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PROBLEMS OF FINANCING AND DEVELOPMENT OF INNOVATIONS IN UZBEKISTAN

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ABOUT ARTICLE

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Abstract: In the Republic of Uzbekistan, the issues of financing and development of innovative activities are key to ensuring sustainable economic growth and increasing the country's competitiveness. Uzbekistan, with significant potential for innovative development, faces a number of problems related to financing and implementation of innovative technologies. This article examines the main obstacles to the development of an innovative economy in the country, as well as possible solutions to these problems. The role of government institutions, the private sector and international cooperation in financing innovative projects is analyzed.

INTRODUCTION

Innovations play a key role in the economic development of countries, contributing to increased competitiveness and improving the quality of life of the population. The state actively supports innovative projects through various financing mechanisms. Since 2002, Uzbekistan has introduced a system under which budgetary allocations for scientific institutions are allocated on the basis of grant contracts, which contributes to more efficient use of funds and improving the quality of scientific research. In addition, the country has a Science Financing and Innovation Support Fund, which plays an important role in supporting scientific research and the implementation of innovative developments. In Uzbekistan, where the economy is rapidly transforming, the development of innovations is becoming especially relevant. In 2020, the Law of the Republic of Uzbekistan "On Innovation Activity" was adopted, which defines the main directions of state policy in this area, as well as the rights and obligations of subjects of innovation activity. This law is aimed at creating favorable conditions for the

development of innovative entrepreneurship and stimulating scientific and technological progress. However, despite the existing potential, the country faces serious challenges associated with the financing and implementation of innovative initiatives.

METHODOLOGY

The purpose of the study is to develop recommendations for improving innovation financing for the development of the state economy. To achieve this goal, the study used regulatory and legal documents on innovation activities and prudential standards. Scientifically, theoretically and practically studied the approaches and views of foreign and domestic scientists, researchers and experts on improving innovation financing. An analysis of data on the official websites of government agencies, including other institutions associated with prudential standards, was conducted.

RESULTS

One of the main problems is limited access to finance for startups and small and medium enterprises (SMEs) engaged in innovation. The banking system of Uzbekistan is often unwilling to provide loans for risky innovative projects, which makes their implementation difficult.

Venture capital is an important source of funding for innovative companies. In Uzbekistan, this market is just beginning to develop, and many potential investors are not yet ready to invest in startups. This hinders the growth of new technologies and ideas.

Although the government of Uzbekistan takes steps to support research and innovation projects, the funds allocated often do not reach their intended recipients or are used inefficiently. Openness and transparency in the distribution of budget funds remain important issues. Despite the measures taken to support innovation, the volume of state funding remains insufficient for the implementation of large projects. Companies often avoid investing in long-term innovation projects due to uncertainty and high risks.

Budget funds traditionally remain the main source of funding for science in Uzbekistan. However, in recent years, there has been a tendency to diversify funding sources. In particular, in 2022, the volume of annual funds allocated from the State Budget for innovation and scientific spheres increased threefold compared to 2018 and amounted to 1.5 trillion soums. Despite the efforts being made, there are certain problems associated with the financing and development of innovation in Uzbekistan. One of the main tasks is to improve the mechanisms for financing innovative projects, increase the efficiency

of using funds and stimulate private investment in the scientific and technical sphere. If we analyze the situation in Uzbekistan, we will see that the number of specialists engaged in research is decreasing from year to year. In particular, according to the State Statistics Committee, from 2017 to 2020, the number of researchers decreased from 36.8 thousand to 30.3 thousand, or by about 18%. According to the UNESCO Institute for Statistics, the number of researchers per 1 million people in Uzbekistan is only 980.3. However, according to the same source, there are 10,047.9 researchers in South Korea, 7,538.6 in Germany, 6,418.9 in France, and 4,412.4 in the United States. One of the main reasons for the decline in the number of researchers in Uzbekistan is the relatively low salaries paid to them. In particular, according to the State Statistics Committee, in 2020, the average salary of employees of enterprises and organizations engaged in "Scientific research and development" is 3,074.4 thousand soums (~ \$ 288). Moreover, this figure in the USA is 10,000 US dollars, in Germany - 6,676 US dollars, in Japan - 5,844 US dollars, in France - 4,584 US dollars, in China - 3,343 US dollars, in Ukraine - 2,093 US dollars and in India - 1,172 US dollars.

One of the important factors influencing the development of innovation in the country is the financing of science. The main source of financing science in Uzbekistan traditionally remains budget funds. The results of the analysis show that the share of funds allocated for research and development work in relation to GDP in Uzbekistan was 0.14%, while in Georgia - 0.3%, the USA - 2.8%, Germany - 3.1%, Japan - 3.3% and South Korea - 4.5%. To solve these problems, it is necessary to continue improving the legislative framework, developing the infrastructure to support innovation and improving the skills of personnel in the field of science and technology. Thus, effective financing and development of innovation in Uzbekistan require an integrated approach, including legislative initiatives, government support and active participation of the private sector.

One of the problems that has a significant impact on the labor potential of the state is the shortage of qualified personnel. Young professionals often go abroad in search of better working conditions and the implementation of their ideas. Universities pay insufficient attention to the skills necessary for the development of innovations, such as entrepreneurship, project management and technical competencies. Lack of integration and cooperation between research institutes that carry out scientific work and develop scientific models with enterprises and organizations implementing innovations. 0.02% of innovations implemented by enterprises and organizations were developed in cooperation with research institutes and higher education institutions. Research institutes and private companies do not sufficiently coordinate their efforts, which leads to low commercialization of scientific developments. Uzbekistan needs to create more effective mechanisms of state support for innovation

initiatives. This may include tax incentives, subsidies for research and development, as well as programs for training and advanced training of specialists in the field of innovation. Attracting private investment requires the creation of a favorable investment environment. To achieve this, it is necessary to improve legislation protecting the rights of investors, as well as develop infrastructure for startups and innovative companies. International cooperation can play a key role in the development of innovation in Uzbekistan. Exchange of experience with foreign countries, participation in international projects and programs can help attract additional resources and knowledge. Uzbekistan can consider the possibility of creating joint innovation centers with international partners.

CONCLUSION

The problems of financing and developing innovations in Uzbekistan require a comprehensive approach and active cooperation between government agencies, the private sector and international partners.

Organization of platforms for interaction between business and science, reform of educational programs with an emphasis on innovation, attraction of experts from abroad and creation of conditions for the return of specialists with experience, introduction of tax incentives for companies investing in research and development, support of digital skills training programs that we consider important for the development of innovation in the Republic. These steps can contribute to the creation of a favorable environment for the development of innovation and sustainable economic growth in Uzbekistan. By eliminating barriers to financing, creating favorable conditions for investment and developing scientific cooperation, Uzbekistan will be able to realize its potential in the field of innovation, which will ultimately lead to sustainable economic growth and an improvement in the quality of life of the population.

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