



## ECONOMIC AND STATISTICAL ANALYSIS OF FINANCING SMALL AND MEDIUM BUSINESS ACTIVITIES IN THE REPUBLIC OF UZBEKISTAN

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**Annotation.** This article analyzes the economic and statistical aspects of financing small and medium-sized businesses in the Republic of Uzbekistan. Small business plays an important role in the country's economy, is a key tool in creating jobs, supporting innovative activities and ensuring regional development. The article provides an in-depth analysis of sources of financing for small and medium-sized businesses - bank loans, investments, government programs and participation of foreign financial institutions - using statistical indicators. It also identifies existing problems and opportunities and puts forward proposals. Based on statistical data, the share of SMEs in GDP, their role in employment and financial indicators are assessed. This study can be useful in developing effective financial strategies aimed at developing small and medium-sized businesses.

**Keywords:** small business, medium-sized business, financing, economic analysis, statistical indicators, bank loans, investment, government programs, financial strategy.

One of the factors for the sustainable development of the economy of Uzbekistan is the development of small business and private entrepreneurship. This sector is characterized by the ability to quickly adapt to changes in market conditions, ensure employment and create sources of income by creating new jobs, and form a middle class of owners. The huge importance of the small business and private entrepreneurship sector in the formation of the middle class, which is a reliable support for the modernization and renewal of our country, cannot be compared with anything.

In our country, through the further development of small business and private entrepreneurship, lending is of great importance in increasing its share in GDP, employing the population, increasing their real incomes, and improving their well-being. Financing will help to lift the population out of poverty, to attract the able-bodied and talented population to work, to improve their well-being by expanding their sources of income, and to develop small and private entrepreneurship, enabling them to become active socio-economic actors of society. The gradual implementation of reforms, consistent and undeviating path of democratic and market reforms, together with a strong social policy and protection of the most vulnerable segments of the population, predetermined the positive results of the fundamental changes being implemented in Uzbekistan, their support and recognition.

In his reports at the meeting of the Cabinet of Ministers of the Republic of Uzbekistan dedicated to the results of the socio-economic development of our country in 2020 and the most important priority areas for 2021, our Head of State emphasized the need to "expand the

opportunities for small businesses and private entrepreneurship to access loans, raw materials, as well as the public procurement system.” Although providing enterprises of economic sectors with financial resources (lending or microcrediting) in countries with economies in transition is considered a novelty, it is used to attract and comprehensively support the economically active population to entrepreneurial activities, and to ensure employment. Also, attention is being paid to attracting funds from international or foreign financial organizations to ensure the development of the sector. In a market economy, small and medium-sized businesses play an important role in economic growth, social stability, job creation, and the development of innovative activities. In the Republic of Uzbekistan, supporting this sector and providing them with effective financial resources is one of the priorities of state policy. This article provides an in-depth analysis of the sources of financing of small and medium-sized businesses, economic and statistical indicators, existing problems and ways to solve them.

Small and medium-sized businesses are an integral part of the national economy. In accordance with the Decree of the President of the Republic of Uzbekistan No. PF-101 dated April 8, 2022, new approaches to the SME sector were introduced, their legal status, financial capabilities and support mechanisms were improved.

As of 2024, small and medium-sized businesses accounted for more than 90 percent of registered business entities in the country. They employed about 75 percent of the employed population and generated more than 56 percent of the gross domestic product (GDP).

To improve financial management and reduce risks in small and medium-sized businesses, business leaders should actively use training, seminars or consultations with experts to increase their financial knowledge. This will allow them to make the right decisions by analyzing more information and will help ensure the growth and sustainability of the business. Small and medium-sized businesses face the following main problems in attracting loans and investments: Lack of collateral - small business owners usually have limited assets to provide as collateral, which is a major obstacle to obtaining loans from commercial banks. Lack of credit history - many small businesses do not have an established credit history due to their new establishment. This leads financial institutions to be cautious when granting loans, repeatedly verify the borrower, and issue loans on strict terms. High interest rates – SMEs are often offered higher interest rates than large companies, which is explained by the high level of risk that banks assume for small businesses.

Limited government support programs – in some countries, there are few or insufficient funds allocated to support SMEs. Also, entrepreneurs’ lack of knowledge about these programs limits financing opportunities. Lack of alternative sources of financing – in some regions, the ability to attract alternative sources of financing, such as venture capital or crowdfunding, may be limited. A comprehensive approach is needed to address these problems. This includes developing government support programs, simplifying credit procedures, and organizing special training programs for entrepreneurs in finance and business management.[4; 109,112-b]

Financing of small and medium-sized businesses is carried out through various sources. These are:

1. Bank loans.

The volume of loans provided by commercial banks to small businesses is increasing year by year. According to the results of 2023, loans to small and medium-sized businesses accounted for 35% of the total loan portfolio.

2. State financial programs.

Preferential loans, subsidies and grants are provided to start entrepreneurship through the programs "Every Family is an Entrepreneur", "Youth Notebook" and other social projects.

3. Foreign investments.

Funds attracted to Uzbekistan through international financial institutions (World Bank, European Bank for Reconstruction and Development) are directed to support small and medium-sized businesses.

4. Small industrial zones and technoparks.

Entrepreneurship is encouraged in these areas through infrastructure, preferential loans and tax breaks.[5]

In our country, the level of development of entrepreneurship, including small business and private entrepreneurship, is one of the main factors in ensuring employment and increasing incomes of the population, increasing the country's export potential, and ensuring sustainable socio-economic development.

Entrepreneurship, in a broad sense, is considered an intellectual activity based on personal interest, aimed at achieving the goal set before the subject, carried out with his direct participation based on his personal factors, and related to work ranging from running a family business to producing and selling products and providing services. In a narrow sense, entrepreneurial activity only represents the processes of product production at various levels of the economic sphere, that is, entrepreneurship.

Since the first days of independence, special attention has been paid to the development of small business and private entrepreneurship in our country. In this regard, a number of laws, Presidential Decrees, Cabinet of Ministers' resolutions and a number of regulatory and legal documents on the development of other sectors have been adopted, which have had a positive impact on the development of the entrepreneurship sector.

**Changes in the volume of loans allocated to small business entities in Uzbekistan and the share of small businesses in the country's gross domestic product**

Years	Volume of loans allocated to small businesses, billion soums	The share of small businesses in the country's gross domestic product, %
2015	2692.0	54,6
2016	3798.03	76,6
2017	3999.11	68,7
2018	42230.12	72,89
2019	4990.12	75,9
2020	5220.11	79,01
2021	5880.00	82,03
2022	6270.03	83,09

Table 1[6]

Economic and statistical analysis

Based on statistical data, the financial situation of small and medium-sized businesses in Uzbekistan and the level of their support can be seen as follows:

In 2021, the volume of loans allocated to small and medium-sized businesses amounted to 45 trillion soums,

while in 2023 this figure reached 85 trillion soums.

This indicates that financing of small businesses has doubled in recent years.

In the conditions of Uzbekistan, the most popular source of financing for business is a bank loan. When business owners apply to a commercial bank for a loan, a loan is provided if their business ideas and collateral are acceptable to the bank. Although attracting financial resources to an enterprise from other sources of financing, for example, by issuing securities, is the cheapest and easiest way, the insufficient development of the secondary stock market in the country and the institutional and infrastructural factors related to the stock market reduces the effectiveness of this financing method. Therefore, small and medium-sized enterprises can use alternative sources of financing, such as crowdfunding and venture capital. These sources of financing allow them to obtain capital without resorting to traditional bank loans. At the same time, small business owners are required to introduce resource-saving technologies to reduce costs and optimize processes. This will help them significantly increase the competitiveness of their business. The best results can be achieved by adhering to the principles of openness, honesty, and readiness for dialogue with customers and suppliers.

**The following proposals are put forward to improve the financing system for small and medium-sized businesses:**

1	Expanding preferential credit lines.	Loans with an annual interest rate of around 10-12% should be introduced for small businesses.
2	Development of the state guarantees and insurance system	State guarantee mechanisms should be strengthened to address problems related to collateral when obtaining loans.
3	Business planning and financial literacy.	It is necessary to improve the knowledge and skills of entrepreneurs through special trainings and online courses.
4	Simplify the tax and licensing system.	Tax incentives and simplified registration processes should be implemented for small businesses.
5	Development of digital financing platforms.	Online financial services and digital credit scoring systems should be created for small businesses.

2- Table

Financing of small and medium-sized businesses in the Republic of Uzbekistan has been developing rapidly in recent years. The role of SMEs in the economy is being strengthened through state support, bank loans, foreign investments and subsidies. However, this sector can be further developed by eliminating existing problems and improving financing mechanisms. Sustainable financial support for small and medium-sized businesses creates the

basis for economic development of Uzbekistan, the creation of new jobs and an increase in innovative potential.[8; 2992, 8982-b]

In conclusion, many small and medium-sized businesses face a number of difficulties in the process of financial management. This is due to problems such as lack of financial literacy, finding cheap and reliable sources of financing, incorrect formation of the enterprise budget, complexities in tax legislation and tax optimization, and lack of long-term strategic development planning. In order to solve the above problems, in our opinion, it is necessary to retrain and improve the skills of enterprise employees, send them to training courses, use automated systems for accounting and cash flow monitoring at the enterprise to increase financial literacy. Also, it is necessary to widely use alternative sources of financing, such as venture funds, crowdfunding, grants and subsidies, introduce flexible budgeting principles, pay special attention to attracting tax authorities to optimize tax payments and comply with legislation. The use of flexible approaches to financial management allows small and medium-sized enterprises to effectively respond to changes in the economic environment, ensure sustainable growth and increase competitiveness. It should be remembered that each company is unique, and approaches to financial management should be adapted to the specific conditions and goals of the business.

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