



Article

Foreign Experience in Financing Innovative Projects in The Activities of Entrepreneurial Entities

Ruziyeva Maftuna Yusufovna*¹

1. Senior Teacher, MSc, Department "Regional Economy" Tashkent State University of Economics, Tashkent, Republic of Uzbekistan

*Corresponding Author: maftunaruziyeva29@gmail.com

Citation: Yusufovna, R. M. Foreign Experience in Financing Innovative Projects in The Activities of Entrepreneurial Entities. American Journal of Economics and Business Management 2026, 9(5), 259-262.

Received: 25th Mar 2026

Revised: 05th Apr 2026

Accepted: 20th Apr 2026

Published: 13th May 2026



Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license

(<https://creativecommons.org/licenses/by/4.0/>)

Abstract: Financing innovative projects is one of the key factors ensuring sustainable economic growth and entrepreneurial development in modern economies. This study examines foreign experience in financing innovative projects within entrepreneurial activities and evaluates effective financial mechanisms used in developed and emerging economies. The research focuses on venture capital systems, state innovation funds, bank financing, public-private partnerships, and tax incentives supporting innovation activities. A qualitative comparative analysis approach is applied using international policy frameworks and secondary statistical data. The findings indicate that countries with developed innovation financing systems demonstrate higher entrepreneurial activity, technological advancement, and economic competitiveness. Venture capital and government support programs play a decisive role in reducing financial risks associated with innovation projects. However, developing economies often face institutional and financial barriers limiting innovation financing opportunities. The study concludes that adapting successful foreign practices can significantly improve the innovation ecosystem and entrepreneurial sustainability in transition economies.

Keywords: Innovation Financing, Entrepreneurial Entities, Venture Capital, Innovation Policy, Startup Financing, Business Innovation, Technological Development, Public-Private Partnership, Innovation Investment, Economic Competitiveness

1. Introduction

Innovation has become one of the most important drivers of economic growth and business competitiveness in the global economy. In modern market conditions, entrepreneurial entities increasingly rely on innovative projects to improve productivity, develop new products, and strengthen market positions [1].

Innovative projects often require significant financial resources and involve high levels of uncertainty and risk. As a result, access to effective financing mechanisms is essential for the successful implementation of innovation activities [2]. In developed economies, innovation financing systems have evolved through the integration of venture capital markets, innovation funds, government support programs, and private investment mechanisms.

Foreign experience demonstrates that countries with strong innovation financing systems achieve higher levels of technological development and entrepreneurial sustainability [3]. For example, the United States has developed one of the world's largest

venture capital ecosystems, supporting startups and high-technology firms through private investment and innovation-oriented financial institutions [4].

Similarly, European countries have introduced innovation grants, tax incentives, and public-private partnership programs to stimulate entrepreneurial innovation [5]. Asian economies such as South Korea and Singapore have also successfully integrated innovation financing into national development strategies [6].

In developing and transition economies, however, entrepreneurs often face limited access to financial resources for innovation projects. Weak financial infrastructure, high credit risks, and insufficient institutional support reduce opportunities for technological development [7].

Uzbekistan has recently increased attention toward innovation policy and entrepreneurial modernization. National strategies emphasize the importance of supporting innovative business activities and attracting investment into technological sectors [8]. However, the national innovation financing system still faces several structural challenges.

This study aims to analyze foreign experience in financing innovative projects and evaluate how international practices can support entrepreneurial development in emerging economies.

Literature Review

Theoretical approaches to innovation financing are primarily based on Schumpeter's theory of innovation, which identifies entrepreneurship and technological innovation as the main engines of economic development [9].

According to Hall and Lerner, innovative projects face financing difficulties because of information asymmetry, high uncertainty, and long investment horizons [10]. As a result, traditional bank lending is often insufficient for supporting innovation activities.

Venture capital financing has become one of the most effective mechanisms for financing innovative enterprises. Gompers and Lerner argue that venture capital not only provides financial resources but also managerial expertise and strategic support [11].

Government support programs also play an important role in innovation financing. OECD studies indicate that state innovation funds, grants, and tax incentives significantly stimulate research and development activities [12].

Research on developing economies highlights that innovation financing systems require strong institutional frameworks, financial market development, and legal protection for investors [13]. Without these elements, innovation ecosystems remain underdeveloped.

Recent studies also emphasize the importance of public-private partnerships in financing innovation projects, particularly in high-risk technological sectors [14].

Overall, existing literature confirms that diversified financing mechanisms are essential for promoting entrepreneurial innovation and sustainable economic growth.

2. Materials and Methods

This study applies a qualitative comparative analysis method to examine foreign experience in financing innovative projects within entrepreneurial activities. The research is based on secondary data collected from OECD reports, World Bank publications, innovation policy documents, and academic literature. Comparative analysis is conducted between developed and developing economies to identify effective financing mechanisms.

The methodological framework includes three analytical dimensions:

Analysis of innovation financing instruments (venture capital, bank loans, grants, tax incentives)

Evaluation of entrepreneurial innovation performance indicators

Comparative assessment of policy effectiveness across different countries. The study uses descriptive and interpretive analytical techniques to evaluate how financial mechanisms influence innovation activities and entrepreneurial sustainability.

3. Results

Table 1. Main Innovation Financing Mechanisms in Selected Economies

No	Country	Main Financing Instrument	Innovation Activity Level	Government Support
1	United States	Venture capital	Very high	Strong
2	Germany	Innovation grants	High	Strong
3	South Korea	State innovation funds	High	Very strong
4	Singapore	Public-private partnerships	High	Strong
5	Uzbekistan	Bank financing	Moderate	Developing

Source: OECD Innovation Outlook, World Bank Entrepreneurship Report.

Description: The table compares major innovation financing mechanisms and government support levels across selected economies.

The findings demonstrate that countries with diversified financing systems achieve higher levels of innovation performance and entrepreneurial competitiveness.

Venture capital systems in developed economies significantly reduce financial barriers for innovative startups[15]. In contrast, developing economies rely more heavily on traditional bank financing, which often limits innovation activities due to strict collateral requirements.

4. Discussion

The results confirm that foreign experience in innovation financing provides important lessons for developing economies. One of the most effective instruments is venture capital financing, which supports high-risk innovative projects that may not qualify for traditional loans. Government participation is also essential for innovation ecosystem development. Countries such as South Korea and Germany actively support entrepreneurs through innovation grants, subsidies, and research programs. Another important factor is the integration of financial institutions with innovation policy. In advanced economies, innovation financing is closely linked to technological development strategies and industrial modernization programs. Public-private partnerships also play a critical role in financing large-scale innovation projects. Such partnerships reduce financial risks and improve resource allocation efficiency.

However, developing economies face several barriers, including limited investor confidence, underdeveloped financial markets, and insufficient legal protection mechanisms. In Uzbekistan, innovation financing reforms are gradually expanding, but the system still depends heavily on bank-based financing. Diversifying financial instruments and strengthening venture capital ecosystems would significantly improve entrepreneurial innovation opportunities.

5. Conclusion

This study analyzed foreign experience in financing innovative projects within entrepreneurial activities. The findings indicate that diversified financing mechanisms

significantly contribute to entrepreneurial innovation, technological development, and economic competitiveness. Developed economies successfully utilize venture capital systems, government innovation funds, tax incentives, and public-private partnerships to support innovative enterprises. These mechanisms reduce financial barriers and encourage long-term technological investment.

The study also demonstrates that institutional quality and financial market development are essential for effective innovation financing systems. Developing economies often face structural limitations that reduce innovation potential.

In conclusion, adapting successful foreign practices can strengthen innovation financing systems in emerging economies. Policymakers should expand venture financing opportunities, improve institutional support, and integrate innovation policy with financial sector reforms to promote sustainable entrepreneurial development.

REFERENCES

- [1] OECD, *Innovation Outlook 2023*. Paris: OECD Publishing, 2023.
- [2] World Bank, *Entrepreneurship and Innovation Report*, Washington, DC, 2022.
- [3] UNDP, *Innovation and Sustainable Development*, New York, 2021.
- [4] National Venture Capital Association, *Venture Capital Yearbook*, 2023.
- [5] European Commission, *Innovation Finance in Europe*, Brussels, 2022.
- [6] Asian Development Bank, *Innovation Systems in Asia*, Manila, 2021.
- [7] IMF, *Financing Innovation in Emerging Economies*, Washington, DC, 2022.
- [8] Government of Uzbekistan, *Innovation Development Strategy 2030*, Tashkent, 2022.
- [9] J. Schumpeter, *Theory of Economic Development*. Cambridge: Harvard University Press, 1934.
- [10] B. Hall and J. Lerner, "The financing of R&D and innovation," *Handbook of the Economics of Innovation*, vol. 1, pp. 609–639, 2010.
- [11] P. Gompers and J. Lerner, *The Venture Capital Cycle*. Cambridge: MIT Press, 2004.
- [12] OECD, *Financing SMEs and Entrepreneurs 2023*, Paris, 2023.
- [13] World Bank, *Global Innovation Financing Report*, 2022.
- [14] UNEP, *Public-Private Partnerships for Innovation*, Nairobi, 2021.
- [15] Harvard Business Review, "Innovation financing and competitiveness," 2021.