistan. Since gaining independence, Tajikistan has faced numerous economic challenges, including political instability, geographic isolation, and limited access to resources. In recent years, however, entrepreneurship has emerged as a key factor in fostering economic resilience and diversification. This paper explores the impact of entrepreneurial activity on Tajikistan's sustainable development, focusing on the contributions of small and medium enterprises (SMEs) to GDP growth, employment, and poverty reduction within the context of a developing country by addressing these research questions:*

- 1. How can entrepreneurship contribute to sustainable economic development in Tajikistan?*
- 2. What are the major challenges and opportunities for entrepreneurs in Tajikistan?*
- 3. What policy interventions are necessary to foster a more robust entrepreneurial ecosystem in the country?*
- 4. How does entrepreneurship promote social inclusion, particularly for marginalised groups such as women and rural populations?*
- 5. What role can entrepreneurship play in achieving environmental sustainability in Tajikistan?*

*This paper concludes by emphasising the need for continued policy support, infrastructure investment, and collaboration with international organizations to foster a more inclusive and sustainable entrepreneurial ecosystem in Tajikistan. Through targeted support, entrepreneurship can be a transformative force in achieving sustainable economic growth, social inclusion, and environmental stewardship in the country.*

**Keywords:** *Entrepreneurship, Sustainable Development, Economic Growth, Tajikistan, SMEs (Small and Medium Enterprises) and Innovation.*

## **Introduction**

Sustainable economic development refers to economic growth that meets the needs of the present without compromising the ability of future generations to

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meet their own needs. It balances three key components: economic growth, social inclusion, and environmental sustainability (Sachs 2015, United Nations, 2015, World Bank, 2012). Sustainable economic development ensures long-term prosperity by promoting economic diversification, job creation, and equitable distribution of resources while maintaining environmental integrity (World Bank, 2012).

This concept is increasingly significant for countries like Tajikistan, where economic growth has been uneven and largely dependent on remittances, agriculture, and a few natural resources. Promoting sustainable development through entrepreneurship can help diversify the economy, increase resilience to external shocks, and foster inclusive growth.

### *Definition of Entrepreneurship and Its Contribution to Economic Development*

Entrepreneurship is the process of identifying, creating, and exploiting new business opportunities. Entrepreneurs introduce innovations<sup>4</sup>, create jobs<sup>5</sup>, and foster economic growth<sup>6</sup> by starting and scaling businesses. Entrepreneurship plays a crucial role in economic development and Stimulating competition<sup>7</sup>.

### *Importance of Tajikistan in unique Economic, Geographical, and Political Context*

Tajikistan, a landlocked Central Asian country, has a unique combination of geographic, political, and economic factors that make it a compelling case for examining entrepreneurship and sustainable development. The country has a young and growing population, significant remittances from labour migration (especially from Russia), and a largely agrarian economy (World Bank, 2021a, ADB, 2020, UNDP, 2020). Tajikistan's mountainous terrain and rural population pose challenges in terms of infrastructure, connectivity, and access to resources, making entrepreneurship both a necessity and a challenge.

Since 1991, Tajikistan has faced political instability, civil war, and ongoing economic difficulties. However, recent efforts to stabilise the economy, increase regional cooperation, and develop new industries offer opportunities to explore how entrepreneurship can act as a catalyst for sustainable development.

### *Objective of the Paper and Research Questions*

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<sup>4</sup>Entrepreneurs bring innovative solutions to market, improving efficiency, productivity, and technological advancement.

<sup>5</sup>New businesses often create job opportunities, directly reducing unemployment.

<sup>6</sup>Entrepreneurship can lead to the development of new industries and reduce dependency on a narrow range of economic activities.

<sup>7</sup>Entrepreneurs contribute to a competitive business environment, which leads to better products, services, and prices.

The objective of this paper is to investigate how entrepreneurship can be a driving force for sustainable economic development in Tajikistan. This study seeks to understand the role of entrepreneurs in fostering innovation, generating employment, and promoting social and environmental sustainability within the context of a developing country.

*Key research questions include:*

1. How can entrepreneurship contribute to sustainable economic development in Tajikistan?
2. What are the major challenges and opportunities for entrepreneurs in Tajikistan?
3. What policy interventions are necessary to foster a more robust entrepreneurial ecosystem in the country?
4. How does entrepreneurship promote social inclusion, particularly for marginalised groups such as women and rural populations?
5. What role can entrepreneurship play in achieving environmental sustainability in Tajikistan?

## **Theoretical Framework**

### *Sustainable Economic Development*

#### *Definition and Key Pillars*

Sustainable economic development is the process of improving the economic well-being of a country or region in a way that balances economic growth<sup>8</sup>, social inclusion<sup>9</sup>, and environmental sustainability<sup>10</sup> (Sachs 2015, United Nations, 2015, World Bank, 2012). This model of development is designed to ensure that economic growth is not achieved at the expense of environmental degradation or social inequality, but rather that it leads to broad-based benefits for all parts of society and future generations.

#### *Sustainable Economic Development and Entrepreneurship*

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<sup>8</sup> Economic Growth: It focuses on increasing a country's gross domestic product (GDP) while ensuring that growth is inclusive and benefits various sectors of society, including the marginalised.

<sup>9</sup> Social Inclusion: This pillar emphasises reducing inequality and ensuring that all individuals have equal opportunities to contribute to and benefit from economic growth. It involves education, healthcare access, job creation, and equitable distribution of wealth.

<sup>10</sup> Environmental Sustainability: Ensures that economic activities do not lead to the depletion of natural resources or cause harm to ecosystems. Sustainable practices aim to maintain a balance between industrialisation and conservation.

Entrepreneurship plays a significant role in achieving sustainable economic development. Entrepreneurs introduce innovations<sup>11</sup> that can increase productivity, create jobs<sup>12</sup>, and address social and environmental challenges. For instance, entrepreneurs can foster environmentally friendly business models or create technologies that help mitigate climate change. Moreover, by creating businesses, they contribute to economic growth and often target underserved communities, promoting social inclusion<sup>13</sup>. In developing countries like Tajikistan, entrepreneurship is essential to overcoming the constraints of traditional industries and diversifying the economy, which is crucial for long-term sustainability<sup>14</sup>.

### *Entrepreneurship-definition and Its Role in Fostering Innovation, Job Creation, and Social Change*

Entrepreneurship is defined as the process of identifying, developing, and launching new business ventures that bring innovation and value to the market. Entrepreneurs are risk-takers who aim to create solutions to existing problems, often driving both economic and social progress. In developing countries like Tajikistan, entrepreneurship is key to fostering innovation and improving socio-economic conditions. Entrepreneurs develop new technologies, business models, and solutions that improve efficiency and meet previously unmet needs. This drives economic dynamism and competitiveness in the market. By establishing new businesses, entrepreneurs create employment opportunities for others, which contribute to reducing unemployment and stimulating economic growth. Entrepreneurs can address social issues through business models that focus on solving societal problems, such as improving healthcare, education, and access to clean water. Social entrepreneurship, in particular, emphasizes the combination of economic and social value creation (Naudé, 2010).

### *Entrepreneurial Ecosystems and Factors that Enable Successful Entrepreneurship*

An entrepreneurial ecosystem consists of various interconnected elements that enable entrepreneurship to thrive within a region or country. These elements include government policies<sup>15</sup>, financial systems<sup>16</sup>, education<sup>17</sup>, mentorship,

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<sup>11</sup>Innovation: Entrepreneurs introduce new products, services, or processes that can enhance sustainability, such as renewable energy technologies or sustainable farming practices.

<sup>12</sup>Job Creation: Entrepreneurship generates employment opportunities, which reduces poverty and contributes to social stability.

<sup>13</sup>Social Inclusion: By focusing on inclusive businesses, entrepreneurship can help bridge social gaps by providing opportunities for women, rural populations, and other disadvantaged groups.

<sup>14</sup>Environmental Sustainability: Entrepreneurs often pioneer green technologies or sustainable practices, contributing to the protection and conservation of natural resources.

<sup>15</sup> Regulatory Environment: A conducive regulatory framework, with simplified processes for business registration and taxation, can significantly lower the barriers to entry for entrepreneurs.

infrastructure<sup>18</sup>, and access to markets<sup>19</sup>. In Tajikistan, strengthening the entrepreneurial ecosystem is essential for achieving sustainable development. A well-developed entrepreneurial ecosystem fosters not only the growth of businesses but also the broader economic and social development of a region, contributing to sustainable economic progress.

## **Entrepreneurial Landscape in Tajikistan**

### *Overview of Tajikistan's Economic Situation*

Tajikistan, a landlocked country in Central Asia, has an economy primarily driven by remittances, agriculture, and extractive industries. Since its independence from the Soviet Union in 1991, Tajikistan has faced economic challenges due to its isolation, limited natural resources, and political instability (UNDP, 2020b). However, the country has experienced moderate GDP growth in recent years, fuelled by remittances from labour migrants, primarily in Russia, and international aid (World Bank 2021a. ADB 2020. International Monetary Fund, 2019). The GDP and Key Industries are concerned, that in 2023, Tajikistan's GDP will be around \$9.7 billion<sup>i</sup>, with annual growth rates of approximately 7 percent<sup>ii</sup>. The nominal GDP per capita in 2023 was \$ 1050<sup>iii</sup>. The country heavily relies on the agricultural sector, which accounts for nearly 20 percent of its GDP, with cotton, fruits, and vegetables as primary exports<sup>iv</sup>. Other significant sectors include mining (particularly aluminium and precious metals) and hydropower<sup>v</sup>. The main mining products in Tajikistan have been Aluminium, gold, and silver<sup>vi</sup>.

The Demographic Trends of the Young Populated Tajikistan has a young and rapidly growing population, with about 70 percent of its population under the age of 30<sup>vii</sup> in total 10 million population <sup>viii</sup>. This demographic presents a significant potential for entrepreneurial activity, provided the necessary skills, education, and resources are available. However, high unemployment and a lack of diversified economic opportunities have led to widespread labour migration, with remittances constituting up to 30 percent of the country's GDP<sup>ix</sup>.

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<sup>16</sup> Access to Finance: Entrepreneurs need access to capital to start and scale their businesses. Microfinance institutions, venture capital, and government grants play crucial roles in providing the necessary funding.

<sup>17</sup> Education and Skill Development: Entrepreneurship thrives in environments where individuals have access to quality education and training, particularly in business management, technology, and innovation.

<sup>18</sup> Infrastructure: Adequate infrastructure (roads, electricity, internet) is vital for business operations. In Tajikistan, addressing infrastructure challenges can help entrepreneurs reach more customers and grow their businesses.

<sup>19</sup> Market Access: Entrepreneurs need access to local, regional, and global markets to sell their products and services. Trade agreements, partnerships, and digital platforms can help expand market reach.

### *Current State of Entrepreneurship in Tajikistan*

Entrepreneurship in Tajikistan is still in its nascent stages but holds significant potential for driving economic growth and diversification. Small and medium enterprises (SMEs) are emerging in sectors such as agriculture, retail, and services. However, the overall business environment remains challenging due to bureaucratic hurdles, corruption, and limited access to capital (World Bank, 2021b). The Opportunities for entrepreneurship can be derived from sectors of agricultural innovation, where there is ample opportunity for entrepreneurship in areas such as organic farming, value-added agricultural products, and agro-processing industries (FAO, 2021).; Tourism and Hospitality by providing the country's natural beauty, including the Pamir Mountains and cultural heritage sites, presents opportunities for eco-tourism and adventure tourism start-ups (ADB, 2020a).; and in respect of Information Technology and Digital Services with improved internet connectivity, Tajikistan is slowly entering the digital economy (World Bank, 2021c). Startups in e-commerce, mobile apps, and IT services are gaining momentum, particularly in urban areas like Dushanbe.

However, the entrepreneurship in Tajikistan is not free from Challenges. Firstly, the entrepreneurs facing challenge of access to funding due to a poorly developed financial system. High-interest rates on loans, limited venture capital, and underdeveloped microfinance institutions are significant barriers (ADB, 2019. IMF, 2019a). Secondly, the lack of Regulatory Environment- Tajikistan has a complex and opaque regulatory framework. The World Bank's "Ease of Doing Business" report ranked Tajikistan 123rd out of 190 countries in 2020, highlighting issues such as excessive bureaucracy, corruption, and weak contract enforcement (World Bank, 2020. Transparency International, 2020). Some of the study argues that the World Bank's standardized assessments, such as the Doing Business and Enterprise Survey, offer a top-down understanding of Tajikistan's business environment. This approach often fails to account for the socio-economic, political, and cultural realities that shape local business practices, leading to a gap between the rankings and actual experiences of entrepreneurs (Kluczevska, 2020). Thirdly, the Infrastructure Deficits in respect to the country's mountainous terrain and lack of developed infrastructure limit entrepreneurs' ability to access markets, especially in rural areas. Poor transportation networks and inconsistent electricity supply are also major obstacles (World Bank, 2019).

### *Recent Developments*

Despite the challenges, the SME sector has shown steady growth, particularly in retail and services, contributing over 30 percent to GDP in recent years (World Bank, 2019a). There has been a gradual increase in female

entrepreneurship, particularly in the textile, handicrafts, and food processing sectors, supported by international programs aimed at women's economic empowerment. The government has recently launched initiatives to promote digital literacy and the use of IT in businesses, with a focus on encouraging youth participation in the tech industry. The government of Tajikistan has recognised the importance of entrepreneurship in driving economic growth and reducing unemployment. Over the past few years, it has introduced policies and initiatives aimed at creating a more favourable environment for startups and SMEs. 1) National Development Strategy 2030, that outlines key priorities for economic diversification and sustainable development, with a focus on promoting entrepreneurship, particularly in the agricultural and manufacturing sectors (Government of Tajikistan, 2016). 2) Tax Incentives for SMEs as tax relief measures for small businesses, especially in the agriculture, manufacturing, and tourism sectors, to reduce their operational costs and encourage formalisation (ADB, 2021). 3) Simplified Business Registration to streamline the process of starting a business by reducing the time and cost of business registration, although challenges in implementation remain (World Bank, 2020). 4) Government implemented Entrepreneurial Training and Skill Development Programs in collaboration with international organisations to provide training programs aimed at equipping aspiring entrepreneurs with the skills and knowledge needed to start and run successful businesses (UNDP, 2020c).

### *Role of International Organizations and NGOs in Promoting Entrepreneurship in Tajikistan*

International organizations and NGOs play a crucial role in fostering entrepreneurship in Tajikistan, given the country's limited internal resources. These organizations provide financial support, capacity building, and technical assistance. The World Bank has been instrumental in promoting entrepreneurship in Tajikistan through its programs focused on improving access to finance, fostering SME development, and enhancing the overall business environment. The "Private Sector Competitiveness Project" has been particularly successful in supporting SMEs and enhancing the regulatory environment. The UNDP has been working to promote inclusive and sustainable development in Tajikistan, with a focus on empowering women entrepreneurs and improving access to finance for SMEs in rural areas (UNDP 2020). European Bank for Reconstruction and Development (EBRD) supports Tajikistani entrepreneurs through its SME financing programs and advisory services, focusing on sectors such as agriculture, renewable energy, and tourism (EBRD, 2018). NGOs such as the Aga Khan Development Network (AKDN) are involved in promoting entrepreneurship in Tajikistan, particularly

through education, vocational training, and microfinance initiatives targeting marginalised communities. The AKDN's efforts have led to the creation of numerous small businesses in rural areas, particularly in agriculture and handicrafts (Aga Khan Development Network, 2021).

## **Challenges to Entrepreneurship in Tajikistan**

### *Political and Economic Barriers*

#### *Bureaucracy, Corruption, and Lack of Access to Finance*

One of the major obstacles facing entrepreneurs in Tajikistan is the high level of bureaucracy and corruption. The process of starting and operating a business is often delayed by excessive red tape, requiring entrepreneurs to navigate complex legal and regulatory frameworks. According to the World Bank's *Ease of Doing Business* report, Tajikistan ranks poorly in terms of business registration and contract enforcement. Moreover, corruption is a persistent issue that increases operational costs and discourages investment.

Access to finance is another critical barrier. Tajikistan's banking sector is underdeveloped, with high-interest rates and limited availability of credit for startups and small businesses. Microfinance institutions are present, but they are insufficient to meet the needs of the entrepreneurial sector (ADB, 2019). Many potential entrepreneurs lack the collateral or credit history required by banks, which makes it difficult for them to secure loans and grow their businesses (IFC, 2019).

#### *Instability and Reliance on Remittances from Abroad*

Tajikistan's economy is highly dependent on remittances, which account for nearly 30 percent of the country's GDP. This reliance makes the economy vulnerable to external shocks, particularly those affecting migrant labour markets in Russia, where the majority of Tajik labour migrants work (World Bank, 2021a. ADB, 2020b). Any fluctuation in remittances directly impacts the country's economic stability and, by extension, the ability of entrepreneurs to access capital and invest in their businesses.

Political instability and governance issues further exacerbate the challenges to entrepreneurship. The country has seen periods of civil unrest, and the political environment remains fragile. This uncertainty makes investors hesitant and creates an environment where entrepreneurs struggle to plan long-term (United States Institute of Peace, 2019). World Bank, 2020a).

### *Social and Cultural Challenges*

#### *Traditional Values and the Role of Women in Entrepreneurship*

Tajik society is deeply rooted in traditional values, which can sometimes conflict with entrepreneurial activities, especially for women. Social expectations around gender roles can limit women's participation in the labour force and, by extension, their ability to pursue entrepreneurial ventures. In rural areas, women are often expected to fulfil domestic roles, leaving little room for entrepreneurial activity. Despite recent efforts by international organizations and NGOs to promote women's entrepreneurship, significant barriers remain.

Women entrepreneurs face additional challenges in accessing finance, as they may lack ownership of property or assets that could be used as collateral for loans (ADB, 2021a). This perpetuates gender inequalities in the entrepreneurial space and prevents many women from starting or expanding businesses.

### *Lack of Entrepreneurial Education and Training*

The entrepreneurial landscape in Tajikistan suffers from a lack of entrepreneurial education and training. The education system in Tajikistan is heavily oriented toward traditional academic subjects, with limited focus on business management, entrepreneurship, or innovation. Many aspiring entrepreneurs lack the knowledge and skills needed to start and manage a business successfully, from understanding market dynamics to navigating regulatory requirements.

The lack of business incubators, mentorship programs, and networking opportunities further limits entrepreneurial growth (UNDP, 2020a). While some international organizations have initiated programs to improve entrepreneurial skills, these efforts are not yet widespread enough to create a significant impact on the overall business environment.

### *Infrastructure and Technological Limitations*

#### *Limited Access to Internet and Modern Technology in Rural Areas*

Tajikistan's rugged mountainous terrain and underdeveloped infrastructure create significant barriers to entrepreneurship, especially in rural areas. Access to reliable internet and modern technology is limited, which hampers the ability of entrepreneurs to leverage digital tools for business development. E-commerce, for instance, is in its infancy in Tajikistan, and many small businesses do not have access to online platforms to sell their products or services (World Bank, 2021d).

The digital divide between urban and rural areas is particularly stark. While urban centres like Dushanbe have relatively better internet access, rural areas, where most of the population lives, still suffer from low connectivity and limited access to ICT infrastructure. This disparity makes it challenging for rural

entrepreneurs to compete in the modern economy and limits their ability to scale their businesses beyond local markets.

### *Inadequate Transport and Communication Networks*

In addition to limited internet access, Tajikistan's transport and communication networks are underdeveloped. Poor road infrastructure and a lack of reliable transportation options make it difficult for entrepreneurs to transport goods to market, particularly in remote and mountainous regions (ADB2019. World Bank, 2019). The high cost of transportation and delays in delivery can erode the competitiveness of businesses, especially those involved in agriculture or manufacturing.

Communication networks, including postal services and logistics, are similarly inadequate, further limiting the potential for entrepreneurs to engage in trade and commerce. Entrepreneurs who rely on timely shipments, such as those involved in the export of agricultural products or handicrafts, face significant logistical challenges that hinder their business growth.

## **Entrepreneurship as a Driver for Sustainable Economic Development**

### *Job Creation and Poverty Reduction*

#### *Examples of Successful Entrepreneurs and Small Businesses in Tajikistan*

Despite the challenges, Tajikistan has seen the emergence of successful entrepreneurs and small businesses that are driving economic growth, particularly in agriculture, textiles, and hospitality. For example, companies like *Mastona*, a textile business founded by women, have created jobs for local artisans and helped reduce poverty by employing women in rural areas (UNDP, 2020d). Additionally, small agribusinesses have sprung up in regions like Gorno-Badakhshan, where entrepreneurs have developed products like dried fruits, honey, and herbal teas for both local and export markets (ADB), 2019a).

### *How Entrepreneurship Creates Jobs and Reduces Poverty in Urban and Rural Areas*

Entrepreneurship plays a critical role in job creation in Tajikistan, especially in rural areas where formal employment opportunities are limited. Small and medium enterprises (SMEs) have become vital for reducing unemployment and diversifying income sources beyond agriculture and remittances (IFC, 2018). According to the World Bank, SMEs in Tajikistan contribute approximately 30 percent of GDP and employ around 60 percent of the workforce. The creation of businesses in sectors like retail, agriculture, and services has led to new

employment opportunities for both skilled and unskilled labour, helping to lift families out of poverty (World Bank. (2019).).

By fostering self-employment and generating new businesses, entrepreneurship has the potential to reduce rural-urban migration, which is a significant issue in Tajikistan. Rural entrepreneurs often employ local workers, thereby stimulating the local economy and reducing the dependence on remittances from labour migrants abroad (ADB, 2019b).

### *Fostering Innovation and Diversification: Contribution of Entrepreneurs to Diversifying Tajikistan's Economy beyond Agriculture and Remittances*

Entrepreneurship is helping Tajikistan move away from its dependence on agriculture and remittances, which have traditionally formed the backbone of its economy. Entrepreneurs in non-traditional sectors such as tourism, textiles, and light manufacturing are contributing to the diversification of the economy. For example, the development of the eco-tourism sector in the Pamir region has created new opportunities for small businesses to provide services ranging from guesthouses to guided tours, while supporting environmental conservation efforts (ADB, 2019. UNDP. (2020e). World Bank, 2019b).

Moreover, entrepreneurs are introducing value-added agricultural products, such as organic jams, dried fruits, and herbal teas, which cater to both domestic markets and international demand. This shift is helping Tajikistan reduce its reliance on raw agricultural exports and increase its economic resilience to external shocks.

### *Role of Tech Startups and Innovation-Driven Enterprises*

Tech Startups are still in their infancy in Tajikistan but hold significant promise for driving innovation. With the government and international organizations promoting digital literacy, there has been an uptick in entrepreneurship in sectors like e-commerce, software development, and IT services. Startups such as *Hushhush Mobile*, an IT solutions company based in Dushanbe, are leading the charge by offering innovative digital products and services to both local and international clients (World Bank, 2021c).

These innovation-driven enterprises can potentially transform traditional sectors such as agriculture by introducing modern technologies like precision farming, mobile payment solutions, and e-commerce platforms, further driving diversification in the economy.

### *Social Impact*

### *How Entrepreneurship Contributes to Gender Equality and Empowerment in Tajikistan*

Entrepreneurship plays an important role in promoting gender equality in Tajikistan, where traditional societal norms often limit women's participation in the workforce. Many women in rural areas have turned to entrepreneurship as a means of financial independence. Organizations such as the UNDP and the Aga Khan Development Network have supported women's entrepreneurship through capacity-building programs and microfinance initiatives, allowing women to start small businesses in textiles, agriculture, and handicrafts (Aga Khan Development Network, 2021. UNDP, 2020d).

The rise of female entrepreneurs, particularly in rural and semi-urban areas, has also helped to challenge traditional gender roles and provide women with new opportunities for economic empowerment. By owning and operating businesses, women are not only contributing to household incomes but also playing a role in shaping Tajikistan's economic landscape.

### *Role of Social Enterprises in Addressing Local Environmental and Social Issues*

Social enterprises, which combine business objectives with social and environmental missions, are emerging as important players in Tajikistan's entrepreneurial landscape. These enterprises often focus on addressing local challenges such as access to clean water, healthcare, and education, particularly in underserved rural communities. For example, the *Youth Eco Center* is a social enterprise that promotes environmental awareness and sustainability among young people in Tajikistan (Youth Ecological Centre of Tajikistan, 2023). By involving youth in environmental conservation projects, the enterprise also contributes to social development and education.

Social enterprises often work closely with NGOs and international organizations to access funding and technical assistance, ensuring that their business models are both economically viable and socially impactful.

### *Green Entrepreneurship and Sustainable Business Models in Tajikistan*

Green entrepreneurship is gaining traction in Tajikistan, where businesses are increasingly focused on sustainability and reducing their environmental footprint. Entrepreneurs in sectors such as agriculture, energy, and tourism are incorporating sustainable practices into their business models. For instance, the use of organic farming methods and sustainable resource management has allowed agribusinesses to produce eco-friendly products that appeal to both local consumers and international markets.

The government and international organizations are also promoting the development of green businesses by offering grants and technical assistance for projects related to renewable energy and environmental conservation. Small-scale solar power businesses, for instance, are providing affordable, sustainable energy solutions to rural communities, contributing to both environmental sustainability and poverty alleviation.

The two major businesses that promote environmental sustainability in Tajikistan are Pamir Energy and Eco-Farming Projects. Pamir Energy company is a leading example of how entrepreneurship can drive environmental sustainability in Tajikistan. Pamir Energy provides hydropower to remote regions of Tajikistan and Afghanistan, reducing the use of fossil fuels and contributing to the mitigation of climate change. The company's sustainable energy solutions have helped reduce carbon emissions and improved the livelihoods of thousands of people in rural areas by providing them with reliable electricity (Pamir Energy, 2020).

On the other hand, concerning eco-farming projects, several entrepreneurs in rural Tajikistan have embraced organic farming techniques that reduce the use of harmful chemicals and promote sustainable land use. These businesses produce organic fruits and vegetables for local consumption and export, contributing to both environmental sustainability and economic growth (ADB, 2019a). Food and Agriculture Organization, 2021. IFC, (2019a).

### **Policy Recommendations**

**Strengthening Government Support for Entrepreneurship:** To foster a thriving entrepreneurial ecosystem, the Tajik government needs to take proactive steps to reduce the barriers faced by entrepreneurs. Simplifying the regulatory framework and addressing corruption is crucial. This could include streamlining the business registration process, reducing the cost of compliance, and enhancing transparency in public services.

**Improving Access to Finance:** This is another key area where the government can play a role. Microfinance institutions and state-backed loans specifically designed for entrepreneurs, especially in rural areas, could help reduce financial barriers. Additionally, creating incentives for private investors and venture capitalists to invest in Tajik startups would stimulate growth.

**Enhancing Entrepreneurial Education and Training:** Building a culture of entrepreneurship in Tajikistan requires investment in education and training programs that focus on developing entrepreneurial skills. Educational institutions should include entrepreneurship as part of their curricula, and vocational training programs should emphasise practical business skills such as financial management, marketing, and digital literacy.

International organizations and NGOs can assist by providing mentorship and training programs for aspiring entrepreneurs. Entrepreneurial education could also be expanded through online platforms and distance learning, making it accessible to more people, especially those in rural areas.

**Fostering Public-Private Partnerships to Support Innovation and Infrastructure Development:** Public-private partnerships (PPPs) are essential to addressing the infrastructure and technological deficits that hinder entrepreneurship in Tajikistan. The government can collaborate with private companies to improve critical infrastructure, such as internet connectivity and transportation networks, which are vital for entrepreneurial growth. PPPs can also support the development of business incubators, accelerators, and technology parks, which provide the necessary resources for startups to innovate and scale.

**Encouraging Green Entrepreneurship and Sustainability-Driven Business Models:** Given the environmental challenges Tajikistan faces, promoting green entrepreneurship is key to ensuring sustainable economic development. The government can provide grants, subsidies, or tax incentives for businesses that adopt sustainable practices, such as using renewable energy or implementing waste reduction strategies. Entrepreneurs in sectors like eco-tourism, organic farming, and renewable energy should be supported to create sustainable business models.

**Leveraging International Support for Entrepreneurial Initiatives:** International organizations and development partners, such as the World Bank, UNDP, and the European Bank for Reconstruction and Development (EBRD), have played a significant role in supporting entrepreneurship in Tajikistan. The government should continue to engage with these organizations to leverage their technical expertise, financial resources, and global networks to promote entrepreneurship.

Partnerships with international organizations can also help in areas such as improving access to global markets, providing capacity-building programs for entrepreneurs, and fostering innovation. Tajikistan should also work towards creating a more favourable environment for foreign direct investment (FDI) by improving the ease of doing business and ensuring political stability.

## **Conclusion**

### *Summary of Key Findings*

Entrepreneurship holds significant promise as a driver of sustainable economic development in Tajikistan. However, entrepreneurs face numerous challenges, including bureaucratic hurdles, limited access to finance, inadequate infrastructure, and societal barriers. Despite these difficulties, entrepreneurship has begun to contribute to job creation, poverty reduction, economic diversification,

and social change. Through successful examples in agriculture, tourism, and emerging sectors like technology, Tajikistan is beginning to diversify its economy beyond its reliance on agriculture and remittances.

Moreover, entrepreneurship is fostering innovation, promoting gender equality, and encouraging the adoption of sustainable practices. As green businesses and social enterprises grow, they contribute not only to economic growth but also to addressing pressing environmental and social issues.

*The Potential of Entrepreneurship as a Catalyst for Sustainable Economic Development in Tajikistan:* Entrepreneurship has the potential to serve as a powerful catalyst for Tajikistan's sustainable development. By creating new businesses and driving innovation, entrepreneurs can play a crucial role in reducing unemployment, boosting GDP, and building resilience in the economy. Beyond economic growth, entrepreneurship contributes to social inclusion by empowering marginalised groups such as women and rural populations, while also promoting environmental sustainability through green business models.

For entrepreneurship to reach its full potential in Tajikistan, it is essential that the government, private sector, and international partners collaborate to improve the business environment. Addressing the challenges of access to finance, regulatory barriers, and infrastructure deficits will allow entrepreneurs to thrive and contribute more meaningfully to the nation's sustainable development goals.

#### *Final Thoughts on Policy Implications and Future Research Directions*

To fully leverage the potential of entrepreneurship in Tajikistan, several key policy interventions are necessary. These include simplifying business regulations, enhancing access to finance, and promoting entrepreneurial education and training. Public-private partnerships should be expanded to support innovation, infrastructure development, and green entrepreneurship. Encouraging international partnerships will also help entrepreneurs' access global markets and resources, further driving Tajikistan's economic development.

Future research should focus on evaluating the impact of specific policies and initiatives aimed at fostering entrepreneurship, as well as exploring the long-term effects of green entrepreneurship and social enterprises on Tajikistan's economy. Additionally, further studies could examine the role of digital technologies and the tech startup ecosystem in shaping the country's economic future. By continuing to explore these areas, researchers can provide valuable insights to help policymakers create an environment where entrepreneurship can thrive as a cornerstone of sustainable development in Tajikistan.

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## End Notes

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<sup>i</sup>World Bank, *Tajikistan Country Economic Update: 2023*

<sup>ii</sup>Asian Development Bank (ADB), *Asian Development Outlook 2023*

<sup>iii</sup>International Monetary Fund (IMF), *World Economic Outlook 2023*

<sup>iv</sup>United Nations Development Programme (UNDP), *Tajikistan Report 2023*

<sup>v</sup>World Bank, *Tajikistan Country Economic Update 2023*

<sup>vi</sup>US Geological Survey (USGS), *Minerals Yearbook: Tajikistan*

<sup>vii</sup>United Nations Population Fund (UNFPA), *Tajikistan Demographic Overview 2023*

<sup>viii</sup>World Bank, *World Development Indicators 2023*

<sup>ix</sup>World Bank, *Migration and Remittances Factbook 2023*

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