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MICROFINANCE ENTITIES SMALL BUSINESS IN UZBEKISTAN

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Abstract

microfinance, microcredit, microleasing, microloan, microfinance services, surety, guarantee, poverty, interest rate, loan, collateral, microcredit organizations, business, small business, small business entities, microfinance market, family entrepreneurship, private business. The order of microfinance of small business entities is disclosed, the main trends of microfinance of small business entities by the joint-stock commercial bank "Mikrokreditbank" are analyzed. Scientific proposals and practical recommendations on improving microfinance for small businesses and private entrepreneurship have been developed.

Keywords: microfinance, microcredit, microleasing, microloan, microfinance services, surety, guarantee, poverty, interest rate, loan, collateral, microcredit organizations, business, small business, small business entities, microfinance market, family entrepreneurship, private business.

Introduction

Microfinance is a category of financial services intended for individuals and small businesses who do not have access to conventional banking services and related services. "Microfinance includes micro-lending, the provision of small loans to low-income customers; savings and current accounts; microinsurance and payment systems, among other services"[1]. This is a type of activity aimed at people with average or low earnings. Its concept was developed by Professor of Economics Muhammad Yunus (Bangladeshi banker, winner of the 2006 Nobel Peace Prize). He created Grameen Bank for people who did not have the opportunity to use banking services.

"The total portfolio of non-bank microcredit organizations in Uzbekistan does not exceed $ 20 million. Whereas in Kyrgyzstan this amount is 175 million dollars, and in Kazakhstan – 475 million dollars" [2]. When non-bank micro-credit organizations were established in Kyrgyzstan, they paid more attention to those segments of the population who did not have access to banking services. These people could not provide collateral, had low financial literacy. And it was micro-credit organizations that helped the unemployed to become businessmen.

Microfinance services are designed to reach excluded clients, usually poorer segments of the population, possibly socially marginalized or geographically more isolated, and to help them become self-sufficient.

In Uzbekistan, the microfinance market is relatively young. The regulatory framework for microfinance has been formed over the past decade. An important problem that needs to be solved in modern conditions is to ensure the safety of citizens' savings and the effective functioning of microfinance organizations.

Literature review

Such authors as Mamuta M.V., Sorokin A.S. [3], Krivoruchko S.V., Abramova M.A. [4], Shilov V.A. [5], Yevlakhova Yu.S. made a significant contribution to the development of the methodological base of microfinance activities at the level of scientific and applied tools, as well as the formation of a comprehensive regulatory and accounting framework. [6], Zotova A.I., Bogatova A.A. [7], etc.

Among the foreign authors whose works are devoted to the improvement of the credit system, the practice of microfinance and the justification of its role on a global scale, the works of such authors as Yunus M. [8], Hulme D., Mosley P. [9], Morduch J., Mossman M. [10] and others should be highlighted.

In the works of domestic scientists and economists, such as A. Vakhobov, H.Jamolov [11], D.Tajibayeva [12], B.Mamatov, D.Khuzhamkulov [13], Murodova D.CH . [14] and others, the theoretical and practical aspects of micro-crediting of entrepreneurial activity, including agricultural producers, are analyzed. But it should be noted that not carried out as a separate study of the issue of improving the medical foundations of microfinance for small businesses by economists in our country increases the importance of the topic of the dissertation.

At the same time, in most scientific papers, the problem of microfinance in Uzbekistan is considered from a theoretical standpoint, and the modern practice of microfinance activity remains outside the scope of scientific research.

Research methodology, results and discussions

In accordance with the legislation of the Republic of Uzbekistan, the activities of legal entities providing the following services are recognized as microfinance activities [15]:

- provision of a microloan – funds issued to a borrower – an individual in an amount not exceeding fifty million soums, on the terms of payment, urgency and repayment;
- provision of a micro–loan – funds issued to a borrower - a business entity or a self-employed person in an amount not exceeding three hundred million soums, on the terms of payment, urgency and repayment, as well as their use for certain purposes in cases stipulated by the contract;
- provision of loans and guarantees, provision of Islamic financing services to individuals in an amount not exceeding the amount of a microloan;
- provision of leasing and guarantees, provision of factoring services and Islamic financing services to business entities in an amount not exceeding the amount of a micro-loan.

Non–bank credit organizations are the following credit organizations engaged in certain types of financial transactions of banks: microfinance organization – a legal entity engaged in microfinance activities, as well as providing other services, in accordance with current legislation; pawnshop - a legal entity engaged in the issuance of short-term microloans to individuals secured by a pledge of movable property (things) intended for personal consumption; mortgage refinancing organization – a legal entity that carries out activities to attract financial resources and direct them to refinancing mortgage loans.

The authorized fund of a non-bank credit organization is formed in the national currency of the Republic of Uzbekistan and consists only of funds contributed by the founders (participants, shareholders) of a non-bank credit organization. For the formation of the authorized fund (authorized capital) of a non-bank credit organization, it is prohibited to use funds received on credit, secured, and other funds burdened with obligations, as well as funds received from criminal activity. "The minimum size of the authorized fund (authorized capital) should be for" [16]:

- ✓ mortgage refinancing organizations – 25 billion soums;
- ✓ microfinance organization – 2 billion soums;
- ✓ pawnshop – 500 million soums.

The minimum amount of the authorized fund (authorized capital) of a non-bank credit institution must be formed before the date of submission of the application for registration or notification of the start of the pawnshop's activities and stored in the bank account until the registration or notification of the start of the pawnshop's activities.

Microcredits are issued for:

- individual entrepreneurs, micro–firms, small enterprises, dehkan and farms - to carry out entrepreneurial activities;
- individuals engaged in joint entrepreneurial activity without the formation of a legal entity in the form of family entrepreneurship carried out by spouses on the basis of their common property (including loans to "young families") – for the organization of their own business and home work;
- graduates of professional colleges – to create their own business for the purpose of practical application of the modern knowledge and skills they have acquired.

Microleasing services are provided to financially stable small business entities with the rights of a legal entity to carry out entrepreneurial activities.

Micro-loans (microleasing) are provided to borrowers on a contractual basis in national currency on the terms of payment, urgency, repayment, security and targeted use.

Any changes to the terms of lending are formalized by an additional agreement to the loan agreement.

The term of granting microcredits (microleasing) depends on the payback of the credited event, but not more than 3 (three) years.

Micro-loans are provided to borrowers for the following purposes: for the development and expansion of own production (purchase of mini-equipment, primary processing of raw materials, etc.); for the development of crop production and animal husbandry (purchase of mini-equipment, seeds, livestock, poultry, fodder and compound feeds, etc.); organization of small-sized productions; development of handicrafts and organization of home work; development of services and consumer services for the population; development of the tourism industry; to increase the turnover (wholesale and retail trade) and replenishment of working capital; for the organization of family entrepreneurship; for the formation of initial (start-up) capital; other types of entrepreneurial activity that are not prohibited by the current legislation of the Republic of Uzbekistan.

Micro-loans to young families are issued for the following purposes: to organize a family business without the status of a legal entity; for the formation of the initial (start-up capital) of microfirms, small enterprises, farms, as well as dehkan farms with the status of a legal entity; for the expansion and development of individual entrepreneurship, microfirms, small enterprises, dehkan and farms.

The object of microleasing can be any non-consumable things used by the borrower for entrepreneurial activity, including enterprises, property complexes, buildings, structures, mini-equipment, vehicles, other movable and immovable property (except land plots and other natural objects, as well as other property withdrawn from circulation or with limited turnover).ability).

It should be noted that micro-loans are not issued on: repayment of previously received loans or any other loans; production of tobacco products and alcoholic beverages; organization of lotteries and gambling.; acquisition of personal property not used for production purposes; payment of administrative expenses, including maintenance of official cars, payment of cell phones and other communication services.

To obtain a micro-loan, the borrower submits the following documents:

- an application for a micro-loan with an indication of the purpose, term, amount, and proposed collateral;
- accounting and financial statements completed in accordance with the procedure established by law, with the application of a transcript of accounts receivable and accounts payable, as well as acts of reconciliation for overdue debts (for business entities with the formation of a legal entity);
- a declaration of income received for the previous year and a certificate of turnover on the demand deposit account (for business entities without the formation of a legal entity);

- a business plan, with mandatory indication of monthly forecast cash flows for the entire period of lending, the structure of the order portfolio and the sales market for manufactured goods (services rendered) carried out using the loan;
- documents related to ensuring the repayment of the microcredit.

In 2021, Joint-Stock Commercial Bank "Mikrokreditbank" (JSCB "Mikrokreditbank") paid attention to the development of business and private entrepreneurship, the creation of new jobs through financial support for family businesses and home work, as a priority area of its activities. The Bank actively participated in lending to the real sector of the country's economy, and regularly increased the volume of the loan portfolio. "In 2021, the bank's loan portfolio increased by 26.7% compared to 2020 and reached 10,815.9 billion soums, and the share of its total assets amounted to 80.2%" [17]. First of all, the bank provides comprehensive provision of loans, the process of modernization, technical and technological renewal of the basic sectors of the economy, the development of small and private businesses, support for youth and women's entrepreneurship, the development of service industries and home-based work, as well as support through loans for programs of socio-economic development of regions.

In the analysis of the loan portfolio of the JSCB Microcredit Bank by industry, the largest share of the real sector of the economy fell on the agricultural sector, which amounted to 22.8 percent. Moreover, in the service sector, this figure was 21.2 percent, in the industrial sector 17.9 percent, in trade and catering 10.7 percent, transport and communications 3.2 percent, in construction 3.1 percent and in other industries 21.0 percent.

Financial support for small businesses and private entrepreneurship is certainly a priority area of activity of the JSCB Microcredit Bank. In 2021, a total of 5,083 billion rubles were allocated to small businesses – 75,806 customers from all sources of financing. loan sums, over 107 thousand jobs were created (Fig. 1.).

The procedure for allocating a "Biznes Online" loan has been put into practice, providing business entities with the opportunity to obtain a loan through the "Mobile banking" and "Internet banking" applications to replenish working capital based on scoring analysis, without visiting the bank, without any documents and collateral. In 2021, 97.6 billion rubles were allocated to 3,088 business entities for this credit product. sums of credit funds.

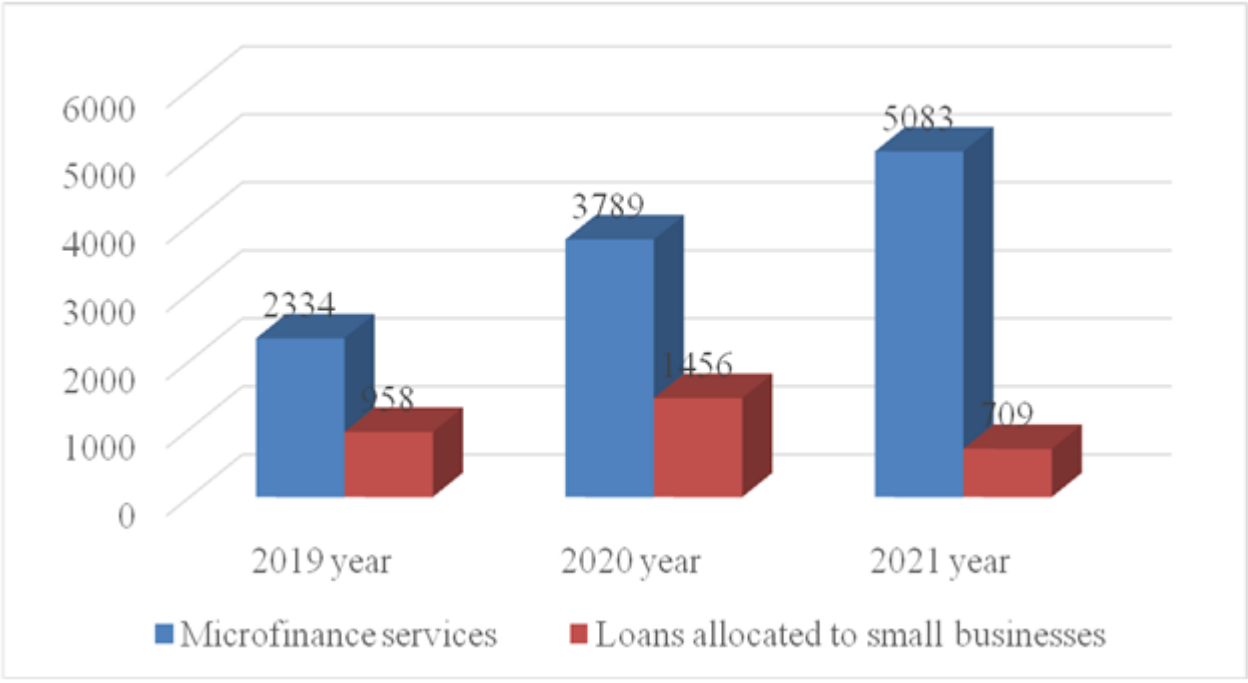


Fig. 1. Microfinance of small business entities by JSCB Microcredit Bank in 2019-2021 (billion sum) [17]

In 2021, Microcreditbank allocated 2,048 billion to 72,715 clients as part of family entrepreneurship development programs. the sum of the concessional loan (Fig. 3.). Of these, 1,270.0 billion were allocated to finance 44,453 youth projects in order to support youth entrepreneurship on the basis of social programs. Sumy, over 48 thousand young people have been provided with employment.

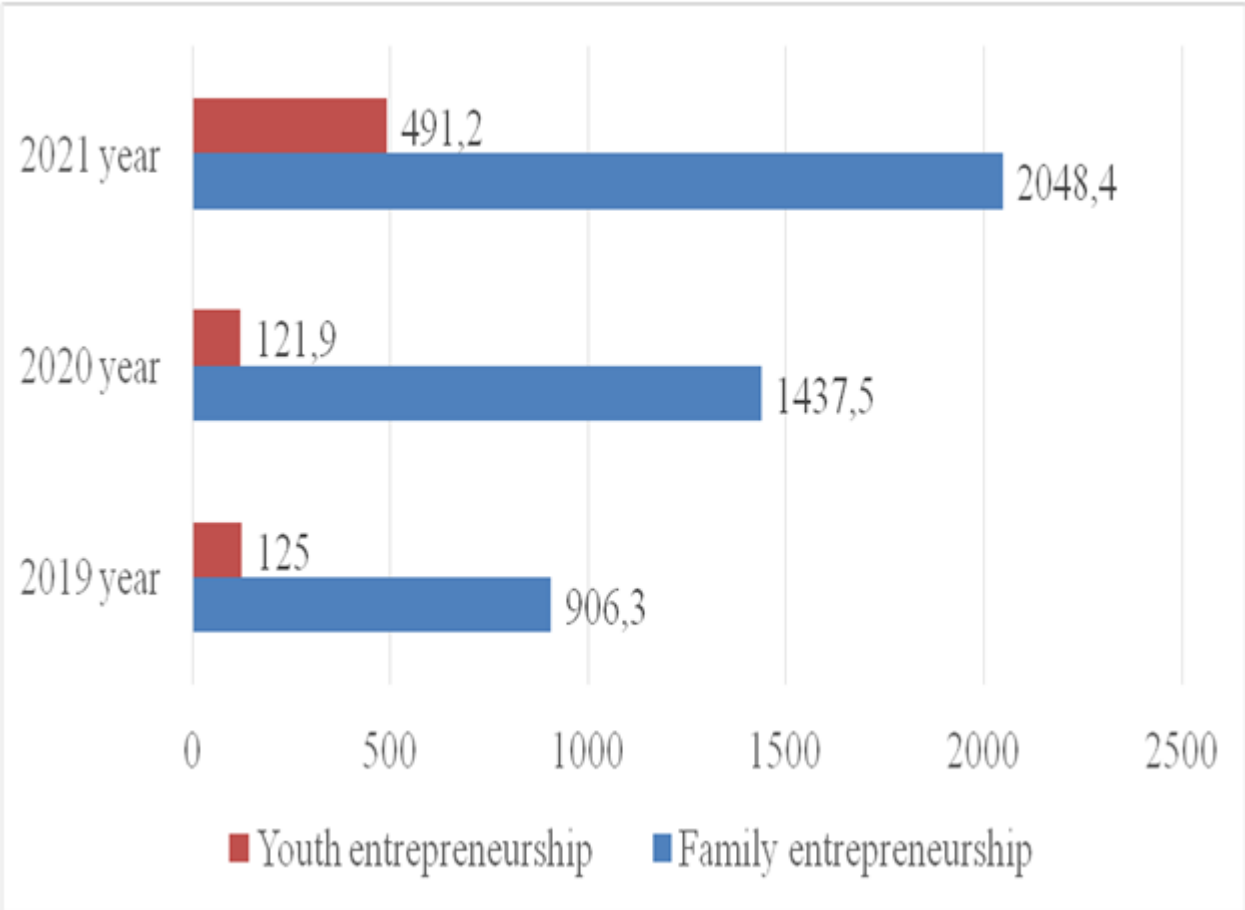


Fig. 2. Loans allocated on the basis of programs for the development of family entrepreneurship (billion sum) [18]

Moreover, in accordance with the Decree of the President of the Republic of Uzbekistan No. PP-4862 "On additional measures to improve the system of public involvement in entrepreneurship and entrepreneurship development" dated October 13, 2020, assistance was provided in the implementation of business initiatives and projects of young people. In particular, the resources raised in the framework of the implementation of Resolution No. PP-4862 have been fully utilized, 477.4 billion rubles have been allocated for 16,311 youth projects. sums of credit funds and provided employment for 17,698 young people.

In 2021, microloans in the amount of 333.6 billion rubles were allocated to individuals. soums, 157.9 billion. soums or 47.3 percent are online microloans. The volume of allocated microloans decreased by 122.8 billion. soums or by 27.8 percent.

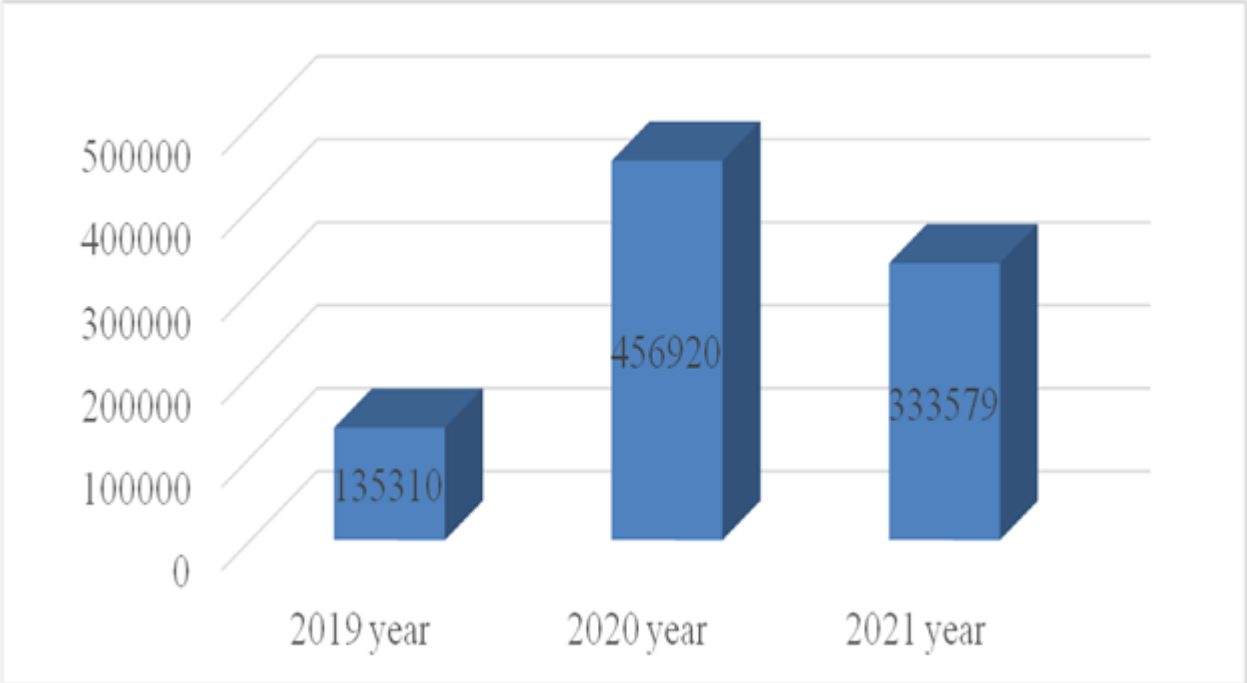


Fig. 3. Microloans allocated by the Microcreditbank to small business entities in 2019-2021 (billion sum) [19]

In 2021, 2,118.7 billion were allocated to individuals. loan sums, of which 1,405.8 billion. soums were allocated within the framework of state programs, microloans and online microloans in the amount of 333.6 billion. soums, 214 billion. mortgage soums, 72.6 billion. soums of consumer loans, 57.4 billion. soums of car loans, 13.3 billion. soums of educational loans and 12 billion soums overdraft loans.

Despite such impressive figures, the demand for microfinance services remains high and there are various estimates of the potential demand for micro-loans. In this regard, in order to meet this demand, the problem of finding effective schemes, models, and tools for organizing microfinance that takes into account the specifics of the activities of domestic small businesses is being actualized.

Conclusion

A necessary condition for the functioning of a small business is the availability of financial resources. In many countries, especially developing ones, the cost of bank credit resources is high, credit is not readily available to the private sector of the economy. In this aspect, the microfinance system can act as an alternative. The development of non-bank microfinance organizations plays an important role in the financial services of small and private businesses and self-employment of the population, especially in rural areas. With the development of the microfinance sector, funds unused by households are involved in economic turnover, the low-income population has an additional opportunity to increase incomes, establish private business, relieve social tension, business acquires an additional opportunity for lending. An important aspect of the functioning of microfinance institutions is their orientation not only to perform economic, but also social functions.

For further accelerated development of the microfinance sector, it is proposed to implement the following measures:

- in order to guarantee the purchase of products produced on household lands, allocates subsidies to business entities that have organized work with the owners of household lands on the basis of cooperation, in the amount of 30 percent of the cost of equipping warehouses, as well as the purchase of drying, packing and packaging equipment at the expense of the Fund for the Support of farms, Dehkan farms and owners of household lands;
- provide small business entities with compensation to cover part of the interest rate exceeding the main rate, but not exceeding 40 percent of the Central Bank's main rate, on loans and leases of

commercial banks, as well as guarantee dates of up to 75 percent of the amount of loans from commercial banks;

- in order to facilitate the organization of their own business in the agricultural sector, to increase the share of dehkan farms in the production of agricultural products, dehkan farms and small business entities registered in accordance with the established procedure, who have taken long-term lease of agricultural land, are provided with unsecured loans of up to 50 million soums within the framework of family entrepreneurship development programs;
- development of microfinance technology by commercial banks in differentiated areas: programs for microbusiness and start–up entrepreneurs, to support the agro-industrial complex, as well as programs for long-term microfinance of small businesses - from 2 to 5 years.

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