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Ways for Enhancing Entrepreneurship Financing to Foster Job Creation

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Abstract: This research analyzes the financial and credit mechanisms that support entrepreneurship in various countries and on an international scale. Many financial institutions today promote entrepreneurship by offering loans, credit, and grants to create jobs. Despite growth in enterprise lending, businesses still face challenges that limit their access to capital, hindering growth potential, economic contribution, and job creation. The research aims to identify key areas for enhancing financial and credit support for entrepreneurship in the Republic of Uzbekistan. The study of financial and credit mechanisms to support entrepreneurship in foreign countries aims to develop key strategies for enhancing entrepreneurship assistance, grounded in analytical data. The research results indicate that investments and access to financial resources significantly enhance entrepreneurial activity and lead to job creation. The research finds that targeted financial and regulatory reforms can boost entrepreneurship and create new jobs in the future.

Keywords: World Bank Group, Entrepreneurship, Financing, Model, Employment, Uzbekistan

1. Introduction

Despite notable advancements, developing countries still encounter significant challenges, particularly high rates of unemployment. Today, Uzbekistan is creating new opportunities for rapidly growing businesses. This, in turn, stimulates entrepreneurship and leads to the creation of more high-paying jobs, particularly for women and youth. On June 10, 2025 President of the Republic of Uzbekistan Shavkat Mirziyoyev took part in the plenary session of the fourth Tashkent international investment forum held in the capital's International congress center. Overall, more than 7,5 thousand delegates attended the forum, including over 3 thousand foreign guests from 100 countries. "We call for open and wide-ranging international cooperation on these issues from all our partner states. Investment, the main topic of the forum, is a guarantor not only of economic development but also of peace and stability. Here I would like to address international organizations: the time has come to create new financial mechanisms to support regional projects. By joining forces, we will transform Central Asia into a space of peace and sustainable development", - stated the President Mirziyoyev [1].

International financial institutions assist countries globally in their development. One of them is the World Bank. To accelerate global development, the World Bank Group total commitments reached \$118.5 billion in fiscal 2025. It includes \$40.9 billion from IBRD (International Bank for Reconstruction and Development, which provides

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financial products and policy advice to help countries reduce poverty and extend the benefits of sustainable growth to all their people), \$39.9 billion from IDA (International Development Association, which provides concessional grants and loans to low-income countries), \$28.3 billion from IFC (International Finance Corporation, which mobilizes private capital at scale, supports businesses from microenterprises to large corporations, and creates jobs that drive economic growth and opportunity), and \$9.5 billion from MIGA (Multilateral Investment Guarantee Agency, which houses the World Bank Group Guarantee Platform, which provides guarantees to mobilize private capital for developing countries). The World Bank Group acknowledges that private entrepreneurship is responsible for 90 percent of all employment. To support this sector, they are working to create favorable conditions for businesses to thrive through initiatives like the Private Sector Investment Lab and the High-Level Advisory Council on Jobs [2].

The World Bank's Board of Executive Directors approved a loan of \$100 million and a grant of \$5 million for Uzbekistan on December 15, 2025, to implement the Access to Finance for Jobs and Growth Project (FINGROW). It will expand access to credit and private equity financing for capital-constrained enterprises. The World Bank-financed FINGROW Project will support the Entrepreneurship Development Company (EDC), operating under the Ministry of Economy and Finance, in addressing access to finance challenges. Improved access to finance to help 7,000 businesses in Uzbekistan grow and create Jobs. This support will help beneficiary firms create 100,000 additional, better-paid jobs, with women and young workers expected to fill over half of them [3].

Literature Review

Entrepreneurship is a key component of Uzbekistan's modern economy, providing employment opportunities and significantly contributing to GDP formation. It serves as a vital development factor that finances the economy. Research on business models has gained traction recently, revealing methods to enhance entrepreneurship financing and promote job creation. The prominent authors engaging with this method of research, their impact, and the key topics arising from these studies are revealed.

According to Abdurakhmanova's research, the "Business Development Assistance Services" programs fall under the category of regional business support schemes in the European Union (EU). These programs develop market strategies for enterprises by considering the unique characteristics of each region. The European Regional Fund plays a crucial role in implementing these regional programs, providing financial support to businesses and encouraging the creation of new jobs [4].

In recent years, the increase in entrepreneurial activities has led to the rise of supporting institutions, such as microfinance organizations. Khandker (2006) conducted a study on microfinance institutions and found that entrepreneurship plays a crucial role in reducing poverty not only for the individuals directly involved but also by generating positive externalities, such as job creation [5]. Agide and Dada (2023) arrived at a similar conclusion for developing countries [6].

In the research Omri (2015) says that there is a connection between types of capital and success in entrepreneurship. Specifically, businesses with greater access to human and financial resources tend to innovate more, which contributes to their overall success. Furthermore, increased financial capital enhances entrepreneurship financing and job creation [7].

Hamdamov, S. states that each country has a unique economic and political conditions, thus requiring tailored approaches for development [8]. The Global Entrepreneurship Monitor and the World Bank Group's Entrepreneurship Survey both provide evidence that self-employment, or starting a new business, has a positive effect on economic growth and employment levels generally [9]. Business regulations for self-employment in the Republic of Uzbekistan are being simplified. The introduction of digital technology greatly aids in the process. To promote a transparent business

environment and increase opportunities for non-cash payments, several new measures are planned. A specific legal framework will be established for individual entrepreneurs and self-employed individuals until December 31, 2030 [10].

2. Materials and Methods

This study employs a systematic approach to collect and analyze literature on the effectiveness of financing entrepreneurship. Keywords used in literature searches include ("job" OR "employment") AND ("enterprises" OR "entrepreneurship") AND ("financing" OR "access to finance"). This research focuses on literature published in recent years to ensure the relevance and accuracy of the analysis results. Data were gathered from over twenty journals to provide a broader and more in-depth view of this research topic. The analysis conducted sheds light on the importance of the current literature. It provides a comprehensive overview of the rapidly growing research areas and the gaps that remain untapped in academic studies related to entrepreneurship.

3. Results and Discussion

A job, more than just a source of income, provides dignity and purpose. Employment is the most reliable path to dignity and stability, and it is the most effective means of eradicating poverty. A job unlocks potential in communities, empowers women, engages youth, creates business opportunities, and reduces the need for international aid and social assistance. Financing entrepreneurial activities can help ensure employment and foster economic stability in the country. In fiscal 2025, the World Bank Group also designed and launched the Global Collaborative Co-Financing Platform to streamline operations with other multilateral development banks and boost development financing for client countries.

In fiscal 2025, the World Bank Group provided a record \$118.5 billion in total financing—comprising loans, grants, equity investments, and guarantees—to help developing countries tackle global challenges, promote economic growth, reduce poverty, and create jobs.

The International Bank for Reconstruction and Development (IBRD) has its own financial resources and financial model. IBRD is a global development cooperative that is owned by its 189 member countries. IBRD funds its loans through its own equity and by borrowing in capital markets, mainly through the issuance of IBRD bonds to finance development projects in member countries. IBRD is rated Aaa by Moody's and AAA by Standard & Poor's. Investors consider its bonds as high-quality securities.

As you can see, the number of loans increases from fiscal year 2021 to 2025 (Table 1). In 2025, the total loans reached \$30.779 million [19], an increase of \$7.088 million from 2021, reflecting a rise of 29.9 percent. In the fiscal year, the World Bank approved \$18.6 billion for 62 operations in the region, including \$10.5 billion in IBRD commitments and \$8.1 billion in IDA commitments. In Europe and Central Asia, the World Bank is striving to eliminate poverty by promoting job opportunities led by the private sector and enhancing economic activity through entrepreneurship, technology adoption, and innovation.

Table 1. IBRD disbursements by region, fiscal 2021–2025 (millions of dollars)

Region	2025	2024	2023	2022	2021
Eastern and Southern Africa	1,228	3,126	1,690	2,441	0,325
Western and Central Africa	1,263	0,240	0,161	0,261	0,132
East Asia and Pacific	4,064	5,492	4,350	5,439	4,439
Europe and Central Asia	8,056	10,574	4,833	4,580	3,625
Latin America and the Caribbean	7,828	6,305	8,216	8,911	8,741
Middle East and North Africa	4,376	3,332	2,964	3,407	2,764

South Asia	3,964	4,381	3,290	3,129	3,665
Total	30,779	33,450	25,504	28,168	23,691

In fiscal year 2025, a total of 78 countries qualified for International Development Association (IDA is the world's largest source of concessional financing for low-income countries) support. It offers financing through development credits, grants, guarantees, and loans to help these countries enhance economic growth via entrepreneurship, create jobs, reduce poverty, and improve living conditions for those in greatest need. In fiscal 2025, new IDA lending commitments amounted to \$39.9 billion for 303 operations, including 10 IBRD/IDA blended operations. These commitments consisted of \$31.1 billion in credits, \$0.6 billion in guarantees, and \$8.2 billion in grants. During the fiscal year, 36 projects were approved for support from the IDA20 IDA-IFC-MIGA Private Sector Window (PSW), totaling \$1,080 million. Uzbekistan is the most populous country in Central Asia, and it has maintained high and stable economic growth of an average of 5.8 percent over the past decade. Uzbekistan [19] is currently in seventh place with 1,025 million dollars among the top borrowing countries (Table 2).

Table 2. IDA top country borrowers, fiscal 2025 (millions of dollars)

Country	Commitments	Country	Commitments
Nigeria	3,145	Tanzania	1,197
Bangladesh	3,049	Uzbekistan	1,025
Ethiopia	2,444	Mazambique	0,886
Pakistan	1,494	Nepal	0,857
Rep.of the Congo	1,490	Benin	0,827

There are several ways to improve financing for entrepreneurship to promote job creation, including support from international financial institutions or utilizing the national financing models of developing countries.

Developed countries have established their own unique models for private sector lending. Also necessary the study of the positive experiences of several foreign countries that have achieved the best results in bank lending to businesses.

American model of financial and credit support. The U.S. model of financial and credit support focuses on direct entrepreneurship assistance through public funds, which includes both independent and collaborative public and private financing. The US Small Business Administration (SBA) has various branches, interregional units, and approximately 100 local Business Development Centers (SBDCs) funded by the Federal Government. It has been established as the main institution to implement these tasks. These centers offer a variety of services related to specific projects in different areas of small business, such as home-based businesses, technical assistance, and loan application analysis. Each year, the SBA issues more than 60 thousand loan guarantees totaling about \$10 billion, with approximately 90 percent of all financial assistance provided in the form of guarantees. In markets characterized by asymmetric information and credit rationing, government loan guarantees can enhance overall welfare by restoring lending to an efficient level [11]. Guarantees influence the availability of credit for businesses. Credit constraints are well-known barriers to growth for firms, especially considering imperfect information and a lack of collateral [12], [13]. In general, the activities of the SBA regarding banks applying for loan guarantees to support enterprises can be summarized in the following scheme. Commercial banks, after receiving approval from the SBA, provide loans to enterprises under standard terms (Table 3). If an entrepreneur fails to make a loan payment for more than 60 days, the bank that issued the loan can request the SBA to cover this debt. The SBA's expenses for covering such debts are offset by the income generated by its fund. Thus, the SBA's activities are focused on supporting small

businesses, increasing their access to credit, reducing the risk for private loan capital, and ultimately contributing to the country's economic growth through increased profits and GDP.

Also there are companies like U.S. Eximbank (a financial institution specializing in supporting foreign economic activity, stimulating exports/imports, issuing loans, guarantees, and risk insurance in international transactions) and the U.S. International Development Finance Corporation (The DFC provides loans, loan guarantees, direct equity investments, and political risk insurance), the companies that provide financial support for development projects. Today, around 340 American companies are operating in Uzbekistan's labor market. A three-year, \$35 billion Economic Cooperation Program is currently being implemented [14].

Table 3. Comparative analysis of business financing sources in different countries, 2024 [15]

Country	Bank loans, %	The state programs, %	Alternative financing, %	The own funds, %
USA	38	8	18	36
Germany	52	12	10	26
China	45	15	22	18

In the German model of financial and credit support, the government finances private financial institutions that provide loans to businesses. Financing is facilitated by state authorities at various levels, including the federal government, federal states, cities, land districts, and communities, as well as the European Commission in Brussels. To alleviate the burden on state administration bodies and enhance the efficiency of small business development support, the responsibility for providing assistance has been transferred to several public law institutions. This includes specialized banks such as the Kreditanstalt für Wiederaufbau (KfW) and Deutsche Ausgleichsbank, as well as chambers of commerce and industry. Among the above, the KfW stands out as the most significant specialized credit institution that provides federal support at the national level [16]. Its primary focus is on lending to businesses through commercial banks. In Germany, the process for obtaining financial assistance includes the following steps:

1. Loan guarantees and equity participation from investment companies in the capital of businesses;
2. A small enterprise submits a loan application to a business bank;
3. The business bank reviews the application and sends the documents to the KfW, along with an assessment of the risk share that the bank is willing to assume (which must be at least 50% of the total risk);
4. The KfW evaluates the borrower's documents and agrees to insure the remaining share of the risk. It then offers a soft loan to the business bank;
5. After receiving the preferential loan from the KfW, the business bank disburses the funds to the small business at a predetermined interest rate (Table 4).

Table 4. Analysis of enterprises' financing models [17].

Country	Financial institutions	The share of enterprises in GDP	Basic tools	Interest rates	The amount of government support
USA	SBA	44%	Loan guarantees, venture finance. SBIC	key. bet +2.75 % USD	350 billion USD

Germany	KfW Bank	52%	Preferential loans, venture funds	from 2.81 % per annual	Not limited
China	People's Bank Of China	60%	Preferential loans, fintech platforms	3.65-6% per annual	11.4 trillion USD portfolio

Chinese model of financial and credit support. In the past four decades, China has lifted over 800 million people out of extreme poverty and employed from 1981 to 2020. This was mostly made possible by the growth of entrepreneurship in the agriculture industry. Key support for the move was provided by the allocation of development funds, subsidized loans and relief programs. Since the launch of the reform and opening-up policy in 1978, China has experienced several decades of rapid economic growth. The benefits of reform and openness are closely tied to poverty reduction and the development of entrepreneurship [18]. There is a strong correlation between GDP growth and the elimination of absolute poverty (Figure 1).

1. Given that poverty in China was primarily concentrated in rural areas, the development of agricultural entrepreneurship was crucial to the country's early efforts to alleviate poverty. Chinese economic reforms increased total factor productivity, made it easier for workers to move from agriculture to higher-productivity manufacturing and service sectors, and greatly increased agricultural labor productivity. Expanding bank branch networks and growing the financial sector can help reduce rural poverty through farm finance, according to 57 Consultative Group to Assist the Poor (CGAP) reports. In certain cases, there have been links found between financial development, poverty levels, and decreased income inequality [19];
2. In tandem with its swift economic expansion, China has experienced significant urbanization. Between 1980 and 2023, China's urban population grew from 200 million to 933 million, and the country's urbanization rate rose from 19.4 percent to 66.2 percent;

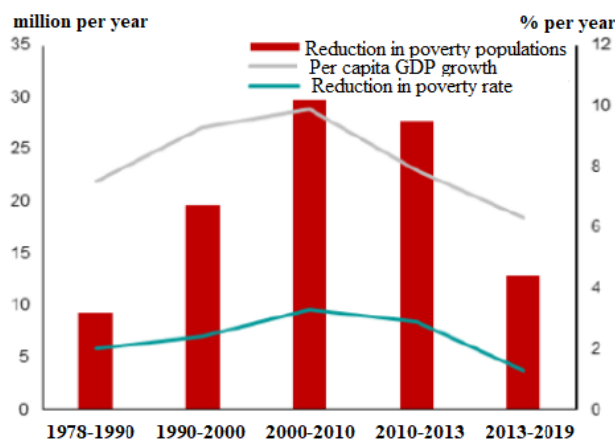


Figure 1. Increasing economic growth and reducing poverty by fostering entrepreneurship

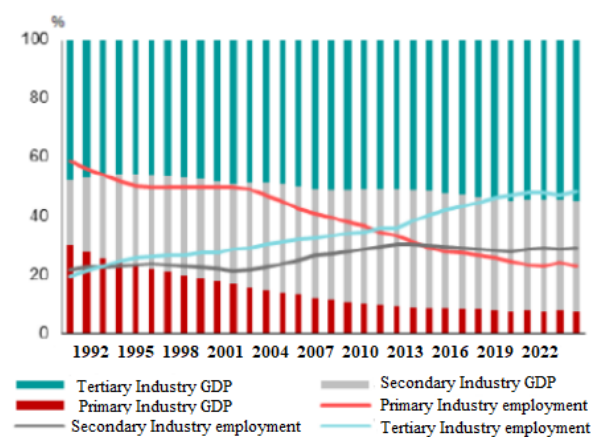


Figure 2. Evolution of GDP and employment by industry

3. In addition to providing rural residents with job opportunities, China's fast industrialization has also profited from the availability of inexpensive labor from these regions. The secondary industry's share of GDP increased from 22 percent to 38 percent between 1992 and 2023 (Figure 2), and overall factor productivity improved significantly during this period [20].

Microcredit, which is the most prevalent type of microfinance institution in China, has grown quickly with the help of local governments and has progressively transformed into a multi-tiered and pluralistic market model with commercial banks, rural commercial banks, and rural credit cooperatives.

4. Conclusion

This research analyzed the methods entrepreneurs may use to secure financing for their businesses in job creation. Additionally, we elaborated on relevant trends and behavior from existing literature that can offer different perspectives. The research identified essential factors that contribute to entrepreneurship development and provided analytical data to encourage economic growth through job creation:

1. Funding can come from external financial resources of international organizations like the World Bank, internal funding from their governments, or through collaborative public and private financing;
2. Projects like FINGROW will help implement the access to finance for jobs and growth project. Access to credit resources and private investments is expanding for enterprises experiencing capital shortages. By 2030, it is anticipated that project activities will help approximately 7,000 enterprises secure access to credit financing. This includes 4,500 businesses owned or led by women and youth. As a result of this support, these companies are expected to create an additional 100,000 well-paying jobs, with women and young workers likely to fill more than half of these positions;
3. The SBA showcases the effectiveness of state guarantees for loans, covering up to 85% of the financing amount. Additionally, the SBIC venture investment program creates a multiplier effect by attracting private capital at a 1:2 ratio. In contrast, the German KfW model involves the direct participation of a state development bank in lending to small and medium-sized enterprises (SMEs), offering interest rates starting at 2.81% per annum while assuming 50-60% of the credit risks. Meanwhile, the Chinese system combines traditional bank lending with innovative fintech platforms, resulting in a 75% increase in the volume of loans secured by intellectual property in 2023, reaching a total of 854 billion yuan this year;
4. The lack of development in Uzbekistan's non-banking financing sector, which includes venture funds, crowdfunding platforms, and business angel investment institutions, restricts the diversification of capital sources for innovative start-ups and high-tech companies. This limitation is particularly significant given the country's need for technological sovereignty and import substitution. The various limitations create a unique context for adapting foreign experiences. This adaptation requires not simply copying successful international practices, but rather selectively transforming them. This transformation should consider the institutional environment, available resources, and strategic priorities for the development of the Uzbek economy and the creation of new jobs.

Entrepreneurship financing is designed to stimulate entrepreneurial activity and enhance business productivity. These programs typically focus on removing barriers for businessmen (improving access to financial services and business tools, and providing increased access to credit. The ultimate goal is to boost employment by fostering the creation of new businesses.

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