



ENTREPRENEURSHIP AS THE MOST IMPORTANT DRIVER OF EMPLOYMENT

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Abstract

This paper examines the role of entrepreneurship in job creation. The business development in Uzbekistan and its impact on the labor market are analyzed. The author explores the economic, social and organizational factors influencing the development of entrepreneurship. The theoretical and practical aspects of the impact of small and medium-sized businesses on the labor market, regional development, and the introduction of new technologies and innovations are considered. The article suggests practical measures such as changing the education system, stimulating digital and innovative ideas, creating a favorable organizational environment to support entrepreneurship and increase employment in the country's economy. The study provides important information about the relationship between entrepreneurship and employment, as well as ways to ensure sustainable economic growth in Uzbekistan and stability in the labor market.

Keywords: Entrepreneurship, employment, job creation, small and medium-sized businesses, innovation, labor market, institutional environment, digital economy, sustainable development.

INTRODUCTION

In the era of globalization and fierce competition among nations, one of the primary objectives is to foster employment and generate new job opportunities. Entrepreneurship is a fundamental component of a market-based economy and plays a crucial role in the dynamic growth of a nation. The level of development



***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 01, **Issue** 09, **December**, 2025

Website: usajournals.org

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of small and medium-sized enterprises is a significant indicator of a country's economic stability.

Historical evidence demonstrates that successful entrepreneurial endeavors have enabled the United States, China, and the most advanced nations of the European Union to achieve a dominant position in the economic landscape, sustain high rates of production expansion, and significantly enhance the living standards of their populations [1].

The advancement of entrepreneurship is a crucial element in the development of a socially responsible economy. In our nation, it plays a significant role in enhancing the quality of life, alleviating pressure on the labor market, generating new job opportunities, and fostering an environment conducive to productive and high-quality work. This, in turn, enables us to better meet the demands of society for goods and services.

Small and medium-sized enterprises are the most dynamic segment of the economy and a vital instrument for boosting employment. They not only create new job positions but also open up possibilities for secondary employment and other non-standard forms of employment, including providing employment to individuals in need of special social assistance. This is made possible by the flexible working hours and additional sources of income that entrepreneurs offer. In the process of economic advancement, the business sector is a crucial component, serving as the primary driver of economic expansion, shaping the contemporary labor market, and contributing to an increase in individual earnings.

Global studies and practical experience demonstrate that small businesses and private enterprises generate a substantial portion of new employment opportunities in the economy. In Uzbekistan, there is a growing trend towards increasing the share of the private sector in employment.

The development of entrepreneurship, particularly among young people and women, is an effective means to enhance employment. This fosters the creation of new avenues for self-fulfillment, enhances the quality of life, and improves the well-being of the population.

Furthermore, entrepreneurship plays a significant role in strengthening socio-economic stability. It promotes the creation of new job opportunities, the



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Economics, and Entrepreneurship***

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Website: usajournals.org

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development of innovations, and the enhancement of the standard of living for the population.

Entrepreneurship is a crucial factor in improving the quality of life for individuals, enhancing the financial stability of households, and reducing poverty. The growth in the number of new businesses not only fosters social harmony but also accelerates the processes of territorial development, expands the domestic market, and diversifies the service sector.

In a market-driven economy, where competition is the engine of progress, entrepreneurs not only create new employment opportunities but also contribute to the development of novel technologies, innovative products, and services. The development of innovative entrepreneurship leads to the emergence of highly skilled job positions, which in turn contributes to the modernization of the economic structure.

Therefore, entrepreneurship is a key driver of an innovative economy and a catalyst for local economic activity. The growth of small businesses in the regions is crucial for enhancing local economic activity. This contributes to increasing rural employment, reducing migration, and fostering the development of local infrastructure. Micro- and family-owned enterprises are essential for providing employment opportunities and becoming an integral part of the economy [2].

In recent years, Uzbekistan has undertaken reforms to support entrepreneurship. These reforms include tax incentives, simplified business registration procedures, and expanded access to financial resources. This highlights the significance of this topic from both a political and economic perspective.

In the present day, entrepreneurship is becoming increasingly significant as a crucial element in securing employment for the population. The advancement of entrepreneurship serves as a vital prerequisite for economic expansion, social equilibrium, the execution of employment initiatives, and the alleviation of poverty. It fosters the expansion of economic prospects, the revitalization of the labor market, and a substantial enhancement in the quality of life for citizens.



LITERATURE ANALYSIS

In today's world, entrepreneurship is a key driver of economic growth and job creation. In the context of the rapid development of digital technologies, globalization and instability in the labor market, the ability of the business sector to generate jobs is crucial for socio-economic stability.

In this literature review, we will look at key theoretical and practical studies that analyze the role of entrepreneurship in creating and maintaining employment.

1. Theoretical foundations of the relationship between entrepreneurship and employment. Classical and neoclassical economic theories, such as the works of Adam Smith and Joseph Schumpeter [3], pay special attention to the role of the entrepreneur as a key factor of change in society. Innovations and creative approaches to the use of resources used by entrepreneurs contribute to the creation of new markets and, as a result, new jobs.

Schumpeter's concept of "creative destruction" helps to understand how new enterprises displace outdated ones, redistributing labor resources and creating more efficient jobs.

Theories of human capital and entrepreneurship based on the search for opportunities, such as the work of David McClelland and Peter Drucker, emphasize that entrepreneurship, driven by the desire for new opportunities, often leads to the creation of innovative companies with great hiring potential [4].

D. North's institutional theory. According to this theory, the level and effectiveness of entrepreneurial activity, as well as the creation of new jobs, depend on the quality of the institutional environment, which includes the protection of property rights, ease of business registration, availability of financing and the effectiveness of the judicial system [5].

D. Birch's Gazelle concept. This concept is based on empirical evidence and asserts that the main contribution to the creation of new jobs is made not by small enterprises as a whole, but by a small number of fast-growing companies, which are called "gazelles". These companies are often technology startups or innovative enterprises [6].



2. Empirical evidence and mechanisms of influence. Business contributes to job creation in several ways:

1. Direct creation of new jobs.

In developed and developing economies, startups and young companies are the main source of new jobs. Despite the fact that many startups fail, the surviving and growing companies compensate for the losses.

2. Self-employment and microenterprise.

In countries with high levels of informal employment or a shortage of jobs, self-employment helps to avoid unemployment, although the quality and stability of such jobs are often lower.

3. Indirect impact on employment.

The creation of an ecosystem and value chains contributes to the development of related industries such as logistics, information technology, marketing and consulting, which creates jobs for suppliers and partners.

Innovation and efficiency gains: Companies that adopt cutting-edge technologies and business models can create better and better-paying jobs in the long run. However, in the short term, this may lead to a temporary increase in technological unemployment.

Changes in the structure of the economy:

Economic diversity: the development of new industries through entrepreneurship reduces the dependence of regions and countries on outdated sectors and ensures employment stability.

Regional development: Entrepreneurial activity can stimulate the development of depressed territories by retaining young people and attracting investments. This helps to combat regional unemployment.

3. Critical Aspects and Limitations. The literature review will not be complete without considering the following critical points:



1. "David Birch's Paradox": Most small businesses do not exhibit active growth and create a significant number of new jobs. Instead, the main contribution to economic growth comes from a small group of high-potential companies [7].
2. Job Quality: In the business sector, especially during the initial stages of development, non-traditional forms of employment are prevalent, leading to a decrease in employees' social security and income stability [8].
3. High Failure Rate: Up to 80-90% of startups fail within the first 3-5 years, creating [9-10] conditions for temporary employment and leading to losses for employees.
4. Institutional Constraints: In countries with less developed institutions, entrepreneurship may take the form of survival or necessity entrepreneurship, which does not necessarily lead to the creation of high-quality jobs or innovation.

In contemporary research, particular emphasis is placed on the following aspects:

1. The advancement of digital entrepreneurship and the increasing prevalence of platform-based employment. These trends are giving rise to the emergence of flexible but precarious forms of work, such as freelancing and the gig economy.
2. The influence of the COVID-19 pandemic. The pandemic has expedited the process of digital transformation and opened up new possibilities in the fields of e-commerce, remote services, and biotechnology [11].
3. The development of social and environmental entrepreneurship. New types of businesses are emerging, with the creation of social benefits and employment opportunities for vulnerable groups becoming the primary objective, rather than a secondary consideration.
4. The significance of government policy. To maximize the impact of a company on job creation, it is crucial to foster its growth. This can be achieved through the use of various instruments, including venture capital funds, tax incentives for startups, educational initiatives, and regulatory simplification [12-13]. These measures collectively form a comprehensive strategy for promoting entrepreneurship.



***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 01, **Issue** 09, December, 2025

Website: usajournals.org

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Modern science has established that business plays a crucial role in creating employment opportunities. However, it is not necessarily the case that all businesses lead to increased job creation. Business is a complex field that encompasses various aspects. Its success depends on favorable circumstances. Not every business contributes to job creation, and the most promising opportunities are often associated with innovative companies that have groundbreaking ideas and utilize cutting-edge technologies and novel approaches.

How businesses generate jobs is a multifaceted and intricate process that depends on the nature of the business and the specific industry. Regulatory frameworks also play a significant role. In order to foster an increase in high-quality job opportunities, it is essential to have a supportive government that promotes entrepreneurship, reduces barriers to business start-ups, encourages innovation, provides essential skills training, and creates a market environment characterized by flexible regulations.

These findings emphasize the critical role of entrepreneurs in creating jobs. However, the highest level of success is achieved when entrepreneurs go beyond mere financial gain and embrace the pursuit of innovation and business expansion in thriving environments.

RESEARCH METHODOLOGY

In this paper, we used a comprehensive approach to study how entrepreneurship affects the employment rate in Uzbekistan. To do this, we have applied several methods. First, we studied the scientific literature, economic theories, and international experience to understand how entrepreneurship and employment are related. Then we analyzed the statistics, conducted surveys, and conducted interviews. We also compared different approaches and built econometric models. Our main task is to understand how to increase employment through entrepreneurship in the Uzbek economy. We want to develop practical tips to help achieve this goal.



DISCUSSION

Business is the cornerstone of job creation and economic progress. It fosters economic diversification by introducing innovative technologies and giving rise to new industries. The expansion and emergence of businesses create employment opportunities, alleviating unemployment. Moreover, entrepreneurship can boost employment through supply chain development and increased demand for goods and services.

Successful business ventures not only enhance job quality but also contribute to income growth and improved living standards. Uzbekistan offers a diverse range of business structures, including individual entrepreneurs and complex legal entities like joint stock companies, limited liability companies, sole proprietorships, cooperatives, and partnerships. Each organizational structure is subject to specific requirements for authorized capital and registration fees as stipulated by the country's legal framework.

The impact of entrepreneurs on the labor market can be evaluated from multiple perspectives:

1. The establishment of new enterprises brings about the creation of employment opportunities not only for the founders but also for a wide range of other workers.
2. With the expansion of production capacity, the demand for workers in the field of entrepreneurship increases, resulting in a rise in employment opportunities.
3. Entrepreneurs offer flexible employment arrangements, such as remote work and freelancing, which open up new avenues for employment.
4. Small- and medium-sized businesses contribute to regional development, particularly in areas where large corporations are less prevalent. This promotes the development of rural areas and the growth of craft industries, leading to job creation.
5. Businesses play a crucial role in promoting social inclusion, helping to integrate vulnerable groups, such as young people, women, and individuals with disabilities, into the workforce.

The process of job creation is intricately linked to the expansion of businesses. Each new venture, no matter how small, presents opportunities for both



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Economics, and Entrepreneurship***

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Website: usajournals.org

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entrepreneurs and employees. As businesses grow, they attract more individuals, thereby increasing employment prospects.

Innovation plays a crucial role in job creation. Through the development of new products, services, and technologies, companies open up new markets and sectors, which demand specialized skills. This, in turn, leads to a proliferation of job opportunities.

Moreover, the expansion of one company creates a demand for goods and services among related businesses. A new manufacturing company, for example, requires the assistance of suppliers, transport providers, and marketing specialists. Consequently, employment in these sectors also increases.

Innovative advancements can give rise to the establishment of new industries and markets, which, in their turn, generate a demand for professionals with specific expertise. Entrepreneurs who bring forth novel products, services, or technologies have the potential to create positions in these areas.

The process under consideration exhibits a "cumulative effect", as the expansion of one enterprise gives rise to demand for related goods and services [14]. For example, a manufacturing firm may require the services of logistics providers, suppliers, and marketing agencies to support its operations, thus creating job opportunities in these related sectors.

Furthermore, competition among companies drives innovation and efficiency, leading to the development of superior products and services. This, in turn, can result in economic expansion and the creation of new jobs. Moreover, the entry of new market players may motivate established companies to innovate and improve their offerings, further boosting economic growth.

To summarize, innovation and entrepreneurship have the potential to have a positive impact on the economy by creating new employment opportunities, promoting expansion, and improving efficiency.

Entrepreneurial activity serves as a pivotal catalyst for economic advancement at the local level, fostering economic growth and prosperity. The establishment of new businesses not only creates employment opportunities but also contributes to improved living standards and wellbeing within local communities.



The realm of entrepreneurship presents a plethora of opportunities for the labor market, offering a degree of flexibility and diversity in employment options. Small businesses often hire individuals who may not find employment in larger companies, creating opportunities for a diverse range of individuals, including young professionals and those in vulnerable situations.

Global data suggests that small businesses play a significant role in job creation, accounting for approximately 90% of all enterprises and providing more than half of all employment worldwide, particularly in developing countries [15]. However, entrepreneurship also carries certain risks for the labor market.

One such risk is uncertainty. New businesses are more prone to failure compared to large corporations, which can lead to job losses.

Furthermore, the use of automation and robotics can reduce the demand for certain types of manual labor, resulting in a decline in employment opportunities. This trend can be exacerbated by the competition from large and established companies, which can drive smaller businesses out of the market. Despite these challenges, entrepreneurship remains a crucial driver of job creation and economic growth. Government support and regulation can help mitigate risks and promote the potential of entrepreneurial ventures.

RESULTS

In order to increase production efficiency and introduce modern technologies, it is necessary to have qualified specialists who are able to manage them. In this regard, the training and retention of such specialists should become an important part of Uzbekistan's economic strategy aimed at diversification and productivity improvement.

Government policy on the labor market should be consistent with this strategy and take into account the interests of both current and future employees.

The measures that can be taken under this policy can be divided into three categories, depending on their impact.:

1. Measures aimed at increasing the supply of labor.
2. Measures to increase the demand for labor.

In order to improve the labor supply situation, it is necessary, first of all, to review the educational policy. In the modern world, the education system should



ensure the formation of deep and universal knowledge and skills that will be useful in any professional field.

To do this, the education system must be flexible enough to adapt to changes in the labor market. In this regard, it is necessary to continue the reforms aimed at:

- Development of general education at all levels: preschool, primary, basic and secondary education. This will provide the basis for further professional training.
- Formation of basic knowledge and social skills necessary in the labor market.
- Fostering a high work ethic.

It is also necessary to improve the work of educational institutions at all levels, especially in the field of primary and secondary vocational education.

Flexible and modern teaching methods should be supported, such as public-private partnerships, resource sharing, organization of short-term refresher courses within the framework of the concept of lifelong learning, and others.

Improving the quality of education in general education and vocational schools is an important task that requires constant monitoring and analysis. It is necessary to make timely adjustments to educational programs, as well as to conduct effective assessment and training of teachers and teachers.

In addition, incentives should be created to improve the quality of education for both teachers (for example, by increasing salaries for those who achieve the best results) and students. Competition between educational institutions should be encouraged to achieve better educational outcomes.

The need for skilled labor is a key factor, especially in an environment where most high-quality and efficient jobs are created in the informal sector of the economy. For the gradual "whitewashing" of the economy and the labor market, it is necessary to take a number of measures that will help increase the demand for more qualified, productive and highly paid workers.

As part of the implementation of this policy, it is assumed:

1. Ensure the flexibility of labor legislation, which will allow for the introduction of flexible work schedules and reduce the cost of hiring and firing employees.
2. To preserve and strengthen the existing labor guarantees that can be provided at the current stage of the country's economic development, especially in the



field of labor protection. These guarantees should also apply to the informal sector of the economy.

These measures will help reduce the level of inequality in the labor market. For example, supporting flexible forms of employment and improving working conditions will make women and young people more economically active.

In conclusion, it can be concluded that the labor market in the Republic of Uzbekistan is facing a number of problems caused by demographic changes, an increase in the supply of labor, the dynamics of economic activity of the population, a decrease in employment in agriculture and an increase in employment in the service sector, as well as mass labor migration to countries with more developed economies and higher wages labor.

In addition, there are gender and other types of inequality in the labor market.

One of the features of labor relations in the Republic of Uzbekistan is the widespread use of informal employment, which is due to the creation of jobs and the possibility of vertical mobility for entrepreneurs.

This explains why the governments of many countries maintain informal economic relations using various tax, credit, regulatory and other policies. However, it should be noted that informal employment contributes to the preservation of simple forms of production and does not contribute to the transition of the economy to more efficient models that require qualified specialists.

CONCLUSION

The results of the study show that business initiatives play an important role in creating new jobs in all sectors of the economy. Small enterprises and individual entrepreneurs not only contribute to the opening of new vacancies, but also make a significant contribution to the sustainable economic development of the country.

They contribute to the revival of economic activity in the regions, the growth of incomes, employment of vulnerable groups and the introduction of innovative ideas. Due to the expansion of production, the variety of services and the introduction of new technologies, the labor market is becoming more flexible, which leads to an increase in demand for highly qualified specialists.



In order for businesses to have a long-term impact on employment, an effective institutional environment, simplified regulatory mechanisms, sufficient financial resources and an education system that meets the requirements of the labor market are needed.

Problems such as informal employment typical of developing countries, high risks for small businesses and difficulties in adapting to technological changes can become serious obstacles to the sustainable development of the economy.

Entrepreneurship plays a key role in the economy of Uzbekistan, contributing to increasing employment, reducing poverty, strengthening the economic potential of the regions and improving the well-being of the population. The support and systematic development of entrepreneurship will help bring the labor market to a new level.

Based on the conducted research and scientific approaches, we came to the conclusion that in order for entrepreneurship to become a key factor in ensuring employment, it is necessary to take the following measures:

1. Education reform and the concept of lifelong learning.

In order to train specialists who, meet the requirements of the modern labor market, it is necessary to reform the education system and actively develop the concept of continuous learning. It is important that graduates have practical skills that are in demand in a rapidly changing environment. In this regard, it is necessary to develop specialized educational programs focused on the innovative and digital economy. In addition, it is necessary to introduce a system of professional development and motivation of teachers.

2. Creating a favorable institutional environment for the development of entrepreneurship.

Creating a supportive institutional environment conducive to the development of entrepreneurship is an important step towards a successful future. To do this, it is necessary to reform the education system and develop the concept of continuous learning in order to train specialists who are able to adapt to changing labor market conditions. In order to stimulate the development of new technologies and the introduction of innovations in the business environment, it



is necessary to create conditions for the development of digital entrepreneurship. This will support and accelerate digitalization processes, as well as create new business opportunities. In addition, it is necessary to stimulate the economic activity of the population through special programs for women, youth and people with disabilities. This will help them to actively participate in the life of society and contribute to its development.

3. Support for innovative and digital entrepreneurship.

The creation of technology parks, incubators and accelerators will be an incentive for the creation of new jobs and the development of innovative technologies. Massive educational programs and trainings aimed at developing digital skills will allow everyone to master new technologies. Grants and awards to support information technology startups will become a powerful tool for young entrepreneurs.

4. Development of social responsibility of business

Supporting initiatives aimed at processing local resources and products is the basis for creating new jobs in tourism, handicrafts and agriculture in rural areas. The promotion of business social responsibility helps to draw attention to important issues and find solutions aimed at improving the quality of life. Financial and moral support for social and environmental business projects is an important step towards the sustainable development of society.

These measures will help to increase the level of employment in the Uzbek economy, solve problems in the labor market and move the country towards sustainable development.

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***Modern American Journal of Business,
Economics, and Entrepreneurship***

ISSN (E): 3067-7203

Volume 01, **Issue** 09, December, 2025

Website: usajournals.org

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