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THESIS

FINANCING STARTUPS IN UZBEKISTAN: CURRENT OPPORTUNITIES, CHALLENGES AND DEVELOPMENT PROSPECTS

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Abstract: This article examines the formation and development trends of the startup financing system in Uzbekistan, the main sources of financing, the role of venture capital in the economy, and state support mechanisms. It also considers the key challenges encountered in financing startups, including the shortage of initial capital, investment risks, financial literacy, and access to international markets. Based on the analysis, the article develops practical recommendations aimed at improving the effectiveness of startup financing.

Keywords: startup, financing, venture capital, innovation, investment, private investor, business angel, crowdfunding, digital economy, entrepreneurship.

INTRODUCTION

Under conditions of globalization and the digital economy, innovative entrepreneurship is an important driver of economic development, competitiveness, and job creation. In particular, startup projects based on new technologies, digital services, artificial intelligence, e-commerce, financial technologies, and agricultural technologies are shaping new areas of economic activity.

A startup is an innovative business project aimed at creating a new product, service, or business model. It operates under conditions of uncertainty and risk and has the potential for rapid growth. Unlike traditional businesses, startups focus on finding new solutions, commercialising innovative ideas, and expanding operations within a relatively short period.

In recent years, Uzbekistan has paid particular attention to improving the business environment, introducing digital technologies into economic sectors, supporting innovative projects, and developing the venture capital market. In particular, Resolution No. PQ-357 of the President of the Republic of Uzbekistan dated 14 October 2024 and Resolution No. PQ-59 dated 11 February 2026 are important for developing the startup ecosystem and improving project financing mechanisms.

At the same time, attracting sufficient financial resources to turn promising ideas into viable businesses, establishing cooperation with investors, assessing the economic efficiency of innovative projects, and reducing investment risks remain important issues.

The purpose of this article is to analyse existing mechanisms for financing startups in Uzbekistan, identify the main challenges in the financing process, and develop practical recommendations for addressing them. Its objectives are to explain the theoretical foundations of startup financing; analyse the startup ecosystem in Uzbekistan; examine public, private, and international sources of finance; identify challenges; and propose ways to improve financing effectiveness.

1. THEORETICAL FOUNDATIONS OF STARTUP FINANCING

Startup financing means providing the funds required at every stage of a project, from developing an innovative idea to bringing a product to market and expanding business operations. Financial resources are needed to develop technological solutions, conduct testing, recruit specialists, organise marketing, and increase market share.

Startup financing differs from the financing of traditional businesses. Newly established projects often lack stable revenues, sufficient collateral, or a long financial history. As a result, access to commercial bank loans may be limited. In such circumstances, venture capital, business angels, grants, and accelerator programmes become particularly important.

The main sources of startup financing include the following.

First, personal funds. The founder's savings or contributions from the founders are used at the initial stage. This reduces dependence on external investors, although limited resources may be insufficient for large-scale projects.

Second, bank loans. Loans can meet a startup's needs for production, technological equipment, and working capital. However, interest rates, collateral requirements, and repayment schedules may create difficulties for startups that have not yet established stable revenues.

Third, grants. Grants are funds awarded through a competitive process and are generally non-repayable, subject to applicable conditions. They can support re-

search, experimental development, social innovation, and the development of new technologies.

Fourth, venture capital. Venture investment involves an investor providing funds to a startup with high growth potential in expectation of an economic return from its future development. The investor usually acquires a share in the company, and the outcome depends on the success of the business.

Fifth, business angels. These are private investors who invest their own funds in early-stage projects. In addition to financial support, they may provide experience, business contacts, and management advice.

Sixth, international investment and accelerator programmes. Foreign investors and international accelerators can provide startups with capital, knowledge, technology, and opportunities to enter external markets.

Effective startup financing should not rely on a single source. Financing instruments should be selected in accordance with the development stage of each project.

2. THE CURRENT STATE OF STARTUP FINANCING IN UZBEKISTAN

The startup ecosystem in Uzbekistan is developing as a result of the growth of the digital economy, the expansion of IT services exports, and measures to support innovative entrepreneurship. IT Park Uzbekistan, the national venture fund UzVC, private venture funds, and incubation and acceleration programmes are important participants in this process.

According to an assessment published on the Invest Uzbekistan portal in May 2026, the number of startups in Uzbekistan had reached 950, the number of active venture funds had reached 22, and the total value of the startup ecosystem had reached USD 4.3 billion. These indicators point to growing interest in innovative entrepreneurship and investment.

According to information published by Outsource.gov.uz on the results of 2025, investment in startups amounted to USD 329 million, an increase of 522 per cent compared with 2024. During the same period, investment deals increased from 38 to 140, while the number of startups grew from 400 to 750. Of the total investment, USD 293.7 million came from foreign capital and USD 35.3 million from domestic capital.

These figures indicate growth in the startup financing market. At the same time, the high share of foreign capital demonstrates the need to further develop domestic financial resources.

Presidential decisions play an important role in developing the startup financing system. Resolution No. PQ-357 of 14 October 2024 laid the foundations for developing the Digital Startups programme, which supports digital technology projects with growth potential and the capacity to enter foreign markets.

The reorganisation of the national venture fund UzVC in 2025 as a Fund of Funds was another important institutional development. This mechanism is intended to expand opportunities for financing venture funds and directing investment resources towards startups.

Resolution No. PQ-59 of 11 February 2026 sets targets for increasing the number of startup projects to 5,000 and attracting USD 2 billion in venture investment by 2030. It also envisages creating more than 20,000 new jobs and bringing at least 400 startups to international markets.

Achieving these objectives requires better financial and organisational support at every stage, from the initial idea through commercialisation and business expansion.

3. MAIN SOURCES AND MECHANISMS OF STARTUP FINANCING

An effective startup financing system in Uzbekistan should combine public funds, private capital, banking resources, and international investment.

3.1. Government programmes and grants

Government grants and special programmes are important instruments for financing the early stages of innovative projects. Such support is particularly valuable for commercialising research, developing new technologies, and translating young people's innovative ideas into practice.

When allocating public funds, it is important to assess a project's novelty, economic efficiency, market demand, potential job creation, and funding plan. Disbursing funds in stages and regularly monitoring results can improve effectiveness. Public funding should complement rather than replace private investment, helping to reduce the initial risks faced by private investors.

3.2. Venture capital and private investment

Venture capital is an important instrument for enabling rapid startup growth. Venture investors fund promising projects in expectation of earning a return from their development. Unlike a conventional loan, this investment is generally not based on a fixed interest rate and repayment schedule; instead, it depends on future growth in the company's value.

In Uzbekistan, funds such as Aloqa Ventures, IT Park Ventures, SQB Ventures, Asaka Ventures, and Yoshlar Ventures participate in the development of the startup financing ecosystem. Their investment priorities, eligibility criteria, and terms may differ. Entrepreneurs should review each fund's official requirements before submitting a project.

Investors may contribute more than money. They can support strategic planning, corporate governance, business partnerships, and entry into international markets. However, an investor may acquire an ownership stake, participate in important decisions, and expect measurable growth. Founders should carefully assess investment terms from legal and financial perspectives.

3.3. Bank loans and alternative financing

Once a startup has established revenue-generating operations, bank loans may help expand production capacity, purchase equipment, and replenish working capital. However, debt may create additional financial risks for projects whose revenues are not yet stable. The use of loans should therefore be based on cash flow, the time required to generate revenue, and the ability to re-

pay. Financing an unvalidated business model with a high debt burden is generally inadvisable.

Crowdfunding is an alternative financing model in which many individuals contribute relatively small amounts to a project. Depending on the model, funds may be raised as donations, prepayments for products, or investments. Its availability depends on applicable legislation and the terms of the platform used.

3.4. International investment and accelerator programmes

International investment expands startups' financial opportunities and can help them enter global markets. Foreign investors generally consider a project's scalability, product competitiveness, protection of intellectual property, and the professional experience of its team.

Accelerator programmes help startups improve business models, adapt products to market demand, develop financial plans, and build the skills required to present projects to investors. To attract international investors, startups need high-quality presentations in English, reliable financial statements, clear business metrics, and evidence-based market research.

4. CHALLENGES IN FINANCING STARTUPS IN UZBEKISTAN

Although the startup ecosystem is developing, a number of economic, organisational, and institutional challenges remain.

The first challenge is the shortage of initial capital. Many projects are still at the idea or prototype stage and cannot provide investors with sufficient evidence of viability. The fact that a product has not yet been tested against market demand makes financing more difficult.

The second challenge is the high level of investment risk. A startup's success depends on product quality, competition, market demand, the team's experience, and financial management. Investors therefore rely on strict criteria when selecting projects.

The third challenge is the limited availability of financial and business management skills. Some founders have strong technological expertise but may face difficulties in preparing business plans, forecasting cash flows, calculating product costs, and negotiating with investors.

The fourth challenge is the need to increase domestic private capital. Data published for the end of 2025 indicate that foreign investment accounted for the major share of capital invested in startups. This highlights the need to broaden the participation of domestic investors and institutional financial organisations.

The fifth challenge is the disparity in opportunities between regions. Access to startup infrastructure, investor networks, and acceleration programmes may not be equally developed throughout the country. As a result, promising ideas emerging outside major centres may face difficulties in accessing finance.

The sixth challenge is the commercialisation of research and development. Bringing technologies developed at universities and research organisations into production requires patenting, prototype development, market research, and cooperation with industrial enterprises. If these processes are not adequately financed, research results may take longer to become practical products.

Addressing these challenges requires a comprehensive financing system that goes beyond allocating funds and also includes education, advisory services, infrastructure, legal protection, and market access.

5. WAYS TO IMPROVE THE EFFECTIVENESS OF STARTUP FINANCING

The following areas should be developed to improve the effectiveness of startup financing in Uzbekistan.

First, a staged financing model should be introduced. Startups require different amounts of funding at the idea, prototype, initial sales, and expansion stages. Small grants and competition awards may be appropriate initially; innovation funding can support prototype development; and venture capital can be attracted once the product enters the market.

Second, cooperation between the public and private sectors should be strengthened. When public funds are channelled in partnership with private investors, risks can be shared and more promising projects can receive support. Selection criteria, rules for using funds, and project results should be transparent.

Third, startup centres should be developed at universities. Incubators, technology transfer offices, and business laboratories can help turn research ideas into practical projects. Cooperation among students, young researchers, and industrial enterprises can increase the number of innovative products.

Fourth, the regional startup ecosystem should be expanded. Acceleration programmes, investor meetings, startup competitions, and advisory services should be developed beyond Tashkent. The economic specialisation and scientific and technical potential of each region should be taken into account.

Fifth, financial literacy and investment readiness should be improved. Practical training should help founders with business planning, financial forecasting, company valuation, understanding investment terms, and risk management.

Sixth, international cooperation should be developed. Partnerships with foreign venture funds, technology companies, and accelerators can improve local startups' access to finance and new markets. Financial reporting and corporate governance aligned with international standards are also important.

Seventh, a transparent startup evaluation system should be established. Selection should consider not only presentation quality but also market demand, the team's experience, the technological novelty of the product, the revenue model, and development indicators.

Eighth, financing results should be assessed regularly. In addition to the amount of funding allocated, indicators should include the number of startups that remain operational, jobs created, private investment attracted, export revenue, and research outputs commercialised.

Consistent implementation of these proposals can strengthen the sustainability of the startup financing system, develop the domestic investment market, and accelerate the transition towards an innovative economy.

CONCLUSION

Startup financing in Uzbekistan is a key condition for developing an innovative economy, creating jobs, increasing exports of digital services, and commercialising research results. In recent years, growth in the number of startups, expansion of venture fund activities, and the introduction of new government support mechanisms have indicated positive changes in this area.

The analysis shows that government programmes, grants, venture capital, bank loans, private investors, and international investment function as complementary mechanisms. Each source should be used in line with the startup's development stage, financial position, and market potential.

At the same time, challenges remain, including a shortage of initial capital, high investment risks, limited financial management skills, regional disparities, and barriers to commercialising research. Addressing these issues requires stronger public-private cooperation, innovation infrastructure at universities, expansion of the domestic venture capital market, and stronger links with international investors.

Overall, an effective startup financing system should not be limited to allocating financial resources. It should form an integrated ecosystem that supports the selection and development of innovative ideas, brings them to market, and enables international expansion. This will contribute to Uzbekistan's long-term economic growth and international competitiveness.

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