

ECONOMIC ACTIVITY OF MICROFINANCE ORGANIZATIONS AND THEIR ROLE IN THE DEVELOPMENT OF SMALL BUSINESSES

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ABSTRACT

This article highlights the importance of microfinance organizations and their importance in the financial support of small businesses and entrepreneurial activities, modern manifestations of lending to entrepreneurial entities by microfinance organizations and their inherent trends. Microfinance organizations have also developed practical recommendations for identifying deficiencies in the financing of business entities in the development of the services market and their elimination.

Keywords: Noble credit organizations, efficiency, microfinance organizations, capital, liquidity, small business, microleasing, grants, resource base.

It becomes obvious that along with the globalization of the world economy, the prevention of a sharp stratification of the standard of living of the population is largely due to the development of the financial market in states, especially the activities of non-bank credit organizations.

Currently, it is impossible to imagine an improvement in the economy without the financial market. It is through the financial market that resources enter production in the form of capital. An important element of the financial market in our country is the banking system. The banking system allocates financial resources to support production, consolidating the available funds in circulation. But commercial banking banks cannot allocate resources to all enterprises, manufacturers and firms that have a need for financial resources. Therefore, commercial banks prefer to work with large manufacturers, rather than with small enterprises or firms in need of small financial resources. That is, attracting banks with small types of loans forces them to work with a large number of documents in them and increase jobs for this. In addition, such operations are usually less effective than large-scale ones. Thus, it is these small enterprises or the need for financial resources of a small part of the population that are met by various non-profit financial organizations. Such enterprises include micro-credit or microfinance organizations, pawnshops, credit unions, factoring companies, mortgage refinancing companies and other similar financial organizations.

The above-mentioned raw materials of non-bank credit organizations carry out social activities as well as economic activities. Social activity is understood as ensuring financial stability in our country by providing loans to them in the process of poverty reduction. However, economic activity refers to the actions of non-bank credit institutions, such as all financial institutions, aimed at obtaining commercial benefits.

Non-bank credit institutions are one of the essential elements of the financial market. The preliminary law on microfinance organizations that are part of non-credit organizations was adopted on June 28, 2006 (now this law has been adopted), which defines microfinance organizations as: "a legal entity engaged in the provision of services in the field of microfinance, microloans, and providing other microfinance services in accordance with this law is a microfinance organization".

After 2017, significant changes have taken place in the financial and credit sector of our country. On April 20, 2022, Law No. 765 "On Non-bank Credit Organizations and Microfinance Activities" came into force, and the purpose of this law was to separately regulate relations in the field of activities and microfinance activities of non-bank credit organizations.

Another feature of non-bank financial organizations is that these companies embody a certain bank service. For example, microfinance organizations are engaged only in micro-lending, micro-credit and microleasing, providing operations. But this type of operation is also used by commercial banks. Another example is factoring companies. These companies are tasked with financing their customers by purchasing accounts receivable with an indefinite maturity. At the same time, commercial banks also provide factoring services. Therefore, noble financial organizations combine a certain function of the bank itself.

In the process of analyzing the effectiveness of microfinance organizations, several indicators can be used. Of these, the change in the number of microfinance organizations, the annual growth of loans from microfinance organizations, the degree of development of nystaban in the assets of microfinance organizations.

The source of financial resources of microfinance organizations are liabilities and equity. According to the analysis, as of January 1, 2017, the balance sheet liabilities of microfinance organizations amount to 24.55 mlrd.so million, 942.12 as of January 1, 2023 mlrd.so M and has grown almost 40 times in the last six years. This indicator is a very good increase. In addition, according to the results of the analysis, as of January 1, 2017, the balance sheet capital of microfinance organizations is 44.40 mlrd.so million, 564.29 as of January 1, 2023 mlrd.so M, and has grown almost 13 times in the last six years.

The development of financing for small businesses and private entrepreneurship, which is currently of great importance for providing goods and services to local

consumer markets, increasing employment and real incomes, rational distribution and use of financial resources, reducing income inequality of social groups, improving economic ties between various sectors of the economy, is the main mediator in deepening reforms.

In turn, it is worth noting that currently in this system there are some problems and shortcomings in improving the activities of small businesses, providing them with credit facilities, including: an increase in interest rates on loans; in the process of obtaining a loan, such as incomplete and unclear information and strictness of conditions, insufficient quality, expediency of granting a loan, lengthy consideration of applications and their vague address, insufficient legal and economic knowledge of some entrepreneurs, reduced lending potential for small businesses and private enterprises.

In this regard, the President of the Republic of Uzbekistan Sh. Mirziyoyev in his message "... when implementing the tasks set for the development of the functioning of the banking system, it is necessary to focus on issues of ensuring effective and mutually beneficial cooperation between banks and business entities".¹ Of course, in order to develop private entrepreneurship, provide financial support to this area and provide this support through a developed, modern banking system by allocating loans with low interest rates to manufacturing enterprises, to purchase resources and materials necessary for their production activities, and to provide financial support, the government is taking the necessary measures to double the volume loans.

Today, despite the fact that microcredit organizations occupy their place in the financial market, improving their activities remains an urgent problem. For example, they still have a high demand for international skills and experience, such as money management, preparation of financial statements that comply with international standards, and its analysis. Consequently, for the development of small business and microfinance in Uzbekistan, it is necessary to provide more financial assistance to small businesses by attracting credit segments of international financial institutions, increase the number of microcredit organizations, improve their regulatory framework and implement the necessary measures to strengthen effective control over their activities.

Financing of business entities, as necessary, by microcredit organizations, in turn, will also depend on their quantity, quality of services provided, authorized capital, resources, assets.

¹ Address (2017) address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Supreme Assembly, issue of the newspaper Narodnoe Slovo dated December 23

Today, in the field of banking, it is advisable to implement the following measures aimed at further strengthening the positions of microfinance organizations in financial support of small businesses and entrepreneurial activities, increasing their financial stability, and further ensuring the competitiveness of microfinance organizations.

1. It would be advisable to introduce the practice of ensuring the joint participation of several microcredit organizations in lending to the activities of small businesses. This creates an opportunity for microcredit organizations to compete with commercial banks in lending to small business entities.

2. In order for microfinance by microcredit organizations to develop as a means of supporting the low-income segment of the population and stimulating small business activity, it is also necessary to strengthen the regulatory framework, which provides an opportunity to apply various manifestations of microfinance, taking into account the specifics of the form of credit relations and the conditions for their implementation. requirements, characteristics of individual customer groups.

3. In order to expand the resource base of microcredit organizations, it will be advisable to attract free funds from the population, thereby strengthening the legal framework guaranteeing their contributions.

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