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PROSPECTS FOR DEVELOPING CREDIT MECHANISMS FOR SMALL BUSINESSES AND PRIVATE ENTREPRENEURSHIP

Ergashev Otamurod Tashtemirovich,
Independent Researcher at Tashkent State University of Economics

Nowadays, the development of small businesses and private entrepreneurship stands as one of the critical prerequisites for ensuring sustainable economic growth, creating new job opportunities, increasing household incomes, and enhancing the competitive environment in the country. Operating across various sectors of the economy, small business entities possess the capacity to adapt rapidly to market demands, introduce innovations, and efficiently utilize local resources. Consequently, ensuring the financial stability of this sector and expanding its access to credit resources have emerged as key priorities of state economic policy. Bank loans play a paramount role in financing small business and private entrepreneurship activities. Under conditions where entrepreneurs' own funds are limited, bank credits enable the expansion of production capacities, acquisition of fixed assets, formation of working capital, implementation of new projects, and scaling of service provision. The availability of credit resources heightens the investment activity of business entities and serves to elevate their competitiveness under market conditions.

In recent years, the system of crediting small businesses and private entrepreneurship in Uzbekistan has been gradually improving. Commercial banks offer various credit products to business entities, including investment loans, working capital loans, microcredits, and targeted financial solutions. Additionally, state support mechanisms such as interest rate subsidies, partial credit guarantees, and preferential financing for specific categories of entrepreneurs are actively

utilized. These measures aim to expand entrepreneurs' access to financial resources.

However, several challenges persist in the process of lending to small businesses. High interest rates, stringent collateral requirements, complex loan application procedures, lack of credit history among certain entrepreneurs, and underdeveloped financial reporting significantly limit financing opportunities. Traditional credit criteria are particularly ill-suited for newly established business entities and innovative projects.

From this perspective, implementing modern approaches is crucial for advancing small business lending mechanisms. Digital lending, automated credit scoring, electronic document interchange, and remote banking services accelerate the loan acquisition process. Furthermore, it is expedient to develop lending mechanisms based not solely on pledged collateral, but on the entrepreneur's actual cash flows, bank account turnover, and financial performance.

Developing a credit guarantee system represents a promising avenue for small business financing. Providing guarantees through state or private guarantee funds for entrepreneurs who lack sufficient collateral yet possess economically viable projects expands their credit availability. Such a mechanism reduces credit risks for banks while enhancing the financial inclusion of business entities.

Moreover, rather than relying exclusively on bank loans, developing alternative financing sources for small enterprises is imperative. Leasing, factoring, venture capital, business angels, and other financial instruments create supplementary resource streams for entrepreneurs. The expansion of venture financing mechanisms holds critical significance, particularly for innovative and high-tech ventures.

Enhancing lending mechanisms is also tied to raising the financial literacy of entrepreneurs. Business owners must accurately assess borrowing costs, repayment terms, cash flow, and financial risks. Consequently, the provision of financial advisory and business planning services alongside bank credits enhances the overall efficiency of credit utilization.

Thus, the future prospects for developing credit mechanisms for small businesses and private entrepreneurship depend directly on digitizing banking services, expanding credit guarantees, optimizing interest expenses, cultivating alternative funding sources, and streamlining lending procedures. Comprehensive development across these domains will broaden access to financial resources, thereby driving economic activity and employment growth.

Developing credit mechanisms for small businesses and private entrepreneurship remains a critical driver of the country's economic progression. Research indicates that bank loans serve as a vital financial foundation for expanding production, investment, and service delivery, as well as introducing new technologies and generating job opportunities. Nevertheless, the efficacy of the lending system should be evaluated not merely by credit volume, but by its tangible impact on entrepreneurial activity, return on investment, and economic yield generated.

A major impediment in small business lending is the cost of credit resources. High interest rates exacerbate the financial burden on entrepreneurs, diminishing the economic viability of certain projects. Therefore, future efforts must focus on refining interest rate subsidization mechanisms and channeling state support toward projects yielding substantial socio-economic returns. Criteria such as job creation, export expansion, innovation adoption, and domestic production development should serve as primary evaluation indicators.

Improving collateral requirements constitutes another key direction for developing credit mechanisms. Many small businesses struggle to obtain loans due to a lack of liquid real estate or tangible assets. Expanding the deployment of credit guarantee funds, insurance mechanisms, and state guarantees is essential. This strategy mitigates credit risk for commercial banks, unlocking capital for promising projects with limited collateral capacities.

Promoting digital technology-driven lending carries significant future importance. Online credit applications, digital documentation, automated scoring, and remote banking compress loan processing times. Additionally, expanding the use of bank account turnover, tax payments, and other verified financial metrics during creditworthiness assessments reduces excessive reliance on traditional collateral and prior credit histories.

Cultivating alternative financial instruments within the small business financing ecosystem is equally pivotal. Options such as leasing, factoring, venture capital, crowdfunding, and business angel investments supplement traditional bank credit lines. Venture capital, in particular, amplifies funding opportunities for high-risk, high-potential innovative and technological startups.

Banks must also align credit products with the corporate business lifecycle. Tailoring products—such as preferential and flexible loans for startups, investment loans for expanding enterprises, long-term financing for exporters, and short-term credit lines for entities with high working capital demands—will yield optimal results.

Financial literacy plays a central role in optimizing lending efficiency. Enhancing entrepreneurs' competencies regarding credit terms, interest costs, cash flow management, and risk evaluation promotes prudent capital allocation. Integrating loan programs with business consulting and financial education is highly advisable.

Overall, the future framework for small business and private entrepreneurship lending must integrate affordable, long-term financing, public-private credit guarantees, digital lending solutions, alternative finance, and professional consulting services. Such an ecosystem will broaden access to financial resources for entrepreneurs while reinforcing risk management efficacy for banking institutions.

In conclusion, refining credit mechanisms for small businesses enhances financial stability, expands production output, secures employment, unlocks regional economic potential, and fosters a competitive private sector. Structuring future lending policy around market principles, digital technologies, and targeted state support will further solidify the role of small business in Uzbekistan's economy.