



## BASIC ANALYSIS OF YOUTH DIGITAL ENTREPRENEURSHIP IN UZBEKISTAN

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### ABSTRACT

The main goal of the article is to analyze basic obstacles, identify main gaps, and discuss the roots and causes of the existing problems in improving the legal regulation of digital entrepreneurship of youth in Uzbekistan. In this regard, the article outlines the main legal acts in the field of digital entrepreneurship development, administrative systems, and state and private financing tools in the current ecosystem in Uzbekistan. The comparative approach used in the article provides an analysis of best practices of the legislation of foreign countries and international standards that provide the development and support of youth digital entrepreneurship.

Analysis revealed that in Uzbekistan, in general, legal acts provide support for youth entrepreneurship, but the specific legal regime of financing youth digital entrepreneurship is not clearly defined in the current legislation. This causes problems in the practice of financing youth digital entrepreneurship. Particularly, we found that the absence of a basic legal framework to support youth digital entrepreneurship; the legal limitations for providing loans for financing the infrastructure necessary for young people to start a digital business; the low level of public awareness, especially among young, on the content and importance of the legislation on digital entrepreneurship as one of the main challenges in developing legal regulation of digital entrepreneurship of youth in Uzbekistan.

**Keywords:** digital entrepreneurship, youth entrepreneurship, digital economy, financial instruments, legal support.

### The digital socioeconomic situation in Uzbekistan

According to statistics in 2021, 22.9 percent (106 thousand 574) of the business entities operating in Uzbekistan belong to young people under 30 years old, while 21.5 percent (71 thousand 467 people) of individual entrepreneurs are young people under 30 years old. is enough.<sup>1</sup> As of April 1 of 2022, the ratio of small business entities per 1,000 inhabitants in the Republic was 13.4, and on August 1, 2022, the number of



small business entities reached 531 thousand 794 (483 thousand 688 in 2021), and a significant part of them is young people. The share of the population employed in the field of ICT in the general business activities in the republic is increasing, and their number will be 53 thousand 782 by 2021.

The number of employees working in legal entities operating in the field of ICT (people):

Uzbekistan Republic	2015	2016	2017	2018	2019	2020	2021
	33 413	34 478	37 958	40 248	47 697	50 157	53 782

In this sense, in January-March 2022, the share of ICT services in the country's economy increased slightly, and this indicator is 2.0%, and it is expected to increase again by the end of the year. For comparison, by the end of 2021, the information economy and e-commerce sector reached 2.6% of GDP, and in 2020, it reached 2%.

The share of the information economy in GDP:

Indicators	2015	2016	2017	2018	2019	2020	2021
Information economy and e-commerce sector	1.9	2.1	2.3	2.1	1.8	2	2.6
Information and communication technologies (ICT) sector	1.8	2.0	2.1	1.9	1.6	1.7	1.8
ICT production	0.1	0.1	0.1	0.1	0.1	0.1	0.1
ICT trade	0.1	0.1	0.1	0.1	0.1		0.1
ICT services	1.6	1.8	1.9	1.7	1.4	1.5	1.6
Electronic commerce					0.1	0.1	0.6

In Uzbekistan legislation, great emphasis is placed on the organization of various funds and the use of traditional financial instruments for the financial support of youth entrepreneurship. Following the decisions of the President and the government, favorable reliefs were implemented, in particular, the determination of the loan interest rate in a low amount and the determination of tax benefits. If ICT services are structurally divided into directions, then communication services recorded the largest figure—72.8%. In addition, computer programming, consulting, and other support services—13.6%, data hosting, and processing services, web portals—6.0%, computer and communication equipment repair services—4.8%, and software release 2.8%. However, the provided services are not uniform across regions,



90 percent of them are in the capital city of Tashkent, and the lowest indicators are recorded in Andijan, Karakalpakstan, and Surkhandarya.

In the last five years, the state has paid more attention to supporting digital entrepreneurship and creating opportunities for young people in this regard. For example, the state is implementing the project "One million programmers", and the IT park that has started its activity in Tashkent is being opened in the rest of the regions as a model. At the same time, in January 2021, the "FURSAT" project was established by the Ministry of Investments and Foreign Trade and the Youth Affairs Agency to develop youth entrepreneurship and ensure their employment. In the implementation of this project, the initiative to establish Youth Industrial and Entrepreneurship Zones (YIEZ) has been put forward. Business ideas or ready-made business plans are accepted in the form of an application through the [www.fursatloyiha.uz](http://www.fursatloyiha.uz) website (<http://www.fursatloyiha.uz/>) or @fursatloyiha\_bot telegram bot. A total of 219 YIEZ will be established throughout the country, of which more than 180 are already operational. The most important thing is that all young people in these zones have the necessary conditions for organizing business activities—infrastructure, consulting support, and financial support are provided. At the same time, funds for 100 million dollars have been allocated for the financing of youth entrepreneurship projects at the expense of the Young Entrepreneurs Support Fund under the Ministry of Investments and Foreign Trade. Entrepreneurial activities are not limited, and young people who do not have experience and necessary capital can be project participants.

The development of innovative entrepreneurship of young people is also connected with targeted programs for the creation of the "startup" ecosystem. An example of this is the "Startup Initiatives" program launched by the Chamber of Commerce and Industry of Uzbekistan in cooperation with the United Nations Development Program. The program is aimed at supporting young people's start-up projects and based on the competition, the winners will be awarded 1.0 billion soums by the Youth-Future Foundation, and 100 thousand US dollars by the joint project of the United Nations Development Program and the Ministry of Employment and Labor Relations "Helping to ensure youth employment in Uzbekistan". purposeful grant funds are allocated. According to the results of the competition, the best 40 projects will be provided with non-partisan grants of up to 50 million soums.

It should be noted that the Decree of the President of the Republic of Uzbekistan dated 28.01.2022 "On development strategy of New Uzbekistan for 2022-2026" PP-60 provides for turning the digital economy into a "driver" sphere, as well as increasing IT services by 2.5 times and increasing exports to 500 million dollars. In this sense, at





the meeting held by President Shavkat Mirziyoev on April 14 of this year in the field of ICT, several tasks were set to attract companies to IT parks and establish remote service centers to provide more than 5 thousand young people with high-income jobs. According to the data published by the State Statistics Committee, the country's export of ICT services has increased year by year, but the growth rate is low. This can be seen in the table below.

Export of ICT services of the Republic of Uzbekistan (thousands of US dollars):

Indicators	2015	2016	2017	2018	2019	2020	2021
Telecommunication services	152 338.5	141 112.9	143 168.7	150,592.7	156 677.1	151 749.6	156 317.1
Computer programming services	—	—	—	806.1	701.0	5,798.6	4 638.7
Other computer services	2 563.0	4 504.8	5 623.4	6 229.2	8 044.2	8 313.6	4 479.0
Information agency services	—	—	—	—	85.3	—	—
Other information services	1 987.1	1 884.8	1 858.0	2 057.3	1 988.8	3 648.9	10,830.4

The data in the table below show that the amount of imported services in other directions, except for telecommunications, is greater than that of exports. Import of ICT services of the Republic of Uzbekistan (thousands of US dollars):

Indicators	2015	2016	2017	2018	2019	2020	2021
Telecommunication services	51 764.7	49 422.4	51 390.1	34 239.4	56 312.5	94 760.6	104 386.8
Computer programming services	—	—	—	7 352.5	6 808.2	13 655.0	7 837.8
Other computer services	3 414.0	2 769.5	5 447.2	2 547.8	5 769.1	6 283.8	5 674.4
Information agency services	—	—	—	399.7	186.9	2 729.1	3 348.9
Other information services	2 425.1	2 564.6	2 899.1	3 100.8	3 510.5	14,845. 2	17 504.1

At this point, in the state digital policy, along with ensuring the digital entrepreneurship of young people, increasing IT export is highlighted as one of the main tasks. According to the briefing held at the Agency of Information and Mass Communications (AIMC), IT exports in IT parks increased 4.4 times to 53.2 million



dollars in the first half of 2022, 88% of which went to the United States, the rest to Great Britain, and Germany, It corresponded to the Commonwealth of Independent States (CIS) and the United Arab Emirates (UAE). It is planned to increase the export volume to 100 million dollars by the end of 2022. Although it is not reflected in the data of the State Statistics Committee, the total volume of realized services is 2.3 trillion soums, and this indicator has increased by 235% compared to the corresponding period of the previous year. The issues mentioned above are reflected in normative legal documents at the level of the state's digital policy. They are covered in detail in the following section. In essence, these documents envisage that support for the digital entrepreneurship of young people will be implemented based on financial means. For example, the government of Uzbekistan has placed great emphasis on the establishment of various funds and the use of traditional financial instruments for the financial support of youth entrepreneurship. By the decisions of the President and the government, favorable reliefs were implemented in the form of low loan interest rates, grants, subsidies, and tax incentives.

### **General analysis of normative legal documents**

One of the main reforms of the state in the field of economic, financial, and employment provision is aimed at the development of youth entrepreneurship. The reforms reflect not only traditional entrepreneurship trends but also the digital entrepreneurship of young people in tune with the digital age. The general focus of the regulatory and legal documents related to the financial instruments used in the direction of developing entrepreneurship and popularizing digital technologies through the material support of youth. Emphasis was placed on the tools aimed at financing youth entrepreneurship by the state and the entities participating in them, including the object and the ecosystem in which the entities operate. Accordingly, state-supported financing instruments were analyzed in two groups. In the first group, there are normative legal documents related to "youth entrepreneurship", which constitute the absolute majority group of norms, while in the second group, legal documents providing for "digital youth entrepreneurship" were studied. In particular, in "LexUZ" in 2016-2022, more than 400 normative legal documents adopted by the President of the Republic of Uzbekistan and the Cabinet of Ministers raised the issues of youth and entrepreneurship. By studying these documents, it is possible to see the political will of the state to support entrepreneurship among youth, including in digital directions. Efforts to provide high-tech jobs for graduates of higher education institutions, to create capital with the help of various instruments of financial markets to stimulate the activity of business entities, and to support small





and innovative entrepreneurship based on youth technology parks are increasingly noticeable. As a clear example of this, Decree No. PD-60 of the President of the Republic of Uzbekistan, dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026", on August 22, 2022, the President's Decree No. PD-357 "Information in 2022-2023 It is worth mentioning the Decision on measures to bring the field of communication technologies to a new level. Norms for supporting youth digital entrepreneurship were also included in the decision. For example, by the end of 2022, it was decided to increase the volume of export of IT services to 100 million dollars by creating centers that will help young people acquire the necessary skills and provide them with guaranteed orders. In addition, in paragraph 7 of the Resolution, for the first time, an opportunity was created to finance youth digital entrepreneurship on a large scale:

- Every year from 2023, to further support startup projects of young people in the field of information and communication technologies, it was decided to hold a competition for the President's prize with a total prize fund of 1 million USD at the expense of the Fund for the Development of Information and Communication Technologies.

After all, 600-700 thousand young people enter the country's labor market every year, and by 2022, coverage with higher education has increased from 9 percent to 38 percent compared to 2016, and it is planned to increase this figure to 50 percent in the future. For this, the state uses various administrative, economic, and financial tools aimed at supporting youth entrepreneurship.

## **Conclusion**

In the financial support of youth entrepreneurship, the government of Uzbekistan places great emphasis on the establishment of various funds and the use of traditional financial instruments. In this case, following the decisions of the President and the government, credit, leasing, guarantee, reimbursement of expenses, subsidy, microcredit, microloan, allocation of grants, insurance, course compensation, micro-financial assistance, zero-rate rent, consumer credit, debt allocation, free use, loan financial instruments such as low-interest rates, grants, and tax incentives were used. In the normative legal documents of the Republic of Uzbekistan, support for youth entrepreneurship, including creating opportunities for young people who do not have experience and capital in digital areas, has a dynamic nature, while the types of use of financial instruments are based on generality.

Dynamically, the adoption of documents containing the words "youth" and "entrepreneurship", and "financing" in the norms adopted in the last 2016–2022





years has progressively increased. is reflected in the decisions made. On the other hand, if we look at their general aspects, the range of financial instruments in normative legal documents is limited to classical (traditional) instruments, and they provide financing based on widespread approaches.

