

**THE ROLE OF COMMERCIAL BANKS IN PROVIDING YOUTH
ENTREPRENEURSHIP**

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Abstract

This article examines the role and importance of commercial banks in financial support of youth entrepreneurship in the modern economy. The article scientifically analyzes the effectiveness of credit resources allocated to young entrepreneurs, preferential financing programs in the banking system, and existing problems in the field. Also, during the research, obstacles to the development of startup projects among young people, in particular, issues of collateral and financial literacy, were studied, and scientifically based proposals and recommendations were developed to eliminate them.

Keywords

youth entrepreneurship, commercial banks, credit, financing, startup, economic development.

INTRODUCTION.

Currently, the development of youth entrepreneurship is considered one of the important factors of economic growth in Uzbekistan. Especially in a market economy, the involvement of young people in business activities not only ensures their employment, but also contributes to the emergence of innovative ideas and new jobs in the country. Therefore, supporting youth entrepreneurship has become one of the priority areas of state policy. In Uzbekistan, systemic reforms are being implemented to widely involve young people in entrepreneurial activities, provide them with financial support and develop business skills. In this process, preferential loans provided by the Central Bank of the Republic of Uzbekistan and commercial banks, programs for financing startup projects are creating broad opportunities for young people. In recent years, the unemployment rate in our country has been high. In the first half of 2025, the Ministry of Poverty Reduction and Employment reported that the unemployment rate decreased from 5.5% to 5.1% in 6 months. It is clear that the role of commercial banks in solving these problems is increasing. Joseph Schumpeter noted that entrepreneurship is the main driving force of economic development¹.

What is entrepreneurship? Entrepreneurship is an initiative activity aimed at obtaining income in accordance with the law, carried out by legal entities and individuals at their own risk and under their own property responsibility through the production of products. This concept is widely studied in the science of microeconomics and is explained by achieving maximum results

¹Schumpeter, JA Theory of Economic Development. – Cambridge: Harvard Univ. Press, 1934. - P. 74.



through the efficient use of resources. Youth entrepreneurship has its own characteristics. In general, young entrepreneurs are usually a stratum that strives for innovation, thinks innovatively and actively uses modern technologies. In a market economy, commercial banks are one of the most important financial institutions in the development of the economy. They increase economic activity by providing the population and business entities with financial resources. The role of banks is especially important in the development of youth entrepreneurship.

REVIEW OF RELATED LITERATURE.

The financial support of entrepreneurial activities and the role of commercial banks in their activities in the context of structural changes in the economy have been studied in depth by many foreign and domestic economists.

While the classical economic school's representative, JA Schumpeter, called banks "the physical driving force of development" in his work *"Theory of Economic Production"*, modern research helps to improve bank lending. Sh.Z. Abdullayeva, a private economist, conducted a business analysis of the mechanisms of financial development of small entities by increasing the investment activity of business banks². OM Kulliyev highlighted the scientific control of remote control of private banks in monitoring time and actions for entrepreneurs. Today, the banking system not only provides financial loans, but also acts as a financial advisor and strategic partner for entrepreneurship. This requires Uzbekistan to take its mutually beneficial cooperation with banks and entrepreneurs to a new level.

RESEARCH METHODOLOGY.

The methodology of this article uses the methods of analysis and synthesis, induction and deduction, systematic approach, and economic and statistical comparison. The scientific basis of the study is the annual reports of the Central Bank of the Republic of Uzbekistan, data from the Statistical Agency under the President of the Republic of Uzbekistan, and research published in scientific publications by local and foreign scientists.

The methodological approach allows us to analyze the relationship between the credit policy of banks and the financial performance of business entities. In the course of the research, the number of small business entities granted loans by commercial banks in 2021-2024 was studied using the quantitative analysis method. This serves to assess the effectiveness of the banking system in the development of entrepreneurship and to develop scientific proposals to eliminate existing problems.

ANALYSIS AND RESULTS.

Today, commercial banks in Uzbekistan, such as JSCB Xalq Bank and Asaka Bank, are implementing a number of financial programs aimed at supporting young entrepreneurs. These banks are providing preferential loans for the development of startup projects, small businesses, and family entrepreneurship.

According to the 2022 report of the Central Bank of the Republic of Uzbekistan, 42 thousand entrepreneurs were assisted through the electronic trading platform based on the recommendations of khokims. Of this, a total of 9.9 trillion soums in loans were allocated, and 8.6 trillion soums of these funds will be used for production and use. In 2024, a total of 160 trillion soums in credit funds were allocated by commercial banks to more than 539 thousand enterprises to support entrepreneurial activity³.

² Abdullayeva, Sh.Z. Banking : Textbook . – Tashkent: " Economy-Finance ", 2017. – 112 p.

³ Uzbekistan Republic Central bank's results for 2024 according to analytical review . – Tashkent: cbu.uz, 2024. – p. 12.



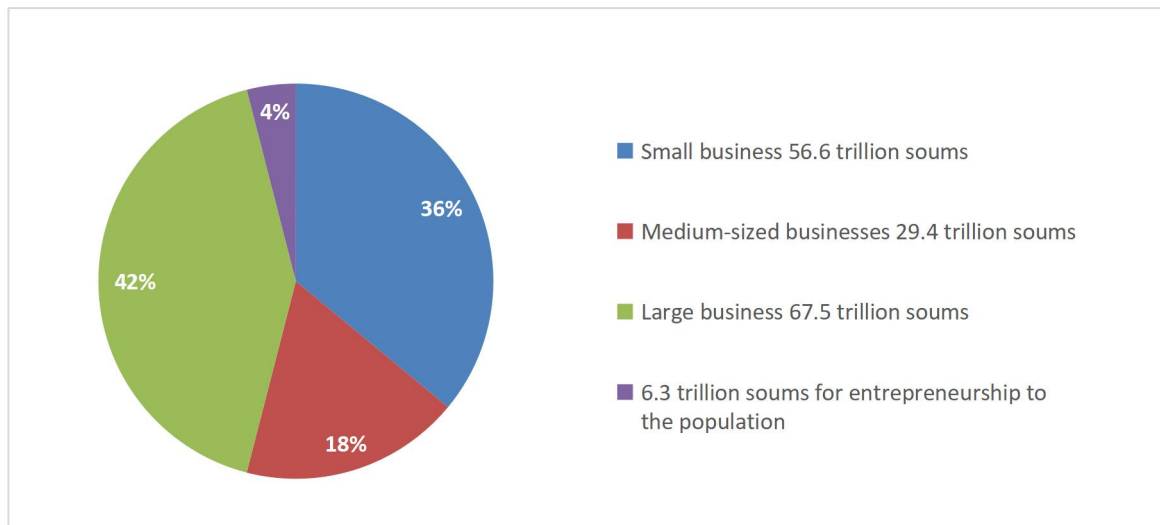


Figure 1. Share of loans allocated to entrepreneurial activities by category in 2024⁴.

Also, in order to widely involve young people in entrepreneurship and create favorable conditions for the implementation of their startup and business projects, the "State Targeted Fund for the Development of Youth Entrepreneurship" was established under the Youth Affairs Agency. This fund will provide financial support for innovative ideas and startup projects of young people. In 2025, the funds of this fund are planned to reach the equivalent of 100 million US dollars, of which 200 billion soums will be allocated from the state budget. The funds of the fund will be formed through the state budget, international financial institutions and commercial banks and will be directed to the development of youth startup projects .

In addition, according to the Global Entrepreneurship Monitor (GEM, 2023/2024), approximately 24% of young people aged 18–24 are starting a business or are actively engaged in entrepreneurship⁵. In OECD countries, 9% of young people are working on a startup, which is slightly higher than the general population (8%).

There are a number of problems in the development of youth entrepreneurship, among which it is necessary to highlight difficulties in accessing financial resources, lack of sufficient experience, and similar problems. They negatively affect the effective conduct of business activities. First of all, one of the most important problems is the issue of collateral. Collateral is a type of security for granting a loan to a client. It can be in the form of property, rights, and goods. Currently, many young entrepreneurs face difficulties in accessing financial resources due to the lack of sufficient collateral to obtain bank loans: 82% need credit, and the business closure rate is 6.2%. These figures show that youth startup initiatives have high potential, but financial support, mentoring, and consulting services are important factors for their successful development.

⁴ Uzbekistan Republic President under Statistics agency information based on author development , 2024.

⁵Global Entrepreneurship Monitor (GEM) Uzbekistan National Report 2023/2024. - T.: 2024. - P. 19-21.



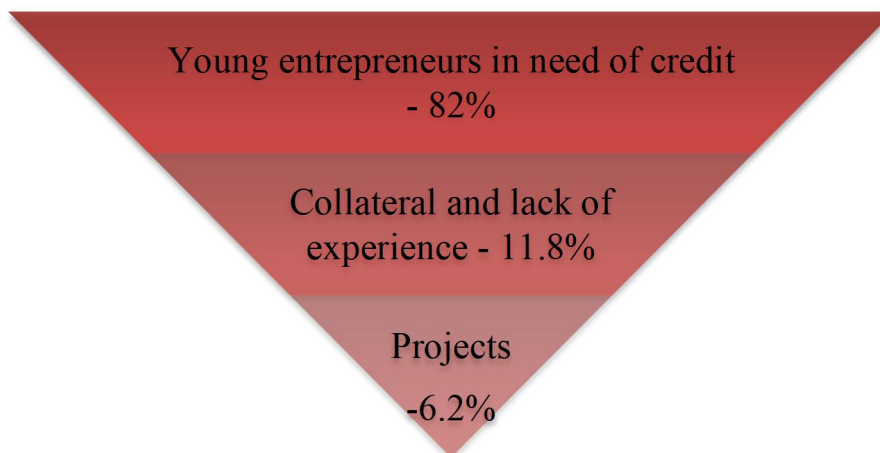


Figure 2. Problem and percentage indicators.

In addition, lack of experience is also a significant problem. Although young people have innovative ideas, they do not have sufficient knowledge and skills in implementing them, managing the business, and assessing risks. For example, some startups fail in a short time due to the inability to properly develop a marketing strategy. Another important problem is low financial literacy. Many young entrepreneurs do not fully understand credit terms, interest rates, and financial planning, which leads to problems in their business activities.

According to statistics, approximately 40 percent of young entrepreneurs cite a lack of financial resources as their main problem. This not only affects their chances of successfully starting a business, but also limits the growth of those who do start.

Suggestions: Ways to develop young startups.

It is necessary to implement specific measures aimed at eliminating existing problems to develop youth entrepreneurship and support startup projects.

First of all, it is important to expand the system of providing low-interest and preferential loans for young entrepreneurs. Simplifying the conditions for obtaining loans, reducing collateral requirements, and introducing special financial programs for young people will contribute to an increase in the number of startups. It is also necessary to develop training and education programs in entrepreneurship. Young people should have sufficient knowledge in the areas of business organization, financial planning, marketing, and management. To this end, it is important to expand training courses, seminars, and incubation programs. Another important area is the development of digital banking services. Rapid financial services for young entrepreneurs will be created by expanding online lending, mobile banking, and electronic payment systems.

Table 1

The existing system and proposed measures to support young startups⁶.

Direction	Traditional system	Proposed system
Credits	High interest rates	Low-interest, preferential loans
Getting a loan	A complex process	Simplified system
Education	Not enough	Training and

⁶ Kulliyev, OM Digital Banking services in the economy : Monograph . – Tashkent: "Science and technology ", 2023. – p. 48.



		incubation programs
Banking services	Traditional (offline)	Digital banking services
Advice	Limited	Mentoring and consulting services

The above analysis shows that startups play an important role in the development of youth entrepreneurship. In particular, loans provided by commercial banks and opportunities created by the state are an important factor in helping young people start their own businesses. In recent years, as a result of reforms implemented to support youth entrepreneurship, the volume of financing has increased, and the number of startup projects is also increasing. This, in turn, has a positive impact on the creation of new jobs and increasing economic activity. At the same time, as the analysis revealed, problems related to financing the activities of young startups, lack of experience and financial literacy remain. This requires an integrated approach in this area. In the future, expanding the system of low-interest loans, developing entrepreneurship training, improving digital banking services, and strengthening the mentoring system will be of great importance for the development of youth entrepreneurship.

CONCLUSION.

The conducted research and analysis of statistical data show that today commercial banks have become the main support for the development of the entrepreneurial environment. In particular, the increase in the volume of funds allocated for youth entrepreneurship, along with stimulating economic activity, plays an important role in ensuring employment of the population. However, the analysis revealed that there are some systemic problems in the sector that are still waiting for their solution. In particular, for young entrepreneurs, the main obstacles remain the difficulties associated with collateral in obtaining bank loans, as well as the lack of financial knowledge and skills in project management.

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