



AN ANALYSIS OF THE STARTUP ECOSYSTEM IN UZBEKISTAN: INSIGHTS FROM U-ENTER AND ERGO ANALYTICS SURVEY

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Article history:	Abstract:
Received: 14 th April 2025	This study presents an in-depth analysis of the startup ecosystem in Uzbekistan, based on a survey of 310 startups conducted by U-Enter in collaboration with ERGO Analytics. The research focuses on the stages of startup development, the challenges faced by entrepreneurs and the sectoral distribution of startups in Uzbekistan. It also examines the relationship between entrepreneurs and investors, particularly the level of trust in investors. The results indicate that a significant number of startups are still in the early stages of development, with funding, customer acquisition and legal support being the primary challenges. The study provides recommendations for policymakers, investors and startup ecosystem players to foster a more conducive environment for entrepreneurship in Uzbekistan.
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INTRODUCTION. The startup ecosystem in Uzbekistan is undergoing significant transformation, driven by an increasingly supportive policy environment, the rise of digital technologies and an expanding pool of young, tech-savvy entrepreneurs. In recent years, the country has experienced a growing momentum in the development of new businesses, particularly in sectors such as technology, e-commerce, fintech and agriculture. This shift is further fueled by government initiatives designed to promote innovation, attract foreign investment and encourage the growth of small and medium-sized enterprises (SMEs).

A pivotal source of insight into the current state of the Uzbek startup ecosystem comes from recent surveys conducted by organizations such as U-Enter and Ergo Analytics. These surveys shed light on key trends, challenges and opportunities facing startups in the country. By analyzing data gathered from entrepreneurs, investors and industry experts, we gain a clearer understanding of the factors that are both enabling and hindering the growth of startups in Uzbekistan.

This analysis aims to explore the findings from these surveys, providing a comprehensive overview of the startup landscape in Uzbekistan. Through this lens, we will examine the dynamics of the ecosystem, the challenges faced by entrepreneurs and the role of key players such as government bodies, incubators and investors in shaping the future of the country's startup sector.

In recent years, the startup ecosystem in Uzbekistan has witnessed significant growth, with an increasing number of entrepreneurs entering the market,

particularly in technology-driven sectors. The government of Uzbekistan has implemented various policies to support innovation, entrepreneurship and the growth of the private sector. Despite these advancements, startups in Uzbekistan still face significant challenges that hinder their growth, including access to capital, market entry and regulatory hurdles. This study seeks to explore the current state of the startup ecosystem in Uzbekistan, focusing on the results of a survey conducted by UEnter in partnership with ERGO Analytics. The research provides valuable insights into the development stages, sectoral distribution and trust between entrepreneurs and investors within the Uzbek startup landscape.

LITERATURE REVIEW. Global Trends in Startup Ecosystems. Globally, startup ecosystems have gained attention for their role in driving economic growth, innovation and employment. Research has shown that successful startup ecosystems are typically characterized by supportive policies, access to funding, strong mentorship networks and a thriving community of investors and entrepreneurs. Countries such as the United States, Israel and Germany have robust startup ecosystems, primarily due to established infrastructure, abundant funding opportunities and a culture of innovation.

The startup ecosystem in Uzbekistan has grown significantly in recent years, fueled by government initiatives aimed at supporting entrepreneurship. The country has established programs to improve access to finance, foster innovation hubs, and provide incubation centers for early-stage startups. However, research suggests that there are still several barriers to growth,



including a lack of experienced mentors, investment capital, and advanced legal frameworks for startups. Startups typically go through several stages of development: from the idea stage to prototype (MVP), followed by the first sale, and eventually reaching the growth stage. Various studies highlight the importance of support systems at each stage, including seed funding, accelerators, and mentorship programs that help entrepreneurs transition from one phase to the next.

Startups in emerging economies often face challenges such as limited access to venture capital, difficulty in acquiring customers, legal complexities, and the high cost of workspaces. These challenges are particularly pronounced in developing markets like Uzbekistan, where the financial ecosystem for startups is still evolving.

RESEARCH METHODOLOGY. The relationship between entrepreneurs and investors is crucial to the success of startups. Trust plays a pivotal role in this dynamic, as it impacts decision-making, funding, and long-term business strategies. While investors provide the necessary capital, entrepreneurs must balance the demands for rapid growth and profitability with their long-term vision for the company. Trust is often built through transparency, alignment of interests and the investors' supportive roles in the startup's development.

Analysis and results. This study is based on a survey conducted among 310 startups in Uzbekistan, focusing

on key aspects such as their development stages, sectoral distribution, the challenges they face, and their perceptions of investors. The survey was designed to gather both quantitative and qualitative data on these issues.

The data was collected through a structured questionnaire distributed to startups across Uzbekistan. The survey included questions on:

- The stage of development of the startup (idea, prototype, first sale, growth).
- The challenges faced by entrepreneurs, such as funding, customer acquisition, legal support and hiring.
- The sectoral distribution of startups.
- The level of trust in investors and their perceptions of the relationship with investors.

Target Population: The survey targeted entrepreneurs and startup founders across different sectors in Uzbekistan. The sample was diverse, representing both early-stage and more mature startups from various geographic locations within the country.

DATA ANALYSIS. The data was analyzed using statistical tools to identify patterns and trends. Descriptive analysis was used to summarize the data, and cross-tabulation was employed to explore relationships between different variables, such as development stages and challenges.

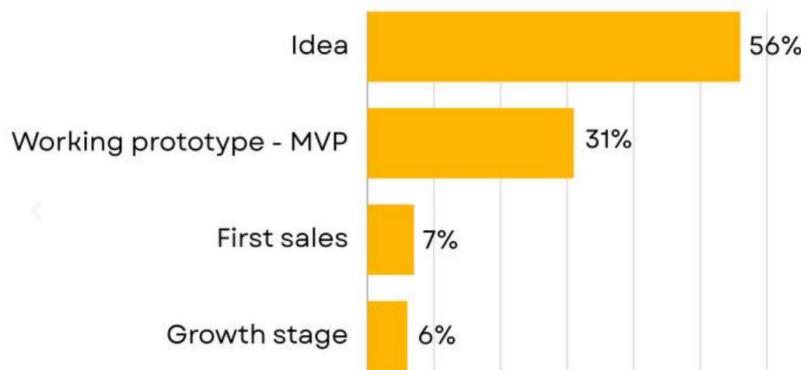


Table 1. Stage of Development of a Startup

Stages of Startup Development. The survey revealed that the majority of startups in Uzbekistan are still in the early stages of development:

- 56% of startups are at the idea stage, indicating a need for early-stage support and guidance.
- 31% have developed a working prototype (MVP), showing progress in terms of product development.

- 7% have made their first sales, reflecting early market validation.
- Only 6% of startups are in the growth stage, highlighting the challenges faced in scaling businesses. These results suggest that while there is a growing number of startups, there is a significant gap between idea generation and market adoption, with many startups struggling to secure funding and customer traction. In summary, startups at the idea and



prototype stages need a mix of financial resources, mentorship and operational expertise to overcome the common hurdles in their early development and make the leap to a product-market fit and sustained growth. Challenges Faced by Startups. The survey identified the following key challenges faced by startups in Uzbekistan:

Attracting investments (VC)	37%
Finding clients	21%
Accounting and legal support	14%
Hiring the right staff	12%
Entering foreign markets	9%
Costly workspace	7%

Table 2. Startup difficulties in percentages

The challenges faced by startups, as outlined in the provided data, reflect key obstacles that most entrepreneurs encounter when attempting to scale their businesses. Each of these challenges requires specific strategies, resources and support mechanisms to overcome. Let's break down the challenges and explore potential solutions for each:

- Attracting Investments (37%): The most significant barrier for startups is securing venture capital. Many entrepreneurs reported difficulties in finding investors who are willing to take the risk associated with early-stage startups.
- Finding Clients (21%): Market entry and customer acquisition remain major obstacles, especially for startups in emerging sectors.

Overall, while the startup landscape in many countries (including Uzbekistan) is thriving, the key to greater success lies in ensuring that a larger percentage of startups move from the **prototype stage to achieving real sales** and beyond into sustainable growth.

- Accounting and Legal Support (14%): Many startups lack access to proper legal and financial management expertise, which can hinder growth and compliance.

- Hiring the Right Staff (12%): Talent acquisition is a challenge, particularly in specialized fields such as tech and MedTech.

- Entering Foreign Markets (9%): International expansion is hindered by regulatory barriers and a lack of global market understanding.

- Costly Workspace (7%): The high cost of office space, especially in Tashkent, remains a concern for many early-stage startups.

Sectoral Distribution of Startups. The survey revealed that the majority of startups are focused on technology-driven sectors:

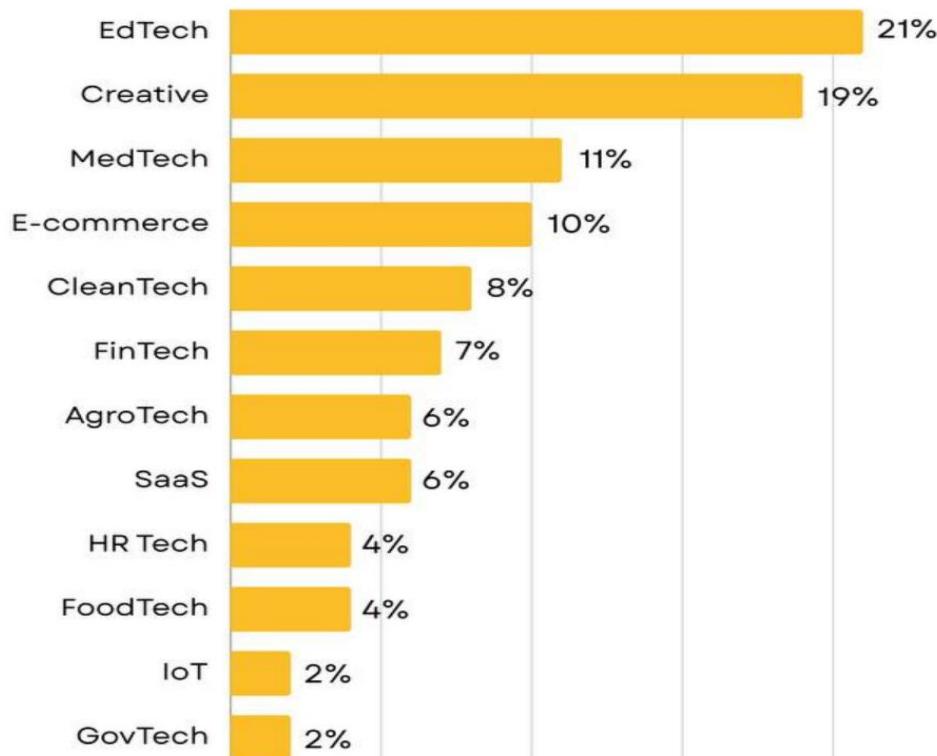


Table 3. Sectoral Distribution of Startups

These findings align with global trends, where startups are increasingly focusing on innovative solutions in sectors like education, healthcare, finance and technology.

Trust in Investors. A striking result from the survey is that 96% of entrepreneurs either trust investors or are

cautiously open to collaboration. Only 4% expressed distrust in investors, citing concerns about equity dilution, misalignment of goals and the lack of long-term vision from some investors.

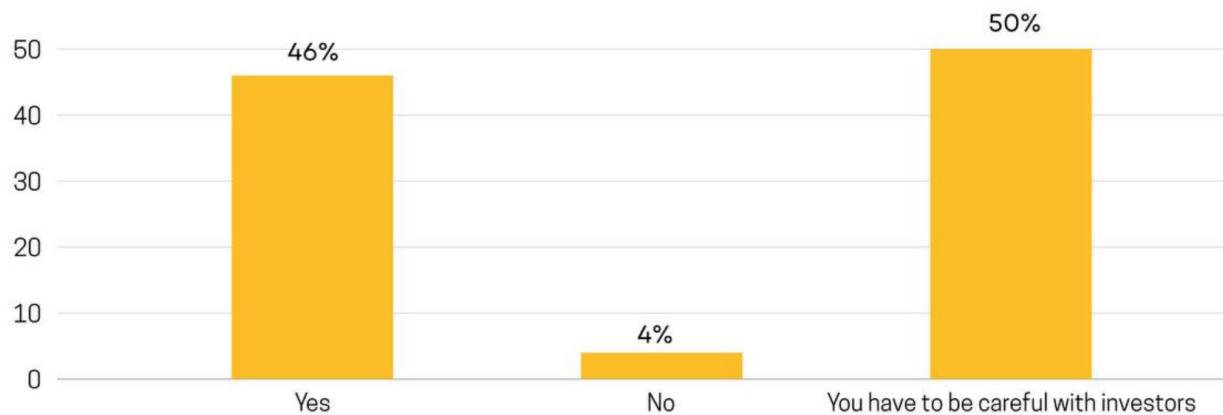


Table 4. Investor confidence index

This finding underscores the importance of transparent communication and shared values in fostering healthy entrepreneur-investor relationships.

CONCLUSION. This study reveals that while Uzbekistan's startup ecosystem is growing, there are still significant challenges in terms of funding, market

access and scaling. The majority of startups are in the idea or prototype stage, with a substantial gap between product development and market adoption. The trust in investors is generally high, but entrepreneurs remain cautious about the terms of engagement.



RECOMMENDATIONS. To foster a more supportive environment for startups in Uzbekistan, the following recommendations are made for entrepreneurs, investors and policymakers:

1. **Enhancing Access to Venture Capital.** One of the most significant challenges faced by startups in Uzbekistan is access to venture capital (VC). To bridge this funding gap, it is recommended that:

- Government-backed seed funds and angel investor networks be established to provide early-stage capital.

- Incentives such as tax breaks or co-investment opportunities for investors willing to fund high-risk startups should be implemented.

- Collaboration between local investors and foreign venture capitalists can be encouraged through international investment forums, accelerating the flow of global investment into the Uzbek startup ecosystem.

2. **Improving Legal and Regulatory Framework.** The survey revealed that startups often face significant hurdles related to accounting and legal support. To improve this situation:

- Simplify the regulatory framework for startups, making it easier to register businesses and comply with local laws.

- Introduce specific startup-friendly legal frameworks that protect entrepreneurs from unnecessary bureaucracy and provide clarity on intellectual property and contracts.

- Establish startup incubators with legal and financial experts who can help startups navigate these challenges in the early stages.

3. **Developing Talent and Human Resources.** Many startups struggle with hiring the right staff due to a lack of highly skilled professionals in emerging industries such as IT, MedTech and FinTech. To address this challenge:

- Promote STEM education and establish partnerships between universities and startups to create a pipeline of skilled talent.

- Support skills development programs that focus on key industries such as software development, data analysis, artificial intelligence and biotechnology.

- Encourage internship programs and entrepreneurial mentorship initiatives that allow young talent to gain hands-on experience in startups.

4. **Improving Access to Markets.** Startups in Uzbekistan also struggle with market access, both domestically and internationally. To facilitate this:

- Government should support e-commerce platforms and digital marketplaces to enable startups to reach a broader audience, especially in rural areas.

- Establish trade missions and business-to-business (B2B) forums to help Uzbek startups explore foreign markets and find export opportunities.

- Create a digital export strategy that helps startups expand internationally by providing logistical support, legal guidance and international marketing expertise.

5. **Promoting Sectoral Diversification.** While IT solutions are the dominant focus for startups in Uzbekistan, more attention should be paid to developing other sectors. For instance:

- Support the growth of MedTech, CleanTech, AgroTech and FoodTech startups through targeted grants, industry-specific incubators and mentorship programs.

- Create sector-specific innovation hubs to foster collaboration between startups, research institutions and industry players in sectors like healthcare, clean energy, and agriculture.

6. **Building a Stronger Entrepreneurial Ecosystem.** A strong entrepreneurial ecosystem is essential for startup success. To build a more robust ecosystem:

- Establish startup accelerators and incubators that provide entrepreneurs with not just funding, but also mentorship, market access and networking opportunities.

- Encourage the creation of co-working spaces at affordable prices to reduce the high cost of workspace, allowing early-stage startups to focus on innovation and growth.

- Foster a culture of knowledge sharing and collaboration among entrepreneurs, investors and industry experts through conferences, workshops and meetups.

7. **Strengthening Trust Between Entrepreneurs and Investors.** The survey revealed that although most entrepreneurs trust investors, there remains a cautious approach to venture funding. To strengthen this relationship:

- Encourage transparent investment terms and open communication between investors and startups to build mutual trust.

- Develop standardized contracts and investment frameworks that make it easier for startups and investors to agree on key terms without legal ambiguity.

- Support the growth of local angel investor networks that can provide not only capital but also strategic guidance and business connections.

8. **Government Support and Policy Initiatives.** To create a more conducive environment for startups, the government of Uzbekistan must continue its focus on supporting entrepreneurship:



- Tax incentives and reduced bureaucratic hurdles for startups should be expanded, especially for those in the early stages of development.
- Introduce grants and innovation funding programs targeted at specific industries such as MedTech, EdTech and FinTech, to stimulate innovation and promote research and development.
- Develop a national startup strategy that aligns with global standards and fosters entrepreneurial ecosystems in both urban and rural areas.

The startup ecosystem in Uzbekistan is still in its early stages but shows considerable potential for growth. By addressing the challenges related to funding, market access, human resources and legal frameworks, Uzbekistan can create an environment that supports both new ventures and their long-term success. With focused efforts from policymakers, investors and entrepreneurs, Uzbekistan can become a hub for innovation in Central Asia and beyond, empowering a new generation of entrepreneurs to lead the way in various industries.

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