

## IMPROVING THE FINANCING OF ENTREPRENEURIAL ACTIVITY

Niyazmetov Mansur Ruzmatovich  
Rector of the Institute «International School of Finance,  
Technology and Sciences» LLC  
E-mail: director@isft.uz

Mamatov Bakhadir Safaraliyevich  
DSc in Economics, Associate Professor of the «International  
School of Finance Technology and Science» LLC  
E-mail: bahadir\_mamatov@mail.ru

| ABSTRACT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | KEYWORDS                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The article reveals the features and characteristics of small business and private entrepreneurship, the system of financing small entrepreneurship, analyzes the financial support of small businesses and private entrepreneurship, and carries out a correlation analysis of the main indicators of small business. Based on the analysis, scientific proposals and practical recommendations for improving the financing of small business and private entrepreneurship have been developed. | entrepreneurship, business, small business, financing, lending, microfinance, interest rate, collateral, microcredit, government guarantees, compensation, financial support programs, commercial banks, non-bank credit organizations, credit investments. |

### Introduction

As world experience shows, one of the most important factors in ensuring the sustainable and innovative development of any economy is the development of entrepreneurship, which plays an important role in solving such pressing problems as unemployment, employment and poverty reduction through the creation of income sources. The share of small business in gross domestic product (GDP) "in the European Union is 75 percent, in the USA – 53 percent, and in Japan is 55 percent» [1]. As noted in the World Bank Group report on the results of 2021, «small enterprises are the foundation of the economies of the countries of the world that provide vital services, create jobs and help families get out of poverty. ... Therefore, we must ensure their survival in the long term» [2]. Ensuring the viability of small enterprises and the development of this type of activity is directly related to the issue of their financing. According to the International Finance Corporation (IFC), «in developing countries, 65 million firms or 40 percent of micro, small and medium-sized enterprises annually need additional loans in the amount of 5.2 trillion US dollars. This figure is 1.4 times higher than today's level of lending to small and medium-sized businesses on a global scale» [3]. Taking into account the procedure for obtaining a loan and financial support processes as one of the main indicators in the World Bank's «Doing Business» rating indicates the relevance of improving the financing of entrepreneurship in the countries of the world.

In international practice, such prestigious international organizations as the World Bank and the International Finance Corporation, the United States Agency for International Development, the European Bank for Reconstruction and Development, the Department for International Development of the United Kingdom, the United Nations Development Program conducted a number of scientific studies aimed at improving the financing of entrepreneurship. In these studies, such issues as financial support for the activities of small businesses and the improvement of the microfinance system, the effective organization of the business financing system by non-bank credit organizations have found their solution. However, issues related to the effective use of the funds of the State Fund with the support of entrepreneurship, the provision of guarantees for loans allocated for projects of small businesses, financial assistance in the form of compensation, financing of entrepreneurship projects under special state programs have not yet been resolved positively.

In Uzbekistan, over the years of independence, ensuring the development of small business has become one of the priority areas of economic reforms. As a result of comprehensive state support for entrepreneurship, «in 2021, the share of this sector in the country's GDP reached 54.9 percent, whereas in 2000 this figure was 31 percent» [4]. The Strategy of Actions on the five priority areas of further development of the Republic of Uzbekistan for 2017-2021 outlines the task of «... further expansion of lending to small businesses and private entrepreneurship» [5], and also in the Development Strategy of the New Uzbekistan for 2022-2026, the task of «organizing entrepreneurial activity and creating conditions for the formation of sources of permanent income, increasing the share of the private sector in gross domestic product to 80 percent and its share in exports to 60 percent» [6]. The fulfillment of such vital tasks requires solving specific problems that exist in the financing of entrepreneurial activity, improving the system of financing projects of business entities. In turn, these aspects require in-depth scientific research on the financing of entrepreneurial activity.

## 1. LITERATURE REVIEW

The issues related to the improvement of the theoretical and methodological foundations of business financing have been studied by economists from abroad, such as A.Hosking [7], R.Khizrich [8], F.Hayek [9], K.J.Lembden [10], M.Yunus [11], J.Schumpeter [12].

In the scientific works of scientists from near abroad, such as A.Agafonov [13], A.Busigyn [14], M.Lapusta [15], Y.Rubina [16], S.Smirnov [17], V.Chernenko [18] the issues related to the financing of entrepreneurial activity, its state support, improvement of the lending system and microfinance technology of small businesses are investigated.

Among the domestic scientists-economists in their research S.Gulomov [19], B.Khodiev [20], U.Gafurov [21], K.Muftaidinov [22] investigated entrepreneurial activity and theoretical and methodological aspects of its financing, development trends, existing problems in this area, priority areas, reforms in this area.

Despite the research and theoretical research carried out within the framework of this topic, it is the issue of improving the financing of small business activities that has not been studied in a deep, systematic way. The change in the current regulatory documents in accordance with the conditions for financing the activities of small businesses indicates the need for in-depth scientific research in this area.

## 2. RESEARCH METHODOLOG

Methods of grouping, comparative and economic analysis, correlation method, induction and deduction, economic and statistical methods and expert assessment were widely used in the research.

## 3. ANALYSIS AND RESULTS

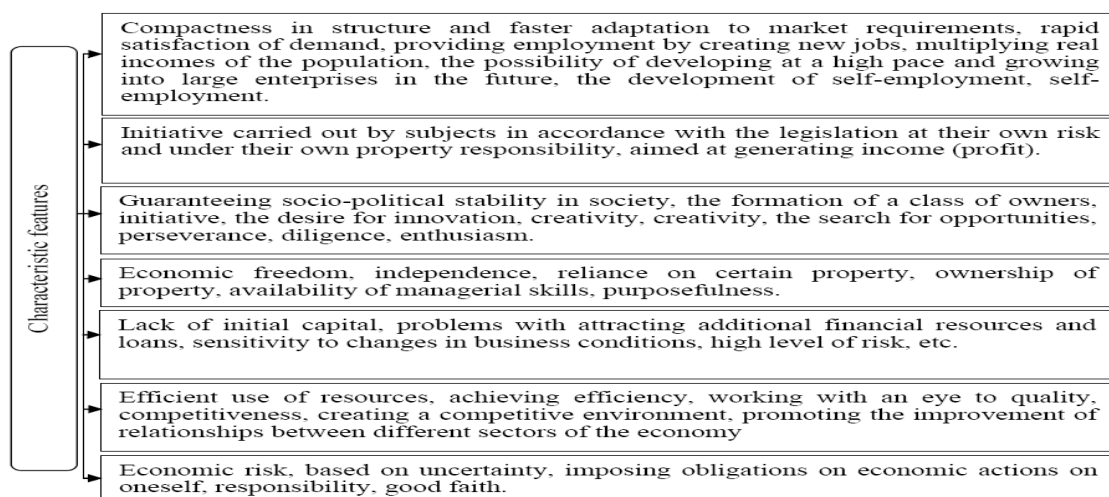
Despite the fact that the history of entrepreneurship goes back to the distant past, for the first time this concept was used «in the XVIII century in the work of the Irish economist R. Cantillon «Essay on the nature of trade» (1975) in the same sense with the term «owner» [23]. In his opinion: «an entrepreneur is a person who acts under conditions of risk» [24]. Of course, here we are talking about the risk associated with economic activity, according to the scientist, the main feature of entrepreneurship is its connection with risk and profit by satisfying consumer demand.

«A.Smith characterizes an entrepreneur as an owner who takes a risk to implement a certain commercial idea in order to make a profit» [25]. In the future, this idea was further developed in the works of the German economist Yu .Tyunen (1783-1850). «He suggests considering «creativity» as the most important characteristic feature of entrepreneurship» [26].

According to the scientist who made an important contribution to the theory of entrepreneurship, J. Schumpeter, «entrepreneurship is the reform of production and the implementation of revolutionary changes by introducing new inventions into production. An entrepreneur does not have to be an owner, he can also be an employee. He is the person who carries out new combinations» [27]. Consideration of an entrepreneur as an innovator is also noted by J. Schumpeter.

In our opinion, entrepreneurship is characterized by such signs as the art of farming for profit, economic and organizational creativity and free expression of initiative, innovation, constant willingness to take risks. Initiative aimed at making a profit on the basis of creativity, property responsibility and risk is called entrepreneurship.

In our opinion, the definitions embodying the essence of entrepreneurial activity should also disclose the necessary characteristic features inherent in this concept, which we illustrate by means of Figure 1



Note: The drawing was developed by the author based on the results of the study. During its development, the analysis of the content of definitions of entrepreneurial activity given in various sources (dictionaries, encyclopedias, monographs, domestic and foreign articles, dissertations, legislative acts, etc.) of different periods was carried out.

**Figure 1. The most important characteristic features (properties) that serve to reveal the essence of entrepreneurial activity**

It should be particularly noted that all of the above most important characteristic features inherent in entrepreneurial activity can serve to reveal the essence of entrepreneurial activity only if they manifest themselves at the same time. Otherwise, entrepreneurial activity cannot be fully reflected theoretically and practically.

Thanks to such important signs, priorities and advantages of entrepreneurial activity, it can be seen that as a result of the state paying due attention in this area, positive achievements are observed from year to year and economic growth is achieved. In the period 2000-2021, the share of small business and private entrepreneurship in the country's GDP, industry, construction, employment and exports tended to grow under the influence of all factors (including inflation, the coronavirus pandemic). However, this trend is not stable. Despite the fact that the export of products has a number of advantages for business entities, they have not yet reached the excess of exports over imports (Table 1).

Over the past 20 years, the sector's share in GDP has increased by 23.9 percentage points and in 2021 amounted to 54.9 percent. This is considered a positive indicator even at the international level.

**Table 1 The main indicators characterizing the role of small business and private entrepreneurship in the country's economy (in percent) [28]**

| Indicators                                               | GDP          | Industry     | Construction | Busyness     | Export       | Import       | Agriculture, forestry and fisheries |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------|
| 2000 year                                                | 31,0         | 12,9         | 38,4         | 49,7         | 10,2         | 27,4         | 31,4                                |
| 2001 year                                                | 33,8         | 12,5         | 40,4         | 51,8         | 9,3          | 26,9         | 31,8                                |
| 2002 year                                                | 34,6         | 15,4         | 42,0         | 53,5         | 7,5          | 24,9         | 32,7                                |
| 2003 year                                                | 35,0         | 10,8         | 39,9         | 56,7         | 7,3          | 33,7         | 32,5                                |
| 2004 year                                                | 35,6         | 11,0         | 49,6         | 60,3         | 7,3          | 32,7         | 29,9                                |
| 2005 year                                                | 38,2         | 10,0         | 50,9         | 64,8         | 6,0          | 33,7         | 31,5                                |
| 2006 year                                                | 42,1         | 10,9         | 52,1         | 69,1         | 10,7         | 34,0         | 33,6                                |
| 2007 year                                                | 45,7         | 13,2         | 55,4         | 72,1         | 14,8         | 32,0         | 32,2                                |
| 2008 year                                                | 48,2         | 14,6         | 58,4         | 73,1         | 12,4         | 35,7         | 28,4                                |
| 2009 year                                                | 50,1         | 17,9         | 42,4         | 73,9         | 14,6         | 42,5         | 27,0                                |
| 2010 year                                                | 52,5         | 26,6         | 52,5         | 74,3         | 13,7         | 35,8         | 40,4                                |
| 2011 year                                                | 54,0         | 28,6         | 67,6         | 75,1         | 18,8         | 34,3         | 45,2                                |
| 2012 year                                                | 54,6         | 29,7         | 70,0         | 75,6         | 14,0         | 38,6         | 44,6                                |
| 2013 year                                                | 55,8         | 33,0         | 70,6         | 76,7         | 26,2         | 42,4         | 44,0                                |
| 2014 year                                                | 56,1         | 36,8         | 69,5         | 77,6         | 27,0         | 45,4         | 44,4                                |
| 2015 year                                                | 54,5         | 40,6         | 66,7         | 77,9         | 27,0         | 44,5         | 45,7                                |
| 2016 year                                                | 57,3         | 45,3         | 66,9         | 78,2         | 26,0         | 46,8         | 46,2                                |
| 2017 year                                                | 63,6         | 41,2         | 64,8         | 78,0         | 22,0         | 53,6         | 47,9                                |
| 2018 year                                                | 60,4         | 37,4         | 73,2         | 76,3         | 27,2         | 56,2         | 45,1                                |
| 2019 year                                                | 56,5         | 25,8         | 75,8         | 76,2         | 27,0         | 61,6         | 41,5                                |
| 2020 year                                                | 55,7         | 27,9         | 72,5         | 74,5         | 20,5         | 51,7         | 42,1                                |
| 2021 year                                                | 54,9         | 27,0         | 72,4         | 74,4         | 22,3         | 48,7         | 41,8                                |
| <b>Change in 2021 relative to 2000, percentage point</b> | <b>+23,9</b> | <b>+14,1</b> | <b>+34,0</b> | <b>+24,7</b> | <b>+12,1</b> | <b>+21,3</b> | <b>+10,4</b>                        |

During the analyzed period, the share of small business and private entrepreneurship in the country's GDP, industry and construction changed as «growth-decrease-growth-decrease». There are certain reasons for this: firstly, the growth rates of GDP, construction and industrial production for the analyzed period exceeded the growth rates of entrepreneurial activity (such a situation from the point of view of economic modernization, the creation of fixed assets and intensive development of production, the creation of new jobs is assessed as positive), secondly, representatives of this sphere in most cases, they do not own the initial funds, and when attracting additional financial resources (loans), there are difficulties, they are sensitive to changes in market conditions, and thirdly, the presence of such a situation in practice shows the existence of a number of relevant problems.

In 2000-2021, the share of small business and private entrepreneurship in agriculture, forestry and fisheries increased by 10.4 percentage points. This situation is due to the fact that small businesses in these industries quickly reflect changes related to market conditions, while large enterprises cannot quickly adapt to such periodic and random changes.

Countries with developed economies have extensive experience in improving the system of financing business activities. In particular, it is advisable to explore and effectively master the experience of the USA and Japan in this direction. At the same time, we took into account the following factors: firstly, the active participation of the state in promoting the development of entrepreneurial activity is well established in the United States. This is manifested not only in the creation by the state of legal foundations, but also in the implementation of this process on the basis of a special state program; secondly, the development of entrepreneurial activity in Japan is the result of a special state policy that comprehensively stimulates the rational use of scientific and technological achievements and innovations at the international level. A significant share of entrepreneurship in GNP and exports confirms that this state policy is directly related to the issue of stimulating the development of entrepreneurial activity.

In 1953, the US Congress passed the Law on Small Business, and in the same year, according to the decision of the Congress, the «Small Business Administration (SBA) was created, the main purpose of which was to help those who want to create their own business, get comfortable in business» [29]. However, in most countries of the world there is no such department.

The system of financial assistance provided by the state through the SBA has a number of credit programs. In this system, it is necessary to distinguish between direct and guaranteed debts. «AMB provides state guarantees to creditors of up to 90 percent of debt investments in order to increase the interest of various organizations in providing financial resources to small and medium-sized enterprises, but the guarantee amount should not exceed \$750,000» [30].

Experience shows that in the United States, the strictness of the state and social policy on comprehensive support for entrepreneurship should be particularly noted; the preferential taxation procedure, which provides practical incentives for creating new enterprises and expanding existing ones, allowing attracting additional financial resources to entrepreneurial activity; developed infrastructure for supporting entrepreneurship; provision of state guarantees to creditors.

Japan has achieved a high level of improvement in business financing. The stimulation of entrepreneurial activity by the state is carried out at all its stages (registration, creation, financing). «The bulk of the budget funds are allocated on the basis of special programs. When financing entrepreneurship projects, the system of state guarantees for loans is well established» [31]. There are also banks (Regional banks, Shikhin banks) that specialize in supporting entrepreneurship.

In the European Union, financial support for entrepreneurship, small and medium-sized enterprises is carried out on the basis of special programs («Association of Trading Enterprises», «Initial Capital» and «Eurotech-capital»). «In the UK and France, state guarantee funds have been established, at the expense of which the repayment of loans issued by commercial banks to small businesses is guaranteed» [32]. In particular, «in the UK, up to 70 percent of loans issued by banks and up to 85 percent in remote and underdeveloped regions are guaranteed on the basis of the state program «Loon Quarantie Scheme», aimed at financial support of entrepreneurial activity» [33]. In our opinion, based on the best practices of financing entrepreneurship: it is advisable for the State Fund for Business Support to issue guarantees of up to 50 percent of loans allocated by commercial banks to projects of small businesses, up to 75 percent of loans allocated to projects of small businesses to support the development of small businesses in remote and underdeveloped regions. Based on the experience of the USA and Japan, in order to financially support the entrepreneurial initiatives of the population in our country, we believe it is necessary to finance entrepreneurship projects within the framework of special programs.

In 2015-2021, the volume of GDP and credit investments of commercial banks had a consistent growth trend (Table 2).

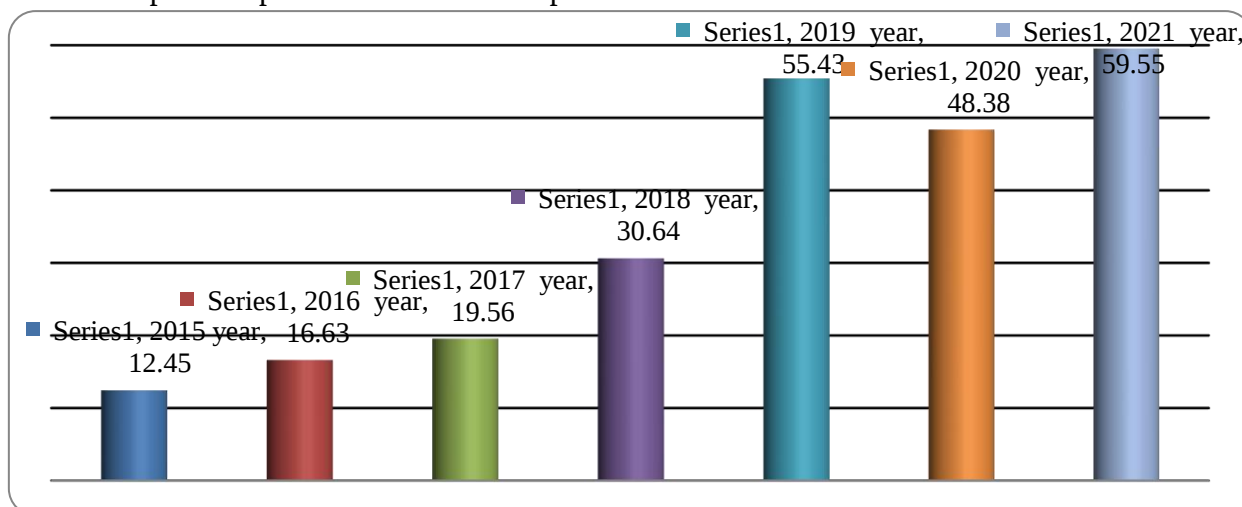
**Table 2 The volume of GDP, credit investments of banks and loans allocated to business entities from all sources (in trln. sum) [34]**

| Indicators                  | 2015<br>year | 2016<br>year | 2017<br>year | 2018<br>year | 2019<br>year | 2020<br>year | 2021<br>year |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GDP volume                  | 221,35       | 255,42       | 317,47       | 424,72       | 529,39       | 602,19       | 734,58       |
| Credit investments of banks | 50,01        | 52,59        | 110,17       | 167,39       | 211,58       | 276,97       | 326,00       |

In particular, in 2015-2021, the volume of GDP increased by 3.3 times, and credit investments of commercial banks - by 6.5 times. In 2021, the share of commercial banks' credit investments in GDP amounted to 44.4 percent. As it is known from international experience, «the share of bank credit investments in the volume of GDP in the UK is more than 170 percent, 279 percent in the Netherlands, 190 percent in Australia and 150 percent in the USA» [35]. Such a situation, on the one hand, shows that banks are gaining stability in lending to industries and sectors of the economy, and on the other hand, according to the analysis of international experience, indicates an insufficient level of providing credit to sectors of the economy.

In 2015-2021, the volume of credit funds allocated by commercial banks for the development of small businesses, including family businesses, financial support for entrepreneurial initiatives of women and youth, also had a steady growth rate (Figure 2). However, in 2020, due to the coronavirus pandemic, loans allocated to small businesses decreased by 12.7 percent compared to 2019 and amounted to 48389.7 billion. soums. As a result of the measures taken to mitigate the impact of the pandemic and state support for entrepreneurship, the volume of loans allocated to this area in 2021 amounted to 59552.1 trillion. soums, having increased 1.6 times compared to 2020 and 4.8 times compared to 2015. In 2015-2021, the share of loans allocated to business entities in credit investments of banks as a whole had a general downward trend. This trend indicates that the growth rate of credit investments of

commercial banks is higher than the growth rate of loans allocated to small businesses, and is considered a positive phenomenon from the point of view of economic modernization.



**Figure 2. The volume of loans allocated to small businesses, in billion soums [36]**

In 2015-2021, the share of loans allocated to business entities in our country in GDP increased and amounted to 8.1 percent in 2021, an increase of 2.5 percentage points compared to 2015. «This figure in Malaysia was 18.5%, in Korea 34.5%, in Thailand 30.3%» [37], what is the result of the development of financial markets in these countries and comprehensive state support for entrepreneurship (special programs, loan guarantees, insurance, infrastructure, etc.). The active financial support of business entities from the state allows creating new jobs and providing employment for the population, promotes the further development of family entrepreneurship, actively supports entrepreneurial initiatives of young people.

When improving the financing of entrepreneurial activity, based on the specific features and the most important features of this activity, the following should be noted as the main problem:

1. *The problem of lack of collateral (movable and immovable property, precious metals, securities, etc.) when obtaining loans from commercial banks by business entities.*

«Banks issue loans on the basis of collateral, sureties, guarantees, obligations and other ways to ensure the fulfillment of obligations stipulated by law» [38]. In this regard, the pledge is one of the methods of securing the fulfillment of obligations, and in the event that the borrower fails to fulfill its obligations to the lender (lending) due to the pledge (transfer by one person to another person of property or rights to it to secure obligations), including in cases of late repayment of the loan and interest accrued on it, the fulfillment of the obligation is secured at the expense of the pledged property.

Due to the high risk of non-repayment of the loan due to the instability of the economic activity of business entities, the high cost of each unit of credit resources provided by banks, the lack of liquid collateral and a positive credit history of most business entities, commercial banks are not very interested in granting them a loan. At the same time, when using bank loans by business entities, the insufficiency or absence of collateral is one of the serious problems. This reduces the entrepreneurial activity of the population and does not stimulate the development of small manufacturing enterprises. In all countries, collateral is one of the main problems in financing business entities. In the USA, this problem is solved through state guarantees. In particular, in the USA, «In order to increase the interest of various organizations in providing financial resources to small and medium-sized enterprises, the

Small Business Administration provides state guarantees to creditors in the amount of up to 90 percent of the debt» [39]. It is noteworthy that «the funds allocated by the Small Business Administration often turn out to be ineffective, and most of the loans are not returned at all. Despite the fact that 85 percent of the business entities that are guaranteed are closed within a year, the experts of the Administration believe that the successful activity of the remaining part fully justifies the financial support provided» [40]. This practice also exists in Japan, where loans provided to small businesses by financial and credit institutions are guaranteed by the credit guarantee fund. «In case of bankruptcy of business entities, the amount of the loan received is covered by the Loan Guarantee Fund. To this end, the Japanese government and local authorities support the Loan Guarantee Fund through the Japan Finance Corporation through direct subsidies» [41]. As a result, business entities attract loans on favorable terms to finance their projects, and the risk of non-repayment of loans for banks is significantly reduced.

## 2. High level of interest rates on loans provided by commercial banks to business entities.

This problem is inextricably linked with the problem of collateral, and if business entities do not have sufficient collateral when obtaining a loan from banks, in most cases banks add the cost of probable risks to the interest on the loan. As a result, the interest rate on the loan increases due to the likelihood of an increase in the costs associated with the repayment of the loan (court, etc.) in the future. «In 2021, the weighted average interest rate on short-term loans provided by banks in national currency amounted to 21.4 percent per annum and increased by 7.6 percentage points compared to 2015» [42], which is considered a significantly high interest rate. «For example, in 2019, the average annual interest rate on loans issued to small businesses in national currency in Kazakhstan was 12%, in the Russian Federation 8.8%, in the USA 5.3%, in Germany 1.82%, in China 4.35% and in Japan 0.95%» [43]. Of course, the interest rate on bank loans depends on the interest rates on deposits, which are considered a source of lending, and the annual inflation rate. In turn, interest rates on deposits are formed on the basis of inflationary expectations of the population and business entities. Interest rates on bank loans are directly related to the level of inflation and inflation expectations, as well as interest on resources attracted by banks. The excess of the bank interest rate over the annual inflation rate in 2021 is assessed positively from the point of view of ensuring the effectiveness of loans, but reduces the ability of business entities to use credit resources.

Proceeding from the above and based on advanced foreign experience, in order to eliminate problems in the financing of entrepreneurial activity and to improve the mechanism of financial support, it is of great practical importance to issue guarantees by the state or funds created by them for loans received by business entities in banks, as well as compensation for interest costs.

In our opinion, it is necessary to conduct a correlation analysis for the economic assessment of the impact of loans allocated to business entities (X2) on the volume of GDP (Y) and the number of people engaged in entrepreneurial activity (X1). To do this, calculate the correlation coefficient using the following formula, determine the relationship between X and Y and its density (sphere of influence):

$$R_{xy} = \sum (X_i - \bar{X})(Y_i - \bar{Y}) / \sqrt{\sum (X_i - \bar{X})^2 \sum (Y_i - \bar{Y})^2} \quad (1) \quad [44]$$

Here:  $R_{xy}$  – correlation coefficient.

To determine the correlation coefficient, we calculate the impact of each factor on the volume of GDP. First, we will calculate the correlation coefficient between the volume of GDP and the number of

people engaged in entrepreneurial activity. Based on the data in the above table, we will find the correlation coefficient between the volume of GDP (Y) and the number of people engaged in entrepreneurial activity (X1).

$$R_{xy} = 0,7778.$$

Let's calculate the correlation coefficient between the volume of GDP and the number of people engaged in entrepreneurial activity. Based on the data in the above table, we will find the correlation coefficient between the volume of GDP (Y) and the volume of loans allocated to business entities (X2).  $R_{xy} = 0,948$ . Summarizing these coefficients, we illustrate them in the following table.

**Table 3 Correlation matrix**

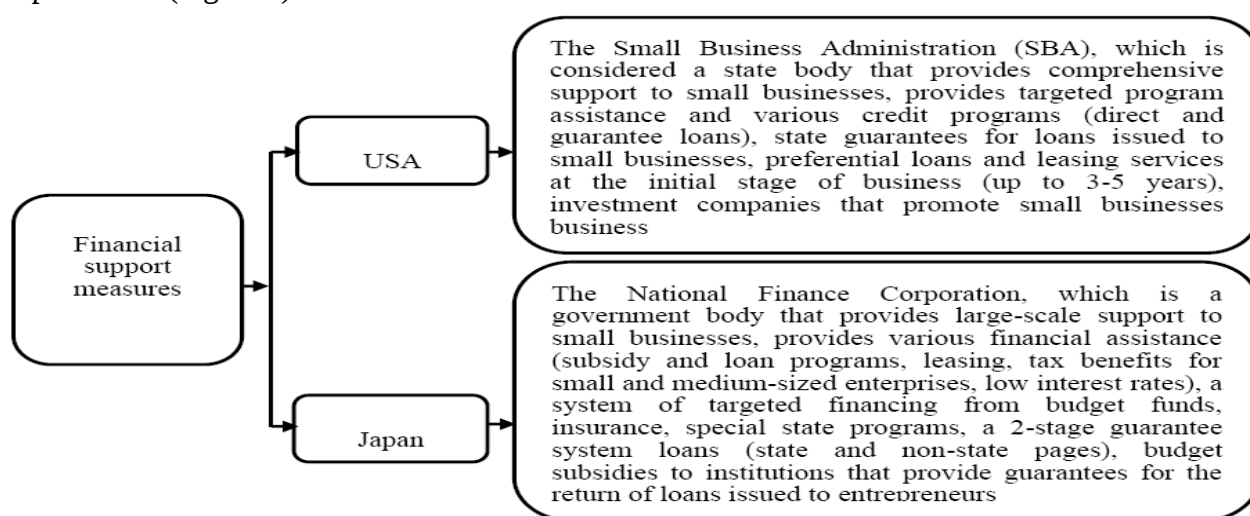
| Y      | X1     | X2     | Indicators |
|--------|--------|--------|------------|
| 1,0000 | 0,7778 | 0,9480 | Y          |
|        | 1,0000 | 0,6698 | X1         |
|        |        | 1,0000 | X2         |

Note: Calculations were made on the Gretl software package.

Based on the correlation matrix, we will select the indicators suitable for modeling. In the upcoming analysis, we will choose GDP (Y) indicators as the effective indicator. The correlation coefficient is an important indicator reflecting how much one factor affects the change of another factor, it varies in the range between -1 and 1. If the coefficient is in the range from 0 to 1, the factor attribute has a direct relationship with the change in the effective attribute, and if it is in the range from -1 to 0, then the feedback with the change in the effective attribute. The closer the correlation coefficient is to 1 or -1, the stronger the relationship between the indicators, and vice versa.

The correlation between the studied factors is strong and directly proportional. Therefore, as one of the important factors of increasing the share of entrepreneurship in GDP and the number of people engaged in entrepreneurial activity, it is necessary to focus on increasing the volume of financing of entrepreneurial activity.

Countries with developed market economies have extensive experience in organizing business financing and can provide a number of positive recommendations for Uzbekistan that need to be studied and implemented (Figure 3).



*Note: the figure was compiled by the author based on the results of the study.*

Figure 3. Experience of countries with developed market economies in organizing business financing

Such a system of business support is also typical for all developed countries (Germany, Italy, France, Great Britain). Based on this international experience, it is advisable in the Republic of Uzbekistan to issue guarantees for half of the loans allocated by commercial banks for small business projects, compensate for high interest rates, and finance entrepreneurial activities in the regions of the republic on the basis of State programs.

## 4. CONCLUSION

1. The provision of the necessary financial resources (funds) for the implementation of entrepreneurial activity is called the financing of entrepreneurial activity, and the system of financing entrepreneurial activity is holistic and objective only when it includes the following four components: institutions that finance entrepreneurial activity and the infrastructure that provides financial services; sources and methods of financing; financing procedure; directions and objects of financing.

2. During 2000-2021, the change in the share of entrepreneurship in the country's GDP, industry and construction as «growth-decrease-growth-decrease» is due to the fact that, firstly, the growth rates of GDP, construction and industrial production exceeded the growth rates of entrepreneurship, and secondly, in most cases, the lack of initial funds business entities and the presence of difficulties in attracting additional financial resources (loans), as well as sensitivity to changes in market conditions, thirdly, the presence of problems related to the financing of entrepreneurial activity.

3. In 2010-2021, the share of loans allocated to business entities in the total amount of bank investments averaged 27.5 percent, which indicates an insufficient level of provision of credit to business entities by banks. This circumstance is explained by the high risk of non-repayment of the loan due to the instability of the economic activity of business entities, the high cost of expenses per unit of credit resources provided by banks, as well as the lack of interest of banks in their lending due to the absence in most cases of liquid collateral and a positive credit history of business entities. In international practice, this problem is solved with the support of the state, in particular, by providing state guarantees to business entities when obtaining a loan, as well as by implementing special state programs to support entrepreneurship.

4. The results of the correlation analysis of the impact of loans allocated to business entities on the volume of GDP and the number of people engaged in entrepreneurial activity show that the correlation between the factors is strong and directly proportional, and, accordingly, one of the important factors of increasing the share of entrepreneurship in GDP and the growth of the number of people employed in entrepreneurial activity, the main attention should be paid to increasing the volume of financing of entrepreneurial activity.

5. The following scientific proposals and practical recommendations are of great importance in improving the financing of entrepreneurship based on international best practices: it is necessary to issue guarantees by the state entrepreneurship support Fund for up to 50 percent of loans allocated by commercial banks to projects of small businesses; it is necessary to provide the state fund for business support with compensation for up to three years to reimburse the part exceeding the basic rate on loans and leases of commercial banks allocated in national currency for projects of small businesses, the total cost of which does not exceed 5 billion soums, and the interest rate is not higher than 1.5 times the basic rate of the Central Bank; in order to systematically continue measures to financially support entrepreneurial initiatives of the population, to assist in the organization of their own business, it is advisable to finance entrepreneurial projects within the framework of Programs.

## REFERENCES

1. <https://ma123.ru/wp-content/uploads/2020/07/Коваленко-2-2020.pdf>.
2. Annual Report of IFC 2021. World Bank Group. International Finance Corporation 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA. ifc.org . 2021. – p. 10.
3. [https://unctad.org/system/files/official-document/osg2020d1\\_en.pdf](https://unctad.org/system/files/official-document/osg2020d1_en.pdf). Impact of the Covid-19 Pandemic on Trade and Development.; For appropriations from all legislation, see Government Accountability Office (GAO), COVID-19: Opportunities to Improve Federal Response and Recovery Efforts, Report to the Congress, GAO-20-625, June 25, 2020, <https://www.gao.gov/reports/GAO-20-625/>.
4. <https://www.stat.uz/uz/rasmiy-statistika/small-business-and-entrepreneurship-2>.
5. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP-4947 «On the Strategy of actions for the further development of the Republic of Uzbekistan». 3.1 paragraph 5.
6. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60 «On the Development Strategy of New Uzbekistan for 2022-2026», Goal No. 29.
7. Hosking A. Entrepreneurship course. – M.: «Business», 1993. – 230 p.
8. Khizrich R., Peters M. Entrepreneurship. – M.: «Business», 1991. – 159 p.
9. Hayek F. Cognition, competition and freedom. Analogy of works. – M.: «Pneuma», 1990. – 309 p.
10. Lembden K. J. Finance in small business. Trans. from eng. – M.: «Finance and Statistics», 1992. – 200 p.
11. Muhammad Yu., Alan J. Creating a World without poverty: Social Business and the Future of Capitalism. Translated from English – M.: «Alpina Publisher», 2010. – 307 p.
12. J.Schumpeter. Theory of economic development: a study of entrepreneurial profit, capital, credit, interest and the cycle of conjuncture. Trans. with German. V.S.Autonomova et al. – M.: «Progress», 1982. – 455 p.
13. Agafonov A.A. Development of financing of investment projects in the segments of small and medium-sized businesses. Autoref. diss. for the degree of Candidate of Economics – Rostov-on-Don: «RINH», 2016. – 26 p.
14. Busigyn A.V. Entrepreneurship: Textbook. – 3rd ed. – M.: «Case», 2001. – 640 p.
15. Lapusta M.G. Entrepreneurship: Textbook. – M.: «INFRA-M», 2008. – 608 p.
16. Rubina Yu.B. Fundamentals of business. Textbook. 6th ed., reprint. and supplement – M.: «Market DS Corporation», 2005. – 784 p.
17. Smirnov S.A. Small business: public support and development assistance. – M.: «EBT-Kontur», 1999. – 160 p.
18. Chernenko V.A., Omarova D.O. Financing of small business in the Russian Federation: monograph. – St. Petersburg: «Asterion», 2016. – 173 p.
19. Gülomov S.S. Small business and private entrepreneurship: organization, planning, management. – T.: «Science and technology», 2005. – 444 p.
20. Khodiev B.Yu., Kasimova M.S., Samadov A.N. Small business and private entrepreneurship. Tutorial. – T.: «TDIO», 2010. – 260 p.
21. Gafurov U.V. Improving the economic mechanisms of state regulation of small businesses. Monograph. – T.: «Finance», 2016. – 120 p.
22. Muftaydinov Q.H. Problems of the development of entrepreneurship in the conditions of liberalization of the economy. DSc. Autoref. – Andijan: «ADU», 2004. – 40 p.

23. Busygin A.V. Entrepreneur: Textbook. - 3rd ed. – Moscow: «Delo», 2001. - p. 72.
24. Cheberko E.F. Fundamentals of entrepreneurial activity. History of entrepreneurship: textbook and practice for SPO. – M.: «Yurayt», 2018. – p. 16.
25. Rubin Yu.B. Fundamentals of entrepreneurship. 3rd ed. Per. I dop . - M.: «Synergy», 2020 . - pp. 9-18.
26. [https://studme.org/192830/ekonomika/teorii\\_predprinimatelstva\\_xviiiixix](https://studme.org/192830/ekonomika/teorii_predprinimatelstva_xviiiixix).
27. Schumpeter Yu. Theory of economic development. – M.: «Progress», 1985. - pp. 159-160.
28. Agency of Statistics under the President of the Republic of Uzbekistan (stat.uz).
29. Syropolis N.K. Managing my small business. per. English. – M.: «Delo», 1997. – P. 19.
30. <file:///C:/Users/User/Downloads/kreditovanie-malogo-biznesa-za-rubezhom.pdf>.
31. N.Yamori Japanese SMEs and the credit guarantee system after the global financial crisis. Cogent Economics & Finance Volume 3, 2015. Issue 1 (2015). Abdullaev Y., Yuldashev Sh. Small business and entrepreneurship: Textbook. - T.: «Iktisod-moliya», 2008. – P. 182-183.
32. Alimardonov I.M. Improving the methodological and practical foundations of lending to small business entities. I. f. d. (DSc) diss. autoref. - T.: «Academy Publishing Center», 2018. – P. 11.
33. Mudunova A.Yu., Tsakhaeva K.N. Small business lending. <file:///C:/Users/User/Downloads/kreditovanie-malogo-biznesa-za-rubezhom.pdf>.
34. Agency of Statistics under the President of the Republic of Uzbekistan (stat.uz).
35. BIS Statistics Explore (<http://stats.bis.org/statx>).
36. [https://cbu.uz/upload/medialibrary/ca1/Markaziy\\_bankning\\_2021\\_yil\\_uchun\\_hisoboti.pdf](https://cbu.uz/upload/medialibrary/ca1/Markaziy_bankning_2021_yil_uchun_hisoboti.pdf).
37. <file:///C:/Users/User/Desktop/asia-sme-monitor-2020-sme-development-index.pdf>.
38. <https://lex.uz/docs/4581969> .
39. Syropolis Nicholas K. Small business management. Per. from English. - M.: «Delo», 1997. – P. 291.
40. Abaturov V., Samatov R., Rustamov D. Financial support for small and medium business: world experience //Economic review. - Tashkent, 2000. - No. 10. - P. 16.
41. Yamori N. Japanese SMEs and the credit guarantee system after the global financial crisis. Cogent Economics & Finance Volume 3, 2015. Issue 1 (2015).
42. <https://cbu.uz/oz/statistics/dks/691602/>.
43. Special report to the President of the Russian Federation - 2021. SME/POST-COVID. Time for system solutions. – M.: «Institute for Economics of Growth. P.A. Stolypin», 2021. – P. 34.
44. Zokirova M., Abdug'affaforov A. Economic Modeling Practice. – T.: «Uzbekistan», 1999. - P. 9.