

## THE ROLE OF COMMERCIAL BANKS IN FINANCIAL SUPPORT OF SMALL BUSINESSES

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### Abstract

This article describes the criteria that determine the status of small business entities, the protection of economic and legal relations of small businesses and business entities in Uzbekistan on the basis of laws, and the preferential procedures created for them. The importance of making is explained on the basis of statistical data. Conclusions and suggestions on the advantages of lending to small businesses and business entities are also presented.

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### Introduction

In the course of the ongoing reforms, special attention is paid to the reform of ownership, comprehensive support of private ownership, and the development of small businesses. It should be noted that in the process of transition from one form of economy to another, the development of small business is becoming an important link that determines its prospects for the state. The advantages of small business are that small business enterprises, which do not require large funds and guarantee the growth rate of resources, are considered an important link of the economy, and can solve problems related to their restructuring relatively quickly and without excessive expenses. takes the lead in filling the domestic market with a wide range of consumer goods despite limited financial resources.

In this regard, the creation of the following privileges and opportunities is envisaged:<sup>1</sup>

- In order to ensure the stability of the tax system , guarantee that the value-added and profit tax rates for business will not be increased for three years , expand the opportunities for small and medium-sized businesses to enter international markets , develop micro-financing , support innovations and start-ups, and support large-scale enterprises. implementation of new instruments for the development of cooperation with business;
- Transition from simple "manual labor" to the stage of industrialized production in providing employment on the basis of family entrepreneurship , increasing the amount of preferential credit for the purchase of equipment up to 100 million soums ;
- Provide all services to business subjects through an online portal based on the principle of "single

<sup>1</sup> . "Uzbekistan-2030" Strategy. 11.09.2023. No. PF-158

window" and reduce service time by 3 times on average;

A small business is a business that is based on independent ownership of property, independent organization of economic activities and does not occupy a dominant position in its network. In different countries, the number of employees, turnover, assets, capital, profit and other indicators are used as criteria for determining the status of small business entities.

Extensive work is being done in this regard. "Reducing the tax burden on business entities from 27.5% to 25% of GDP by 2026. "Improving the activity of existing structures for supporting entrepreneurship in the regions, reducing unemployment and poverty." As a result of the work carried out, despite the fact that it is large-scale and aimed at covering every member of the society, it should be implemented in terms of improving the living standards of the population, regulating incomes, increasing the level of incomes and preventing poverty. enough problems remain.

Small business is important in the economy of any developed and developing country. Small business is characterized by quick adaptability to conditions, its operation does not require a large amount of initial capital. Small and medium-sized businesses flourish in areas that are not convenient for large businesses. Small and medium-sized businesses have certain advantages in operating in small markets, effectively using local resources, solving the problem of unemployment, increasing labor productivity, forming a layer of middle owners, and filling the domestic market with a wide range of consumer goods<sup>2</sup>. Small enterprises are a means of realizing entrepreneurship, entrepreneurship, ownership skills in people, as well as creating and developing business skills in them.

### Analysis and results

Business Development Bank has become the main base bank in support of small business and entrepreneurial subjects and continuous improvement of their activities. From October 1, 2023 to the end of 2026, 6 trillion soums from the state budget and 1.2 billion dollars from international financial institutions will be allocated for the development of small businesses in the country.<sup>3</sup>

The following are eligible to participate in the program by submitting an online application:

- individual entrepreneurs operating for at least one year, farms, self-employed persons, craftsmen, homemakers, non-state educational organizations, small business entities providing permanent employment to three or more people;
- legal entities and individuals who have successfully implemented their business projects within the framework of family business programs and have a positive credit history.

Preferential loans of up to 1.5 billion soums are provided for small businesses. In particular, unsecured loans of up to 100 million soums are allocated for up to 84 months with a grace period of up to 24 months. Revolver loans with a reduced collateral requirement of up to 150 million soums are granted for up to 36 months on the basis of an open credit line, with repayment every 12 months. At the same time, loans of up to 1 billion soums are allocated up to 84 months with a grace period of up to 24 months for the purchase of fixed assets. Loans of up to 1.5 billion soums are allocated for the purchase of fixed assets. In addition, grants of up to 2 billion soums will be provided to small business entities that wish to expand their business activities and whose projects have been selected as promising projects in the prescribed manner. In this case, funds will be allocated to commercialization of innovative developments, high-tech start-up projects within the framework of state scientific programs. The authorized capital of the Business Development Bank will be gradually increased to 3 trillion soums from October 1, 2023 to the end of 2024. Today, the authorized capital of the Business

<sup>2</sup> . Z. Mamadiyrov, M. Makhmudova, M. Kurbanbekova. Banking work Textbook. T.:-Innovative development publishing house. 2021 year. 158 pages.

<sup>3</sup> Resolution No. PQ-306 of the President of the Republic of Uzbekistan dated September 16, 2023 "On financial and institutional support measures for small business development"

Development Bank is 1.86 trillion soums. In recent years, as a result of the decisions and decrees adopted by the President of the Republic of Uzbekistan on supporting small business entities and improving the quality of the business environment, as well as the great attention he pays to this field, January 2019-2023 in Kashkadarya region alone During the months of December, a total of 34,832 small enterprises and micro-firms were newly established. <sup>4</sup>When newly established small enterprises and micro-firms are analyzed by sector, the largest number of new subjects is in the trade sector - 12,122 (or 34.8 %), in agriculture, forestry and fishing - 8,753 (or 25.1 %) in the industrial sector - 5941 (or 17.1 %), in the service sector - 6086 (or 17.5 %) and in the construction sector - 1930 (or 5.5 %). As of January 1, 2024, the number of operating small enterprises and micro-firms totaled 27,980, of which 5,922 were newly established. As of January 1, 2024, the number of small enterprises and micro-enterprises has reached 27,900, which has decreased by 8,400 or 76,8% compared to the same period last year. The number of small business entities is 7.9 units per 1000 inhabitants. As of January 1, 2024, the largest number of small enterprises and micro-firms operating in the regions was 5506 in the city of Karshi, or 19.7% of the total.

Based on the above information, in terms of reforming the national economy, liberalize foreign trade, tax and financial policy, support entrepreneurship and guarantee the inviolability of private property, organize deep processing of agricultural products, and ensure rapid development of regions. Effective measures are being taken.

### Conclusions and suggestions

In short, one of the main goals of the socio-economic reforms implemented in our country is to ensure the well-being of the population, increase their quality of life and achieve sustainable development of social networks. On the basis of the information reviewed above, it can be said that financial support of commercial banks is extremely important in ensuring small business and entrepreneurial activity, in particular, based on the content of the analytical materials, the following conclusions and suggestions are made. can be promoted.

**First of all**, it allows to create new jobs in the regions, increase the income of the population and bring additional funds to the local budget. It is worth noting that although wide opportunities for entrepreneurship are being used in our country, these activities are not effectively organized in the regions. For this purpose, further expansion of bank branches in the regions and thereby to facilitate the use of banking services for small businesses and entrepreneurs operating in the remote villages of the regions.

**Secondly**, at the expense of the development of the service sector in rural areas, it is necessary to revive the ideas of rural residents about doing business, to strictly control that artificial obstacles do not appear in the process of using privileges and reliefs aimed at ensuring the well-being of the population, to create new jobs in the regions. it will be necessary to create a wider opportunity to increase the income of families by creating places and ensuring the employment of the population.

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<sup>4</sup>Information from the Statistics Department of Kashkadarya region.

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