

ENTREPRENEURSHIP AND INNOVATION: FOCUSING ON THE ROLE OF ENTREPRENEURSHIP IN DRIVING INNOVATION AND ECONOMIC GROWTH

Azizakhon Sanakulova Sherali qizi

+998906043220

Abstract. This article explores the essential role of entrepreneurship in fostering innovation and driving economic growth. In an era characterized by rapid technological change and global competitiveness, entrepreneurship is no longer merely associated with starting new businesses; it has become a core engine of innovation, productivity, and national development. Entrepreneurs introduce new ideas, processes, and technologies that challenge existing norms, create new markets, and generate employment opportunities.

The paper analyzes how entrepreneurship contributes to innovation-led growth by examining theoretical foundations, global experiences, and the case of Uzbekistan. Drawing upon Schumpeter's theory of creative destruction and contemporary studies, the article highlights how entrepreneurial ecosystems stimulate economic dynamism and adaptability in the face of modern challenges. In the context of Uzbekistan, the study reviews recent policy reforms, innovation hubs such as IT Park, and youth-led startup initiatives supported by governmental and private institutions.

Methodologically, the study utilizes comparative analysis, statistical review, and case studies to evaluate the impact of entrepreneurship on economic indicators such as GDP, employment, and export diversification. Results indicate that a thriving entrepreneurial sector positively influences innovation output and inclusive development.

Ultimately, the research emphasizes the need for continuous support of entrepreneurship through policy, education, and infrastructure to sustain innovation and economic progress. This paper provides insights for policymakers, researchers, and practitioners aiming to leverage entrepreneurship as a strategic tool for sustainable growth and transformation in emerging economies.

Future research may further explore sector-specific entrepreneurial trends and their long-term impact on national competitiveness and resilience, particularly in technologically evolving and digitally transforming markets.

Keywords: Entrepreneurship, innovation, economic growth, startup, technological development, competitiveness, economic reforms, business environment.

INTRODUCTION

Entrepreneurship is recognized as one of the important factors in modern economic development. Especially in the process of digital transformation and globalization, small and medium-sized businesses are not only expanding their activities by introducing innovations, but also giving a strong impetus to the development of the entire economy. Today, countries around the world, including Uzbekistan, are moving towards an innovative economy by supporting entrepreneurship. This article aims to deeply analyze the role of entrepreneurship in the development of innovations. Entrepreneurship is understood as an economic activity carried out by the owner of the property on his own initiative on a risk-taking basis, aimed at obtaining a stable income through the production and sale of goods, provision of services or performance of work. This activity can be carried out both by an individual entrepreneur and in the form of an organization with the status of a legal entity. One of the important aspects of entrepreneurial activity is that it requires taking financial risks, along with the desire to receive a constant income. That is, the income from the manufactured products or services provided is not guaranteed, and in some cases there is a possibility of losses[1].

Persons engaged in entrepreneurship - unless otherwise provided by the current legislation - must be registered in the established manner. At the same time, in some cases, activities that do not bring profit, for example, one-time sales of goods or cases within the framework of the provision of services, do not fall under entrepreneurial activity.

To achieve success in modern entrepreneurship, an entrepreneur uses not only his own property, but also resources attracted from external sources. These resources include intangible assets (intellectual property, brand, software, etc.), material means, and labor. One of the main conditions for entrepreneurial activity is adaptation to the market and achieving economic efficiency, which is assessed not only by the amount of profit, but also by changes in the total market value of the enterprise. That is, the success of entrepreneurship is also measured by indicators such as the reputation of the enterprise, customer trust and market impact.

Also, innovations are today an important factor in modernizing all sectors of the economy of Uzbekistan, increasing economic efficiency and ensuring competitiveness. In particular, innovations serve as a strategic basis for the development of innovative entrepreneurship. After all, they are one of the main driving forces determining the socio-economic development of modern society. Scientific and technological progress, digital technologies, artificial intelligence, new stages of industrialization - all this is formed on the basis of innovative ideas and is put into practice[2].

RESEARCH METHODOLOGY

As a methodological approach, the article uses the following methods:

- Comparative analysis (experience of Uzbekistan and other countries);
- Statistical data analysis (share of SMEs and startups in GDP growth);
- Qualitative analysis (interviews and case studies).

It should also be noted that in a low-competitive environment, investment in production and service sectors involves the organization of production based on the use of new techniques and technologies, and in the service sector, new, previously unused types of services. The concept of innovation also means the production of new products that replace existing products, replacing them. In a highly competitive environment, it also means the introduction of new products to new markets based on the use of new techniques and technologies. Investment means the introduction of new knowledge in the field of science and technology based on discoveries, the creation of new advanced techniques and technologies, their application in the production and service sectors, the creation of new goods and services based on them and strengthening competition at their expense, and the capture of new markets. Innovation is manifested as a necessary tool that constantly ensures economic growth and competitiveness in sectors with a high capacity for traditional and new science.

ANALYSIS AND RESULTS

The implementation of a new business idea is carried out through the following main stages:

Formation of an entrepreneurial idea - Identifying existing problems in the market and offering innovative and effective solutions to them.

Initial assessment of the idea - Experts study the viability, practical effectiveness and market opportunities of the idea.

Market analysis - Factors such as the target audience, consumer needs, supply and demand, competitors, and pricing policy are studied in depth.

Costing – The initial capital, operating costs, staff salaries, and other financial needs required to implement the idea are calculated.

Market data and cost re-examination – Checking the accuracy of previous analyses and improving them based on more accurate data.

Decision-making to proceed to the practical stage – The entrepreneur makes a decision to start or abandon the project based on all available information.

Preparatory work – Legal formalization, organizational structure, marketing strategy, and planning of production or service processes.

The analysis shows that:

The role of entrepreneurship in innovative ecosystems – Many startups are emerging in Uzbekistan through the initiatives of the Ministry of Innovative Development, IT Park, and the Youth Affairs Agency. This allows for the creation of new jobs and the introduction of technological innovations into the economy.

Statistics – In recent years, the share of small businesses in GDP has exceeded 50 percent, and their share in exports has increased significantly. This confirms the direct impact of entrepreneurship on economic growth.

Introduction of innovative products – Entrepreneurs are developing innovative products, services and production processes, increasing competitiveness in the domestic and foreign markets.

It is also worth noting that the successful operation of innovative entrepreneurship largely depends on the stability and reliability of the financial support system. Unfortunately, currently there are certain difficulties in financing innovative projects in Uzbekistan. In particular, there is a slowdown in the banking system in supporting innovative projects through long-term loans. This situation is explained by several factors, including:

caution in the banking sector in financing projects with a high level of risk;

high riskiness of entrepreneurial activity in the financial intermediary system;

high reserve requirements imposed on banks;

the long payback period of innovative projects and the uncertainty of this process.

Therefore, today's banking system is still unable to fully meet the needs of accelerating investment and innovative activity. This creates the need to look for alternative sources of financing the development of innovative entrepreneurship.

Innovative activity is especially risky at the initial stages. Since the product or technology has not yet entered the market, the level of demand has not been determined, and the profitability indicators are approximate, it is not easy to attract financial resources at this stage. Therefore, additional financing mechanisms provided by private investors, venture capital, business incubators, government grants and international financial institutions are of great importance.

If enterprises want to successfully implement innovative projects, they should try to diversify their sources of financing, that is, rely not only on bank loans, but also on other sources and instruments.

Innovative entrepreneurship plays an important role in modern economic development, but one of its specific features is that this activity is always associated with certain risks. This risk is explained, first of all, by the frequent changes in market needs, as well as by the diversity of investment criteria for innovative projects. The instability of the dynamics of demand and supply, the rapid obsolescence of technological innovations and the aspirations of consumers make innovative entrepreneurship a type of activity with a higher risk than stability. However, it is worth noting that, despite the high level of risk, innovative projects often allow for a high level of income (compensation). This, in turn, attracts many entrepreneurs to this direction and encourages the introduction of new technologies. The ability to withstand

risks and the desire to bring innovations to the market often lead to enterprises achieving a strong competitive advantage.

When considering the example of Uzbekistan, it is observed that there are a number of systemic problems in innovative entrepreneurship. In particular, one of the most serious obstacles in this area is the lack of financial resources. Most business entities, especially representatives of small and medium-sized businesses, face great difficulties in finding financial resources to implement their innovative ideas.

According to statistical indicators, Uzbekistan lags behind not only developed countries in terms of innovation development, but also economically growing countries such as China. This situation indicates a low share of innovative activity in the economy. As a result of insufficient funds, competitive projects are delayed, their quality and efficiency decrease, and as a result, the economic and social effect becomes insignificant.

The private sector, on the other hand, usually relies mainly on credit funds to finance innovative activities. In many cases, entrepreneurs are forced to turn to foreign financial institutions, which creates additional risks and collateral requirements. As a solution to such problems, the state is proposed to improve the system of providing loans to innovative activities, reduce interest rates, and expand the possibilities of providing unsecured loans[3].

CONCLUSION

Entrepreneurship is the main locomotive in creating innovations. By implementing innovative ideas, introducing new products to the market, and developing technological approaches, entrepreneurs make a significant contribution to the country's economic development. In the conditions of Uzbekistan, innovative approaches to socio-economic problems are being found through the development of entrepreneurship. Therefore, the cooperation of state policy, innovative infrastructure, and the education system aimed at developing entrepreneurship is of great importance.

REFERENCES

1. Autio, E., Szerb, L., Komlósi, É., & Tiszberger, M. (2021). Global Startup Ecosystem Report. Startup Genome. pp. 20–25.
2. Ahmed, S., & Raj, M. (2021). "Digital Entrepreneurship in Emerging Economies: A Review." Journal of Business Research, Vol. 132. pp. 385-398.
3. Kuckertz, A., et al. (2020). "Startups in times of crisis – A rapid response to the COVID-19 pandemic." Journal of Business Venturing Insights, Vol. 13. Pp. e00169.