

THE ROLE OF MICROFINANCE IN THE DEVELOPMENT OF SMALL BUSINESS

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Abstract: In this article, we will talk about the establishment of microcarrier allocation by the state in the financing and establishment of small businesses and about the reforms carried out in the field of business in our country. Microcredit and microfinance perform important tasks that allow broad segments of the population to carry out entrepreneurial initiatives. Small business is a necessary element to strengthen the economy. In the conditions of structural restructuring of the economy, a number of directions and reliefs are being established on the sustainable functioning of small enterprises both at the regional level and at the national level.

Key words: Microfinance, capital, Small business, national economy, investment, interest rate.

INTRODUCTION

President Of The Republic Of Uzbekistan Sh. Mirziyoyev's recently approved decree, "further strengthening macroeconomic stability and maintaining high rates of economic growth, including ensuring national exchange rate stability and price levels in the domestic market, is our top priority"[4] as well as 2022 — In the third direction of the new Uzbekistan development strategy for 2026, "rapid development of the national economy and ensuring high growth rates", it is necessary to separately recognize that "measures will be taken to further improve the investment climate in the country and increase its attractiveness, attract US \$ 120 billion, including \$ 70 billion in foreign investment in the next five years" [2].

In the development of microfinance in Uzbekistan, the World Bank is developing cooperation with economic, For example, the European bank for reconstruction and banking (EBRD and management institutions). These organizations assist small businesses in obtaining additional funding, providing advice on improving the business environment. The government of Uzbekistan can see the development of microfinance, improvement on the basis of microparticles and loans aimed at small and medium-sized businesses. In this case, state banks, business private microfinance organizations, such as " Uzsanoatqurilishbank", " people's Bank", " Mortgage Bank", are committed to providing microparties with a lower interest rate to small businesses [4,7].

ANALYSIS AND RESULTS

Small businesses often have difficulty using bank loans or large financial institutions. Microfinance, by providing small loans or microparticles, provides them

with the necessary funds for business development. Microfinance provides opportunities for small businesses to improve their products and services or enter new markets. For example, the necessary funds are provided for the introduction of new technologies, strengthening marketing or the purchase of quality raw materials. Microfinance helps create new jobs by supporting small businesses. This, in turn, increases economic development and social well-being.

In addition to promoting the further development of small businesses at the present stage of economic development in our republic, special attention is paid to the continuous increase in the share of private property entities in its structure. According to the statistical agency under the president of the Republic of Uzbekistan, the number of small enterprises and micro-enterprises operating as of January 1, 2023 amounted to 523.6 thousand and increased by 60.8 thousand or 13.1% compared to the same period last year. The number of small business entities amounted to 17.9 units per 1000 inhabitants [10].

The development of microfinance institutions and programs is important for the formation of the middle class, the creation of conditions for the development of primary entrepreneurs and the further growth of existing micro-enterprises. The essence of microcredit is expressed through the functions performed. In addition to the basic functions of credit such as redistribution, reproduction, incentives, microcredit also has social and economic functions. The World Bank estimates that more than 500 million people have benefited directly or indirectly from microfinance-related operations. The poor Assistance Advisory Group (CGAP) estimates that more than 120 million people have directly benefited from microfinance-related operations by 2021 [11]. In addition, IFC 30 has helped establish or improve credit report bureaus in developing countries. Data from international organizations indicate that the income generated by microfinance is often spent on activities that improve the standard of living of the family. Surveys around the world have confirmed the positive effects of microfinance [12].

For example, studies evaluating the effects of microfinance in more than twenty-four countries around the world have found significant improvements in family living standards. Nevertheless, it is very difficult to assess the direct relationship between improving people's living standards and specific services such as microcredit. Not all studies have confirmed a clear and strong relationship between microfinance and improving people's living standards. As a rule, the direct consequences of using microfinance services are the expansion of the choice available to people and the creation of material and human capital. Currently, the main tasks of microfinance are to reduce poverty, to provide opportunities for young less protected members of society (women, the poor) to participate in market activities, to create new jobs and business areas, to encourage the involvement of working-age citizens in certain sectors of the

economy [10,11]. Microfinance also creates highly dynamic and efficient lending systems for small businesses to further stimulate the production and distribution of goods and services, as well as to help entrepreneurs gain benefits and gain experience in capital accumulation.

CONCLUSIONS AND SUGGESTIONS

In conclusion, the role of microfinance in the development of small businesses is very large. Microfinance is the process of providing the right financial resources for small and medium-sized businesses and managing them efficiently. Thanks to this, small businesses will be able to expand their activities, introduce innovations and increase their competitiveness.

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