

ENHANCING FINANCIAL SUPPORT MECHANISMS FOR SMALL AND PRIVATE ENTREPRENEURSHIP

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Abstract. This article examines the theoretical and practical aspects of improving financial support mechanisms for small and private entrepreneurship under market economy conditions. The research highlights the importance of financial support in promoting sustainable economic growth, increasing employment, and enhancing the competitiveness of small businesses. The study analyzes the theoretical foundations of financial support, reviews the current financial support mechanisms implemented in Uzbekistan, and evaluates international best practices, particularly those of Germany, the United States, and South Korea. The findings indicate that preferential lending, government guarantees, microfinance, tax incentives, venture financing, and digital financial services play a crucial role in improving entrepreneurs' access to financial resources and stimulating business development. The study concludes that further improvement of financial support mechanisms through expanded access to finance, diversification of funding sources, digitalization of financial services, and enhancement of financial literacy will contribute to the sustainable development of small and private entrepreneurship and strengthen its contribution to national economic growth.

Keywords: small and private entrepreneurship, financial support mechanisms, small business financing, preferential loans, government guarantees, microfinance, venture financing, digital financial services, entrepreneurship development, employment, economic growth, Uzbekistan.

Developing small and private entrepreneurship under market economy conditions is one of the key factors in ensuring sustainable economic growth, increasing employment, and fostering a competitive business environment. The effective operation of this sector largely depends on the availability of adequate financial resources. From this perspective, providing financial support to small business entities has become one of the priority areas of state economic policy.

International practice demonstrates that a wide range of financial instruments are used to promote the development of small entrepreneurship, including preferential loans, government guarantees, subsidies, grants, venture financing, microfinance institutions, leasing, factoring, and tax incentives. These mechanisms contribute to expanding

investment opportunities for entrepreneurs, increasing production capacity, encouraging innovation, and creating new employment opportunities.

In the context of New Uzbekistan, comprehensive reforms aimed at supporting small and private entrepreneurship are being consistently implemented. In particular, significant measures have been introduced to provide preferential loans, offer government guarantees, reduce the tax burden, develop alternative sources of business financing, and expand digital financial services. At the same time, limited access to financial resources, the complexity of loan application procedures, and collateral-related constraints remain among the major challenges facing the sector.

Therefore, improving financial support mechanisms for small and private entrepreneurship has become an essential prerequisite for achieving sustainable economic growth and increasing employment. Strengthening these mechanisms will enhance the financial capacity of entrepreneurs, improve their competitiveness, stimulate investment activity, and contribute to the long-term development of the national economy.

From a theoretical perspective, financial support for small and private entrepreneurship is defined in the economic literature as a set of economic mechanisms aimed at providing business entities with the financial resources necessary for their development, attracting investments, and ensuring the efficient utilization of these resources. These mechanisms are implemented through the participation of the government, commercial banks, international financial institutions, and private investors.

Although small business entities generally require greater access to financial resources than large enterprises, their opportunities to access financial markets are often limited. This challenge is particularly evident among newly established enterprises, young entrepreneurs, and women-owned businesses. Therefore, government support for these groups has become one of the key priorities of economic policy.

The financial support system performs several important functions within the economy, including:

- providing start-up capital for new business ventures;
- stimulating investment activity;
- expanding production capacity;
- promoting the adoption of innovations;
- creating new employment opportunities;
- strengthening the competitive business environment;
- and increasing household incomes.

State Financial Support Mechanisms for Small and Private Entrepreneurship in Uzbekistan. In recent years, the development of entrepreneurship has become one of the priority directions of the state economic policy in Uzbekistan. Based on presidential

decrees and resolutions, comprehensive reforms have been implemented to strengthen the financial support system for business entities.

Currently, the main financial support mechanisms include:

- preferential bank lending;
- guarantee and compensation mechanisms provided through the Entrepreneurship Development Company;
- financing programs for youth and women entrepreneurs, as well as family entrepreneurship support programs;
- microcredit financing schemes;
- tax incentives;
- financial support measures for exporting enterprises; and
- the widespread introduction of digital financial services.

These measures play a significant role in increasing the investment activity of small business entities, creating new employment opportunities, and promoting balanced regional economic development.

The experience of countries around the world demonstrates that financial support for small and private entrepreneurship is one of the priority areas of economic policy. In developed economies, small businesses are regarded as the main drivers of economic competitiveness, innovation, and employment generation. Therefore, governments consistently support this sector through a variety of financial mechanisms.

The Experience of Germany. In Germany, small and medium-sized enterprises (SMEs), commonly referred to as the *Mittelstand*, constitute the backbone of the national economy. A key institution providing financial support to this sector is KfW Bankengruppe, the country's government-owned development bank. KfW offers entrepreneurs long-term, low-interest loans, finances innovative projects, and implements specialized programs to promote the adoption of energy-efficient technologies.

A distinctive feature of the German model is that financial support extends beyond lending. Enterprises also receive practical assistance in business consulting, marketing, export promotion, digital transformation, and innovation management. This comprehensive approach enhances the effectiveness of financial resources and contributes to the sustainable growth of small businesses.

The Experience of the United States. In the United States, financial support for small businesses is primarily provided through the Small Business Administration (SBA). Working in partnership with commercial banks, the SBA offers government-backed loan guarantees, provides business advisory services, and supports innovative start-ups through grant programs.

Through SBA programs, thousands of newly established enterprises gain access to financial resources, many of which operate in high-technology industries. As a result, these initiatives contribute significantly to job creation, technological advancement, and improvements in labor productivity.

The Experience of South Korea. South Korea places particular emphasis on financing innovative entrepreneurship. The government supports technology-based start-ups through venture capital funds, technology incubators, and specialized investment funds. In particular, interest-free loans and grant programs are widely used to promote youth entrepreneurship and encourage innovative business initiatives.

The experience of South Korea demonstrates that when financial resources are effectively integrated with innovation infrastructure, the competitiveness of small businesses increases substantially. This approach not only accelerates the commercialization of new technologies but also strengthens the country's innovation-driven economic development.

Conclusion. In conclusion, the analysis indicates that improving financial support mechanisms for small and private entrepreneurship is a key prerequisite for ensuring sustainable economic growth, increasing employment, and creating new jobs. Although significant progress has been achieved in Uzbekistan in supporting this sector, there is still considerable potential to further enhance the effectiveness of the financial support system. This can be accomplished by expanding access to credit resources, developing alternative sources of financing, promoting the wider adoption of digital financial services, and improving the financial literacy of entrepreneurs. Strengthening these measures will contribute to the sustainable development of small and private entrepreneurship and enhance its role in the country's long-term economic and social development.