

Article

Institutional Foundations for the Development of Youth Entrepreneurship in Uzbekistan

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Abstract: This article examines the institutional foundations for the development of youth entrepreneurship, treating them not as the activity of an individual enterprise but as an interconnected system of institutions. The study argues that, in a market economy, the sustainable development of youth entrepreneurship is determined less by the availability of financial resources than by the maturity of the institutional environment. Drawing on institutional economic theory and the practice of the Republic of Uzbekistan, the paper identifies and analyses three core institutional pillars: the normative-legal base, financial institutions, and educational and scientific institutions. The normative-legal base establishes the legal guarantees and support mechanisms that enable young people to enter business; financial institutions — commercial banks, microfinance organisations, investment funds and grant programmes — supply the resources required to launch and scale ventures; and educational and scientific institutions form the human capital and entrepreneurial competencies on which entrepreneurial success ultimately depends. The paper concludes that the effectiveness of youth entrepreneurship depends not on the isolated functioning of these institutions but on their integrated and coordinated interaction.

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1. Introduction

The development of youth entrepreneurship is today regarded as one of the priority directions of global economic policy. The structural changes taking place in national economies, the improvement of market relations and the growing share of the private sector require the broader participation of young people in entrepreneurial activity. In this process, the existence of an institutional environment that supports and develops youth entrepreneurship acquires particular importance.

Institutional foundations constitute a complex system encompassing the rules, norms, organisations and mechanisms that govern the operation of economic agents. In youth entrepreneurship, this system covers the activity of state bodies, financial institutions, educational institutions, business incubators, accelerators (special programmes or organisations aimed at rapidly developing newly created start-ups and entrepreneurial projects within a short period), public organisations and other supporting structures. These institutions serve to stimulate the entrepreneurial initiatives of young

people, to create favourable conditions for doing business and to raise their economic activity.

Under the conditions of a market economy, the sustainable development of youth entrepreneurship is determined not by the mere availability of financial resources but by the degree to which an effective institutional environment has been formed. The procedure for registering entrepreneurial subjects, tax incentives, crediting mechanisms, advisory and information services, and business-support programmes are important factors in young people's entry into entrepreneurial activity. In this respect, the institutional system emerges as a necessary infrastructure for the development of youth entrepreneurship.

Cooperation between state and non-state institutions is of particular significance in developing youth entrepreneurship. Such cooperation serves to support young entrepreneurs financially, organisationally and informationally, to develop their knowledge and skills, and to broaden the opportunities for putting business initiatives into practice. This approach not only raises the economic efficiency of youth entrepreneurship but also lays the ground for its long-term development.

2. Materials and Methods

Accordingly, the study of this issue gives rise to the need for a systematic analysis of the institutional foundations of youth entrepreneurship, the identification of the roles and functions of the institutions participating in this process, and the elaboration of scientifically grounded approaches to improving their activity. For this reason, investigating the institutional foundations of youth entrepreneurship is one of the pressing issues aimed at ensuring the sustainable development of the economy.

3. Results

The institutional foundations of youth entrepreneurship form a system of interrelated institutions whose effective functioning serves to support young people's entrepreneurial initiatives, expand their business opportunities, and increase their economic activity (Figure 1).

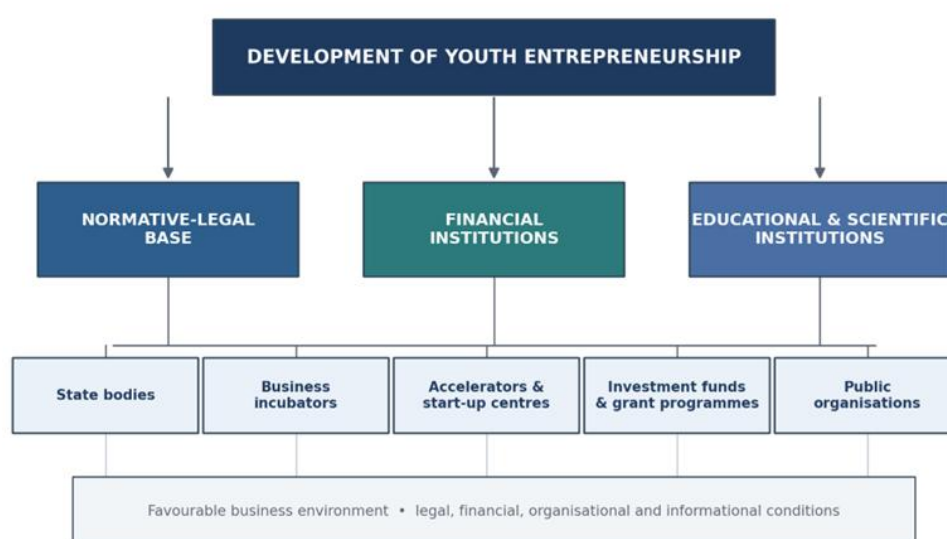


Figure 1. Institutional foundations of youth entrepreneurship.

Source: compiled by the author.

The theoretical understanding of entrepreneurship has a long tradition in economic science. Schumpeter interpreted the entrepreneur as the driving force of economic development and linked the entrepreneur's core function to the process of "creative destruction", through which new products, technologies and markets are introduced [1]. Drucker, in turn, presented entrepreneurship as a systematic, learnable activity based on innovation, treating it more as a practical discipline than as an innate personal trait [2].

From the standpoint of institutional economics, the institutional environment is decisive for entrepreneurial outcomes. North defined institutions as the "rules of the game" that reduce uncertainty and transaction costs, arguing that the quality of the institutional framework directly shapes economic performance [3]. Scott complemented this view by distinguishing the regulative, normative and cultural-cognitive pillars of institutions [4]. Applied to youth entrepreneurship, these approaches imply that the behaviour and success of young entrepreneurs are conditioned by the surrounding institutional structures rather than by individual effort alone.

Youth entrepreneurship emerged as a distinct research direction relatively later. Chigunta classified young people into three groups according to their entrepreneurial potential — pre-entrepreneurs, budding entrepreneurs and emergent young entrepreneurs — and argued that each group requires different support measures [5]. Schoof identified limited access to financial resources, a lack of experience and entrepreneurial skills, administrative barriers and socio-cultural factors as the principal obstacles facing youth entrepreneurship [6]. Data from the Global Entrepreneurship Monitor likewise confirm that, although young people display a high propensity for entrepreneurship, they encounter greater financial and institutional barriers at the start-up stage [7].

Recent scholarship increasingly frames entrepreneurship in terms of the entrepreneurial ecosystem. Isenberg (2010) and Acs, Autio and Szerb (2014) emphasise that entrepreneurship is sustained by an interacting system of policy, finance, human capital, markets and support organisations rather than by isolated actors [8-9]. Contemporary studies of youth entrepreneurship in developing economies confirm that institutional mechanisms — incubators, financing systems and mentoring programmes — mitigate structural barriers and promote the economic and social inclusion of young people [10].

The analysis of the existing literature shows that the issue of governing youth entrepreneurship has been studied predominantly from the perspective of state policy, while the systematic investigation of its institutional foundations as an integrated whole remains relevant. This is particularly the case for transition economies such as Uzbekistan, where the institutional environment is still being formed. The present article seeks to address this gap by treating the institutional foundations of youth entrepreneurship as a single, interconnected system.

4. Discussion

4.1. *The normative-legal base*

One of the most important institutional foundations for the development of youth entrepreneurship is the normative-legal base. The efficiency and stability of any entrepreneurial activity are determined, first of all, by the extent to which it is legally regulated. Normative-legal acts create the legal guarantees necessary for young people to enter business, to realise entrepreneurial initiatives and to expand their economic activity.

In the Republic of Uzbekistan, the mechanisms aimed at developing youth entrepreneurship are being continuously improved. The consolidation in the Constitution of the Republic of Uzbekistan of the inviolability of private property, freedom of entrepreneurship and the right to engage in economic activity constitutes the fundamental

legal foundation of entrepreneurial activity [11]. These norms serve to support young people's economic initiatives and to broaden their business opportunities.

One of the most significant legal foundations is the Law of the Republic of Uzbekistan No. O'RQ-406 "On State Youth Policy", adopted on 14 September 2016. This Law defines raising young people's economic activity, supporting their entrepreneurial initiatives, ensuring their employment and creating the conditions necessary for business as one of the priority directions of state policy [12].

In strengthening the institutional mechanisms for developing youth entrepreneurship, a special place is occupied by the Decree of the President of the Republic of Uzbekistan No. PF-5106 of 5 July 2017 "On measures to increase the effectiveness of state youth policy and to support the activity of the Youth Union of Uzbekistan". On the basis of this document, new institutional mechanisms were introduced for raising the socio-economic activity of young people, supporting their business initiatives and improving the system of work with youth [13].

With regard to the financial support of young people's business projects, the Resolution of the President No. PQ-3808 of 27 June 2018 "On the State Programme 'Youth is Our Future'" is of considerable importance. Within the framework of this programme, mechanisms were introduced for financing young people's business initiatives, start-ups and projects, allocating preferential credits and creating new jobs [14].

In recent years, with the aim of further improving the legal base for the development of youth entrepreneurship, the Resolution of the President No. PQ-60 of 14 February 2025 "On measures to further improve the system of supporting youth entrepreneurship and their employment" was adopted. The Resolution envisages the broad involvement of young people in entrepreneurship, support for start-ups and business projects, the creation of additional jobs and the expansion of financial and organisational assistance mechanisms for young entrepreneurs [15].

As a logical continuation of this Resolution, the Resolution No. PQ-62 of 14 February 2025 "On measures to develop youth entrepreneurship" was adopted, defining the tasks of establishing "Youth business-incubator" centres in the regions, providing comprehensive support to young people starting a business, and offering them services in marketing, accounting and export activity [16], [17].

In our view, the above normative-legal acts constitute the main institutional foundation for the development of youth entrepreneurship. They form the legal guarantees and support mechanisms necessary for young people to enter business activity, to make use of financial resources and to realise their entrepreneurial initiatives successfully. These foundations serve to ensure freedom of entrepreneurship, to protect the rights and interests of entrepreneurial subjects, to introduce financial support mechanisms and to form a favourable business environment. Table 1 systematises the structural elements that constitute the normative-legal foundations of youth entrepreneurship and their significance.

Table 1. Structural elements of the normative-legal foundations for the development of youth entrepreneurship.

No	Structural element of the normative-legal base	Content	Significance for developing youth entrepreneurship
1	Legal guarantees of entrepreneurial freedom	A set of legal norms defining citizens' rights to engage in entrepreneurial activity, own property,	Ensures young people's free entry into business, stimulates economic initiative and creates legal guarantees for the stable

		advance economic initiatives and derive income from their activity.	operation of entrepreneurial subjects.
2	Youth support mechanisms	Legal and organisational mechanisms aimed at raising young people's economic activity, broadly involving them in entrepreneurship, supporting business ideas and developing professional skills.	Increases young people's interest in entrepreneurship, creates favourable conditions for starting a business and serves the development of youth business.
3	System of incentives and preferences	Legal mechanisms regulating tax incentives, credit preferences, subsidies, grants and other instruments of economic stimulation.	Reduces the financial burden on young entrepreneurs, expands their access to the funds needed to start and develop a business and raises investment activity.
4	System for protecting entrepreneurial subjects	Legal mechanisms aimed at protecting the rights and lawful interests of entrepreneurs, guaranteeing their property rights and preventing unlawful interference.	Strengthens young people's confidence in entrepreneurial activity, reduces business risks and ensures the stability of the entrepreneurial environment.
5	Procedures for business registration and operation	Norms regulating the establishment, state registration, licensing, permit procedures and reporting processes of entrepreneurial subjects.	Simplifies the opening and running of a business for young people, reduces time and costs and increases the number of new entrepreneurial subjects.
6	State support mechanisms	State programmes, targeted projects, financing instruments and institutional support measures aimed at developing entrepreneurship.	Expands young entrepreneurs' economic activity, increases opportunities for job creation and ensures the long-term development of business.
7	Digitalisation and electronic services	Norms defining the electronic provision of state services, online registration, electronic reporting and conducting business through digital platforms.	Reduces bureaucratic procedures for young entrepreneurs, improves management efficiency and develops modern forms of business activity.
8	Investment promotion mechanisms	Normative mechanisms aimed at attracting domestic and foreign investment, creating legal	Increases the inflow of investment into youth business, expands opportunities for financing innovative projects

		guarantees for investors and supporting investment activity.	and enhances the competitiveness of entrepreneurial subjects.
9	System for regulating contractual relations	Norms legally regulating the economic relations among entrepreneurial subjects, the conclusion of contracts and their fulfilment.	Serves to develop young entrepreneurs' cooperative ties, increase the reliability of business relations and reduce economic risks.
10	Mechanisms for regulating the competitive environment	The formation of a healthy competitive environment based on market principles, the prevention of monopolistic situations and the creation of equal conditions for entrepreneurial subjects.	Expands young entrepreneurs' opportunities to enter the market, raises competitiveness and creates the basis for the effective development of business activity.

Source: compiled by the author.

4.2. Financial institutions

Another important institutional foundation for the development of youth entrepreneurship is financial institutions. Young people's ability to start and develop a business depends largely on their access to financial resources. Financial means are required to turn a business idea into practical activity, to purchase the means of production, to organise service-delivery processes and to expand market activity. For this reason, financial institutions emerge as an integral component of the system for supporting youth entrepreneurship.

Commercial banks are the principal subjects financing youth entrepreneurship. The credits, micro-credits and preferential financing instruments provided by banks enable young entrepreneurs to implement their business projects. Especially under conditions of insufficient start-up capital, bank credits perform the function of an important source for newly established entrepreneurial subjects to begin operating. Commercial banks are precisely the main base from which youth entrepreneurial activity obtains borrowed funds.

Microfinance institutions are of particular significance in developing youth business. The provision by these institutions of small-scale credits, loans and other financial services facilitates young people's entry into entrepreneurial activity. The microfinance system is an especially effective instrument in developing small business and family entrepreneurship. Consequently, demand for microfinance organisations is currently rising sharply. Through the broad opportunities being created by the state for microfinance institutions, the volume of credits and loans allocated by these organisations is increasing, creating conveniences for young entrepreneurs to make use of them.

Investment funds and grant programmes are among the important sources for financing innovative projects. Because the start-up projects advanced by young entrepreneurs often carry a high degree of risk, they encounter difficulties in using traditional financing sources. In such circumstances, grants, investments and venture-capital mechanisms make it possible to support innovative business initiatives. The attraction of foreign investment in developing youth entrepreneurship further increases the opportunities for expanding and scaling their activity.

Under the conditions of Uzbekistan, various mechanisms of financial support have been introduced with the aim of developing youth entrepreneurship. Preferential crediting programmes, subsidy and compensation systems, and special state-supported funds serve to expand young people's business activity. These mechanisms make it possible to raise the financial stability of young entrepreneurs and to strengthen their participation in market activity.

In our view, financial institutions are among the most important institutional factors in developing youth entrepreneurship, since the transformation of an innovative idea or business initiative into a practical result depends largely on the availability of financial resources. The improvement of the activity of financial institutions serves the sustainable development of youth entrepreneurship, the creation of new jobs and the growth of economic activity. Commercial banks, microfinance organisations, investment funds and other financial structures form the financial resources needed to start and expand entrepreneurial activity, thereby reinforcing the place of youth entrepreneurship in the economy and accelerating the country's economic growth (Figure 2).

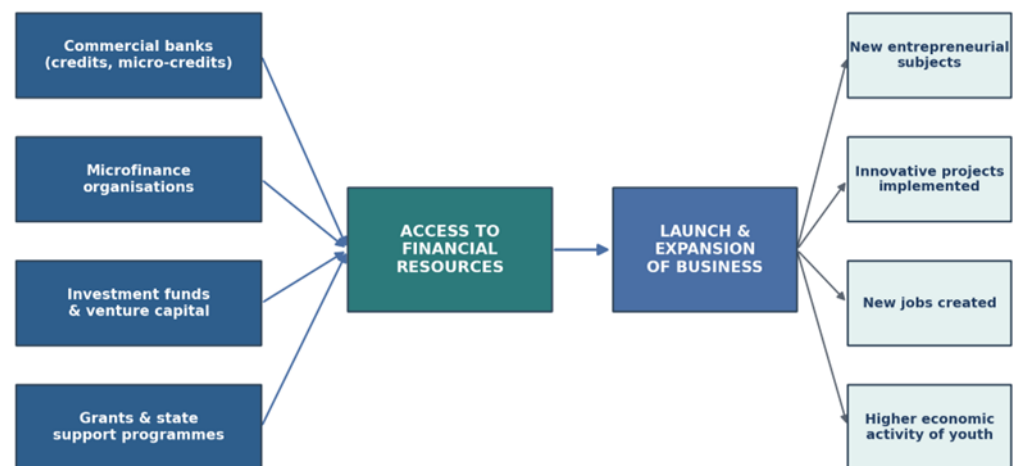


Figure 2. The impact mechanism of financial institutions in developing youth entrepreneurship.

Source: compiled by the author.

4.3. Educational and scientific institutions

A further important institutional foundation for the development of youth entrepreneurship is educational and scientific institutions. Under the conditions of a modern economy, the success of entrepreneurial activity depends not only on financial resources or a favourable legal environment but also on the level of development of human capital. In this respect, the education system performs an important institutional function in forming young people's entrepreneurial potential, developing their business skills and establishing innovative thinking.

The majority of young people who successfully engage in entrepreneurial activity are individuals possessing special knowledge and practical skills. Understanding market mechanisms, drawing up a business plan, conducting financial analysis, forming marketing strategies and assessing risks are important factors determining the efficiency of entrepreneurial activity. Educational institutions occupy a central place in forming this knowledge.

Higher education institutions are emerging in the development of youth entrepreneurship not only as knowledge-providing institutions but also as institutions that shape an entrepreneurial culture. In recent years, the introduction in universities of subjects devoted to entrepreneurship, business management, start-up projects and innovation activity has increased young people's interest in business. As a result, students gain the opportunity, while still studying, to develop business ideas, attract investment and put them into practice. This transforms higher education institutions into an innovative space where new business ideas are formed, and not merely into providers of education.

Vocational education institutions and professional-development centres are also of considerable importance in developing youth entrepreneurship. Through these institutions, young people acquire practical knowledge and skills in production, services, information technologies and other fields. In turn, a higher level of vocational preparation strengthens young people's competitiveness in the labour market and creates the knowledge base needed to organise their own business.

Start-up centres established under universities and scientific centres also occupy a special place in developing youth entrepreneurship. Such centres create the opportunity for young people to turn innovative ideas into business projects, make use of mentoring services, cooperate with investors and gain practical experience. As a result, the conditions necessary for young people's scientific and creative potential to become value-creating projects are formed.

In our view, educational and scientific institutions are the institutional structures that perform the most strategic tasks in youth entrepreneurship, because the effective use of financial resources, incentives and legal opportunities depends, above all, on knowledge and competencies. The formation of knowledgeable young people who think innovatively, possess modern management skills and deeply understand market requirements is one of the most important factors in the long-term development of youth entrepreneurship and in raising the competitiveness of the national economy. Table 2 systematises the institutional significance of educational and scientific institutions in developing youth entrepreneurship.

Table 2. The institutional significance of educational and scientific institutions in developing youth entrepreneurship.

No	Institutional element	Content	Significance for developing youth entrepreneurship
1	Higher education institutions	Form theoretical and practical knowledge in entrepreneurship, business management, marketing, finance and innovation activity.	Develop young people's entrepreneurial competencies and create the knowledge base needed to organise business activity.
2	Vocational education institutions	Serve to form practical skills in specific fields and branches.	Raise young people's professional potential and create the practical experience needed to organise their own business.
3	Research institutions	Engage in creating scientific developments, producing new technologies and	Serve the development of innovative entrepreneurship and the commercialisation of scientific results.

		introducing them into practice.	
4	Start-up centres	Provide organisational and methodological support for turning innovative ideas into business projects.	Support young people's business initiatives and expand start-ups' opportunities to enter the market.
5	Business trainings and seminars	Form modern knowledge and skills for conducting entrepreneurial activity.	Serve to increase practical experience in business management, financial planning and marketing.
6	Professional-development centres	Aimed at the continuous development of young people's professional and managerial skills.	Ensure the formation of knowledge and qualifications matching the requirements of the modern economy.
7	Technoparks	Form an innovative environment ensuring the integration of science, education and business.	Expand opportunities to develop and implement young entrepreneurs' innovative projects.
8	Innovation clusters	Develop cooperation among higher education institutions, scientific centres and business subjects.	Accelerate the creation of innovative products and services and strengthen the exchange of knowledge.
9	Mentoring system	Provides for advice and practical assistance from experienced specialists and entrepreneurs.	Reduces young entrepreneurs' errors in management and business conduct and raises the efficiency of their activity.
10	Elements of the entrepreneurial ecosystem	Consist of a set of institutions ensuring mutual cooperation among education, science and business.	Serve the sustainable development of youth entrepreneurship, the growth of innovative activity and the formation of competitive entrepreneurial subjects.

Source: compiled by the author.

5. Conclusions

In our view, youth entrepreneurship is an important type of activity that realises young people's economic initiative, makes effective use of their innovative potential and expands the opportunities for creating new economic value. The effective development of youth entrepreneurship depends directly on the degree to which the institutional environment has been formed. Institutional foundations create the legal, financial, organisational and informational conditions necessary for young people to enter business, to realise entrepreneurial initiatives and to expand their activity. In this respect, the development of youth entrepreneurship should be assessed not from the standpoint of a single enterprise or entrepreneur but as a system of interconnected institutions. The normative-legal base is assessed as the principal institutional support for the development of youth entrepreneurship. Legal norms guaranteeing freedom of entrepreneurship, youth support mechanisms, the system of incentives and preferences, mechanisms for protecting the rights of entrepreneurial subjects and instruments for regulating the competitive

environment form the legal foundation for the development of youth entrepreneurship. The activity of financial institutions emerges as an important factor strengthening the economic foundations of youth entrepreneurship. The financing opportunities created by commercial banks, microfinance organisations, investment funds and other financial structures perform the function of an important source in young people's starting and developing a business. The effectiveness of youth entrepreneurship depends not on the activity of individual institutions but on their harmonious and systematic cooperation. The normative-legal base creates a favourable business environment, financial institutions provide the necessary resources, and educational and scientific institutions form the knowledge and competencies required for entrepreneurship. The integrated activity of these institutions is an important condition for the sustainable development of youth entrepreneurship, the growth of innovative activity, the creation of new jobs and the raising of the competitiveness of the country's economy. Through this, opportunities are created both to develop the entrepreneurial activity of the young generation and to support them comprehensively.

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