



**SMALL BUSINESS LENDING IS THE KEY TO THE COUNTRY'S
DEVELOPMENT**

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ABSTRACT	KEYWORDS
<p>Lending to small businesses and private entrepreneurship plays an important role in GDP growth and in the development of the country's economy. Crediting small business and private business plays main role in increasing GDP and developing economy of the country.</p>	<p>Small business, private entrepreneurship, credit, micro-credit, domestic ox product, cash, credit lines.</p>

Introduction

In both developed and developing countries, the development of the economy is inextricably linked to credit, which in various forms penetrates all spheres of life. This is due to the expansion of the range of operations of banks, including in the field of lending. Performing banking operations with a broad clientele is an important feature of modern banking activities in all countries of the world with a developed credit system.

The existence of small business and private entrepreneurship in the country means the emergence of a middle class that contributes to the normalization of the economic and political situation in society.

As the experience of countries that achieved a dominant position in the global economy shows, they raised the standard of living of the population by developing small businesses and private entrepreneurship. For example, the share of small and medium-sized businesses in the gross domestic product of the EU member states is 67%, in Germany-65%, in the USA-52%. In Japan, 80% of the employed population, in the European Union - 70% work in small businesses and private entrepreneurship. As a rule, the source of bank lending is attracted funds. In this regard, it is important to note that when lending, the bank risks not so much its own funds, which is also possible, as the funds of its depositors. This means that it is necessary to establish means to protect the rights and interests of depositors, and provide a mechanism for their implementation. Moreover, this should be done not at the level of private legal regulation, but by establishing public legal rules. In order to further improve the business climate and deepen market reforms, to create the most favorable conditions for accelerating the development of small businesses by expanding opportunities for them.

The Guarantee Fund for the Development of Small Business in the form of a joint-stock company with branches in the regions of the Republic was established in accordance with the Decree of the President of the Republic of Uzbekistan "On the creation of the Guarantee Fund for the Development of Small Businesses " dated 10.02.2017 PP-2768 [2].

For the development of small businesses, credit resources are attracted from foreign investors and reputable world banks, including the European Bank for Reconstruction and Development, the German Development Bank, the Asian Development Bank, the International Finance Corporation and other international financial organizations. In order to provide assistance and advice to entrepreneurs and businessmen, a Small Business Support Center was opened in Uzbekistan with the assistance of the German Technical Assistance Society. The US Entrepreneurship Foundation and the UK Investment Fund, which operate in Central Asia, provide Uzbek entrepreneurs with the necessary information.

Table 1. Loans to small businesses and private entrepreneurs[1]
(million soums)

Commercial banks	31.10.2023	31.10.2024	31.10.2025
Bank "Asaka"	741 683.6	1 111 608.0	1 228 832.8
National Bank of Foreign Economic Activity of the Republic of Uzbekistan	1 040 400.0	1 040 400.0	1 200 0000.0
JSCB "Agrobank"	507 823.8	619 875.0	789 680.9
GC Halyk Bank	497 647.5	581 346.0	633 809.6
JSCIB "Ipoteka-Bank"	396 976.2	573 373.0	698 173.3
JSCBUzpromstroybankJSCB	420 618.0	567 764.0	564 494.2
AKB "KhamkorbankJSCB	307 082.3	531 920.0	783 911.5
JSCB "MikrokreditbankJSCB	449 985.7	521 148.0	621
JSCB "Kishlok 793.8 Kishlok Kurilish Bank JSCB	319 534.1	438 246.0	559 907.9
Alokabank JSCAlokabankJSCB	335 163.2	417 217.0	428 119.4

An important factor of differentiation in the conditions of the republic was the history of business creation, the degree of its dependence on the public sector. As the study of foreign experience shows, an indispensable condition for success in the development of small businesses is comprehensive and stable state support. It is carried out in various forms: stimulating the production of the most priority types of products, providing tax incentives, subsidizing preferential bank lending, creating information and advisory and scientific and technical centers, developing the insurance system, organizing logistics, financial support, and a financing mechanism.

Currently, there are several problems in the segment of lending to small businesses by commercial banks. The key issue is the availability of credit products for small businesses, which is determined

by a number of aspects: the need to provide collateral and guarantees, high interest rates, complexity of paperwork, lack of trust in the bank, as well as late repayment of loans received. The study of this problem is that the timely repayment of loans issued to them in the future continued at a preferential interest rate and conditions for the further development of the activities of small businesses.

The state creates all favorable conditions for the development of small businesses and private entrepreneurship through lending to this sector from banks, but still there are some problems of lending in the banking system of Uzbekistan, which are due to the following reasons:

- First, the resource base of commercial banks in the republic is insufficient.
- Bo-Second, interest rates are rising, which forces the best borrowers out of the market.
- third, the relatively low level of the monetization coefficient (according to the recommendation of IMF experts, the minimum level of the coefficient should be 30-33%) [4];
- Fourth, there are shortcomings in the process of loan processing and accounting in a number of branches of commercial banks in the republic.
- fifth, the problem of inadequate use of types and methods of credit.
- The main reasons for lending to small businesses are non-transparency and the risks of non-repayment of loans.
- underdeveloped banking technologies that do not allow you to reduce the cost of handling a single client.
- lack of reliable collateral, as most small businesses do not own liquid property.
- distrust of small businesses experienced by banks.
- commercial banks do not have the resource capacity to open long-term credit lines for small businesses.
- illiteracy of borrowers.

Having studied the problems of lending to small businesses in Uzbekistan, we came to the following conclusions:

1. The resource base of commercial banks in the republic is insufficient
2. Interest rates are rising, which forces the best borrowers to leave the market.
3. Commercial banks are associated with the risk of non-repayment of loans.
4. Lack of sufficient collateral when obtaining bank loans from representatives of small businesses.
5. Assessment methods used by commercial banks of the republic cannot give a complete description of the borrower, as they do not take into account factors that are not related to financial coefficients. From here we can assume that commercial banks use an incomplete system for analyzing the creditworthiness of borrowers, which most likely distorts the real picture.
6. The share of foreign investments on loans issued in foreign currency is small [4];

To solve the above problems, we apply economic proposals in our banking practice and in the future will increase the efficiency of lending to small businesses and strengthen the stability of internal and external sources of lending.

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