

MECHANISMS OF FINANCIAL SUPPORT FOR SMALL BUSINESSES AND THEIR EFFECTIVENESS

A.Karimov

*Associate Professor of the Department of Management and Digitalization
at the non-state higher educational institution "University of Business and Science."*

Bustanova Nilufar Abdusamatovna

Senior lecturer of Andijan State Technical Institute

nilufarbustanova39@gmail.com telephone: +998 91 610-39-49

Abstract: The effective functioning of financing mechanisms is of great importance for the sustainable development of small business and private entrepreneurship. Therefore, the analysis of existing financing instruments, the assessment of their effectiveness, and the search for ways to improve them are urgent tasks.

Key words: entrepreneurship, import, export, innovation, environmental resources, efficiency, information services, credit.

Introduction. Today, small business and private entrepreneurship play a decisive role in the economic development of any country. In Uzbekistan, this sector accounts for 54.9% of GDP and employs more than 78% of the working-age population[1]. In recent years, the government of Uzbekistan has been carrying out large-scale reforms to develop small business and private entrepreneurship. By reducing state programs, tax benefits, and administrative barriers, a favorable environment for entrepreneurial activity is being created.

The effective functioning of financing mechanisms is of great importance for the sustainable development of small business and private entrepreneurship. Therefore, the analysis of existing financing instruments, the assessment of their effectiveness, and the search for ways to improve them are urgent tasks.

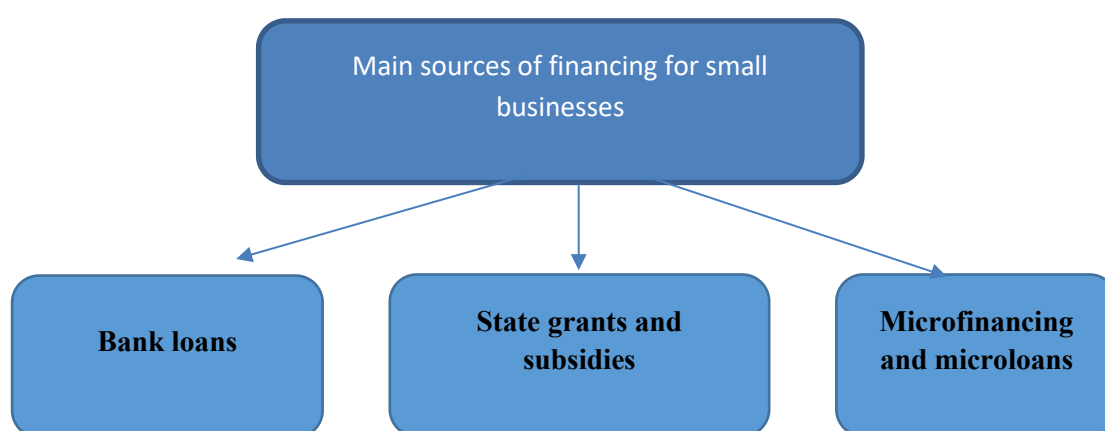
The purpose of the study is to analyze the mechanisms of financing small business and private entrepreneurship in Uzbekistan.

Methods

Small business is an important component of the economy of any country, and its sustainable development serves to create jobs in society, develop innovations, and increase the income of the population. However, small businesses often face the problem of a shortage of financial resources. Therefore, mechanisms of financial support for small businesses are of great importance. This essay analyzes the methods of financial support for small businesses and their effectiveness.

Loans issued by commercial banks are one of the main tools for supporting small businesses. Today, bank loans are one of the important tools for ensuring economic development and financial stability. Current expenses of the enterprise, intended by entrepreneurs through loans for conducting and expanding business activities, acquiring fixed assets or expanding production capacities.

1. Forms of financial support for small businesses



The state allocates grants and subsidies to support small businesses. This financial assistance is aimed at stimulating entrepreneurs and solving socio-economic problems.

Venture capital is important for financing new and innovative business projects. This mechanism is suitable for startups and high-risk projects. There is a system for issuing microcredits on favorable terms for small businesses. Microfinance organizations allocate low-interest loans for the development of small businesses. In addition, in order to expand access to loans, a system of guarantees for small businesses by state and commercial organizations has been established. At the same time, insurance services are offered to protect businesses from financial risks.

In Uzbekistan, \$1.7 billion has been allocated to support small businesses in 2023-2026.

From October 1 of this year to the end of 2026.

Results

Share of small business and private entrepreneurship %

Indicators	2020	2021	2022	2023

1	2	3	4	5
GDP	54,8	54,1	52,8	43,7
Industry	27,9	27,4	26,0	28,4
Construction	72,5	72,5	71,5	76,6
Occupancy	74,5	74,5	73,9	74,1
Export	20,5	20,0	29,6	25,3
Import	51,7	45,3	49,4	48,4

As can be seen from the data in the table above, the share of small business and entrepreneurship in the gross domestic product has had a downward trend over the past three years, the main reason for which is the increase in the number and share of medium and large business entities in our country.

As a result of the analysis, the following was revealed:

1. Subsidies, concessional loans, and grants allocated by the state to support small businesses are causing a certain increase.
2. It has been established that the annual interest rates on loans issued by commercial banks sometimes create difficulties for entrepreneurs.
3. The number of entities that have expanded their business within the framework of financial support programs has increased, but bureaucratic obstacles still exist.

Discussion

The results show that financial support mechanisms have a positive impact on the development of small businesses. However, some problems, including difficulties in obtaining loans and high interest rates, are limiting the activities of entrepreneurs. It is also necessary to strengthen public-private partnerships to increase the effectiveness of financial support programs. Of course, in the development of entrepreneurial activity, along with the legal basis, its financial support is also important. During the dialogue, it was announced that 10 percent of entrepreneurs will invest in financing projects of business entities, and the remaining 90 percent will be directed by the newly created "Business Development Bank" and the state. This is a great incentive for entrepreneurs and creates a wide platform for the implementation of their initiatives.

On June 12, 2023, the Decree of the President of the Republic of Uzbekistan "On Measures Aimed at Establishing Mutually Beneficial Cooperation with Business Entities in Poverty Reduction" was published. Based on this legal document, the program "20 thousand entrepreneurs - 500 thousand qualified specialists" will be implemented in our country. A total of

1 billion US dollars in loans will be allocated for the implementation of the program in 2023-2024.[5] In this case, in 2023, a credit line equivalent to 100 million US dollars will be opened from the Fund for Reconstruction and Development to commercial banks to finance the projects of business entities included in the program.

1 trillion soums will be allocated from the funds provided for financing projects within the framework of family entrepreneurship development programs. Loans of 200 million US dollars will be attracted from international financial institutions. Credit line funds to commercial banks for 10 years.

It should be noted that a number of benefits and preferences are applied in this process. In particular, until January 1, 2025, when entrepreneurs hire citizens included in the "Unified Register of Social Protection," entrepreneurs will be granted a benefit from property and land taxes if they have paid these citizens at least one minimum wage monthly for at least one year, provided employment, and they constitute at least 20 percent of the total number of employees. Also, when hiring citizens and calculating wages for each month in an amount not less than 1 minimum wage, personal income tax paid on monthly wages is returned to the employer from the republican budget (up to 2 times the BRV for each employee) and is applied to them with a 50 percent reduction in the social tax rate.

Effectiveness of Financial Support

The effectiveness of financial assistance can be assessed based on the following criteria:

- The level of job creation - how many new jobs were created as a result of allocated financial resources.
- Impact on business profitability - indicators of financial stability and profitability of small businesses.

Return on investment - the economic efficiency of invested funds and the period of profit.

- Loan repayment rate - timely repayment of issued loans.
- Impact on the local economy - the contribution of small businesses to regional economic development.

The following strategies are important for increasing the effectiveness of financial support:

1. Simplification of loan terms - allocation of low-interest and long-term loans for small businesses.
2. Effective use of financial resources - training of entrepreneurs in financial management and business plan development.
3. Development of public-private partnership - expansion of investment and grant programs.
4. Stimulation of innovative projects - development of special financial programs for technology businesses and startups.

5. Strengthening the monitoring system - improving the system of control and assessment of the activities of enterprises that have received financial assistance.

Conclusion

The effectiveness of financial support for small businesses depends on the correct allocation of allocated resources. The effectiveness of financial assistance can be increased by creating jobs, ensuring the financial stability of businesses, and developing the local economy. Effective management, public-private partnership, and the development of a monitoring system ensure sustainable growth of small businesses.

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