

**THE ROLE OF BANKS IN THE DEVELOPMENT OF SMALL BUSINESS AND
ENTREPRENEURSHIP**

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Abstract: This article discusses the importance of small business and entrepreneurship in the economy and the important role of banks in the development of this sector. The article examines in detail the role of banks in providing financial resources to small businesses, providing business management advice, introducing technologies, creating opportunities for networking , and developing international cooperation. It also discusses the difficulties that banks face in developing small businesses and ways to overcome them, including developing special credit programs, offering consulting services, assisting in the introduction of technologies, and developing support programs.

Keywords: Small Business, Entrepreneurship, Banks, Financial Resources, Loans, Grants, Investments, Business Management Consulting, Technologies, Networking, International Cooperation, Economy, Development, Challenges, Support Programs.

Today, the development of small businesses is recognized as one of the most important areas of economic development of countries. The organization and development of small businesses in accordance with world standards is a process directly related to investment factors. In this sense, effective investment in small businesses becomes an important force determining the socio-economic development of the Republic of Uzbekistan.

The level of economic development of any country is reflected in the level of development of entrepreneurship in that country. It is no secret that the rapid development of the economy is determined by the increasing share of small businesses and private entrepreneurship in its structure, and the daily increase in the share of small businesses and private entrepreneurship, in turn, largely depends on the business environment created in the country. Today, the share of small businesses and private entrepreneurship in the country's gross domestic product is 53.3 percent . The scale of work aimed at improving the system of lending to small and medium-sized businesses by the World Bank, which is considered a major financial institution in international practice, is increasing from year to year. As a result of this work, in world practice, special attention is paid to improving the mechanisms of lending to small and medium-sized businesses and aspects related to the effective use of loans. However, despite this, a number of problems and shortcomings are observed in further increasing the culture of servicing small business entities and their trust in the banking system. In particular, excessive centralization of powers in making decisions on the allocation of loans prevents a clear delimitation of responsibility between the main banks and their branches, complicated mechanisms for considering loan applications limit the possibility of obtaining loans quickly, and it is important to conduct research on the current problems of lending to small businesses, study international experience and develop proposals for its application in the republican banking services market.

Small businesses and entrepreneurship are an important factor in the development of the economy of any country. They contribute to job creation, innovation, increased competitiveness and

improved overall well-being of society. Banks play a key role in the development of small businesses and entrepreneurship, as they support entrepreneurs by providing financial resources, business management advice and other essential services.

1.2 billion dollars will be allocated to support small businesses

Four instruments are envisaged in the area of financial support. In 2023-2026, 6 billion soums will be allocated from state funds to implement the "Continuous Support for Small Business" comprehensive program; 1.2 billion dollars will be allocated from funds from international financial institutions .

The President signed a decree "On measures to provide financial and institutional support for the development of small businesses." Since October 1, 2023, the comprehensive program "Continuous Support for Small Business" has been implemented. The Business Development Bank has been designated as the main support bank for the implementation and improvement of the program.

To implement the program in 2023-2026, 6 billion soums will be allocated from state funds; 1.2 billion dollars from funds from international financial institutions .

are eligible to participate in the program by submitting an online application to the Small Business Assistance Center LLC:

- Small businesses, peasant farms, self-employed individuals, artisans, homemakers, non-governmental educational organizations, and small businesses that provide permanent employment to 3 or more people, operating for at least one year;

- legal entities and individuals who have successfully implemented their business projects within the framework of family entrepreneurship programs and have a positive credit history.

Four instruments are envisaged in the area of financial support:

- to allocate loans of up to 1.5 billion soums at an annual rate of 4 percentage points above the key rate of the Central Bank for a period of up to 7 years with a grace period of up to 2 years for the establishment or expansion of entrepreneurial activity and for a period of up to 3 years in the form of a revolver for working capital and (or) leasing for the purchase of fixed assets. This provides for the possibility of allocating loans of up to 100 million soums without collateral, and loans of up to 150 million soums with a collateral requirement reduced by up to 50 percent;

- Lending fixed assets worth up to 1.5 billion soums with installments for up to 7 years;

- Participation in new projects and projects for the expansion of existing production of small business entities that have been operating for more than 24 months and have a turnover of 1 billion to 10 billion soums in the last 12 months and have provided permanent employment to at least 10 people, with vacant state-owned facilities and land, equipment, buildings and structures and other tangible assets in the amount of up to 20 percent, but not more than 1 billion soums;

- innovative developments, allocation of up to 2 billion soums in grant funds for high-tech startup projects within the framework of state scientific programs.

of banks in the development of small businesses and entrepreneurship:

Providing financial resources: Banks provide loans, grants, investments, and other financial resources to small businesses and entrepreneurs. This helps entrepreneurs secure the funds they need to start, grow, and expand their businesses.

Providing business management advice: Banks provide advice to entrepreneurs on business management, financial planning, marketing, legal issues , and other important aspects. This helps entrepreneurs to run their businesses effectively and achieve success.

Technology adoption: Banks help small businesses and entrepreneurs adopt modern technologies. This may include online banking, electronic payments, mobile banking applications , and other technologies.

help entrepreneurs connect with each other and create networking opportunities. This helps entrepreneurs build the connections they need to grow their businesses.

Developing international partnerships: Banks help entrepreneurs find foreign partners and enter international markets. This helps entrepreneurs expand their businesses and become globally competitive.

of banks in the development of small businesses and entrepreneurship: Banks play a crucial role in the development of small businesses and entrepreneurship, as they support entrepreneurs by providing them with financial resources, business management advice, and other essential services. The efforts of banks to develop small businesses and entrepreneurship contribute to accelerating the growth of the country's economy, creating jobs, and improving the overall well-being of society.

Challenges faced by banks in developing small businesses and entrepreneurship:

Limited access to credit: Small businesses often have difficulty accessing credit because banks may consider them risky.

High interest rates on loans: Interest rates on loans for small businesses can be high, limiting their ability to grow their businesses.

Lengthy loan approval process: The loan approval process for small businesses can be lengthy, delaying the time it takes to start and grow their businesses.

Lack of sufficient information about small businesses: Banks may not have sufficient information about small businesses, which makes it difficult to provide loans to them.

efforts to develop small businesses and entrepreneurship:

Developing special loan programs aimed at small businesses: Banks can develop special loan programs aimed at small businesses, making it easier for them to access loans and reducing interest rates

Offering advisory services to small businesses: Banks can offer advisory services to small businesses on business management, financial planning, marketing, and other important aspects.

In conclusion, banks play a crucial role in the development of small businesses and entrepreneurship. They support entrepreneurs by providing them with financial resources, providing business management advice, introducing technologies, creating networking opportunities, and fostering international cooperation. Banks' efforts towards small businesses contribute to accelerating the growth of the country's economy, creating jobs, and improving the overall well-being of society. However, there are also challenges that banks face in developing small businesses. Small businesses often have difficulty accessing credit, as banks may consider them risky. High interest rates on loans and the lengthy process of obtaining loans also put small businesses in a difficult position. To address these issues, banks should develop special credit programs aimed at small businesses, offer advisory services, help introduce technologies, and develop support programs. It is also important for the state to encourage banks to develop small businesses and provide them with support programs. Banks' efforts to develop small businesses and entrepreneurship contribute to accelerating the growth of the country's economy, creating jobs, and improving the overall well-being of society.

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