



Loan Mechanisms For Small Businesses

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ABSTRACT

The article examines the development of scientific and practical proposals for the mechanism of lending to small businesses by commercial banks, thereby increasing the financial stability of banks, creating opportunities for long-term lending to customers, lending to small businesses by banks and increasing entrepreneurship. The authors have developed their own approach to this problem on the basis of the literary sources of foreign and domestic scholars. In addition, the article presents relevant proposals and recommendations.

KEYWORDS

Biznec, training, communication, small business, profit.

INTRODUCTION

One of the factors of sustainable development of the economy of Uzbekistan is the development of the activities of small

businesses. This sphere is characterized by the fact that it can quickly adapt to the changes in the market conjuncture, provide employment

and create sources of income through the creation of new jobs, possess the characteristics of forming a class of middle proprietors. It is from the account of the development of this sector that a social layer is formed in our country, which is considered to be interested in socio-economic, social and economic stability and is an active driving force towards development and Democratic radical changes.

President Of The Republic Of Uzbekistan M. In the decree of Mirziyoyev dated February 7, 2017 № PF-4947, the following tasks on the activities of small businesses were carried out:

- "...- Strict prevention of illegal interventions by state, law enforcement and control agencies on the activities of small business and private business structures and further expansion of their lending;
- Ensuring the proportionality and stability of the national economy, increasing the share of small business and private entrepreneurship in its structure;
- To eliminate all obstacles and restrictions on the path of small business development, to give him complete freedom, to implement the principle that "if the people are rich, the state will also be rich and strong;
- To provide small businesses and private entrepreneurs with a portion of the loans granted by commercial banks to purchase new technological equipment that is not covered by collateral;

- 1.2 times increase in the volume of lending to subjects of economy and small business in order to modernize and expand production by commercial banks and meet their requirements for financial resources in the purchase of raw materials and materials for their production activities." At the same time, they stressed the importance of providing tax and credit benefits to small business entities in developing the provision of financial services, including microfinance services.

Also, in accordance with the decree of the president of the Republic of Uzbekistan adopted on May 5, 2006, "Mikrokreditbank" aktsiyonadorlik commercial bank was established, which today ranks among the top ten microfinance banks in Central Asia and Europe. This bank assists small business entities, especially those operating in rural areas, in the formation of initial capital, in the organization of new enterprises and jobs, provides them with effective services in the field of wide use of preferential credit resources for the development of their activities. This, in turn, creates the need to adopt measures aimed at improving the financing of their activities.

In particular, in order to increase the volume of low-interest loans granted by commercial banks to small businesses, it was noted that, firstly, the share of the state in the authorized capital of banks should be increased, provided that these resources are directed to preferential lending of small businesses, and secondly, the pension fund and the free funds of state insurance companies should be. This idea, I think reasonable, but when placing the pension fund funds in term bonds, as much

attention should be given to the commercial banks as possible. Because, compared to the Private Bank, the received from the Commercial Bank the opportunity to return at the desired time is higher for a while.

The most notable aspect is that, in addition to the composition of the financial coefficients, it is based on the need to improve the method of determining the credit solvency of small business entities by introducing the coefficients of profit norm, the coefficient of servicing the debt and the coefficient of turnover of the creditor debt. I believe that this methodology will provide a basis for the timely and complete return of loans that banks give to small businesses.

The countries in the transition economies are used in conditions in which the problem of lack of collateral property that small business enterprises face arises. An important role is played by government guarantees given to small scale business enterprises during the transition period. The decline in the volume of production, the development of the land market will lead to the emergence of a pledge problem in the agrarian sector, and the state will replace the pledge for a certain purpose with its own guarantees. Guarantees on debts make the agricultural sector more attractive to banks. Through this, financial institutions that partially assume commercial risks in terms of loans provided to the sphere of financing of small business enterprises are involved.

The findings of the study show that operational output in small business entities is large and that inflation rate is high are hindering the development of lending by commercial banks and microfinance institutions.

Ensuring the development of the activities of small business entities in our country along with the study of its theoretical bases and peculiarities, the need to research the position of commercial banks in the development of the activities of small business entities arises.

ANALYSIS AND DISCUSSION OF RESULTS

Currently, the lending process in the commercial banks operating in the Republic of Uzbekistan is carried out on the basis of the regulation of the Central Bank of the Republic of Uzbekistan "on the procedure of lending small business entities in national currency" dated November 23, 2013. In commercial banks, individual entrepreneurs, microfirms, small enterprises, peasant and farmer farms and family enterprises are lending facilities. Loans from commercial banks are issued in accordance with the loan agreement concluded between the bank and the borrower.

Loans are issued for the following periods, taking into account the self-compensation of the crediting entrepreneur . (Source, link):

- a) Formation of working capital for the borrower to start his activity and development of technical and economic justification of the investment project - up to 12 months;
- b) Replenishment of working capital - up to 18 months;
- c) Replenishment of working capital for the organization of the cultivation of agricultural products - up to 24 months;

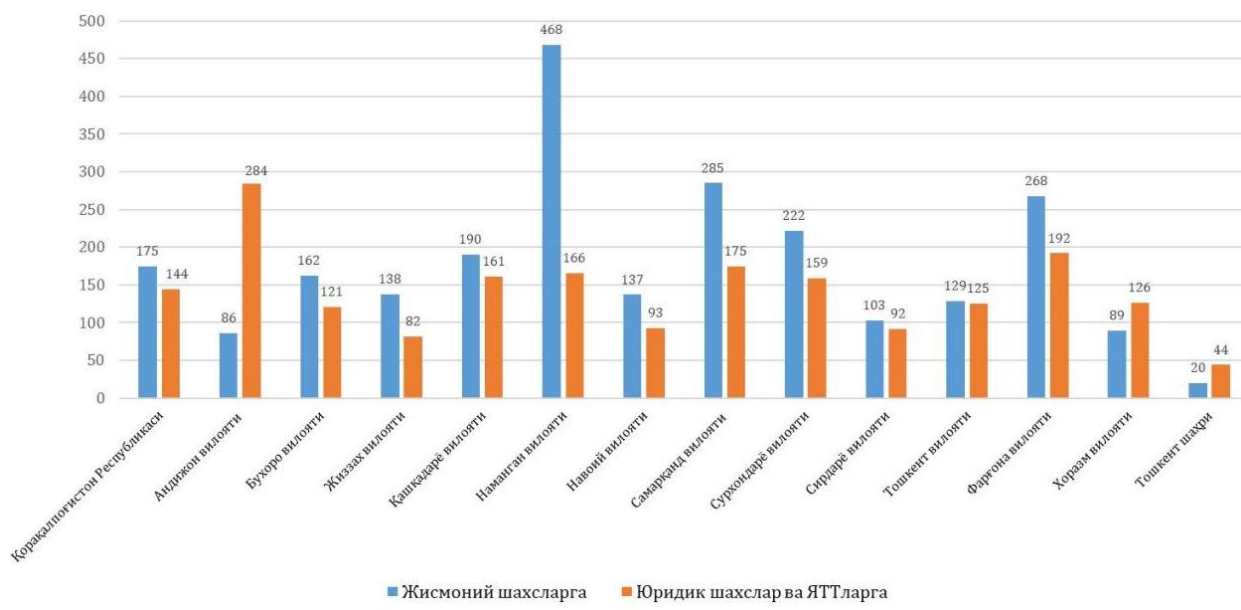
d) Up to 36 months for the purchase of fixed assets.

Each commercial banks, on the basis of their credit policy, determine the grace period for lending to small business and private enterprise. Also loans can not be issued for the implementation of prohibited types of activities in the legislation and for the repayment of previously obtained loans or other debts established in the "credit policy" of the Commercial Bank.

78 percent of the allocated loans or 3,5 trillion. sum" each family – entrepreneur " on the basis of the state program, 22 percent or 980.0 billion. Somi coincides with the contribution of

other programs. It is noteworthy that 1 trillion of the funds. 213 billion. Women's entrepreneurship, 1 trillion. 385 billion. sum allocated to develop youth entrepreneurship.

In lending to small and medium-sized businesses all over the world, commercial banks and credit unions traditionally come using lending techniques. As a result of the research carried out by the World Bank in 91 commercial banks of 45 states, it has become known that the small and medium business segment is a profitable customer for the bank, but macroeconomic instability in developing countries, financing of small and medium business entities as a major problem in comparison with the small and medium business entities.

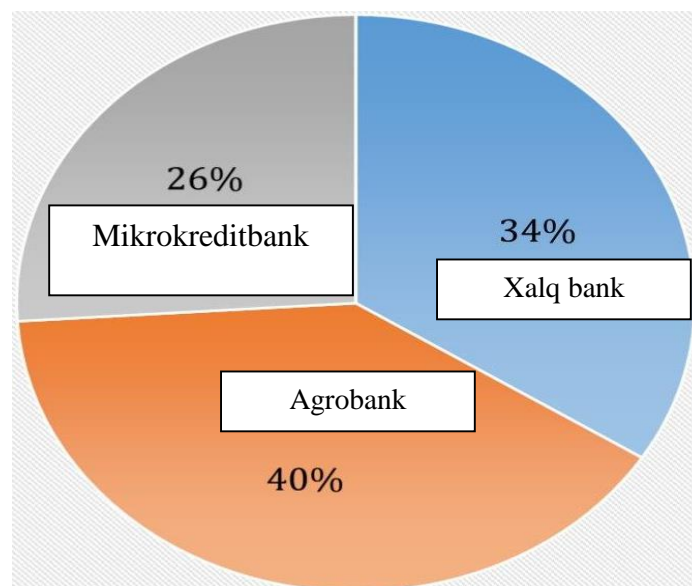


2-picture. Distribution of loans allocated during 9 months of 2020 within the framework of family entrepreneurship development programs in the regions (billion. sum)

The analysis of the distribution of loans allocated for the development of family entrepreneurship by regions shows that the volume of loans granted to individuals in the cross-border regions amounted to 468 billion manats. sum to Namangan region, 285 billion. sum corresponds to the contribution of Samarkand region. We can conclude from this that OIC entrepreneurship is widespread in these regions and this experience shows the need to develop in other regions of the Republic. But this figure is worth 20 billion dollars in the city of Tashkent. sum is the lowest in the organization. The reason for this is the global pandemic

Even in the experience of developed countries, the existence of problems associated with financing of small and medium scale business will bring about the need for improvement in this regard in the future.

The banks of economically developing countries are facing more and more small and medium business entities than large enterprises, but have a lower share in the loan portfolio in the investment lending of small and medium business entities, as well as lending to small and medium business entities are being provided with high interest rate evasion.



3-picture. Development of entrepreneurship for 9 months of 2020 allocated loans in the banking sector¹

In the development of entrepreneurship, our country accounts for three major banks. In particular, if the largest share is accounted for by 46 percent of Agrobank, then 34 percent

belongs to the people's Bank and 26 percent belongs to Microcreditbank.

¹ https://cbu.uz/oz/press_center/reviews/412064/?sphrase_id=16251 Ўзбекистон Республикаси Марказий банки маълумотлари асосида тайёрланди.

SUMMARY AND SUGGESTIONS

The conclusion and the author of the proposal should be clearly stated, the opinion of others should be explained only above.

The research work carried out, the scientific research shows that banks should set a great goal to the extent that they have taken to work with small and medium scale business entities which are the negatives of strategic business operation. One of the major problems for small and medium scale business is the lack of financial resources at its disposal. Credit plays a key role in solving this problem. A loan for a small business subject should be cheap, long term and easy to obtain. As a result of the research carried out above, we developed the following conclusions and suggestions:

1. It is necessary to introduce a single, variable identification number of individuals to the end of their life. Because, after changing the passport of an individual, his number will also change. The identification number must continue from the birth certificate to the death certificate. Such practice will also prevent forgery and fraud of documents.
2. Due to the fact that traditional lending of small and medium-sized businesses is an important direction for banks, the application of new technologies to increase the volume of services to small and medium-sized businesses, the use of business models and the effective use of risk management provides the opportunity to offer a wide range of diversified services to bank customers. This will lead to an increase in the bank's revenue in times,

therefore, to improve the future customer base of the banks;

3. Commercial banks should always be able to improve their lending to small businesses by learning the advanced foreign experience;
4. Because of the need to expand the geography of small business location, the development of territories leads to an increase in the incomes of the population. To ensure this, commercial banks are required to further expand their lending practices to business entities.

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