



FINANCING FAMILY ENTREPRENEURSHIP IN UZBEKISTAN: ANALYSIS OF THE PRACTICE OF COMMERCIAL BANKS

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ABSTRACT	KEY WORDS
<p>This article analyzes the current state of financing family entrepreneurship in Uzbekistan and the participation of commercial banks in this process. The study examined banking services, lending mechanisms and financial instruments aimed at supporting family business entities. The volume, terms and effectiveness of loans provided by commercial banks were also assessed.</p> <p>The analysis identified problems in the sector, including barriers to obtaining credit, collateral requirements and the level of financial literacy. The article develops proposals and recommendations for improving the activities of commercial banks in order to eliminate these problems and further develop family entrepreneurship.</p> <p>The results of the study have scientific and practical significance in improving the system of financing family entrepreneurship and strengthening the role of the banking sector.</p>	<p>Uzbekistan, family entrepreneurship, commercial banks, interest, financing, credit, small business, savings, poverty.</p>

Introduction

Uzbekistan is one of the largest countries in Central Asia, and in recent years, large-scale measures have been implemented aimed at the development of economic reforms and market relations. Supporting the private sector, stimulating entrepreneurial activity and ensuring employment of the population are among the priorities of state policy in the country.

In particular, special attention is paid to ensuring sustainable economic growth through the development of small business and private entrepreneurship. In this process, family entrepreneurship is an important factor in increasing the economic activity of the population, creating new jobs and expanding sources of income.

Today, family entrepreneurship plays an important role in the sustainable development of the economy of Uzbekistan. Family business is one of the effective tools for providing employment to the population, increasing incomes and reducing poverty. Therefore, in recent years, a number of state programs and reforms aimed at supporting family entrepreneurship have been implemented in our country.

Access to financial resources is of decisive importance in the development of family entrepreneurship. In this process, commercial banks participate as the main financing institution, supporting business entities through loans, microfinancing services and other financial instruments. At the same time, the efficiency of financial resources allocated through the banking system and the level of their use directly affect the development of family businesses.

However, practice shows that there are a number of problems in using bank financing for family businesses. In particular, the complexity of the loan process, high collateral requirements, relatively high interest rates and insufficient financial literacy hinder the development of this sector.

The purpose of this article is to analyze the current state of financing of family businesses by commercial banks in Uzbekistan, identify existing problems and develop scientifically based proposals and recommendations to eliminate them.

Research methodology

This study used a number of scientific research methods to study and analyze the practice of lending to family businesses in the banking system of Uzbekistan. In particular, the methods of analysis and synthesis, induction and deduction, comparative analysis, and a systematic approach were used in the study of economic processes.

During the study, scientific literature on financing family businesses, regulatory legal acts, as well as statistical data on the activities of commercial banks were analyzed. At the same time, economic and statistical analysis, dynamic series analysis, and comparison methods were used to assess the state of lending practice.

The theoretical basis of the study is the scientific work of economists in the field of bank loans, small business and entrepreneurship financing. The empirical basis was used data from the Central Bank of the Republic of Uzbekistan, commercial banks, and official statistical sources.

Through these methodological approaches, the current situation of lending to family business entities was analyzed, scientifically based conclusions were formed on its development trends and existing problems.

Analysis and discussion of results

After gaining independence, Uzbekistan faced a number of deep economic and social problems inherited from the Soviet era. In particular, during the transition from a centrally planned economy to market relations, problems such as the derailment of the production system, increased unemployment, a decrease in population incomes, and insufficient development of social infrastructure were observed. In order to eliminate these problems and ensure economic stability, the state pays special attention to the development of small business and private entrepreneurship, in particular, family entrepreneurship. Family entrepreneurship is considered an important tool for increasing employment, diversifying sources of income, and reducing poverty.

Since the first years of independence, great attention has been paid to the development of the entrepreneurship sector in our republic and a legislative framework has been formed.

Norms guaranteeing the rights of the family and entrepreneurship have been included in the Constitution of the Republic of Uzbekistan, the Civil Code, and the Tax Code.

The laws “On guarantees of freedom of entrepreneurial activity” and “On family entrepreneurship” were adopted.

Family entrepreneurship was established as a **separate legal institution** in Uzbekistan. This is a rare phenomenon in world practice.

While in Western European countries, family entrepreneurship (family enterprises) has been passed down from generation to generation, in Uzbekistan family entrepreneurship is at the initial stages of development, and the first generation of family enterprises is just being formed. Currently, since family entrepreneurship is just being formed in our republic, the concepts of population entrepreneurship and family entrepreneurship are almost inseparable. Therefore, in our research, we aimed to study population and family entrepreneurship as a whole.

Great attention began to be paid to the development of family entrepreneurship in our republic during the second government.

Today, the state plays an important role in financing family entrepreneurship in our republic.

In Uzbekistan, several state-initiated programs have been developed to attract the population to entrepreneurship and finance family entrepreneurship, as well as funds that help ensure the implementation of these programs.

Through these programs, the Government of the Republic aims to solve serious social and economic problems that have developed over the years in our country, such as unemployment and poverty, financial illiteracy, and the underground economy.

The Government provides the population and family entrepreneurship entities wishing to obtain loans for entrepreneurial activities with preferential credit rates, terms, and maintenance through the above programs through relevant commercial banks and special funds. In addition, it provides benefits for certain types of taxes and improves the knowledge and skills of entrepreneurs through business incubators, training courses, and project consultations.

For the implementation of these programs, funds are allocated annually from the state budget and the “Reconstruction and Development Fund” and other special-purpose funds to the relevant commercial banks participating in the program in the form of increasing the authorized capital of these banks or placing resources at the Central Bank’s key rate.

Also, a mechanism for compensating part of the interest costs on loans issued by commercial banks at rates independently set based on market principles is applied.

Through these mechanisms, entrepreneurs will receive:

- low-interest loans;
- compensation of part of loans issued at market interest rates;
- unsecured or easily secured loans;
- preferential term loans;
- self-employed individuals, women entrepreneurs and young entrepreneurs will have access to a number of preferential resources, such as obtaining loans in cash or on a bank card, to start and develop their entrepreneurial activities.

Mainly state-owned banks participate in these programs.

A single electronic platform has been developed to ensure the allocation of loans in a fully digital format under the programs, and commercial banks and state organizations are integrated into this electronic platform.

In addition, goods, works and services necessary for the population and entrepreneurs receiving loans will be offered **conveniently and transparently through electronic platforms**.

Also, according to the programs, in each mahalla of our republic, a position of a representative of the government - an assistant to the governor, who will promote entrepreneurship among the population and assist family entrepreneurs, has been established.

In addition, a system has been established in state commercial banks to communicate with the population and representatives of small businesses, and to perform tasks such as transforming their ideas into projects, obtaining and repaying loans, setting up their businesses, and teaching and assisting in the sale of their products.

Within the framework of the program, all stages of loans for financing projects, including application, scoring assessment, recommendations from assistant governors, credit provision, electronic document formation, loan allocation and monitoring, are carried out only through a single electronic platform.

This single electronic platform was created to ensure transparency in the system, monitor the targeted use of loans, reduce unnecessary wandering of borrowers, and ensure the fast and high-quality delivery of products purchased on credit.

In this case, all loans are allocated based on the recommendations of the assistant governor assigned to each mahalla.

Loans are allocated by commercial banks participating in the program for a period of 3 to 4 years, with a grace period of 6 months to 1 year, in the national currency soum at an **annual rate of 17.5%**. Table 1 provides information on the amount of loans allocated to individuals and legal entities under the “Every Family Entrepreneur Program” and the requirements for loan collateral.

Table 1. Information on loans allocated under the “Every Family Entrepreneur Program”

Participants	Loan amount	Loan provision	Loan purpose
to individuals	up to 33 million soums	unsecured (insured by banks)	for business activities
to small business entities	up to 33 million soums		
to small business entities	up to 300 million soums	based on the internal policy of the banks and the guarantee of the “Fund”.	for investment projects
to legal entities	More than 300 million soums (summary of coordinators, etc.)		

As can be seen from the table, loans are allocated to the population and small business entities without collateral, insured by banks, and to other business entities on the basis of the guarantee of special funds established by the government.

Table 2 below provides information on the purpose and terms of loans allocated under the “Each Family Entrepreneur Program”.

Table 2. Information on the purpose and terms of loans allocated under each family entrepreneur program

№	Participants / Purpose	Loan Term
1	For online entrepreneurs and individuals who wish to start entrepreneurial activities	3 to 4 years, with a grace period of 6 months to 1 year
2	For livestock farming (cattle, sheep, goats), fish farming, and poultry farming (chicken production)	3 to 4 years, with a grace period of up to 1 year
3	For establishing orchards, vineyards, and lemon farms; building greenhouses; purchasing agricultural machinery and equipment; construction of buildings and facilities and landscaping	Up to 7 years, with a grace period of up to 3 years
4	For organizing family guest houses, hostels, yurt camps, auto-camping sites, modular/container towns, and tent camps, as well as their renovation	Up to 5 years, with a grace period of up to 1 year
5	For members of the “Hunarmand” association: setting up production, purchasing electricity and raw materials, establishing handicraft development centers, workshops, house-museums, and constructing or purchasing related buildings and facilities	3 to 4 years; for working capital replenishment up to 18 months
6	For purchasing equipment, spare parts, and raw materials for the production of leather goods, leather clothing, footwear, sports equipment, as well as accessories and fur products	Up to 5 years, with a grace period of up to 1 year

The policy and programs for the development and financing of family entrepreneurship in our republic can be divided into two stages.

The first stage, covering the years 2017-2024, was mainly focused on financing the population and micro-firms wishing to engage in entrepreneurship, that is, on training the population in entrepreneurship, creating and developing small and micro-level entrepreneurship.

The second stage, starting in 2024-2025, aimed at encouraging the population trained in entrepreneurship and the micro-level entrepreneurs created during the first stage to transition to small and medium-sized entrepreneurship. The aim was to create a “**continuous chain**” of complex support for small business entities (micro-firms, limited liability companies, small enterprises, family enterprises, individual entrepreneurs, farmers and peasant farms) that have been operating for at least one year and have a positive credit history.

In the first stage, mainly the state bank participated, in the second stage, the participation of banks was expanded at the expense of private banks.

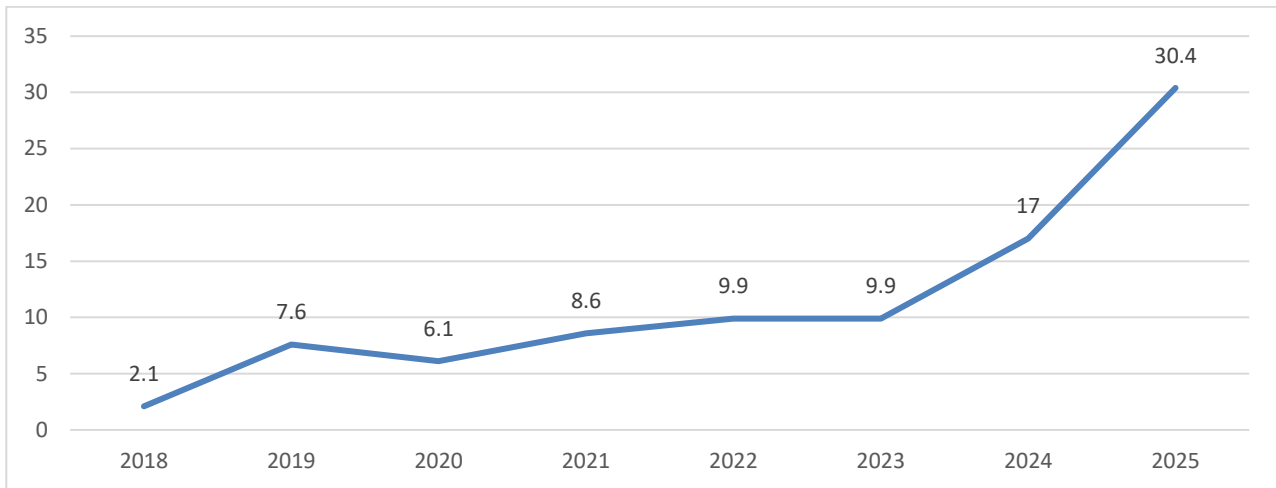


Figure 1. Dynamics of loans allocated within family business programs in 2018-2025, trillion. soum¹.

Figure 1 shows that in the second stage of the family entrepreneurship development programs, i.e. in 2024-2025, the allocation of loans to entrepreneurs has increased sharply several times compared to previous years.

As a result of the policy pursued by the state and the benefits provided, a number of positive changes have been achieved in recent years in reducing unemployment and poverty.

In recent years, thousands of family businesses have been established thanks to preferential loans. Citizens have been given the opportunity to start a business from their own homes. The number of home-based enterprises has increased. This has significantly increased the share of small businesses in the local economy.

Soft loans have allowed socially vulnerable segments of the population to start their own businesses, increasing incomes and reducing poverty.

Due to state guarantees and subsidies, commercial banks are increasingly interested in financing family entrepreneurship. Risk is reduced, the loan portfolio is expanded. Most importantly, the poverty level in our Republic is reduced.

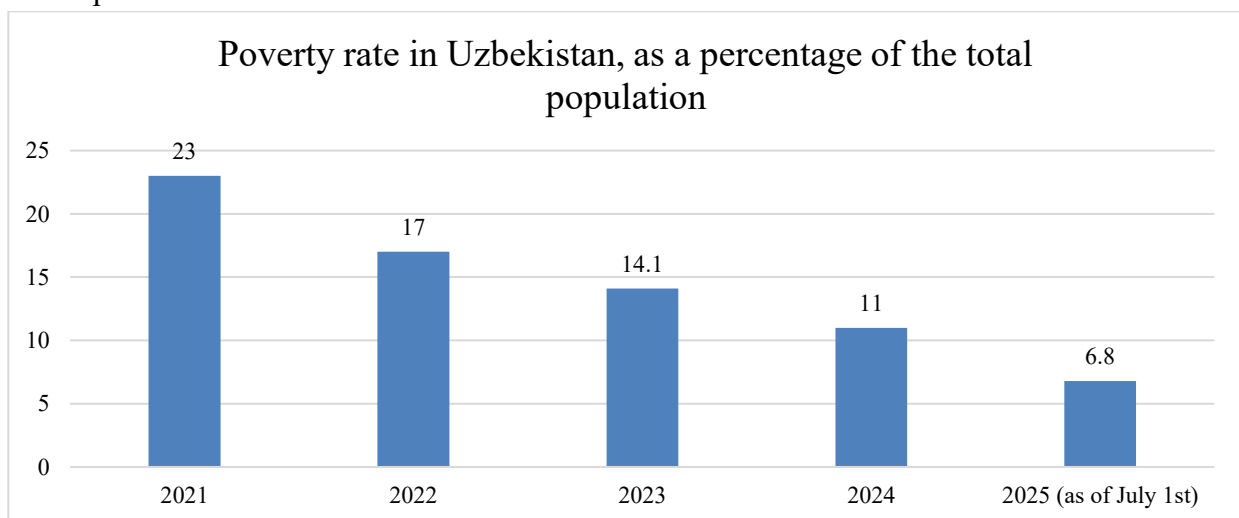


Figure 2. Poverty rate in Uzbekistan as a percentage of the total population².

¹ Compiled by the author based on the information of the Central Bank.

² Compiled by the author based on the World Bank, president.uz website and other sources.

Figure 2 shows that before the start of reforms in our republic, the poverty rate was 23 percent of the total population in 2021, while as of July 1, 2025, it had dropped to **6.8 percent**.

Conclusions and suggestions

The results of the study showed that the practice of lending to family businesses in the banking system of Uzbekistan is of great importance for the development of the economy, employment and income of the population. Although the volume of loans allocated by commercial banks to family businesses has been increasing in recent years, some organizational and financial problems remain in this process. In particular, high requirements for credit provision, in some cases low efficiency in the use of credit resources, and the level of risk in the lending process are among the main problems in this area. In addition, insufficient financial literacy of some business entities also hinders the effective use of credit resources.

Based on the analyses conducted, the following **proposals and recommendations** were developed:

- simplification of collateral security requirements and expansion of the use of alternative forms of security in lending to family business entities;
- further development of special credit programs for family business entities in commercial banks;
- simplifying the lending process by expanding the use of digital technologies in the process of granting credit;
- development of educational programs and consulting services aimed at increasing financial literacy for entrepreneurs;
- further improvement of mechanisms of cooperation between the state and banks in the financial support of family business entities.

The implementation of these proposals and recommendations will serve to increase the efficiency of the financing system of family business entities, expand the possibilities of using bank loans and the sustainable development of the country's economy.

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