

MICROCREDIT AS A FACTOR IN THE DEVELOPMENT OF SMALL BUSINESSES IN UZBEKISTAN

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ABSTRACT

The stages of development of the services sector in our country, and their results, the analysis of legal documents on the development of this sector are presented and it was suggested proposals and recommendations for the development of the services sector of the Republic in this article.

Key words: Stages of small business development, microcredit, economics, legislative acts.

INTRODUCTION

Small business and private entrepreneurship is one of the important drivers of economic development, increasing employment and incomes of the population. In order to support the subjects of this sphere, more than 50 decrees and resolutions of the President of the Republic of Uzbekistan have been adopted in recent years.

Since the first years of Uzbekistan’s independence, much attention has been paid to the development of the legal framework, the organization of financial support, the protection of the rights of entrepreneurs, the training and retraining of personnel, the development of market infrastructure serving small businesses.

The President of the Republic of Uzbekistan, in a resolution dated February 5, 2019 No. PP-4160 “On additional measures to improve the rating of the Republic of

Uzbekistan in the annual report of the WB and the International Finance Corporation (IFC) “Doing Business”, set the goal of achieving 20th place by 2022.

Thanks to the measures taken in recent years, Uzbekistan has risen from 138th to 69th place in the Doing Business ranking among 190 countries of the world.

Microcredit is similar to classic bank loans. It represents the issuance of money on the terms of repayment, payment and urgency. This means that the client undertakes to return the funds within the period specified in the agreement by paying a predetermined amount of remuneration.

Small business - these are companies and individual entrepreneurs from the Unified Tax Register marked

“Micro-enterprise and “Small enterprise”. This list includes any business that fits the parameters: income is less than 800 million rubles a year, and the staff does not exceed 100 employees.

A microloan is issued in national currency to the borrower’s card, in cash, and also online to a salary card. Funds can be received from three months to five years. The longer the term, the higher the annual interest rate.

Compared to the previous review in August 2021, the rates are almost unchanged. Offers with different interest rates and the amount of the issued amount have increased.

The maximum size of a microloan varies from 300,000 soums to 50 million soums.

The highest amount of 100 million is issued by Davr-Bank for a period of five years and an annual interest rate of 34%.

A guarantee from a third party is accepted as collateral. When issuing a large amount - more than 20-30 million - a property collateral in the form of a car or real estate is required.

Along with this, Anorbank introduced tariff packages for issuing microloans. This means that when receiving a loan under the tariff package, the rate is reduced to 23%, no income certificates are needed, only a pledge in the form of property is required. At the same time, if the borrower takes a loan of 10 million, then every month he needs to pay 100 thousand in addition to the principal amount.

It is important to emphasize the credit policy and flexibility of conditions in TBC Bank

Bank “TBC” provides for individuals, private entrepreneurs microcredit in the amount of 300,000 - up to 50,000,000 soums without collateral, without a third party guarantee, without insurance, without a salary certificate, with no name, even a passport, there is a possibility ahead of schedule repay and pay interest on the loan only for the period that you used and it will take 10 minutes to issue a micro loan at TBC Bank.

Bank's name	Bid	Term	Max amount	Issuance form
«Agrobank»	26,99%	1 year	to 10 mln	online/to the bank card
«Asakabank»	26%	1 year	to 50 mln	In cash/ to the bank card
	27%	2 years		
“Asia Alliance Bank”	23%	1 year	to 50 mln	to the bank card
	26,99%	3 years		
«Ipoteka Bank»	23%	3 years	50 mln	online, to bank payroll
«Kishlok kurilish Bank»	27%	2 years	50 mln	In cash / to the bank card
NBU	28%	1 year	50 mln	In cash / to the bank card
«Savdogarbank»	26%	1 year	50 mln	to the bank card
	26,9%	2 years		
TBC Bank	28% — 49%	3–36 months	50 mln	online
Tenge Bank	26,9%	3 years	50 mln	to the bank card
	31,9%	1 year	20 mln	
«Turonbank»	26%	2 years	27 mln	to the bank card
	26,9%	3 years	50 mln	
«Uzpromstroybank»	22% -39%	2 years	30 mln	online, to the bank card
	26,9%	1 year	50 mln	to the bank card
	27,9%	2 years		
«Universalbank»	34%	3 years	50 mln	to the bank card

The following conditions have been created for business development in our republic:

1. The time to register a small business is 30 minutes. To register a subject, as an individual entrepreneur, it is required to prepare only one document, and as a small business with a legal entity - two documents.

2. Financial support for small businesses is carried out as follows:

issuance of preferential bank loans with a subsidized rate a guarantee of the State Fund for Supporting the Development of Entrepreneurship to business entities in the amount of up to 50% of the amount of the loan received representation by the Fund of compensation for interest expenses on loans from commercial banks.

3. The interests of business are protected by the institution of the Commissioner for the Protection of the Rights and Legitimate Interests of Business Entities. In Uzbekistan, unscheduled inspections of the activities of small businesses have been canceled, business entities are released from all types of liability that have committed financial and economic offenses for the first time;

4. Throughout the country, training courses have been organized for entrepreneurs on doing business, implementing projects based on privatized facilities. Youth entrepreneurship clusters have been created, where young start-up entrepreneurs are provided with rental sites at a zero rate for a period of for 5 years.

The measures taken were aimed at improving the legal framework and regulatory procedures in the field of doing business, creating a favorable business environment and a positive image of the country in the international arena.

The American research institute Heritage Foundation published the next Index of Economic Freedom, in which Uzbekistan took 140th place in 2019 and rose from 152nd with a score of 53.3 points over the year.

The Business Freedom sub-index, which is directly related to the development of small businesses and the business environment as a whole, reflects the opportunities for starting, running and closing a business the level of the overall administrative burden on entrepreneurs, as well as the degree of government effectiveness in regulating the business environment.

Data for 2010-2019 show a positive trend, which is directly related to changes in the regulation of the business environment and the creation of favorable conditions for small businesses.

The main problems in the field of small business and private entrepreneurship are still considered to be lack of own and borrowed funds, as a result of which small enterprises are not able to purchase modern and high-tech equipment problems and difficulties in obtaining land plots for the implementation of entrepreneurial activities, as well as in connecting to engineering and communication networks lack of liquid collateral or this collateral is insufficient for a bank loan at the start of its activity, which reduces the possibility of obtaining a loan difficulties in obtaining long-term loans that

stimulate the formation and development of small innovative industrial productions ineffective mechanisms for promoting small business products to regional and world markets, as well as the complexity of competition in the foreign market in certain sectors of the economy and the problems of entering foreign markets insufficient development of information systems, marketing, management and logistics services; insurance companies, audit firms, trading houses, consulting offices, business centers, business incubators insufficient development of sales markets, as well as markets for raw materials and materials poor training of the professional and qualification level of those employed in small business a large number of regulatory bodies.

Low equipment of small enterprises with modern technological equipment that ensures the production of competitive products.

At the same time, there are unresolved problems in the banking sector, many entrepreneurs point to high lending rates and commissions on bank operations, in particular, an additional fee is charged for consideration of submitted documents by the credit commission.

In addition, when obtaining a loan, entrepreneurs need to cover the costs of insurance and collateral valuation, notarization of loan documents, etc.

Along with this, banks set monthly fees and other commission fees for converting funds, opening a letter of credit, transferring converted funds to the account of foreign partner banks and other services, which is a significant financial burden for entrepreneurs who apply to commercial banks for financial support.

To prevent this situation, it is proposed to resume the activities of credit unions and microcredit organizations, which could become real competitors for commercial banks, which would reduce the rates. Also, it is necessary that commercial banks recognize the valuation of collateral carried out by independent valuation organizations. Currently, the appraisal organization is indicated by the bank itself, and the value of the appraised collateral may be underestimated.

Financing small business projects and their implementation is of great importance value for raising funds. A bank loan serves as the basis for advanced production technology, the introduction of new types of products, as well as the creation of new enterprises and the growth of new jobs.

At the moment, one of the main problems for small businesses and private entrepreneurship are financial resources. Providing financial resources, preferential interest and timely provision of loans should be provided by commercial banks.

There are the following problems in lending to small businesses and private entrepreneurship:

1. Assessment of the role of small business in the development of the national economy.

2. Analysis of the financial foundations of the activities of small businesses.
3. Studying the methods of lending to small businesses in developed countries and studying the use of these methods in our country.
4. Study of support in lending to small businesses of non-state and non-banking financial institutions.
5. Lack of extra-budgetary and centralized funds in lending small business.
6. Existing restrictions, interest rates and a small number of benefits and preferences.

Improving the legislative framework and financing of this sector of the economy can be considered as follows

To stimulate micro-crediting for small businesses, the Decree

The President stated that "...preferential microcredits are provided on the following conditions: the amount of the microcredit is up to 200 times the minimum wage; for a period of up to three years with a six-month grace period for the payment of the principal debt; with an annual interest rate: when creating one job - in the amount of 9 percent, two jobs - 8 percent, from three to four jobs - 7 percent, five or more jobs - 6 percent.

Through the formation of a personal fund of the population of Uzbekistan, the reproduction and further development of business skills, it is desirable to allocate microcredits with the help of local non-governmental organizations. Providing micro loans to small businesses and increase their business volume at the same time ensure the intended use of the loan. It is necessary to increase the margin of non-budgetary concessional credit funds in commercial banks separately from the account. In this regard, the demand for credit in this industry is increasing.

It is also possible to introduce a simplified taxation system, which provides for exemption from the obligation to pay corporate income tax, property tax and the unified social tax. The application of the simplified taxation system by individual entrepreneurs provides for their release from the obligation to pay personal income tax, personal property tax and the unified social tax.

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The President announced a new classification of business by its turnover:

The President suggested introducing a new classification of enterprises based on turnover. From 2023, instead of the turnover tax, a single tax rate of 4% will be

introduced for microbusinesses. Enterprises that have switched from small to medium-sized businesses will pay only 50% income tax for two years.

CONCLUSION AND SUGGESTION

Proposed measures to stimulate the development of small businesses and private entrepreneurship:

1) Subsequent easing of interest rates on loans, which will allow small businesses to reduce costs and ensure financial stability, because in world practice, the lower the loan rate, the more stimulated production growth and consumer demand;

2) Organize the training of personnel with entrepreneurial skills, which is a catalyst for the development of small businesses and individual entrepreneurship for self-employment through the introduction of vocational education "Vocational education" for grades 10-11 of general education schools based on the experience of Austria and Germany.

3) Continuing and strengthening the development of cooperation ties between large enterprises and small businesses, as well as holding cooperation fairs;

4) Cardinal simplification of the processes of coordinating land issues, registering buildings when transferred to the use or ownership of entrepreneurs;

5) Development and implementation of criteria for evaluating the activities of state authorities and local authorities for the development of entrepreneurship and the business environment as a whole;

6) Development of public-private partnership aimed at reducing business and investment risks in the areas of research and development, dissemination of new technologies;

7) Introduction of a mechanism for the transfer of shares of state-owned enterprises to the management of its employees who have been working in them for more than 5 years, which could give an additional incentive to these employees to think like an entrepreneur and work on the development of the enterprise.

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