

Lending to Small Businesses and the Legal Base for their Support: The Experience of Market Developed Countries

Kuatbay Daniyarov

Independent researcher, Karakalpak State University, Uzbekistan

Jakhongir Gadaev

Doctoral PhD, Samarkand Institute of Economics and Service, Uzbekistan

Jakhongir Zaynalov

Scientific adviser, professor, Head of Department "Finance", Samarkand Institute of Economics and Service, Uzbekistan

Abstract

The article is devoted to the characteristics and analysis of credit and financial support for small and medium-sized businesses and private entrepreneurship, operating in market-developed countries. Various programs of funds to support small and medium-sized businesses are shown, which contribute to the broad development of this sector of the economy. The conclusion is formulated on the direction in which it is necessary to improve the legal framework of the Republic of Uzbekistan in the direction of development of this sector of the economy.

Keywords: *small business, credit and financial support for SMEs, legal and regulatory framework for small businesses, lending, support fund.*

Introduction

When implementing existing and developing new initiatives in the field of development and state support for small businesses, the experience of a number of market-developed countries plays an important role. In the last decade, active contacts at all levels through both public and state and scientific structures involved in the problems of small business have significantly enriched our ideas about the development and support of small business abroad, about measures to promote an increase in the contribution of small businesses to the solution specific economic and social problems [1]. True, due to a number of circumstances, the main emphasis in such contacts is, as a rule, on studying the experience of the most economically developed countries of the world.

In the world economic system, according to the UN, medium and small enterprises are employers for almost 50% of the working population. In countries such as Japan, Italy, Switzerland, the predominant part of the workforce is concentrated in small enterprises.

Small business and private enterprise are the most flexible, rapidly changing sectors of the economy and quickly solve the problem of providing the consumer with the goods and services that he or she needs, based on various needs. At the same time, they can change types of products and

introduce them into production at a lower cost than large-scale production as a result of the population's changing needs [2].

Naturally, this experience is of great importance for Uzbekistan. This experience is of great importance, especially in terms of developing a long-term strategy for the development and support of small and medium-sized businesses. Its study to a large extent contributed to the legal, organizational and institutional design of the national policy on small business. However, in many of its components, the experience of developed countries is due to completely different economic and socio-institutional factors, as a result of which the possibilities of its practical adaptation to domestic realities are limited.

Research methodology

When writing the article, methods of analysis were used, which made it possible to analyze the existing prospects for improving the regulatory framework for the functioning of small and medium-sized businesses.

Analysis and results

Consider a country like Great Britain. The UK government pays great attention to the development and support of small business as the main source of creating new jobs and employment growth, as well as reducing the social obligations of the budget. Of the 3.7 million national companies operating here, less than 7,000 are large, and about 24,000 legal entities are medium (employing up to 250 people). In 1999, 98% of newly created companies (apart from such industries as energy, gas and water supply) were classified as small businesses [3].

The whole range of state support for small businesses in the UK is carried out by a government body - the Small Business Support Organization (SMB). In its structure and tasks, this organization is almost identical to the US Small Business Administration. SMB carries out a number of programs and initiatives designed, in particular, to promote the development of new technologies by small businesses, gain access to financing, establish interaction between companies, and popularize best practices in various business areas. One of the most important tasks of the SMB is to help small businesses complete the necessary registration and other bureaucratic procedures.

SMB oversees and partially finances the activities of 80 so-called "business links" (business links), which are created in all regions of England to provide small and medium-sized companies with independent advice on a wide range of issues of their activities. Consultants of these services provide assistance at all stages of business development. The structure of each regional "link" employs specialists in the field of new technologies (including telecommunications and informatics), exports, taxation, attracting loans, design, etc. [4] Similar bodies in Scotland are called business shops, in Wales they are called business relations offices, and in Northern Ireland they are called local economic development units.

SMEs are widely attracted by the research potential of British universities and colleges, independent organizations [5]. Small businesses are given access to the bases of scientific developments of universities, as well as the opportunity to invite senior students (technologists, designers, lawyers, management personnel) for a two-year internship, who combine work in a company with research in the relevant field.

SMB forecasts that in 2006 it will receive and satisfy about 3 million requests per year. The organization's budget for the 2004-2005 financial year was £353 million.

Also, great attention is paid to the development of small and medium-sized businesses in the United States. In the United States, small business covers more than 23 million companies, produces more than half of the country's GNP, provides employment for 54% of the country's able-bodied population, and is the main source of new jobs [6].

The US Small and Medium Business Administration (SMB) is the central agency that deals with the issue of small and medium-sized businesses, coordinates the work of other US government agencies, has more than 100 branches in all states, about 1000 local centers to help small businesses.

The main task of the SMB is to provide guarantees for the allocation of various types of loans by banks to help newly created companies. Guarantees are usually issued on loans with a maturity of 10-25 years at a rate of no more than 2.75% per annum.

In addition, AMB carries out: provision of guarantees in construction projects with the participation of small businesses; issuance of grants to firms for development, as well as for scientific and technical research carried out by order of the US government; assisting small businesses in promoting goods and services abroad; providing assistance to small businesses in recovery after emergencies (natural disasters); special programs for different segments of society.

In 2005, AMB issued grants to 491,000 enterprises worth USD 40 billion, invested USD 3.24 billion in the equity capital of small companies, provided 30,000 loans worth USD 728 million to people affected by natural disasters.

According to the classification adopted by the German Ministry of Economics, small and medium-sized enterprises (SMEs) include firms with up to 499 employees.

SMEs form the foundation of the social market economy system in Germany and largely determine its economic potential. More than 3,250 firms currently belong to the SME category, which is 99.6% of all enterprises operating in Germany. They provide 64% of jobs in the country, 80% of vacancies for obtaining and improving professional education, 45.9% of taxable turnover and carry out 44.1% of gross investments [7].

State support for SMEs is carried out in Germany in the following areas:

- improving the educational and professional level of SME employees;
- assisting SMEs in entering new markets for goods and services. Over the past 5 years, such areas of economic activity have been opened for private entrepreneurs, such as the provision of postal services, telecommunications, energy supply, the implementation of technical expertise and the issuance of expert opinions;
- stimulation of the export potential of SMEs;
- creation of favorable conditions for the formation of new enterprises.

The main organization of state assistance to SMEs is the Special Fund for the European Reconstruction Program (SEPG), established on February 1, 1950.

The most important programs of the foundation are:

- ✓ a program to promote newly created SMEs on the basis of equity financing;
- ✓ a program of 50% (for old federal states) and 75% (for new federal states) financing of newly created SMEs;

- ✓ recovery program for private manufacturing, craft and trade SMEs (only in the new federal states);
- ✓ a program to improve the regional economic infrastructure;
- ✓ professional training program for SMEs;
- ✓ program of ecology and energy supply for SMEs;
- ✓ an innovative program for investing in R&D (up to 50% of the total costs are financed) and the introduction of scientific developments into production (up to 50% of the total costs are financed).

Also, for example, in Italy there is a fairly extensive system of assistance to small and medium-sized businesses. The main coordinator of this activity is the Italian Ministry of Industry, which works in direct contact with the Italian Confederation of Industrialists, which brings together industry and regional organizations. Significant assistance is provided by regional Chambers of Commerce, which form consortia with the involvement of local banks and financial institutions.

The legislative framework determines the mechanism for providing organizational and financial support to SMEs in the development of new technologies. The provision of non-repayable loans and preferential lending to enterprises is carried out in the following areas:

- acquisition of high-tech equipment (so-called innovative systems);
- acquisition of new technologies in the form of know-how, application programs and documentation that increase labor productivity;
- creation of consortiums for the purpose of rendering assistance and rendering services to the enterprises entering into them;
- creation of innovative "dense" enterprises [3].

Appropriate support in Italy is given to projects in which the majority of shareholders or shareholders consists of persons aged 18 to 29 living in the place of the established enterprise. Assistance is provided in the form of non-refundable loans. Projects of expansion, modernization, reconversion, restructuring of existing SMEs do not fall under the law.

The list of countries in which small and medium-sized businesses are given increased attention is not limited to industrialized countries. The experience gained in this area by Poland, Hungary, and the Czech Republic also deserves close study. Thus, the development of small and medium-sized businesses is the locomotive of the economy in many countries of the world.

In France, the annual turnover of funds of SE and JV is 60% of the annual turnover of all enterprises. More than half of small and medium enterprises operate in trade, services and construction.

The state policy in the field of supporting small and medium-sized businesses has two main directions:

- ✓ assistance to small and medium-sized enterprises (incentives and direct assistance);
- ✓ Creation of a healthy competitive environment.

Conclusion

It is carried out by ministries and government agencies (or through their regional offices and divisions) and aims to:

- reduction of risks when issuing bank loans to small and medium-sized enterprises by providing guarantees and introducing co-financing;
- raising capital for the development of the enterprise, as well as raising venture capital.

Financing of small and medium-sized businesses in France begins with the issuance of loans for the creation of an enterprise. The risk associated with their issuance is fully covered by guarantee funds.

The French budget for 2006 provided for the allocation of 3.68 billion francs for state support for small businesses.

The role of small business in the Italian economy is extremely large: in the mid-90s, they accounted for 99.7% of the total number of industrial enterprises, 74% of those employed in the economy, 60% of the value of manufactured industrial products, 40% of total exports.

It should be noted that Uzbekistan partially took over from the UK the functions of the Small Business Support Organization. Based on it, the Small Business Development Fund was created. The main goal of this fund is the development and support of small businesses in Uzbekistan, as well as the creation of a favorable environment for its activities.

References

1. Зайналов Д. Р., Алиева С. С., Расулов З. Д. Управление финансовыми ресурсами предприятий малого бизнеса //М.: РАДИУС. – 2013.
2. Авдеева, Е. А., et al. "Рыночные трансформации: новые бизнес-модели, инновационные технологии, практика решений." (2021): 461-461.
3. Ahrorov Z. Необходимость финансовой поддержки инновационного развития предприятий //Архив научных исследований. – 2020. – Т. 35.
4. Зайналов Ж. Р., Алиева С. С., Хусанова Д. Ш. Проблемы укрепления и управления финансами туристических предприятий. – 2019.
5. Ахроров З. О., Ханова Н., Хусанова Д. Ш. Проблемы финансовой поддержки безубыточного функционирования хозяйствующих субъектов //Направления повышения стратегической конкурентоспособности аграрного сектора экономики. – 2018. – С. 122-126.
6. Zaynalov D., Alieva S. The Influence of Inflation on The Vital Activity of a Society in The Conditions of a Dynamically Developing Economy //Фінансовий простір. – 2018. – №. 4 (32). – С. 143-149.
7. Киясов Ш. У. Модели определения налогового бремени: методологические аспекты //Экономика и бизнес: теория и практика. – 2018. – №. 6. – С. 92-95.