



STRUCTURE AND DYNAMIC CHANGES OF BANK CREDITS IN FINANCING SMALL BUSINESSES

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ABSTRACT	KEYWORDS
<p>This article analyzes the composition of credits allocated to small business entities by commercial banks and the dynamics of their changes over time. The research examines the significance of bank loans in financing small businesses, their role in the economy, and the growth trends of their overall share. Furthermore, the structural framework of loans is analyzed on a scientific basis according to their types, sectors, and terms. The article identifies existing challenges in the process of lending to small business entities and develops proposals and recommendations for their mitigation. The results of the research are of significant importance in supporting small businesses and improving the bank lending system.</p>	<p>Small business, bank credit, loan portfolio, lending dynamics, sectoral breakdown, commercial banks, investment loan, preferential loan, financial resources, the economy of Uzbekistan, state support, digitalization, entrepreneurship development.</p>

Introduction

In the current process of globalization, small business and private entrepreneurship are emerging as crucial factors of economic growth. In particular, this sector plays a significant role in creating new jobs, fostering a competitive environment, and developing innovative activities. The sustainable operation of small business entities largely depends on their level of access to financial resources, where loans provided by commercial banks occupy a special place [1].

By financing small businesses, commercial banks not only diversify their own loan portfolios but also contribute to the stable development of the national economy. Although the volume of loans allocated to small business entities has been increasing in recent years, the need for a deep analysis of their structural composition and efficiency remains. Therefore, studying the structure of loans by type, term, and sector, as well as their dynamic changes, is one of the most pressing issues [2].

The purpose of this article is to analyze the composition of loans allocated to small business entities by commercial banks and to evaluate their dynamics. The results of this research will serve to draw scientifically grounded conclusions for further improving the small business lending system.

Literature Review:

Comprehensive research has been conducted by foreign economists on the role and importance of bank loans in financing small businesses. Specifically, Thorsten Beck, Asli Demirgüç-Kunt, and María

Soledad Martínez Pería, in their studies, established that the level of small business financing through bank loans is closely linked to the country's institutional environment, the advancement of the banking system, and the legal infrastructure [3]. According to their view, in countries with developed financial systems, small business entities have broader access to credit resources. In our opinion, this approach demonstrates that structural changes in loans are shaped not only by banking policy but also by the influence of the overall economic environment.

Furthermore, other studies conducted by Thorsten Beck state that small business financing affects economic growth indirectly through increasing the level of financial intermediation, rather than directly. That is, the efficient allocation of loans ensures the overall stability of the economy [4]. In our view, this situation implies that the composition and directional efficiency of loans are more significant than their total volume.

Among foreign researchers, Shafiq Ur Rehman and his co-authors point out information asymmetry, lack of collateral, and weak credit history as the main challenges in lending to small businesses. These factors increase the risk level for banks, leading to an increase in the share of short-term and high-interest loans within the credit structure [5]. In our opinion, overcoming these problems will serve to further balance the loan structure.

Additionally, studies examining the experience of European countries have found that during financial crises, banks tend to reduce the volume of lending to small businesses and focus more on financing large enterprises. This leads to structural changes in the loan portfolio [6]. In our view, under such conditions, the necessity arises to develop alternative financing sources for small business entities.

At the same time, international experience shows that the entry of foreign banks into the market does not always lead to an increase in the volume of small business financing. On the contrary, they tend to allocate loans more to large and reliable clients [7]. In our opinion, this situation highlights the need to strengthen state support mechanisms to increase the share of small businesses in the structure of credit resources.

In modern scientific research, the increasing importance of digital technologies, particularly FinTech solutions, in financing small businesses is emphasized. This simplifies lending processes and enables the provision of fast and convenient financial services [8]. In our view, the share of digital financing instruments within the loan structure will significantly increase in the future.

Among local economists, N.Kh. Karimov, having studied lending practices in commercial banks, emphasizes that loans allocated to small business entities occupy an important place in the structure of bank assets. According to his view, financing this sector also plays a crucial role in ensuring the profitability and liquidity of banks [9]. In our opinion, this approach reveals the importance of small business loans for the stability of the banking system.

Another local scholar, Sh. Abdullayev, notes in his research that small business lending is one of the primary factors in ensuring economic growth and employment. In his view, new jobs are created through credit resources, and a competitive environment is formed in the economy [10]. In our opinion, changes in the structure of loans directly impact socio-economic outcomes.

Furthermore, U. Teshaboyev emphasizes that bank loans remain the leading source for financing small businesses and that their volume is increasing year by year. He positively evaluates the dynamic growth of loans [11]. In our view, alongside the increase in loan volume, the issues of enhancing their efficiency and targeted allocation remain highly relevant.

Research Methodology:

In the preparation of this article, a comparative and critical analysis of regulatory legal documents, existing literature, and official internet resources was conducted, focusing on the scientific and theoretical views of economists regarding the subject matter. Along with general economic methods, the study utilized systematic analysis, synthesis, abstract-logical reasoning, and statistical methods.

Analysis and Discussion of Results:

In economic theory, financing small business entities through bank loans is regarded as a key direction of the financial intermediation process. By channeling savings into the real sector of the economy, commercial banks increase investment activity and stimulate economic growth.

The theoretical foundations of small business lending rely on several economic concepts. Specifically, according to the credit rationing theory, banks adopt a cautious approach when allocating loans to entities with high risk levels, which may limit access to financial resources for small business entities. At the same time, the problem of information asymmetry is of significant importance, as incomplete information between banks and borrowers adversely affects the lending process.

In financing small businesses, the structural composition of loans is classified based on the following key criteria: loan term (short, medium, and long-term); targeted direction (for working capital or investment projects); sectoral distribution; currency type; and interest rate levels. These factors directly influence small business development and serve as primary criteria for determining lending efficiency. The practice of financing small business entities through bank loans occupies a vital place in the national economy and has demonstrated a significant growth trend in recent years. The increasing volume of loans allocated to small business and private entrepreneurship entities serves to diversify the economy, create new jobs, and ensure regional development. According to official statistical data, a gradual expansion of the small business share within the loan portfolio is being observed.

Empirical analysis shows a significant imbalance across sectors in small business lending. In particular, a large portion of loans is directed toward the trade and service sectors, which is explained by their relatively rapid capital turnover and lower risk levels for banks. Although the industrial sector is also being steadily financed, its share remains lower compared to the trade sector.

In the practice of lending to the agricultural sector, its share in the overall loan portfolio remains limited despite growth rates in certain years. The primary reasons for this include high risk levels in the sector, the seasonality factor, and the relatively uneven distribution of income. Although state programs aimed at supporting the agrarian sector exist, the necessity to further increase their efficiency remains.

Analysis of loan terms indicates that short-term loans are predominant. This situation is primarily linked to the working capital needs of small business entities. While the share of medium-term loans has a relatively stable growth trend, the share of long-term loans remains at a low level. This indicates limited opportunities for financing investment projects and may negatively impact the expansion of production capacities.

Furthermore, lending conditions—specifically interest rates and collateral requirements—significantly influence small business activities. Although the introduction of preferential lending mechanisms yields positive results, in some cases, the lack of sufficiently affordable credit resources increases the financial burden on entrepreneurs. Consequently, cases of some small business entities declining to take loans are also observed.

Overall, the empirical analysis indicates that while the small business lending system is developing, certain imbalances persist in its structural composition. This implies the need for a more balanced distribution of credit resources across sectors, an increase in long-term investment loans, and the optimization of lending terms.

Table 1 Sectoral breakdown of loans allocated to small business entities, in percent [12]

Types of Economic Activity	2021	2022	2023	2024
Trade and Services	46.2	47.8	49.1	50.3
Industry	24.5	25.7	26.9	27.6
Agriculture	19.8	18.3	17	16.2
Construction and Other sectors	9.5	8.2	7	6
Total	100	100	100	100

The provided table enables an analysis of the sectoral structure of loans allocated to small business entities between 2021 and 2024. Overall, the data indicate that credit resources are unevenly distributed across economic sectors, showing a steady growth trend in certain directions and a declining trend in others.

Primarily, the trade and services sector holds the highest share in the loan portfolio, rising from 46.2% in 2021 to 50.3% by 2024. This situation is explained by the sector's high liquidity in the economy, its rapid investment turnover, and its perception by banks as a relatively low-risk area. Furthermore, high credit demand is observed in this sector as it provides small business entities with opportunities for quick income generation.

The share of loans in the industrial sector also demonstrates a steady growth trend. Having accounted for 24.5% in 2021, it reached 27.6% by 2024. This is evaluated as a result of economic policies aimed at expanding the country's manufacturing potential, developing import-substituting production, and modernizing industry. Simultaneously, the growth in industrial loans indicates an increase in investment activity.

A relative declining trend is observed in the lending structure of the agricultural sector. The share, which stood at 19.8% in 2021, decreased to 16.2% by 2024. This is linked to the inherent seasonality of the agrarian sector, natural and climatic risks, and income instability, suggesting that banks maintain a cautious approach toward this field. Although state programs to support agriculture exist, their impact on significantly increasing its share in the loan portfolio remains insufficient.

The share of loans for construction and other sectors also shows a downward trend, decreasing from 9.5% in 2021 to 6.0% by 2024. This may be explained by a relative decrease in investment projects within this segment or the redirection of financing to other sources.

In conclusion, the table data demonstrate that the service and trade sectors hold a leading position in small business lending, a positive growth is observed in the industrial sector, while a relative decline or slowdown persists in the agrarian and construction fields. This implies the necessity to further

diversify credit policy, ensure balance between sectors, and provide greater support for long-term investment projects.

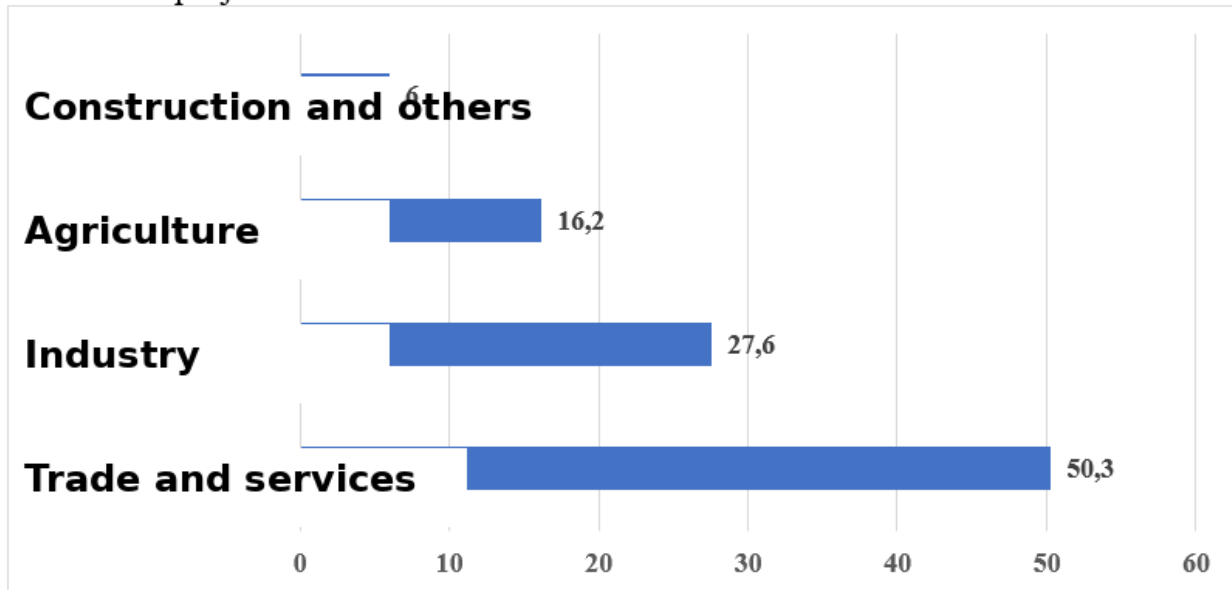


Figure 1. Sectoral structure of small business loans (2024) [12]

The figure based on 2024 data clearly illustrates the sectoral structure of loans allocated to small business entities. The largest share belongs to the trade and services sector, accounting for 50.3%. This is explained by the sector's high turnover rate in the economy, its ability to generate quick income, and its assessment by banks as a relatively low-risk direction.

The industrial sector ranks second with a share of 27.6%. This indicates the gradual development of the manufacturing sector and the strengthening of support for the real sector through credit resources. However, the share of this sector remains significantly lower than that of the trade sector, implying the need to further expand investment lending.

The agricultural sector holds a 16.2% share, representing a moderate level of financing. The relatively low share of this sector in the loan portfolio is attributed to its seasonality, natural-climatic risks, and limited income stability. The lowest share belongs to construction and other sectors, accounting for 6.0%, which indicates limited lending volumes and a relatively small number of investment projects in this segment.

In recent years, the development of small business and private entrepreneurship has been designated as one of the priority areas of state economic policy in Uzbekistan. Reforms implemented in this direction are aimed at improving financing mechanisms through bank loans, expanding entrepreneurs' access to financial resources, and simplifying the lending process.

Empirical observations show that the introduction of specialized credit programs to support small businesses within the banking system has led to an expansion of the loan portfolio. In particular, the implementation of preferential credit lines, loans based on state guarantees, and subsidy mechanisms has significantly improved access to financial resources for small entrepreneurs.

Furthermore, a system for partial state coverage of credit risks through the "Entrepreneurship Support Fund" and other financial institutions has been established in Uzbekistan. This has reduced the caution of banks in lending to small businesses and positively influenced the growth of lending volumes.

As a result of these reforms, digitalization processes have also been widely introduced. Specifically, the implementation of online loan applications, remote assessment systems, and automated credit history analysis mechanisms has accelerated the lending process and increased transparency. This serves to reduce time and transaction costs for small business entities.

In addition, particular attention is being paid to the distribution of credit resources across regions to ensure regional development. Consequently, credit opportunities for small business entities are expanding not only in major cities but also in rural areas, which serves to reduce regional economic imbalances.

At the same time, practical analysis shows that certain problems persist in the lending system. Specifically, collateral requirements, bureaucratic stages in the loan acquisition process, and relatively high interest rates in some banks remain barriers for small businesses. These situations imply the need to further liberalize credit policy.

Overall, the reforms being carried out in Uzbekistan serve to modernize the small business financing system, strengthen financial relations between banks and entrepreneurs, and develop the real sector of the economy. Nevertheless, there is an opportunity to further increase the efficiency of the credit system by addressing existing challenges.

Table 2 Key reforms in supporting small business lending in Uzbekistan and their impact [12]

Reform Direction	Implemented Measures	Practical Result (Impact on Lending)
Introduction of preferential loans	Low-interest credit lines, subsidy-based loans	Expanded access to credit for small businesses; increased loan portfolio
State guarantee mechanism	Partial coverage of credit risks through the Entrepreneurship Fund	Banks became more proactive in lending to small businesses
Digitalization reforms	Online applications, automated credit scoring systems	Accelerated loan acquisition process; reduced bureaucracy
Regional lending policy	Specific credit programs for provinces and rural areas	Increased activity in small business development across regions
Loan portfolio diversification	Prioritizing industry, service, and manufacturing projects	Balanced loan structure; increased share of the real sector

This table comprehensively highlights the key reforms implemented to improve the small business lending system in Uzbekistan and their practical outcomes. The information provided reflects the gradual liberalization of credit policy and the strengthening of state support mechanisms.

The introduction of the preferential lending system has significantly expanded access to financial resources for small business entities. At the same time, the existence of state guarantee mechanisms has reduced credit risks for banks, positively impacting the growth of lending volumes.

Digitalization processes have simplified the loan acquisition process, serving to reduce time and transaction costs. This factor is particularly important for new entrepreneurs, as it increases the openness and transparency of the credit system. As a result of the regional lending policy, economic

activity is expanding not only in central hubs but also across the regions. This contributes to the balancing of economic development throughout the country.

The table data indicate that the small business lending system in Uzbekistan is strengthening institutionally and that the reforms are yielding real economic results. According to the results of the conducted analysis, the system of financing small business entities through bank loans has demonstrated a stable development trend in recent years. The increase in lending volumes and the expansion of state support mechanisms serve to reinforce the role of small business in the economy.

However, the persistence of imbalances in the sectoral distribution of loans—specifically the dominance of the trade and services sector and the low share of long-term investment loans—indicates that the system is not yet fully balanced. This situation implies the necessity to further diversify credit policy.

In general, while existing reforms are producing positive results, increasing the efficiency of credit resource utilization and ensuring a balance between sectors remain among the primary tasks for the future.

Conclusion and Recommendations:

Within the scope of this research, the system of financing small business entities through bank loans, its structural composition, dynamics, and the reforms implemented in this direction in Uzbekistan were analyzed. The results of the analysis revealed that while the volume of small business lending is increasing year by year, certain imbalances exist in the distribution of credit resources across economic sectors.

Specifically, the majority of loans are directed toward the trade and services sectors. Although the industrial sector shows a growth trend, the shares of agriculture and other investment-oriented sectors remain relatively low. This situation indicates that a cautious approach persists in credit policy when financing sectors with higher risk levels. Furthermore, empirical analysis shows that short-term loans predominate, while the share of long-term investment loans is insufficiently developed. This may limit the opportunities for small business entities to expand production capacities and implement large-scale projects.

While reforms to support small businesses in Uzbekistan have significantly modernized the lending system, some institutional challenges remain. These include collateral requirements, relatively high interest rates, and limited access to credit resources in certain regions.

In light of this, the following recommendations are proposed:

First, it is advisable to increase the share of long-term and affordable credit resources for small business entities. This will facilitate the expansion of manufacturing and investment projects.

Second, it is necessary to ease collateral requirements in the lending process and widely implement alternative guarantee mechanisms. This is particularly crucial for newly established small enterprises.

Third, the loan allocation process should be simplified and its transparency increased by further deepening digitalization processes. This will reduce bureaucratic hurdles and shorten the time required to obtain a loan.

Fourth, regional economic disparities can be reduced by further improving regional credit policy—specifically, by strengthening small business financing in rural areas.

In conclusion, further improving the small business lending system will contribute to the sustainable development of Uzbekistan's economy, increase employment levels, and enhance the overall entrepreneurial environment.

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