

Support of Small Business and Private Entrepreneurship in Uzbekistan through Loans of Commercial Banks

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ABSTRACT: The article highlights the issues of financing small businesses and private entrepreneurship through bank loans, the system of financial support for entrepreneurship and increasing investment activity, the current problems in obtaining bank loans as one of the important sources of financing small business and approaches to solving them.

KEYWORD: small business and private entrepreneurship; commercial banks; bank loans; financial support system; foreign experiences.

Today, a lot of attention is paid to the development of small business around the world. In particular, in January 2021, the World Bank will provide about 4.8 million US dollars to support small and medium-sized businesses. It has provided US \$ loans to finance 61 projects in 47 countries. ” [1] Despite the fact that small and medium-sized businesses are supported by international financial institutions and commercial banks, small and medium-sized businesses face more financial hurdles than large companies. International experience shows that commercial banks and credit unions have traditionally used lending methods in lending to small and medium-sized businesses. According to the World Bank, “A study of 91 commercial banks in 45 countries found that the small and medium business segment is a profitable customer for the bank, but macroeconomic instability in developing countries and small businesses is one of the main problems compared to small businesses in developed countries. they are being funded ” [2] .

In international practice, the World Bank, which is the largest financial institution, as well as other international financial institutions have conducted research aimed at improving the lending system for small and medium-sized businesses. In this research, methods for improving the lending mechanisms of small and medium-sized businesses, the effective use of loans have been developed. However, specific aspects aimed at further enhancing the culture of service to small businesses and confidence in the banking system by banks have not been scientifically addressed. In particular, a number of issues such as coordination of powers in decision-making on loans , clear delineation of responsibilities between parent banks and their branches, consideration of loan applications, the possibility of obtaining loans quickly remain one of the main areas of research.

Financial support of small businesses and private entrepreneurship by banks on the basis of loans has been identified as one of the main directions of reforms in Uzbekistan. The new Development

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Strategy of Uzbekistan for 2022-2026 sets the task of "creating conditions for the organization of entrepreneurial activity and the formation of sustainable sources of income, increasing the share of the private sector in GDP to 80% and exports to 60%" [3]. In particular, the criteria describing the effectiveness of lending to small businesses by banks are not reflected in the credit policy of banks, the vast practical and rich experience of lending to small businesses in economically developed countries, the scientific justification of the study, generalization and application of these best practices in Uzbekistan is a topical issue for our republic.

As noted in the report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev in an open dialogue with entrepreneurs, "Another important innovation is the introduction of a system of lending to entrepreneurs in soums and at reasonable interest rates, regardless of the currency in which banks attract resources. For this purpose, a currency risk management company will be established under the Ministry of Finance and its branches in the regions." [4] Therefore, it is planned to provide comprehensive support to small business and private entrepreneurship, increase the amount of loans provided to them, allocate soft bank loans to businesses to implement investment projects under the program of socio-economic development of the country [5]. In particular, in 2021, the volume of loans issued by commercial banks increased by 27.7%. The highest growth in loans was observed in Tashkent (45.3%), Namangan (28.7%) regions and the city of Tashkent (40.4%). The increase in the volume of loans issued by commercial banks indicates the gradual improvement of the investment climate and the activities of business structures. These changes also include an increase in the number of entrepreneurs engaged in continuous activities. In 2021, 96,505 new business entities were established, the largest number of which were registered in Samarkand (10475), Kashkadarya (8958), Fergana (8799), Tashkent (7704) regions and the city of Tashkent (16140). The role and place of commercial banks in lending to small businesses is growing from year to year.

It is known that in accordance with the Law of the Republic of Uzbekistan "On Banks and Banking", loans are issued by commercial banks to businesses on the principles of repayment, interest, maturity, security and purpose. However, in some cases, there are cases when projects that do not have sufficient or no collateral are included in the programs. Therefore, in the financial support of small business and private entrepreneurship, the issues of further increasing bank lending and improving its financial security are urgent.

Addressing the problems associated with the development of small businesses is very important in terms of ensuring the sustainable development of the country's economy.

According to world experience, the development of small business, in particular, small innovative business, not only ensures socio-economic efficiency, but also plays an important role in the political programs implemented in the countries. The development of small business is an important factor in increasing the share of the middle class in society, as well as ensuring economic, social and political stability in the country. Small business plays an important role in stabilizing the economy in developed countries such as the United States, Germany, China, France, Japan, Italy. "According to the International Small Business Council (ICSB), small businesses account for more than 90% of all enterprises, 60-70% of the employed, and 50% of GDP" [7]. These enterprises form the basis of the economies of developed countries, play an important role in stimulating economic development and employment of women and young entrepreneurs and low-income groups.

Socio-economic changes in the life of our country, the role of investments in the real sector in ensuring sustainable economic growth in recent years is undoubtedly growing. The inflow of bank funds into all sectors remains a guarantee of production continuity. Among the priorities for deepening economic reforms in Uzbekistan, the development of small business and private

entrepreneurship is of particular importance. Consequently, life itself clearly shows that small business and private entrepreneurship play an important role in the socio-economic development of society. As it is noted here, “ Our only way is to increase the number of entrepreneurs, to make people entrepreneurs! Each governor must find himself to provide additional income to the budget, create conditions for the entrepreneur and work side by side with business representatives. All avenues are open for small business and private entrepreneurship, which must be used effectively. ” [8] This sector is considered as a key factor in the country's economic growth , and in 2021, loans provided by commercial banks to small businesses and private entrepreneurship at the expense of all financial sources It is 1.3 times more than in 2020 and amounted to 12346 billion . soums. Of these loans, 4172 bln. UZS microcredits, the volume of which increased 1.5 times compared to 2020 [9] .

basis of the development strategy , a new fiscal policy is being developed in Uzbekistan and is being implemented by the government in real life. The beginning of every economic activity in the society develops and improves due to the close financial support of the state. In particular, special attention will be paid to increasing the role of banks in supporting small business and private entrepreneurship.

The main activities of small businesses and private enterprises are closely related to banks, whose activities include the purchase of raw materials, production of goods, payment for services, wages, various categories of enterprises, firms and other legal entities. economic relations, ie all types of payments for profits, income, transport, utilities are made through banks, in turn, loans and other settlements are made through banks.

It should be noted that a few years ago in Uzbekistan , various economic relations with banks and banks were not very transparent. It is well known today that all the activities of small business and private entrepreneurship, which are an important part of the world economy, are connected with banks. It should be noted that in developed countries, such as the United States, the banking system is highly developed, and in the active economic activity of business, banks provide comprehensive services to enterprises of all forms of ownership.

Today in Uzbekistan 2021 as of January 1 of the year There are 32 banks, of which 3 are state-owned banks, 13 are joint-stock commercial banks, 9 are private banks, and 7 are banks with foreign capital [10] .

The expansion of commercial banks in recent years, in turn, has a significant impact on the volume of loans, deposits and total capital provided by them . At the same time, small business and private entrepreneurship in Uzbekistan have a high share in GDP, but have a share of 7.9% in the loan portfolio compared to developing countries, lagging behind in financing small business and private entrepreneurship.

One of the main problems for small businesses and private entrepreneurship is the lack of financial resources at their disposal. Credit plays a key role in solving this problem. In this case, the following method is proposed, ie the "Allow" method, in which the person who wants to start his own business should be trusted to start a business by providing unsecured loans for a well-thought-out business project that meets today's requirements. This project will increase its profitability in the future, firstly, through the timely repayment of bank loans, secondly, increase the number of customers and thirdly, create new jobs in the country, increase the range of goods and services in the market, and fourthly improve the social situation , fifth, the number of taxpayers in the country will increase.

The study shows that the following pressing issues related to improving the practice of lending to small businesses in Uzbekistan on the basis of best international practices have been identified:

- banks and financial institutions are reluctant to expand the loan portfolio of small business and private entrepreneurship, as they do not consider small business and private entrepreneurship as attractive and profitable business entities;
- banks and financial institutions view small businesses and private entrepreneurship as highly indebted;
- small business and private entrepreneurship have low capital, lack of assets and cannot meet the collateral requirements of banks;
- lending to small businesses and private entrepreneurship by financial institutions is required to be monitored, and due to the cost of such work, banks consider such operations to be an overload.

In lending to small businesses and private entrepreneurship, increasing the role of banks and financial institutions, there are the following problems between the demand side (enterprise) and the supply side (banks and financial institutions):

The main problems of the small business and private entrepreneurship demand side:

1. High interest rate;
2. Inconsistency of debt and their composition;
3. Existence of a long and complicated process for obtaining a loan;
4. Lack of information on financing of small business and private entrepreneurship;
5. Excessive documents in the process of obtaining a loan;
6. Lack of business consulting services.

There are the following problems on the part of suppliers:

1. Lack of eligible enterprises among small businesses and private entrepreneurship;
2. Insufficient income from loans of small business and private entrepreneurship;
3. Lack or limited funding for small business and private entrepreneurship;
4. Credit-related processes are risky and monitoring costs are high.

Based on the above, as well as on the basis of best international practices, we put forward the following proposals aimed at improving the practice of lending to small businesses:

1. It is necessary to ensure the timely repayment of loans issued by banks to small businesses, as well as to create a database that reflects the client's periodic work experience in repaying loans to encourage the client to take another loan in the future;
2. It is necessary to expand the geography of small business and private entrepreneurship. This is because the development of the regions leads to an increase in the income of the population. The capital of Uzbekistan, Tashkent, is densely populated with small businesses and private entrepreneurs. As of January 1, 2021, the average number of small businesses per 1,000 population was in Tashkent (21.2 units) and 8.4 units in the remote Surkhandarya region. is doing. This is a huge difference. We can achieve great efficiency in the development of regions by expanding the geography of small businesses.
3. For success, banks must first and foremost consider their customers as the bank's most valuable "asset" and qualitatively change the system of customer relations, form innovative new ways of

working with customers, a new way of working based on standard technologies with an individual approach to each customer. should be installed.

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