

VOLUME AND DYNAMICS OF MICROFINANCE OF SMALL BUSINESSES BY COMMERCIAL BANKS

Karimova Komila Daniyarovna

Associate Professor Candidate of Economic Sciences, Tashkent State

University of Economics Independent researcher, Tashkent, Uzbekistan

Small business and private entrepreneurship are one of the main elements of every economic system, and their development makes a significant contribution to socio-economic stability, job creation, and innovation processes. However, small businesses need various financial resources to successfully implement their activities. Thus, commercial banks play an important role in microfinancing small businesses. Microfinancing provides small businesses with the opportunity to obtain the necessary funds, which helps them grow and increase their competitiveness.

However, the volume and dynamics of microfinancing of small businesses by commercial banks depend on many factors, and activities in this area are subject to change. Credit policy, services provided by banks, the demands and needs of small businesses, as well as state support measures affect the success of this process. It is necessary to conduct a detailed analysis of the problems that have arisen in this area and ways to solve them, as well as how they affect the development of small businesses. In this regard, this work studies the volume and dynamics of microfinancing of small businesses by commercial banks, and analyzes the economic and social impact of this process.

The current state of the microfinance system for small businesses in the Republic of Uzbekistan requires the simultaneous study of several important issues. First, it is studied what the microfinance system for small businesses includes; second, it is clarified what the procedure or methodology for microfinancing of small businesses by commercial banks consists of; third, the volume and dynamics of bank resources in microfinancing of small businesses and their impact on the development of the system are studied, and important scientific conclusions are formulated.

In this regard, we will first examine what the microfinance system of small businesses includes. Microfinance of small businesses and its organization should be based on objective economic laws. The choice of one or another microfinance procedure depends on the placement of working capital of small businesses in accordance with their place in social production. Only when these objective processes are taken into account can an effective system be created that ensures the goals of microfinance. At the same time, the “system” represents a whole consisting of various elements, parts, interconnected, formed on the basis of a certain order, and it is based on objective, holistic existence.

Ensuring the development of small business activities will simultaneously depend on the volume of credit investments of the country's commercial banks and their effective use. This, in turn, will contribute to the growth of GDP. In 2023, the country's GDP amounted to 1066.5 trillion soums, which is 7.4 times higher than in 2014, while the volume of credit investments of commercial banks has shown stable growth rates during 2014-2023, increasing by 14.4 times (Table 1).

Table 1 Gross domestic product and bank lending¹

Indicators	Years									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP volume, trillion soums	144,9	221,35	255,42	317,47	424,72	529,39	602,19	734,58	896,6	1066,5
Credit deposits of commercial banks, trillion soums	34,5	50,01	52,59	110,17	167,39	211,58	276,97	326,00	403,1	497,0
Share of credit deposits of commercial banks in the volume of gross domestic product, %	23,8	22,6	20,6	34,7	39,4	40,0	46,0	44,4	45,0	46,6

Loans allocated by banks to sectors and industries of the economy were one of the main factors financially supporting economic growth from the aggregate demand side. "43.7 percent of the allocated loans were directed to industry, 22 percent to trade and catering, 11.6 percent to the development of agriculture, 5.7 percent to construction, and 5.2 percent to the development of the transport and communications sector. Of the loans allocated to the population, 25.6 percent were microloans, 22 percent were mortgage loans, 33 percent were consumer loans, and 14 percent were microloans." This situation indicates that the growth rate of credit deposits of commercial banks is higher (speed, agility) than the growth rate of GDP and is a positive situation from the point of view of financial support for sectors of the economy, including small businesses and private entrepreneurs.

This, in turn, reflects a positive situation in terms of creating new jobs, increasing real incomes and improving the well-being of the population, and increasing the volume of production. During 2014-2023, the share of commercial banks' credit investments in GDP increased by 22.8 percentage points and had a growing trend. In particular, during the last 2020-2023, the share of commercial banks' credit investments in GDP averaged 45.4 percent. International practice shows that "the share of commercial banks' credit investments in GDP is 150 percent in the USA, 170 percent in the UK, 190 percent in Australia, and 279 percent in the Netherlands". "The share of loans to the private

¹ O'zbekiston Respublikasi Markaziy bankining rasmiy sayti ma'lumotlari asosida muallif tomonidan tuzilgan (https://cbu.uz/upload/medialibrary/ca1/Markaziy_bankning_2021_yil_uchun_hisoboti.pdf).

sector as a share of GDP in the member states of the Organization for Economic Cooperation and Development in 2022 was 160.7 percent".

The volume and dynamics of microfinancing by commercial banks to small businesses are a necessary tool for stimulating economic growth and improving the business environment. An increase in the volume of loans provided by banks to small businesses will contribute to the development of this sector, the expansion of the activities of new entrepreneurs, and the introduction of innovations. The growth dynamics of microfinancing also increases the economic stability and competitiveness of commercial banks. Therefore, it is necessary to further expand microfinancing to small businesses and improve the financial support system.