



## Econometric Analysis Of Factors Influencing The Practice Of Crediting To Small Businesses

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### ABSTRACT

The article provides suggestions and comments on the role of small business in the economy and the further development of its lending system.

### KEYWORDS

Small business, microfinance organizations, non-bank credit organizations, payment deposits, microcredit organizations, deposit, leasing services, money transfers.

### INTRODUCTION

The level of economic development of any country is an indication of the level of development of entrepreneurship in this country. It is no secret that the rapid development of the economy is determined by

the growing share of small business and private entrepreneurship, while the growing share of small business and private entrepreneurship, in turn, depends in many

ways on the business environment created in the country.

Credit plays an important role as a means of regulating the economy. First of all, it should be noted that it is known from the practice of human development that it is impossible to achieve economic and social stability in a society without the establishment of credit relations.

It is noteworthy that commercial banks in developed countries can provide the national economy with the necessary, even more, credit, and the demand for credit in such an economy is not so high. In other words, the creditworthiness of the economy is high enough.

Our analysis shows that the main “consumers” of bank loans in today's economy are small businesses.

### THE MAIN FINDINGS AND RESULTS

Small and medium-sized businesses account for 90 percent of the world's existing businesses. A 2010 study by the International Monetary Fund and McKinsey & Company, an international consulting firm, found that the total number of formal and informal micro, small and medium enterprises worldwide was 420-510 million, of which 365-445 million were located in developed countries. [6]. This is why small and medium enterprises play an important role in the global economy. They are the most important participants in employment, and in developing countries, the bulk of jobs are created by the same sector.

Small and medium enterprises (SMEs) play a very important role in increasing the overall value of these countries.

At the same time, India, the world's second most populous country, produces more than 8,000 goods by small businesses. The number of people employed in this sector is more than 41 million, which is concentrated in more than 26 million enterprises.

As of January 2018, the World Bank has provided about \$ 4.8 million in support of SMEs. It has provided US \$ loans in 61 projects in 47 countries. The above data show that small businesses play an important role in the world economy.

However, small and medium-sized businesses face more financial hurdles than large companies - they use less external financing and face higher transaction costs and higher risk insurance premiums. Nearly 70 percent of small and medium-sized businesses worldwide are not funded by international financial institutions, and 15 percent are not funded at all by any single source.

14% of the GDP of developed countries, or \$ 2 trillion, is directed to the financing of small and medium-sized businesses. The presence of problems with small business financing in the experience of developed countries also necessitates further improvement in this area.

In the process of writing the article, we can see that the issue of lending to small business and private entrepreneurship has been scientifically studied by leading foreign and Uzbek economists and relevant conclusions have been drawn.

M. Yunus, a well-known economist and Nobel Laureate in 2006, who founded the Grameen Bank of Bangladesh with extensive experience in direct banking practice, has made a unique revolutionary change in the field of lending to small businesses. In particular, at his initiative and proposal, a form of group lending to small businesses, a type of unsecured lending was introduced in the practice of Grameen Bank.

According to Yunus, the main focus in lending to small businesses that are just starting out should be on the social impact of lending. As the financial capacity of business entities expands, they will lead to an increase in demand for loans at market rates [1, pp. 60-61]. This is true in one sense, but there is another side to the issue, which is the resource base on which banks base their lending. If banks take the resource more expensive and give cheap loans, it will not be in the interests of the bank. In my opinion, this method of lending will give the desired results if it is carried out at the expense of unused funds of existing funds in the state.

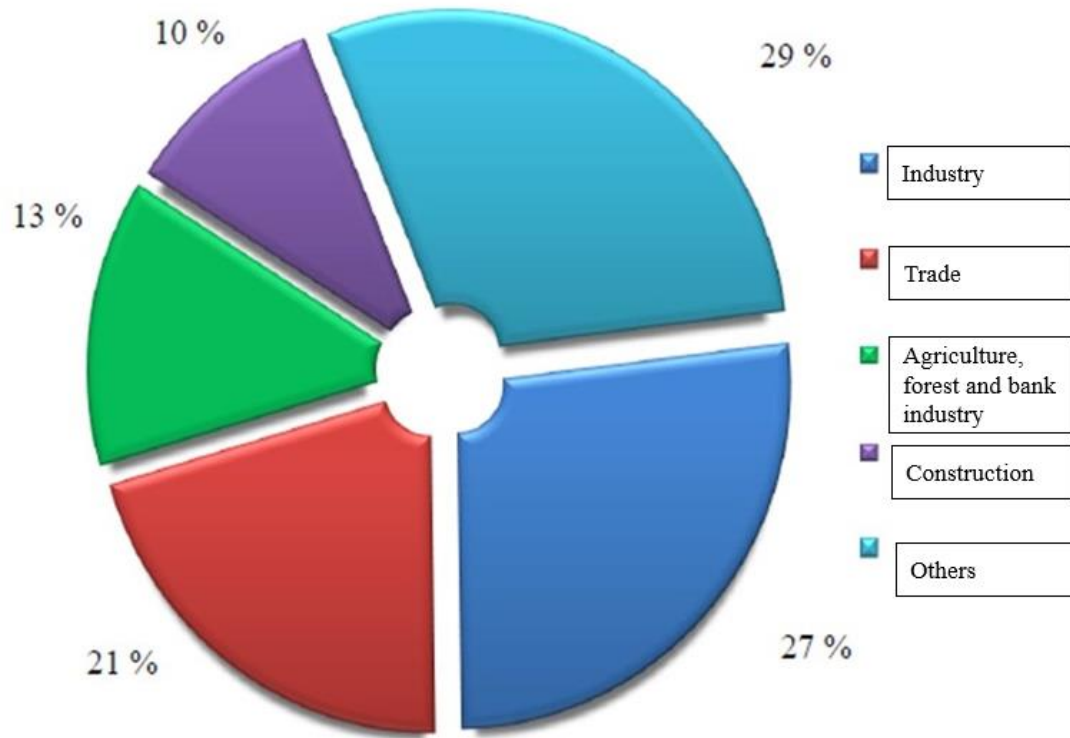
According to D. Savinova, a Russian economist, when lending to small businesses, it is necessary to provide a separate credit service for each segment of the market [2, pp. 590-591]. Of course, this idea is correct, i.e. each segment has its own opportunities.

According to U.S. economist J. Sinki, commercial banks are the leaders in the provision of financial services to small businesses in the United States, and their financial services include term loans, leasing loans and lending to them through the opening of credit lines [3, pp. 429-439].

In our opinion, the opinion of J. Sinki on lending to small businesses through the opening of credit lines is of great practical importance for the banking practice of the republic. This is due, firstly, to the fact that lending to small businesses through the opening of credit lines is not widely used in the banking practice of our country; secondly, this form of lending has been proven by economists to have a number of advantages [4].

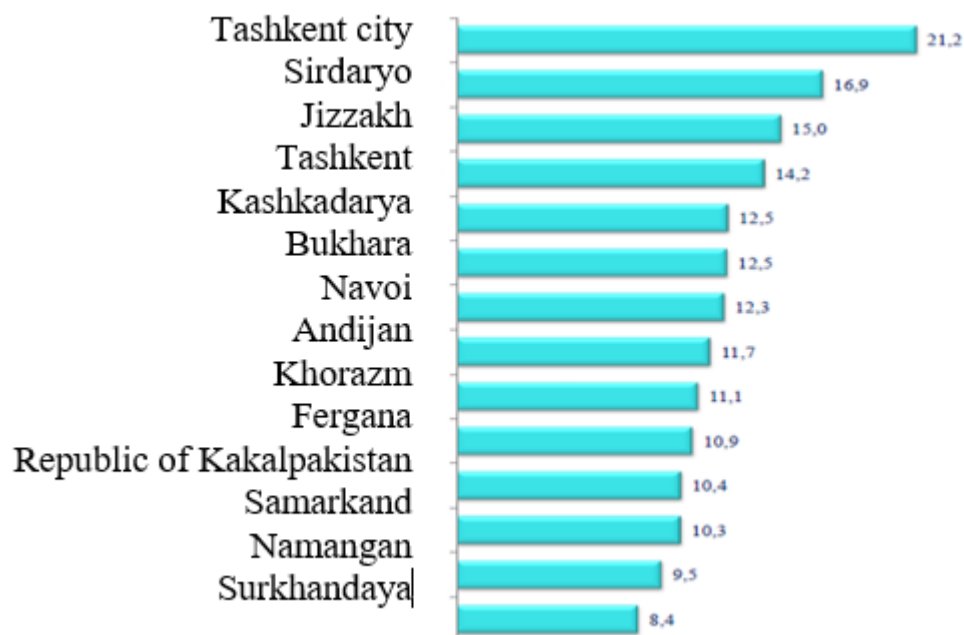
Large-scale reforms on the sustainable development of the national economy are being consistently pursued in Uzbekistan. One of the priorities in this regard is the further development of private property, small business and private entrepreneurship.

At the same time, special attention was paid to the rapid development, promotion and support of small business and private entrepreneurship, which play an important role in boosting the country's economy, increasing incomes and improving the welfare of the population. Thus, the contribution of this industry to economic growth and development of the country has a tendency to increase. For example, as a result of measures taken to support and encourage the development of small business and private entrepreneurship, to create a favorable environment for their activities, in 2017, more than 38.2 thousand small businesses were established (122% more than in the same period last year). The largest number of small businesses was established in the industrial sector (27% of the total number of established entities), trade (21%), agriculture, forestry and fisheries (13%) and construction (10%).



**Figure 1. The share of newly established small enterprises and micro-firms in 2017 by type of economic activity [5].**

As of January 1, 2018, the number of small businesses operating in the Republic of Uzbekistan (excluding farmers) amounted to 229,666.



**Figure 2. As of January 1, 2018, the number of small businesses and micro-firms per 1,000 populations (in units) [5].**

As of January 1, 2018, the average number of small businesses per 1,000 populations is 12.2 units, or 107.0% compared to the previous year.

Small business and private entrepreneurship play an important role in bringing the economic development of our country to a higher level. At the end of 2017, small business and private entrepreneurship accounted for more than 50% of Uzbekistan's GDP.

In developed foreign countries, including Germany, Finland, Norway, and Sweden, small business accounts for about 70 percent of existing jobs. In many countries, its share in GDP exceeds 50%, which allows the economy to grow rapidly.

The role of small business in the economy is also growing in China, Japan, South Korea, Singapore and other countries. In particular, the fact that small businesses account for

about 60 percent of China's exports is a sign that the sector is a leader in the world economy.

Commercial banks and credit unions around the world are using traditional methods of lending to small and medium-sized businesses. A study by the World Bank of 91 commercial banks in 45 countries found that the small and medium business segment is a profitable customer for the bank, but macroeconomic instability in developing countries and SME financing are the main problems compared to SMEs in developed countries. Banks in economically developing countries are more exposed to SMEs than large enterprises, but SMEs have a small share of the loan portfolio in investment lending, and SME lending is provided at high interest rates.

In Uzbekistan, all barriers to lending to small businesses are being removed. In particular,

the World Bank's Doing Business credit rating ranked 55th out of 190 countries in 2017, which testifies to the progress of our work in this area.

In any economic system, certain paths are developed for the development of the country. A great step has been taken in this direction in our country as well. In particular, the “Strategy for further development of the Republic of Uzbekistan” approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 PD-4947, further expansion of lending to small businesses and private entrepreneurship, as well as reliable protection of private property rights and guarantees. and overcoming all obstacles and restrictions on the development of small business, giving it full freedom, implementing the principle “If the people are rich, the state will be rich and strong”, creating a favorable business environment for the development of small business and private entrepreneurship; the fact that the state, law enforcement and regulatory agencies have been tasked with strictly preventing illegal interference shows that this issue is still relevant.

### CONCLUSION

In conclusion, there is a strong link between the dynamics of changes in the volume of loans to small businesses in the Republic of Uzbekistan in 2008-2017 and the amount of GDP created in the country, in which we can see the "large contribution of small business.

Loans to small businesses have a direct proportion to the GDP created and can be used as an important tool in changing the amount of GDP.

There is a strong correlation between the banking system and economic growth rates, as evidenced by the experience of many countries in the development of the national economy in the post-global financial crisis. Economic growth leads to an increase in the income of entities, which in turn stimulates the growth of demand for financial services and the development of the banking system. It also effectively allocates resources through the acceleration of resource capitalization in the banking system and creates the basis for sustainable development of sectors of the economy.

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