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ECONOMIC MECHANISMS FOR DEVELOPING YOUTH ENTREPRENEURSHIP IN THE CONTEXT OF THE DIGITAL ECONOMY

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Abstract: This article examines the economic mechanisms for developing youth entrepreneurship in the digital economy. Particular attention is paid to access to finance, digital skills, e-commerce, innovative start-ups, and digital platforms. The study employs systems analysis, comparative analysis, scientific generalization, and an institutional approach. Drawing on international research and materials concerning Uzbekistan's digital transformation, the article proposes an integrated economic mechanism to support youth entrepreneurship. The findings provide a conceptual basis for improving youth economic participation, creating jobs, promoting innovation, and strengthening the competitiveness of small businesses.

Keywords: digital economy, youth entrepreneurship, economic mechanisms, digital platforms, e-commerce, start-ups, financial support, digital skills, innovation, venture capital.

INTRODUCTION. Today, the rapid integration of digital technologies into various sectors of the economy is transforming the organizational and economic foundations of entrepreneurial activity. The Internet, e-commerce, digital payments, cloud technologies, artificial intelligence, and data analytics tools are expanding opportunities for entrepreneurs to develop products and services, attract consumers, and enter new markets. At the same time, challenges persist regarding access to digital infrastructure, the availability of financial resources, and the development of necessary competencies.

The study *The Digital Transformation of SMEs*, prepared by the OECD, highlights that digitalization enables small and medium-sized enterprises (SMEs) to boost productivity, accelerate innovation, reduce operational costs, and expand their market reach. However, limited financial resources, a lack of digital skills, and the costs associated with implementing technologies can slow down the digital transformation of small businesses (OECD, 2021).

Youth entrepreneurship holds particular significance within this process. The aptitude of young people for mastering new technologies, their interest in innovative ideas, and their capacity to operate within a digital environment create essential conditions for developing their entrepreneurial potential. However, technological knowledge alone is not sufficient to transform an idea into a sustainable business. This requires the integrated functioning of mechanisms such as financing, advisory services, market access, business management, and institutional support.

A report by the United Nations Development Programme (UNDP, 2025) on Uzbekistan's digital economy identifies digital entrepreneurship, the startup ecosystem, and the utilization of artificial intelligence as key drivers of the country's economic development. The report also emphasizes the importance of engaging youth in the digital economy and monitoring digital entrepreneurship programs based on their effectiveness.

Given this context, the systematic study of economic mechanisms for fostering youth entrepreneurship—identifying existing opportunities and barriers, and developing an effective support model—represents a pressing scientific and practical task. The objective of the research is to identify

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the economic factors influencing the development of youth entrepreneurship within the context of the digital economy, and to propose an economic mechanism that integrates financial, technological, institutional, and organizational instruments.

The main tasks of the research are:

- to provide a theoretical basis for the role of youth entrepreneurship in the digital economy;
- to systematize the economic factors that influence the development of digital entrepreneurship;
- to identify challenges related to financing, digital skills, and market access;
- to develop a comprehensive economic mechanism for the advancement of youth entrepreneurship;
- to propose practical indicators for evaluating the effectiveness of this mechanism.

The scientific novelty of the research lies in integrating the factors that drive the development of digital youth entrepreneurship into a unified economic mechanism, and in proposing a system of indicators to assess its performance.

METHODS. The study employed methods including systemic analysis, comparative analysis, logical generalization, institutional analysis, and conceptual modeling to synthesize scientific approaches regarding the development of the digital economy and entrepreneurship.

Through systemic analysis, the financial, technological, organizational, and institutional factors influencing youth entrepreneurship were examined in terms of their interdependencies. Comparative analysis was used to study OECD recommendations on the digitalization of small businesses, alongside materials concerning the development of digital entrepreneurship in Uzbekistan. Institutional analysis served to define the roles of the state, financial institutions, higher education institutions, the private sector, and digital platforms in supporting entrepreneurship.

The information base for the study consisted of the OECD report on digital transformation, the UNDP study on Uzbekistan's digital economy, and publicly available official materials regarding the development of digital entrepreneurship (OECD, 2021; UNDP, 2025).

The conceptual model of the study was based on the following logical sequence:

Resources → economic mechanisms → entrepreneurial activity → economic outcomes. In this context, resources consist of financial capital, human capital, digital infrastructure, and information. Economic mechanisms encompass credit, grants, investments, digital education, business incubation, e-commerce, and market access tools. Outcomes can be evaluated through indicators such as the establishment of new business entities, operational sustainability, revenue, employment, and innovative products.

This study is theoretical and conceptual in nature. It does not involve specific surveys, experiments, or econometric calculations. Therefore, the proposed mechanisms and indicators should be validated in future empirical research using official statistical data and surveys conducted among entrepreneurs.

RESULTS. In the context of the digital economy, traditional forms of entrepreneurship are being enhanced by new technologies, leading to the emergence of flexible models for organizing economic activity. Specifically, areas such as e-commerce, online services, digital marketing, remote consulting, software development, educational technologies, and platform-based service delivery are opening up new business avenues for young people.

According to an analysis by the OECD (2021), digital technologies enable small enterprises to reduce costs, leverage consumer data, and access geographically broader markets. However, the

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http://houghtonstreetreview.com/index.php/hsr

ability to capitalize on these opportunities depends on an enterprise's level of digital maturity, the expertise of its staff, and its financial resources.

A distinct characteristic of youth entrepreneurship is that initial business ventures often begin with limited capital. Consequently, the use of digital channels can help lower certain entry costs associated with traditional business models. For instance, selling products online eliminates the need for a physical retail space, while digital advertising facilitates direct engagement with target consumers. However, the mere use of digital platforms does not guarantee business success. Factors such as product quality, customer trust, logistics, data protection, the security of electronic payments, and competitive pricing policies are also of critical importance.

Thus, youth entrepreneurship in the digital age cannot be defined solely by the use of technology. It should be viewed as an activity rooted in the interplay of economic resources, knowledge, innovative approaches, and institutional support.

Key economic mechanisms for developing youth entrepreneurship. The study identifies five interconnected mechanisms for the development of youth entrepreneurship.

The first mechanism is financial and economic support. A lack of initial capital can be a major barrier for young people looking to launch an entrepreneurial venture. To mitigate this challenge, it is proposed to utilize targeted microcredits, competitive grants, seed investments for startups, guarantee schemes, and partnerships with private investors. It is advisable to link financial assistance to the quality of the business plan, the market potential of the project, and the outcomes achieved through the use of these funds. The second mechanism is the development of digital competencies. In a digital economy, an entrepreneur needs to be proficient not only in using the internet but also in the fundamentals of e-commerce, digital marketing, financial literacy, customer relationship management systems, data analysis, and cybersecurity. The OECD (2023) notes the necessity of strengthening institutional cooperation to develop digital skills within Uzbekistan’s private sector, as well as creating educational programs tailored to business needs.

The third mechanism is access to the digital market. E-commerce platforms, social networks, digital payment systems, and export-oriented online sales channels can help young entrepreneurs expand their customer base. In this regard, it is essential to integrate digital product promotion, the analysis of customer demand, order management, and delivery systems.

The fourth mechanism is innovative and institutional support. Business incubators, accelerators, startup centers based at higher education institutions, and mentorship programs can accelerate the process of commercializing ideas. In this context, it is essential not to limit support for young entrepreneurs to the provision of theoretical knowledge alone; rather, it is necessary to foster skills in prototyping, market testing, acquiring initial customers, and negotiating with investors.

The fifth mechanism involves digital management and performance monitoring. Entrepreneurship support programs should be evaluated not merely by the volume of allocated funds, but by metrics such as the operational longevity of the businesses created, the number of new jobs generated, revenue growth, the volume of digital sales, and the ability to attract investment. Such an approach facilitates the efficient use of both public and private sector resources.

A conceptual model for mechanisms to develop youth entrepreneurship. The table below systematizes the proposed mechanisms, their economic substance, and the corresponding evaluation indicators.

HSR (LONDON),
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http://houghtonstreetreview.com/index.php/hsr

Table 1. Economic mechanisms for developing youth entrepreneurship in the context of the digital economy

Mechanism	Key Tools	Expected Outcome	Evaluation Indicator
Financial	Loans, grants, guarantees, investments	Starting and expanding businesses	Number of funded projects; capital attracted
Educational	Digital literacy, business training, mentoring	Enhancing entrepreneurial competencies	Number of program graduates; share of projects that evolved into businesses
Market Mechanism	E-commerce, digital marketing, export platforms	Expanding the customer base and market reach	Online sales revenue; number of new markets entered
Innovation	Incubation, acceleration, prototyping	Commercializing new products and services	Products launched to the market; investors attracted
Institutional	Public-private partnerships, advisory and information services	Reducing barriers to doing business	Metrics on business registration and service utilization
Monitoring	Digital reporting, performance indicators	Improving the effectiveness of support	Business viability; trends in employment and income

Source: Developed by the author based on materials from the OECD (2021, 2023) and UNDP (2025).

As the table illustrates, the implementation of standalone programs is insufficient for the effective development of youth entrepreneurship. Components such as financing, education, market access, innovation, and monitoring mechanisms must function within an integrated system. For instance, if a startup receiving a grant is also provided with consulting on digital marketing and the opportunity to conduct market testing, the likelihood of the funding translating into tangible economic outcomes increases.

Opportunities for developing digital youth entrepreneurship in Uzbekistan. The development of the digital economy and the startup ecosystem in Uzbekistan is creating significant opportunities for the expansion of youth entrepreneurship. The UNDP report published in 2025, *Digital Economy of Uzbekistan: The State of Digital Entrepreneurship and Artificial Intelligence*, analyzes the country's digital economy, startup environment, the use of artificial intelligence, and initiatives to support digital entrepreneurship. Official government reports from Uzbekistan indicate that, in 2024–2025, the total value of the country's startup and venture ecosystem reached 3.9 billion US dollars, the number of local startups exceeded 750, and the volume of venture capital surpassed 180 million US dollars (Government Portal of the Republic of Uzbekistan, 2026). While these figures reflect the economic

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environment taking shape for startup activity, they cannot be interpreted directly as the result of youth entrepreneurship.

To effectively utilize these opportunities, the following areas are prioritized:

1. Regional Digital Entrepreneurship Centers. Developing centers in provinces and districts specialized in evaluating the business ideas of young people, preparing business plans, and providing training in e-commerce and digital marketing.

2. Integration of Higher Education and Business. Establishing practical projects, startup competitions, and mentorship programs involving universities, technical colleges, IT companies, and financial institutions.

3. Digital Financing. Developing financial products tailored to young entrepreneurs, enabling the electronic submission of applications, and evaluating projects based on transparent criteria.

4. E-commerce and Exports. Expanding advisory services—covering logistics, payments, certification, and marketing—to help bring local products and digital services to domestic and international markets.

5. Effective Use of Artificial Intelligence. Training young entrepreneurs to intelligently utilize tools for forecasting customer demand, creating marketing materials, automating services, and analyzing business processes. In implementing these initiatives, it is necessary to take into account disparities in digital infrastructure between urban and rural areas, the financial capabilities of young people, gender equality, and accessibility for youth with disabilities.

Evaluating the effectiveness of the proposed mechanism: To assess the effectiveness of youth entrepreneurship support programs, it is suggested to measure resources, processes, and final outcomes in an integrated manner.

The first stage considers allocated funds, training sessions conducted, advisory services provided, and projects that received financing. The second stage tracks the launch of businesses by young people, their use of e-commerce, the creation of new products, and the expansion of their customer bases. The third stage evaluates business sustainability, revenue, job creation, and attracted investments.

The following formulas can be used to calculate the effectiveness of the program:

1. Business conversion rate: Business conversion rate = (number of projects that launched operations / number of supported projects) × 100%.

2. Business viability rate: Viability rate = (number of enterprises still in operation at the end of a specified period / number of enterprises initially established) × 100%. 3. Cost of creating a job: Cost per job = total program expenditures / number of net new jobs created.

4. Share of digital sales: Share of digital sales = revenue from sales via electronic channels / total sales revenue × 100%.

These indicators are merely suggested evaluation tools; the article does not present the results of actual calculations based on them. When comparing these indicators, it is necessary to take into account the business sector, initial capital, geographical location, and the duration of participation in the program for each young entrepreneurial entity.

DISCUSSION. The research findings synthesize scientific approaches indicating that the development of youth entrepreneurship within the context of a digital economy is a multi-factorial process. The core conclusion is that technological opportunities can lead to sustainable economic outcomes only when combined with financial resources, human capital, and a favorable institutional environment.

HSR (LONDON),
HOUGHTON STREET REVIEW JOURNAL
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The OECD (2021) highlights that financial constraints, a lack of in-house skills, and the capacity to adopt technologies are critical factors in the digital transformation of small and medium-sized enterprises. This perspective is equally applicable to youth entrepreneurship: while digital platforms offer opportunities for operation, scaling a business requires strategic management, high-quality products, data analysis, and financial planning.

Furthermore, the OECD's analysis of digital skill development for the private sector in Uzbekistan underscores the necessity of aligning digital competencies with business needs and institutional collaboration (OECD, 2023). Consequently, entrepreneurial education programs should not be limited to general digital literacy but should instead focus on practical tasks relevant to specific sectors. For instance, a young entrepreneur in the trade sector requires skills in managing electronic catalogs, advertising, and orders, whereas a developer of software products needs skills in prototyping, product testing, and commercialization.

Insights from the UNDP (2025) regarding Uzbekistan's digital economy and startup ecosystem highlight that supporting entrepreneurship is more effective through the development of an interconnected ecosystem rather than through isolated, individual measures. In this context, the state's role should not be to centralize all business decisions, but rather to reduce excessive barriers to market entry, improve access to information, and create conditions that foster private initiative.

A key feature of the comprehensive mechanism proposed in this study is the integration of financial support with education, mentorship, market access, and performance monitoring. This approach ensures that resources are not merely allocated as funds, but that their conversion into tangible economic outcomes is tracked.

At the same time, a limitation of this study is that no specific survey was conducted among young entrepreneurs, nor was an econometric analysis performed at the regional level. Therefore, the practical effectiveness of the proposed mechanism should be examined in future research. In particular, investigating the relationships between digital skills, access to finance, e-commerce, and business viability represents a promising avenue for study.

CONCLUSION. The research demonstrates that the development of youth entrepreneurship within the digital economy depends on the synergy between financial, educational, technological, market, and institutional factors. While digital platforms and e-commerce expand opportunities for young people to launch businesses, achieving sustainable results also requires financial literacy, digital competencies, high-quality products, and effective management.

The study leads to the following scientific and practical conclusions:

First, efforts to support youth entrepreneurship should combine financial instruments with educational and advisory services aimed at business development.

Second, strengthening collaboration among higher education institutions, business entities, financial organizations, and government agencies facilitates the commercialization of innovative ideas from young people.

Third, the utilization of e-commerce, digital marketing, artificial intelligence, and data analytics enhances the competitiveness of youth-led businesses. In this context, it is essential to adhere to requirements regarding information security and the protection of consumer rights. Fourth, the effectiveness of entrepreneurship programs should be evaluated not merely by the volume of allocated funds, but by the viability of the businesses, the number of jobs created, income generation, and outcomes in digital commerce.

HSR (LONDON),
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Fifth, to ensure regional equity, it is essential to make digital infrastructure and entrepreneurial services accessible to young people living in remote areas.

Practical recommendations:

- develop a unified training and practical program on digital entrepreneurship for youth;
- integrate grants, loans, mentorship, and acceleration mechanisms for startup financing;
- establish a system within higher education institutions to test student-led startups against market demands;
- implement electronic monitoring and performance indicators for regional youth entrepreneurship programs;
- provide support for bringing products and services created by young people onto e-commerce and export platforms.

Overall, an effective economic mechanism for developing youth entrepreneurship must be founded on the adoption of technologies, the expansion of financial opportunities, the development of human capital, and the strengthening of institutional collaboration. The proposed conceptual model can serve as a theoretical and practical foundation for increasing the economic activity of youth and fostering the inclusive development of the digital economy within the context of Uzbekistan.

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