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IMPROVING THE FOUNDATIONS OF THE FINANCIAL MECHANISM FOR THE DEVELOPMENT OF SMALL AND MEDIUM- SIZED ENTERPRISES IN THE CONTEXT OF ECONOMIC TRANSFORMATION

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Annotatsiya:

Global iqtisodiy transformatsiya sharoitida kichik va o'rta biznes sub'yektlarining (KO'B) rivojlanishi barqaror iqtisodiy o'sish, aholi bandligini ta'minlash va innovatsiyalarni rag'batlantirishning asosiy omili hisoblanadi. Ushbu tadqiqot KO'Bni qo'llab-quvvatlovchi moliyaviy mexanizmning nazariy va uslubiy asoslarini o'rganadi hamda uni takomillashtirish yo'nalishlarini ishlab chiqadi, ayniqsa O'zbekiston kabi o'tish davri iqtisodiyotiga ega mamlakatlar misolida. Tadqiqotda moliyaviy resurslardan foydalanish imkoniyatlarini kengaytirish, moliyalashtirish vositalarini diversifikatsiya qilish va institutsional tizimlarni mustahkamlash zarurligiga alohida e'tibor qaratilgan.

Аннотация:

В условиях глобальной экономической трансформации развитие малых и средних предприятий (МСП) выступает ключевым фактором устойчивого экономического роста, обеспечения занятости населения и стимулирования инноваций. Данное исследование рассматривает теоретические и методологические основы финансового механизма поддержки МСП и определяет направления его совершенствования, с особым акцентом на страны с переходной экономикой, такие как Узбекистан. В работе



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подчеркивается необходимость расширения доступности финансовых ресурсов, диверсификации инструментов финансирования и укрепления институциональных структур.

Abstract:

In the context of global economic transformation, the development of small and medium-sized enterprises (SMEs) constitutes a pivotal driver of sustainable economic growth, employment generation, and innovation. This study examines the theoretical and methodological foundations of the financial mechanism supporting SMEs and formulates directions for its enhancement, with a particular focus on transition economies such as Uzbekistan. The research emphasizes the necessity of improving financial accessibility, diversifying funding instruments, and strengthening institutional frameworks.

Keywords: small and medium-sized enterprises (SMEs), financial mechanism, financial accessibility, transition economy, Uzbekistan, credit guarantee systems, financial instruments, digitalization of financial services, institutional framework, economic transformation.

Economic transformation—characterized by structural reforms, digitalization, and intensifying global competition—necessitates adaptive and resilient economic systems. SMEs occupy a central role in this process owing to their flexibility, innovative potential, and capacity to respond promptly to market fluctuations. Nevertheless, the development of SMEs is contingent upon the efficiency of financial mechanisms, which encompass access to credit, investment resources, state support, and financial infrastructure.

In Uzbekistan, SMEs account for a substantial share of gross domestic product (GDP) and employment. Over the past decade, the government has implemented



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a series of reforms aimed at improving the business environment, including tax liberalization, simplification of registration procedures, and the expansion of financial support programs. Despite these measures, SMEs continue to encounter challenges related to limited access to long-term financing, high interest rates, and insufficient development of capital markets.

The financial mechanism for SME development can be defined as a system of financial instruments, methods, and institutional arrangements designed to ensure the mobilization, allocation, and efficient utilization of financial resources. This mechanism comprises both market-based and state-supported components. From a theoretical standpoint, the financial mechanism is predicated on several key principles:

Accessibility – ensuring equitable access to financial resources across all categories of SMEs;

Efficiency – achieving optimal allocation of financial resources to maximize economic output;

Sustainability – maintaining the long-term stability of financial support systems;

Flexibility – enabling adaptability to changing economic conditions.

In transition economies, the realization of these principles is often constrained by institutional weaknesses, underdeveloped financial markets, and information asymmetry between lenders and borrowers.

In recent years, Uzbekistan has made notable progress in enhancing SME financing. Commercial banks remain the primary source of external financing. In addition, the government has established specialized institutions, such as entrepreneurship support funds and credit guarantee mechanisms.

Concessional loans extended through state programs have enabled numerous SMEs to expand operations in key sectors, including agriculture, manufacturing, and services. Moreover, the introduction of digital banking services has



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facilitated access to financial resources, particularly for small businesses in rural areas.

Nevertheless, several systemic issues persist:

- Predominant reliance on bank lending as the primary source of financing;
- Limited availability of venture capital and private equity;
- Underdeveloped stock market infrastructure and alternative financial instruments;
- Stringent collateral requirements for loan approval;
- Insufficient financial literacy among entrepreneurs.

These challenges underscore the need for a comprehensive overhaul of the financial mechanism.

To enhance the effectiveness of SME financing amid ongoing economic transformation, the following strategic directions are proposed:

1. Diversification of Financial Instruments

Developing alternative financing sources—such as venture capital, leasing, factoring, and crowdfunding—is essential. For instance, the establishment of venture funds could support innovative startups in sectors such as information technology and green energy.

2. Strengthening Credit Guarantee Systems

Expanding credit guarantee schemes can mitigate the risks faced by commercial banks and improve access to financing for SMEs lacking sufficient collateral. This measure is particularly relevant in Uzbekistan, where many small businesses operate with limited tangible assets.



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3. Digitalization of Financial Services

Integrating fintech solutions, including online lending platforms and digital payment systems, can substantially enhance financial inclusion. Although Uzbekistan has made strides in this area, further efforts are required to reach remote and underserved regions.

4. Development of Capital Markets

Creating favorable conditions for SMEs to access capital markets—through simplified listing procedures and reduced regulatory barriers—can attract long-term investment.

5. Enhancement of State Support Mechanisms

Government programs should focus not only on the provision of financial resources but also on the efficiency of their allocation. This entails performance monitoring, transparency, and targeting high-potential economic sectors.

6. Improving Financial Literacy

Educational programs and advisory services for entrepreneurs can enable SMEs to better understand financial instruments and manage their resources effectively. International practices underscore the importance of integrated financial systems for SME development. In the European Union, for example, SMEs benefit from a diverse array of financial instruments, including grants, guarantees, and venture financing under programs such as Horizon Europe. Similarly, countries such as South Korea and Singapore have successfully established state-supported venture capital ecosystems that foster innovation and high-tech entrepreneurship. Adapting these practices to the context of Uzbekistan requires careful consideration of national economic conditions, institutional capacity, and the



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existing regulatory framework. A gradual and well-coordinated approach is essential to achieving sustainable outcomes.

To conclude, improving the financial mechanism for SME development constitutes a critical component of economic transformation. In Uzbekistan, despite considerable progress, further efforts are needed to enhance financial accessibility, diversify funding sources, and strengthen institutional frameworks. A comprehensive approach that integrates state support, market-based solutions, and digital innovation can foster a more efficient and sustainable financial ecosystem for SMEs. Such a development would, in turn, contribute to economic growth, job creation, and enhanced competitiveness in the global economy.

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