

FINANCING ISSUES OF SMALL BUSINESS ENTITIES BY COMMERCIAL BANKS

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Abstract: The article describes the issues of financing small business and private business entities based on lending, increasing the activity of commercial banks in financial support of small business, existing problems in obtaining bank loans as one of the sources of financing for small business, and approaches to their solution..

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

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It is known that today, a lot of attention is paid to the development of small businesses around the world. In particular, in January 2021, "The World Bank will provide approximately 4.8 million dollars in support of small and medium-sized business entities." allocated loans equal to US dollars to finance 61 projects in 47 countries of the world" [1].

Despite the support of small and medium-sized businesses from international financial organizations and commercial banks, small and medium-sized businesses face more financial obstacles than large companies. International experience shows that commercial banks and credit unions are using traditional methods of lending to small and medium-sized businesses. by the World Bank "As a result of the research carried out in 91 commercial banks of 45 countries, it became clear that the small and medium business segment is a profitable customer for the bank, but macroeconomic instability in developing countries and financing is one of the main problems of small business entities compared to small business entities in developed countries. is being abandoned" [2].

The World Bank, which is considered a major financial institution in international practice, as well as other international financial institutions, conducted scientific studies aimed at improving the lending system of small and medium-sized business entities. In these studies, methods of improving lending mechanisms for small and medium-sized business entities, effective use of loans were developed. However, specific aspects aimed at further increasing the culture of service to small business entities and trust in the banking system by banks have

not found their scientific solution. In particular, a number of issues, such as the coordination of powers in making decisions on the allocation of loans, the clear demarcation of responsibility between the main banks and their branches, the review of loan orders, the possibility of obtaining loans quickly, remain one of the main directions of scientific research.

Financial support of small business and private business entities by banks on the basis of loans is defined as one of the main directions of the reforms implemented in Uzbekistan . In the new Development Strategy of Uzbekistan for 2022-2026 , the task of "creating conditions for the organization of business activities and the formation of permanent sources of income, the share of the private sector in the Gross Domestic Product to 80% and the share of exports to 60% [3] is defined. In particular, the criteria describing the effectiveness of lending to small business entities by banks are not reflected in the credit policy of banks, the practical and rich experience of lending to small businesses has been accumulated in economically developed countries, and the possibilities of studying, generalizing and using these advanced foreign experiences in the practice of Uzbekistan are scientifically substantiated. is an urgent issue for our republic.

In the speech of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the open dialogue with entrepreneurs - "Another important innovation is that regardless of the currency in which banks attract resources, a system of providing loans to entrepreneurs in soums and at reasonable interest rates will be established. For this purpose, the Currency Risk Management Company and its regional branches will be established under the Ministry of Finance" [4] - he noted. Based on this, it is planned to provide all-round support to small business and private entrepreneurship, to increase the amount of loans allocated to them, and to allocate preferential bank loans to business entities for the implementation of investment projects within the framework of the socio-economic development program of the republic's regions [5] . In 2021 , the volume of loans granted by commercial banks increased by 27.7%. The highest increase in the volume of loans was observed in Tashkent (45.3%), Namangan (28.7%) regions and Tashkent city (40.4%). The increase in the volume of loans granted by commercial banks indicates the gradual improvement of the investment environment and the activity of business structures. These changes include an increase in the number of entrepreneurs engaged in continuous activity. In 2021, 96,505 new business entities were established, and most of them were registered in Samarkand (10,475), Kashkadarya (8,958), Fergana (8,799), Tashkent (7,704) regions, and Tashkent city (16,140) [6] .

At this point, it is worth noting that according to the Law of the Republic of Uzbekistan "On Banks and Banking Activities", loans are allocated by commercial banks to business entities based on the principles of repayment, interest rate, term,

security and purposefulness. However, in some cases, projects with insufficient or no collateral are included in the programs. Therefore, the issue of increasing bank credit and improving its material security in financial support of small business and private business entities always remains relevant.

According to world experience, the development of small business, especially small innovative business, not only ensures socio-economic efficiency, but also shows its importance 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 is of great importance in stabilizing the economy in developed countries such as the USA, Germany, China, France , Japan, and Italy. "According to the International Small Business Council (ICSB), small business entities make up more than 90% of all enterprises, 60-70% of the employed, and 50% of the gross domestic product" [7]. These enterprises form the basis of the economy of the developed countries of the world, they play an important role in stimulating economic development in the employment of women and young entrepreneurs and disadvantaged population groups.

This sector is considered as the main factor of the country's economic growth, and in 2021, the loans allocated by commercial banks to small business and private business entities from all financial sources will increase by 1.3 times compared to 2020 and amount to 12.2 trillion. It was 346 billion soums. 4 trillion of these allocated loans. 172 billion soums are microloans, their volume has increased by 1.5 times compared to 2020 [8].

According to the conclusion of Mamut (2009), microcredit operations of banks and non-bank credit organizations should not be controlled by the Central Bank in order to develop the practice of microcrediting of small business entities.

According to the conclusion of M.Yunus, winner of the Nobel Prize, the main attention should be paid to the social effect of lending when lending to small business entities that are starting to work. After the financial opportunities of business entities expand, they cause an increase in the demand for loans at market rates (Yunus, 2010).

F. Allen and D. Gale recognize the existence of two systems of financing activities of small and medium-sized business entities - a system based on the activity of banks and a system based on financial markets, and emphasize that the first system is relatively important (Allen and Gale, 2000).

In our opinion, this conclusion of F. Allen and D. Gale is of great practical importance for countries with transition economies. The reason for this is that, firstly, commercial banks have a leading position in the small business lending system in these countries; secondly, there is no opportunity for small business entities to attract resources through the stock market.

According to the conclusion of Chanel-Reynaud and Blois (2001), good communication between small and medium enterprises with large enterprises increases their access to loans from commercial banks. Because before entering into business relations with small and medium-sized enterprises, large enterprises analyze their ability to meet market requirements. It also constantly monitors the status of small and medium-sized enterprises that are partners of large enterprises.

This scientific conclusion of J. Chanel-Reynaud and E. Blois is based on the analysis of the experience of developed countries and is therefore reliable. The research carried out by them is based on the analysis of specific data and serves to substantiate the fact that large business plays an important role in the development of activities of small and medium-sized business entities .

McNaughton (1994), the future harvest serves as a liquid supply for agricultural producers. But if there is a drought, they will not be able to harvest the intended amount. Therefore, the future crop should be insured against drought and natural disasters.

D. McNaughton's conclusion corresponds to the practice of the USA and Western Europe. Indeed, in developed countries, insurance companies have a high reputation, and their insurance policy is a reliable collateral for commercial banks. In addition, the fact that they insure the future harvest prevents the deepening of the credit risk problem caused by crop failure due to drought. But in the Republic of Uzbekistan, there are problems in collecting loans from insurance companies, including the Agroinsurance company, given to farms and not returned due to an insurance event .

In our opinion, it is of great scientific and practical importance to substantiate the possibilities of applying the conclusions, proposals and recommendations of economists aimed at improving the financing of small business entities in the practice of our republic.

It should be noted that with the development of market relations, The composition of financial relations of small business enterprises has also changed goes That's why for small business development in the process his financial activity structural in the part changes natural one case as to look must

This thing has to do with perfect distribution within the small business system system creation as a result centralized and reserve of funds organization _ _ through extended repeat work release of possibilities more to achieve strengthening and different tax benefits application in order to small business upcoming development for comfortable economic conditions is created.

Small business and private enterprise employment of the population and medium class form like features foreign economic in the literature covered in detail . It is known from the experience of developed countries that small enterprises are promising in economic development, application of scientific and technical

inventions, to satisfy the demand of the population. In the field of management, the lowest costs are incurred in small enterprises, and the property is in the hands of the real owner, and its use and increase have always brought good results.

In this regard, it is necessary to comprehensively develop small and private business . It is necessary to create favorable conditions for their organization, registration and financing. It is necessary to ensure full freedom of small business entities and encourage their activities.

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