

CREDIT SUPPORT FOR SMALL AND MEDIUM-SIZED BUSINESSES AND FACTORS HINDERING ITS DEVELOPMENT

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***Annotation:** This article discusses issues related to the obstacles that most subjects face in the course of their activities. Conclusions and conclusions are also made that contribute to the further development of business entities.*

***Keywords:** small and medium-sized enterprises, lending, financing, sources of financing, interest rate, crowdfunding, peer-to-peer lending.*

Introduction. Access to finance is a serious problem for small and medium-sized enterprises in Uzbekistan, while in most cases banks are one of the main sources of financing.

Small and medium-sized enterprises (SMEs) play a crucial role in the economy of Uzbekistan. According to the Ministry of Economy and Industry, more than 150,000 SMEs are registered in Uzbekistan, accounting for about 60% of the country's GDP and employing more than 70% of the workforce. Despite their significant contribution to the economy, SMEs in Uzbekistan face a number of challenges, including limited access to finance, inadequate infrastructure and regulatory burdens.

Access to finance is a crucial factor in the growth and development of SMEs. Lending to the subjects of this industry can help them invest in new equipment, expand their business and create new jobs. It also helps to stimulate economic growth and promote entrepreneurship. However, enterprises in Uzbekistan face significant obstacles to access to financing, which include such aspects as: lack of collateral,

high interest rates and bureaucratic obstacles, etc. Thus, improving access to finance for SMEs is essential to promote economic growth and job creation in Uzbekistan.

Despite the importance of SMEs and their contribution to the economy of Uzbekistan, access to finance remains a serious problem for many small businesses. The lack of affordable financing and limited access to credit prevent many SMEs from realizing their full potential. The purpose of this study is to identify the factors faced by SMEs in Uzbekistan when lending to their businesses, and to provide recommendations on improving access to finance for these enterprises.

The main part. Access to finance is a crucial factor in the growth and development of SMEs worldwide. In many countries, SMEs face serious challenges in accessing finance, including high interest rates, limited collateral and regulatory burdens. To solve these problems, Governments and financial institutions have developed a number of lending programs aimed at supporting SMEs. These programs often include a combination of traditional lending methods such as bank loans and overdrafts, as well as newer financing options such as crowdfunding and peer-to-peer lending.

Comparison of lending practices in developed and developing countries. The practice of lending to SMEs varies greatly between developed and developing countries. In developed countries, SMEs tend to have better access to finance than in developing countries, due to the presence of well-developed financial systems and a number of government support programs. In contrast, SMEs in developing countries often face significant barriers to access to finance, including limited collateral and a lack of credit history. To address these challenges, many developing countries have introduced innovative lending programs aimed at supporting SMEs, such as microfinance programs and the issuance of government loans aimed at SMEs.

In Uzbekistan, the practice of lending to business entities has historically been limited, and many entrepreneurs have relied on informal sources of financing. However, in recent years, the Government and financial institutions have launched a number of initiatives aimed at improving access to finance, including the creation of

a credit guarantee fund and the introduction of microfinance programs. However, despite these initiatives, small business entities in Uzbekistan continue to face serious problems in accessing finance, especially from traditional sources such as banks.

Access to finance remains a serious problem for SMEs both for many countries of the world and for Uzbekistan.

After analyzing the practice of bank lending, we identified a number of problems that most small and medium-sized businesses face. In particular, such as:

1. Lack of collateral: SMEs often lack the collateral needed to secure loans from traditional lenders such as banks.

2. Limited credit history: Many SMEs do not have a long enough credit history to qualify for loans from traditional lenders.

3. High interest rates: Interest rates on loans for SMEs are often higher than for larger enterprises, which makes it difficult for SMEs to access affordable financing.

4. Bureaucratic hurdles: The process of applying for and obtaining a loan can be difficult and time-consuming, especially for SMEs without dedicated finance departments.

Our research shows that the practice of lending to SMEs in Uzbekistan differs significantly between different types of lenders. It was found that traditional banks have stricter lending criteria, paying more attention to collateral and credit history. This often made it difficult for SMEs to access loans from these institutions, especially if they were in the early stages of business development.

Microfinance institutions, on the other hand, have proved to be more flexible in their lending practices, paying more attention to assessing the viability of the business and the nature of the entrepreneur. This often made them a more accessible source of financing for SMEs with limited collateral or credit history.

When comparing Uzbekistan with other countries, it becomes clear that SMEs in Uzbekistan face significant problems in accessing finance. The credit market is dominated by traditional banks, which often have strict lending criteria, which makes it difficult for SMEs to access loans. However, the introduction of government

initiatives, such as the loan guarantee fund, has helped to expand access to finance for SMEs, especially with limited collateral.

Access to finance is crucial for the growth and development of SMEs, as it allows them to invest in new equipment, hire employees and expand their activities. However, limited access to finance can constrain the growth of SMEs, especially in the early stages of development.

Overall, our study highlights the importance of improving access to finance for SMEs in Uzbekistan, as well as the potential negative consequences of limited access to finance for SMEs and the economy as a whole. By improving access to finance for SMEs, policy makers and lenders can contribute to the growth and development of SMEs by creating jobs and stimulating economic development.

The results of our study have important implications for both SMEs and lenders in Uzbekistan. For SMEs, the study highlights the need to improve access to finance, especially from traditional banks. SMEs in Uzbekistan should explore alternative sources of financing, such as microfinance organizations, crowdfunding or private capital. In addition, SMEs should consider improving their financial management practices, including developing a sound business plan and improving their creditworthiness, in order to increase their chances of obtaining financing.

For lenders, the study highlights the need for more flexible lending practices and the development of innovative financial products that meet the special needs of SMEs. Lenders should consider lowering strict criteria for lending to SMEs, exploring alternative forms of collateral, and increasing transparency and accessibility of loan applications.

Conclusion and suggestions. Based on the results of our research, we recommend the following actions to improve the practice of lending to SMEs in Uzbekistan:

1. Encourage the development of alternative sources of finance: Policy makers should encourage the development of alternative sources of finance, such as microfinance institutions, crowdfunding and private capital, in order to increase access to finance for SMEs.

2. Develop innovative financial products: Lenders should develop innovative financial products that meet the special needs of SMEs, such as flexible repayment terms, reduced collateral requirements and lower interest rates.

3. Increase transparency and accessibility. Lenders should increase transparency and accessibility of loan applications by providing clear and concise information about loan requirements, application procedures and application status.

4. Provision of financial education and training: Policy makers should provide financial education and training to SMEs, including the development of sound business plans, credit enhancement and financial risk management.

5. Strengthening the regulatory framework. Policy makers should strengthen the regulatory framework for lending to SMEs, including the development of regulations governing alternative sources of financing, improving credit reporting systems and reducing red tape when applying for a loan.

Improving access to finance for SMEs is crucial for the growth and development of the SME sector and the economy as a whole. By implementing the recommendations outlined above, policy makers and lenders can help support the growth and development of SMEs in Uzbekistan by creating jobs and stimulating economic development. Further research is needed to better understand the impact of SME lending on economic growth in Uzbekistan, as well as to explore additional lending methods and problems.

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