

# Improving the Financing of Small Business Entities From the Roof of Commercial Banks

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**Abstract:** The article shows issues of financing on the basis of lending to small businesses and private businesses, increasing the activity of commercial banks in the financial application of small businesses, existing problems in obtaining bank loans as one of the sources of financing for small businesses, and approaches to their solution.

**Keywords:** small business and private entrepreneurial structures; commercial banks; financing; financial support system; bank loans.

**Introduction:** Despite the fact that small and medium-sized businesses are supported by international financial organizations and commercial banks, small and medium-sized businesses face more financial obstacles than large companies. International experiments have shown that commercial banks and credit unions have been using traditional lending methods in lending to small and medium-sized businesses. As a result of research conducted by the World Bank "in 91 commercial banks of 45 countries, it turned out that the small and medium-sized business segment is a profitable client for the bank, but macroeconomic instability in developing countries and one of the main problems in comparison of small business entities of developed countries, the financing of which is visible.

**Relevance:** In international practice, scientific research has been carried out by the World Bank, which is considered a large financial institution, as well as other international financial institutions, aimed at improving the lending system of small and medium-sized businesses. In these studies, methods of improving the mechanisms of lending to small and medium-sized businesses, the effective use of loans have been developed. But, the specific aspects aimed at further increasing the culture of Service and confidence in the banking system of small business entities by banks have not found their own scientific solution. In particular, a number of issues, such as the Coordination of powers in making decisions on the allocation of loans, the clear delimitation of liability between General banks and their branches, the consideration of credit orders, the possibility of obtaining loans quickly, currently remain one of the main areas of scientific research work. Financial support of small business and private business entities on the basis of loans by banks is one of the main directions of reforms carried out in Fzbekistan. The development strategy of the new Uzbekistan for 2022-2026 sets out the task "to create conditions for the organization of entrepreneurial activity and the formation of permanent sources of income, to bring the share of the private sector in GDP to 80 percent and its share in exports to 60 percent. In particular, the fact that the criteria describing the effectiveness of lending by banks to the activities of small business entities are not expressed in the credit policy of banks, that large practical and rich experience in lending to small businesses has been accumulated in economically developed countries, the scientific justification of the possibility of studying, summarizing these advanced foreign experiences and using it.

**The purpose of the study:** In the report of the president of the Republic of Uzbekistan Shavkat Mirziyoyev in his open dialogue with entrepreneurs — "another important news is that no matter what currency banks attract the resource, a system for lending to entrepreneurs is established in sums and at acceptable interest rates. To this end, under the Ministry of finance, the foreign exchange risk management company and its branches will be established in the regions. It follows that it is planned to provide comprehensive support for small business and private entrepreneurship, increase the amount

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of loans allocated to them, allocate preferential bank loans for the implementation of investment projects for business entities within the framework of the program of socio-economic development of the Republic's territories. In 2021, the volume of loans issued by commercial banks increased by 27.7%. The highest increase in the volume of loans issued was observed in Tashkent (45.3%), Namangan (28.7%) regions and Tashkent City (40.4%). The increase in the volume of loans issued by commercial banks is a sign that the investment environment and the activity of entrepreneurial structures are constantly improving. 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 of which were registered in Samarkand (10,475), Kashkadarya (8,958), Fergana (8,799), Tashkent (7,704) regions and Tashkent City (16,140). At the same time, it should be noted that in accordance with the law of the Republic of Uzbekistan "on banks and banking activities", loans to economic entities are allocated by commercial banks on the basis of the principles of repayability, interest rate, timeliness, security and purposefulness. However, in some cases there are also cases such as the inclusion in programs of projects that do not have sufficient or no collateral. Therefore, in the financial application of small businesses and private business entities, the issues of further increasing bank credit and improving its material taste are constantly maintaining their relevance. According to world experience, the development of small businesses, in particular small innovative ones, not only provides socio-economic efficiency, but also shows its importance in the political programs implemented in countries. The development of small business is an important factor in increasing the share of the middle layer in the structure of society, while ensuring economic, social and political stability in the country. Small businesses are of great importance in stabilizing the economy in developed countries such as the United States, Germany, China, France, Japan, Italy. "According to the International Small Business Council (issb), small business entities account for more than 90% of all enterprises, 60-70% of employed, 50% of gross domestic product. These enterprises form the basis of the economy of developed countries of the world, play an important role in the employment of women and young entrepreneurs and low-income groups in promoting economic development.

**Object and methods of research:** The same sector is considered as the main factor in the country's economic growth, and in 2021, loans allocated by commercial banks to small businesses and private businesses at the expense of all financial resources increased by 1.3 times compared to 2020 and amounted to 12.2 trillion. 346 crore. 4 trillion of these allocated loans. 172 crore. the amount is microloans, the volume of which has grown 1.5 times compared to 2020. According to the conclusion of the official (2009), in order to develop the practice of micro-lending to small business entities, microcredit operations of banks and non-bank credit organizations should not be controlled by the central bank. Nobel laureate, M.Jonah concludes that when lending to small business entities that are now starting work, the focus should be on the social effect of lending. After the expansion of financial capabilities of business entities, they are responsible for an increase in demand for loans issued at market rates (Jonah, 2010). F.Allen and D. Gail acknowledges the existence of two systems of financing the activities of small and medium – sized businesses-a system based on the activities of banks and a system based on the financial markets-and argues that the first system plays a relatively important role in this (Allen and Gail, 2000). In our opinion, F. Allen and D. Gail. This conclusion is of significant practical importance for the countries of the transition economy. This is because, firstly, commercial banks have a leading position in the small business lending system in these countries; secondly, there is no possibility for small business entities to attract resources through the securities market. Shanel - Reyno and Blua (2001) conclude that the good access of small and medium-sized enterprises to large enterprises increases their access to commercial bank loans. Because, it analyzes how large enterprises can meet their market requirements before entering into business relations with small and medium-sized enterprises. It also constantly monitors the state of small and medium-sized enterprises, which are partners of a large enterprise. J.Shanel - Reyno and E.Blua. This scientific conclusion of the is based on the analysis of the experience of the developed countries and is considered reliable in this respect. The research carried out by them is based on accurate data analysis, which serves to justify the fact that large businesses play an important role in the development of the activities of small and medium - sized businesses. MacNaughton (1994) argued that a future harvest



would serve as a liquid supply for agricultural producers. But in the event of a drought, they will not be able to harvest the intended amount. Therefore, the future crop must be insured against drought, natural disasters. In our opinion, it is of significant scientific and practical importance to substantiate the conclusions, proposals and recommendations of economic scientists aimed at improving the financing of the activities of small business entities in the practice of our republic.

**Research objectives:** It should be noted that with the development of market relations, the structure of financial relations of small business enterprises will also change even more. Therefore, changes in the structure of its financial activities in the process of small business development should be considered as a natural phenomenon. This is due to the fact that as a result of the creation of a perfect distribution system within the small business system, favorable economic conditions will be created for the future development of small businesses in order to achieve a greater strengthening of production opportunities, which is expanded through the creation of centralized and reserve funds.

**Result and discussions:** The features of small business and private entrepreneurship, such as the employment of the population and the formation of the middle class, are covered in detail in foreign economic literature. From the experience of developed countries, it is known that small enterprises are promising in the application of economic development, scientific and technological inventions, to satisfy the demand of the population. In management, the property is in the hands of the real owner, along with the minimum cost in small enterprises, and its use, reproduction has always brought good results.

**Conclusion:** In this regard, the comprehensive development of small and private businesses is necessary. It is necessary to create favorable conditions for their organization, registration and financing issues. It is necessary to ensure the full freedom of small business entities and stimulate their activities.

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