

THE ROLE OF STARTUPS AND INNOVATIVE ACTIVITIES IN SHAPING
YOUTH INCOME

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Abstract. This article highlights the role and significance of startups and innovative activities in ensuring youth employment and shaping their income in the context of the modern economy. Since the traditional labor market today is no longer capable of fulfilling all the economic and creative aspirations of the younger generation, innovative entrepreneurship and startups are emerging as alternative and highly effective sources of income. The article analyzes the components of the startup ecosystem, the priority directions of state policy on supporting youth entrepreneurship, tax incentives, and foreign experience. The article also examines the current state of the startup environment in Uzbekistan, existing problems, and develops scientific-practical proposals and recommendations for addressing them.

Keywords: youth income, startup, innovative activity, ecosystem, digital economy, venture financing, venture funds.

Introduction. The 21st century is the era of high technologies, digitalization, and the knowledge economy. In this era, the economic stability and competitiveness of any state are determined not by the volume of its natural resources, but by the quality of human capital, intellectual potential, and the level of innovation adoption. At the center of these processes stands a mobile, creatively thinking, and technologically adept segment — the youth. Given that youth constitute a significant portion of the world's population, and particularly Uzbekistan's population, ensuring their effective employment and creating decent sources of income is a task of strategic importance. The traditional labor market is rapidly changing today. Advances in automation, artificial intelligence, and robotics are leading to the disappearance of many traditional professions and intensifying competition in the labor market. In such conditions, simply being a job-seeker (hired worker) cannot fully meet the economic needs of youth. Young people must emerge as creators of new jobs — that is, as entrepreneurs and innovators. It is precisely startup projects and innovative activities that are opening wide doors of opportunity for youth to achieve great economic success with minimal capital, realize their potential, and generate high income. The relevance of this topic is increasing every year because the share of young people in the labor market remains high, while demand for digital and innovation-oriented skills continues to grow. As a result, governments and international organizations are paying greater attention to entrepreneurial education, startup financing, and innovation support mechanisms aimed at youth.

In addition, startup activity contributes to the diversification of income sources. Instead of relying solely on traditional employment, young people can monetize knowledge, digital products, technological solutions, and creative ideas. This creates new opportunities for sustainable income generation and social mobility.

The purpose of this article is to scientifically substantiate the role of startups and innovations in fundamentally improving the structural composition of youth income, to analyze



the existing ecosystem in Uzbekistan, and to propose effective mechanisms for stimulating youth entrepreneurship. During the research process, methods of scientific abstraction, comparative and systematic analysis, induction and deduction, as well as statistical grouping and expert evaluation were used. The dynamics of economic efficiency and income growth achievable through the implementation of startup projects among youth were studied using statistical data from recent years and an analysis of IT Park resident activities. Additionally, the financial stability of innovative projects and the specifics of their reflection in accounting records were examined based on national legislative norms (in particular, NAS No. 2 and the Tax Code).

A startup is a temporary organization created to develop a new product or service under conditions of high risk and uncertainty, with the potential for rapid growth and scaling. The fundamental difference between a startup and a traditional small business lies in its potential to grow at a geometric progression in a short period of time. For example, while an ordinary retail store may need to increase its costs almost proportionally to grow its revenue tenfold (opening new stores, purchasing more goods), a successful IT startup can enter the global market with minimal additional costs and generate millions of dollars in revenue. From an economic perspective, startups create value by transforming knowledge and innovation into marketable products and services. Their flexibility enables them to react quickly to market changes and technological developments. Therefore, they are considered one of the most dynamic elements of the modern economy. Many successful global companies originally emerged as startups. Their experience demonstrates that innovative ideas combined with effective management and investment support can generate substantial income and create thousands of jobs.

Startups and innovative activities perform several important functions in shaping youth income:

Direct source of high income: Youth with innovative ideas earn high income by commercializing their projects. This income manifests not only as wages but also in the form of capital appreciation (capitalization) of company shares and dividends.

Creation of high-tech jobs: A single successful startup creates dozens and hundreds of high-paying jobs for other young people. This also raises the average income level in the hired labor market among youth.

Venture capitalization and investment growth: By attracting investments from foreign and domestic venture funds and 'business angels' into their startups, young people ensure an inflow of foreign currency into the country's economy.

Comparative Characteristics of Traditional Small Business and Startup Projects
Table 1

Criteria	Traditional Small Business	Startup and Innovative Project
Growth potential	Stable, linear growth rate	Exponential (rapid) growth potential
Market coverage	Local or regional market	Global or national-scale market
Primary resource	Material and financial capital	Intellectual property, innovative idea, IT
Risk level	Moderate and predictable	High uncertainty and risk



Supporting youth entrepreneurship and innovative activities in the Republic of Uzbekistan has become one of the top priority areas of state policy. In recent years, numerous regulatory and legal documents have been adopted in this field, IT Park and innovation centers have been established. These institutions are helping young people develop their projects through incubation and acceleration programs. Startups play an important role in ensuring the economic independence of youth. According to statistical analyses, the average monthly income of youth working at IT Park residents and innovative startups is 3-4 times higher than the average monthly wage in the country. This proves the direct impact of the knowledge economy on improving the material well-being of youth. The success of startup projects depends not only on a good idea and software code, but also on its properly established financial system and accounting records. Companies engaged in innovative activities mainly work with intangible assets (IP — intellectual property). In accordance with the norms of the National Accounting Standards (NAS) of the Republic of Uzbekistan, particularly NAS No. 2 (Fixed Assets) and NAS No. 7 (Intangible Assets), startups must capitalize the software products and inventions they create as assets and calculate their amortization. This increases the balance sheet value of the company and enhances its attractiveness to foreign investors. The development of startup infrastructure in Uzbekistan has significantly improved opportunities for young innovators. Educational programs, hackathons, startup competitions, mentoring initiatives, and business incubation services help young people transform ideas into viable business models.

At the same time, cooperation between universities, research institutions, and private-sector organizations should be further strengthened. Such cooperation accelerates technology transfer, increases commercialization opportunities, and improves the sustainability of innovative projects.

Tax incentives provided by the Tax Code are also an important incentive for ensuring the financial stability of youth startups. For example, startups that are IT Park residents are fully exempt from income tax, property tax, and land tax, and the personal income tax (PIT) rate has been set at 7% instead of the standard 12%. The funds saved as a result of these tax incentives are directed toward refinancing the project (reinvestment) and increasing employee salaries, which directly contributes to the growth of youth incomes. Another important economic mechanism is the application of a zero VAT (Value Added Tax) rate when exporting innovative products. When IT products and remote services (outsourcing) created by young people are exported abroad, the application of the zero VAT rate and the return of the tax amount from the budget increases the company's working capital and ensures the competitiveness of young startup entrepreneurs in foreign markets.

Conclusion. Based on the analytical results of the article, it can be concluded that startups and innovative activities are the most effective strategic tools for shaping and increasing youth income in modern conditions. They give youth the opportunity not only to achieve personal financial independence, but also to actively participate in increasing the country's gross domestic product (GDP) and boosting its export potential. In order to further strengthen the role of startups and innovations in shaping youth incomes in our country, it is considered appropriate to implement the following scientific-practical proposals: Another important aspect is the development of entrepreneurial culture among youth. Startup participation helps young people acquire practical skills in leadership, communication, project management, financial planning, and strategic decision-making. Consequently, strengthening startup ecosystems should be viewed as a comprehensive policy direction that simultaneously supports employment, innovation, economic growth, and social development.



Integrating the startup ecosystem into higher education institutions: Systematically establishing startup incubators and accelerators in every university to support students' innovative ideas, and introducing the practice of defending graduation qualifying papers and master's dissertations in the form of real startup projects.

Expanding venture financing mechanisms: Further improving the legislative framework on venture funds in Uzbekistan, and facilitating the attraction of early-stage (seed stage) investments into youth projects by introducing tax incentives for private and foreign business angels.

Increasing financial and legal literacy: Organizing free and permanently operating advisory centers on accounting, national and international standards (NAS and IFRS), taxation, and intellectual property protection for young entrepreneurs and innovators.

Developing regional startup centers: Expanding the startup infrastructure not only in the capital Tashkent, but also in regional centers and remote areas on the basis of digital technology training centers, ensuring that regional youth can access the global market.

Furthermore, international experience demonstrates that countries with strong startup ecosystems achieve higher levels of youth employment and innovation-driven growth. Startup ecosystems create favorable conditions for transforming creative ideas into marketable products, thereby increasing labor productivity and strengthening national competitiveness. In many developed economies, innovative entrepreneurship has become one of the main channels through which young people generate sustainable income and participate in economic modernization. The digital economy has significantly expanded opportunities for startup development. Online platforms, cloud technologies, artificial intelligence, and e-commerce systems allow young entrepreneurs to enter international markets with relatively low costs. As a result, geographical barriers are reduced, and innovative products can reach a much larger customer base. This creates additional opportunities for increasing income and attracting investment resources. Another important factor is the role of education in fostering entrepreneurial skills. Modern universities are increasingly integrating innovation management, digital technologies, and startup development into their curricula. Such educational approaches help students acquire practical competencies necessary for creating and managing innovative projects. Consequently, graduates become not only job seekers but also potential job creators. The development of startup culture also contributes to social and economic inclusion. Innovative projects often provide solutions to local problems in areas such as education, healthcare, agriculture, environmental protection, and public services. Therefore, startup activities generate not only financial benefits but also significant social value. Young innovators become active participants in addressing societal challenges through technology and entrepreneurship. In addition, cooperation with international organizations, venture investors, and technology companies can accelerate the growth of startup ecosystems. Access to mentoring, global networks, and advanced knowledge enables young entrepreneurs to improve the quality of their projects and increase their chances of commercial success. Strengthening such partnerships should remain an important priority for the long-term development of youth entrepreneurship.

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