

Youth Entrepreneurship in Uzbekistan: Financing Mechanisms and Development Prospects

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Abstract: This article provides a comparative analysis of the current state of youth entrepreneurship in Uzbekistan and its indicators in developing countries. As part of the analysis, a survey was conducted among young people, and proposals were developed on the basis of the identified problems and analytical findings for the further development of youth entrepreneurship.

Keywords: youth entrepreneurship, financing mechanisms, start-ups, incubation and acceleration, education and mentoring programs.

Introduction

In Uzbekistan youth entrepreneurship is an independent or collaborative economic activity carried out by citizens aged 18 to 30 years, which aims to generate income, introduce innovations and solve socially important issues.

In world experience, youth entrepreneurship is considered significant not only for its economic, also for its social effectiveness. Such entrepreneurship is often manifested in start-ups, agribusiness, IT, services and social entrepreneurship.

The International Labor Organization (ILO) defines young entrepreneurs as "a source of reducing unemployment, innovation and inclusive growth". The UN's 2030 Sustainable Development Goals also pay special attention to the development of youth entrepreneurship.

Currently, in the process of socio-economic reforms around the world, the issue of increasing the entrepreneurial potential of young people is gaining urgent importance. In particular, the implementation of young people's business ideas and the creation of new jobs can ensure the growth of the country's economy.

Research methodology

Foreign economists' studies of youth entrepreneurship are based on the theories of innovation, risk and business initiative of such scientists as Joseph Alois Schumpeter, Richard Cantillon, Peter Drucker. The concept of youth entrepreneurship is defined differently in different sources and is often interpreted as the process of organizing and developing business activities by young people based on new ideas.

The Global Entrepreneurship Monitor (GEM) reports analyze the development of youth entrepreneurship, sources of financing and innovative approaches. (Figure 1)

2021 report “Youth Entrepreneurship Support Policies” covers state support and financial mechanisms for youth entrepreneurship. World Bank studies analyze the effectiveness of credit, grant and venture financing for youth entrepreneurship.

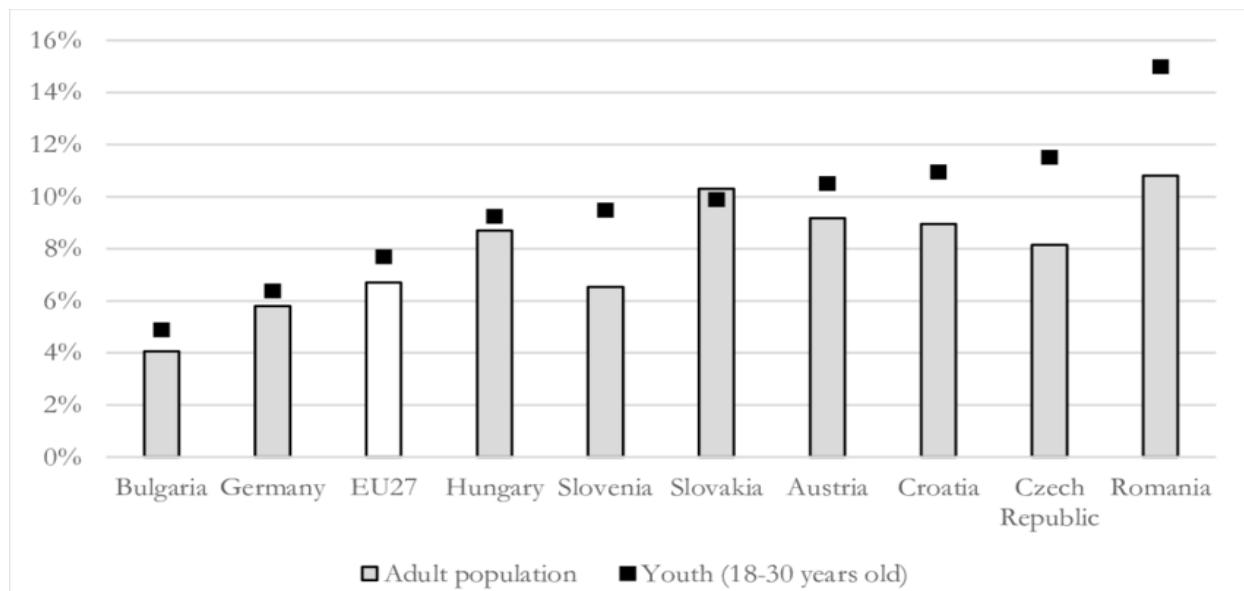


Figure 1. Share of youth in entrepreneurial activity

Source: Global Entrepreneurship Monitor (GEM) report

Regarding studies in Uzbekistan, scholars such as M.Kh. Toshmatov, Sh.R. Hamidov have studied the role of financial infrastructure in the development of youth entrepreneurship.

In recent years, our country has been implementing a wide range of state programs, regulatory legal acts and institutional measures to support youth entrepreneurship.

Presidential resolutions and state programs (PQ-5088, VMQ-765, PQ-60, PQ-61, PQ-62) reflect mechanisms for supporting youth industrial and entrepreneurial zones.

Three important decisions were adopted at the initiative of the President of Uzbekistan to support youth entrepreneurship, develop business skills, assist young entrepreneurs in implementing their projects in various sectors and areas of the economy, including startups and innovation projects, create additional conditions for in-depth mastery of professions, digital technologies and foreign languages, as well as ensure youth employment.

Firstly, according to the Presidential Decree No. PQ-60 dated 14.02.2025, the fund was created under the Youth Agency and \$ 100 million was allocated to it. Young entrepreneurs will be provided with preferential loans of up to 2.5 billion soums.

Secondly, by the Presidential Decree No. PQ-61 dated 14.02.2025, a new system will be established to ensure the employment of university graduates. For this \$ 100 million was allocated within the framework of the “Step into the Future” program and banking services were introduced to transform their business initiatives and ideas into projects. (Figure 2)

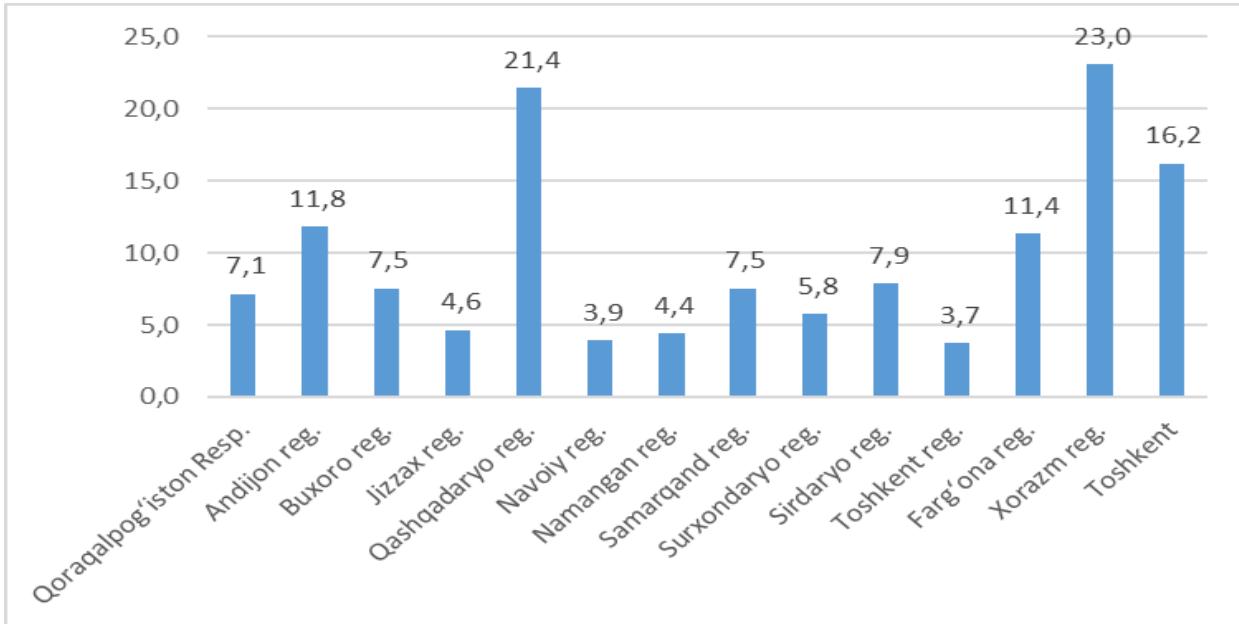


Figure 2. Loans allocated to higher education graduates in 2025 (in billion soums) Source: Bank data

Thirdly, according to the Presidential Decree No. PQ-62 dated 14.02.2025, local bank transformed into a support bank supporting youth business projects and will be allocated \$200 million. The bank has been providing preferential microloans of up to 100 million soums for 7 years for self-employed youth projects (Figure 3).

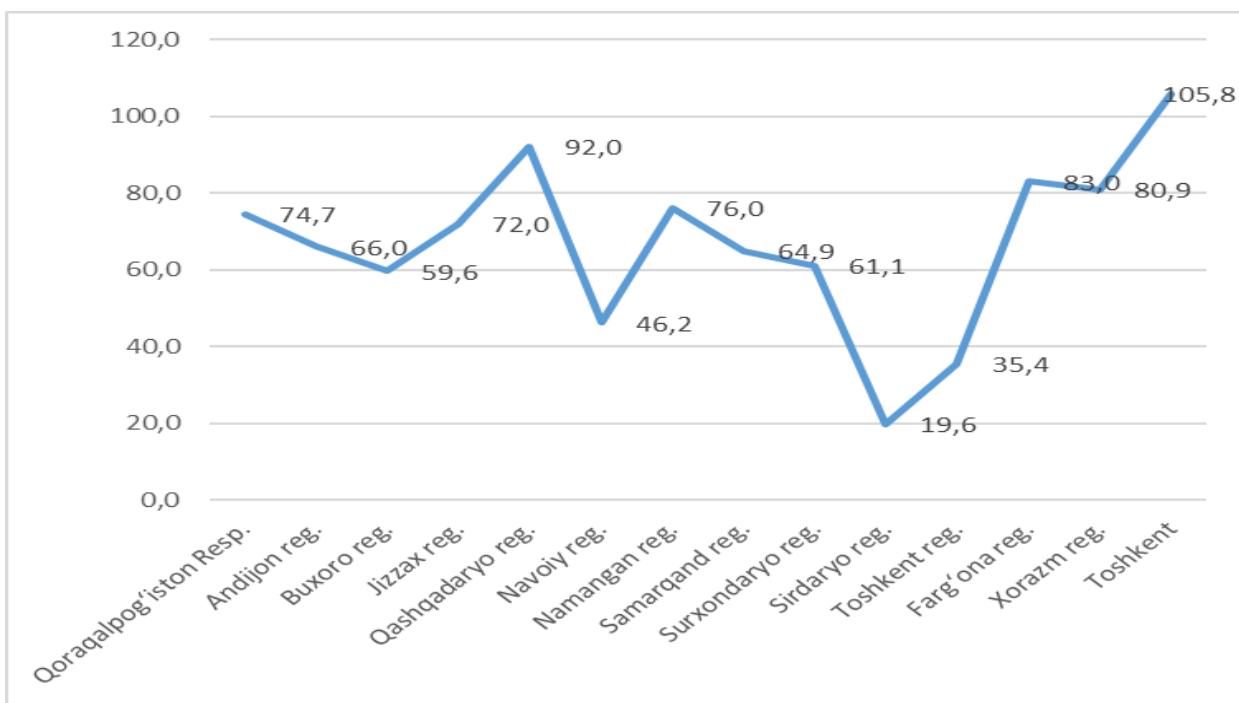


Figure 3. Loans allocated under the "Youth Business" program in 2025 (in billion soums) Source: Bank data

Analysis and discussion of results

Characteristics of youth entrepreneurship. Youth entrepreneurship differs in a number of aspects from the activities of large businesses or experienced business owners. These differences arise, first of all, from the psychological, social and economic characteristics of the youth population.

Regarding the specific aspects of youth entrepreneurship, I would like to highlight the following:

- Young people are prone to new approaches and prefer innovative and technological solutions over traditional business models.
- Young people are more likely to work in areas such as online marketing, e-commerce and automation, as they are more adept at digital technologies.
- Young entrepreneurs are more likely to take risks and as a result are able to introduce new products, services and technologies.

Young people have lower material capabilities and very limited financial resources. They do not have enough funds to start a business and often have limited access to loans. The lack of collateral and a history of scoring make this process even more difficult. Therefore, government grants and business incubators are important resources for youth entrepreneurship.

Young people also have a high sense of social and environmental responsibility. Many young people try to implement projects aimed at having a positive impact on society, protecting the environment and solving social problems.

Young entrepreneurs often need a mentoring system. They need advice from experienced entrepreneurs and the development of practical skills. In most cases, this need is met through “incubator” and “business accelerator” programs. Young people can organize their activities more effectively with the help of experienced business leaders, coaches, mentors and specialists.

Sources of financing youth entrepreneurship. Of course, financing youth entrepreneurship is one of the most important factors in implementing business ideas. The main forms of financing youth entrepreneurship are listed below:

1. Internal sources: these are primarily personal savings, family funds.
2. External sources: loans through commercial banks, microfinance organizations, leasing and factoring services, government grants and subsidies. (Figure 4)

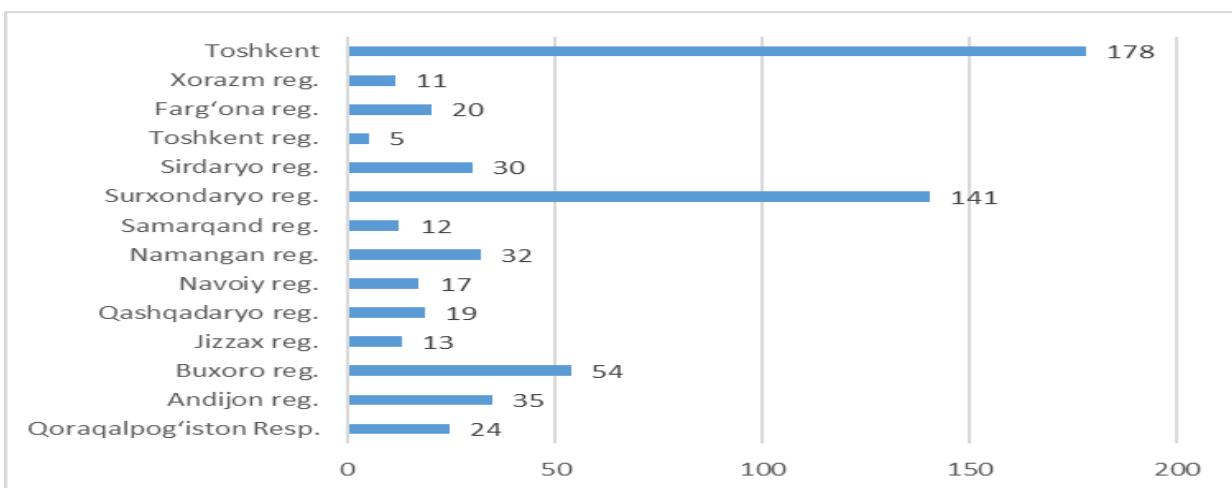


Figure 4. Loans allocated from the “Young Entrepreneurs Support Fund” (in billions of soums) Source: Foundation data

3. State support mechanisms: a number of state programs aimed at financing youth entrepreneurship.

The following types of sources and methods of financing youth entrepreneurship are widely used today by state and international financial institutions.

Bank loans are one of the main sources of financing for young entrepreneurs. In Uzbekistan, commercial banks offer loans to young entrepreneurs under the following conditions:

- at a preferential interest rate, where the interest rate is lower than the key interest rate of the Central Bank and the minimum (up to 4%) margin of a commercial bank;

- collateral requirements are relaxed;
- the possibility of repayment with a longer principal repayment period compared to commercial loans, i.e. up to 5-7 years (with a grace period of 2-3 years);
- a guarantee of repayment through a state guarantee, special funds or subsidies is created.

Grants and subsidies are a type of non-repayable financial assistance, mainly used in the field of youth entrepreneurship for innovative or socially significant projects, for unemployed youth, people with disabilities or women and at the initial stage of start-ups.

A number of grant and credit lines have been launched by international institutions to finance youth entrepreneurship in Uzbekistan:

- UNDP (United Nations Development Program) - "Start-up Program for Youth";
- GIZ (Germany) - grants for education and training;
- European Bank for Reconstruction and Development (EBRD) - soft loans for small and medium-sized businesses;
- USAID - grants aimed at IT and women's entrepreneurship.

These programs are often implemented in partnership with local government organizations, commercial banks and non-governmental non-profit organizations.

Venture capital is a private investor or fund that invests in high-risk, but promising business projects. This method is not yet widely developed in Uzbekistan, but in recent years it has been gradually taking shape through investors emerging in the IT start-ups and fin-tech sector.

Regarding the prospects of venture capital in Uzbekistan, it is possible to highlight the mechanism for attracting private capital for start-ups within the IT Park, the Angels Fund initiatives and the activities of business incubators based on public-private partnerships.

Crowdfunding is a system of raising small investments from the public via the Internet. Although this method is widespread in the world, I would not be mistaken if I said that its legal framework has not yet been fully created in Uzbekistan.

Microfinance is a system of small loans and financial services, which has a number of advantages, including collective guarantees, regional and industry-specific financial institutions, relatively low interest rates and quick processing.

Young people often start their own businesses with *financial support from family members*. These funds are usually used in small businesses or in the craft and service sectors. Since this type of investment is private and secure, it is quick and easy to access, but the amount is limited.

Conclusion

The concept of youth entrepreneurship has been expanding in recent decades in connection with such terms as "inclusive economy", "innovative environment" and "start-up eco-system".

Youth entrepreneurship performs a number of important tasks in the development of the country. In particular:

- young entrepreneurs have innovative approaches, create new market segments, increase competition and ensure diversification in the economy, which ultimately contributes to economic growth;
- youth entrepreneurship is one of the most effective ways to create jobs. Young people create opportunities for finding work not only for themselves, but also for their peers;
- young people have the ability to quickly master new technologies and digital platforms and implement creative projects in the industrial and service sectors, that is, youth entrepreneurship is the locomotive of innovation and digital transformation.

- young entrepreneurs become active participants in civil society. Through them, an environment of social equality and opportunities is created. Social stability and an active civic position are formed.
- The majority of the population in Uzbekistan is young people. By involving them in entrepreneurship, it is possible to effectively use the demographic "dividend". In this case, demographic opportunities will be transformed into economic power.

Youth entrepreneurship is the foundation of future development and it is necessary to deeply understand its specific features and develop targeted strategies for their development. Financial, legal, informational and mentoring support for young entrepreneurs will not only ensure their success, but also serve national economic growth.

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