

THE ROLE OF BANKS IN PROMOTING EMPLOYMENT IS TO IMPROVE FINANCING FOR ENTREPRENEURIAL ACTIVITIES AND FUTURE PLANS

Batirov Farkhad

*Independent researcher of the
Tashkent state university of economics*

E-mail: f.batirov@tsue.uz

Tel.number: 998971888608

Abstract. The article explores the role of commercial banks in fostering entrepreneurship through lending practices, examines the factors that enhance the well-being of the population as a result of economic growth. The main driver of improving well-being is stable economic growth. The current state is evaluated and recommendations are provided for the development of this area.

Keywords. Banks, microfinance organizations, loans, small and medium-sized businesses, family entrepreneurship programs, taxes, mahallas, current legislation.

INTRODUCTION

Over the years of independence Uzbekistan has undergone extensive reforms across various sectors, fundamentally transforming its economy, bank system and establishing a solid foundation for sustainable development. In the seven years since gaining independence, Uzbekistan has made significant progress in both economic and social development. Uzbekistan aims to increase its GDP per capita by 1.6 times over the next five years by ensuring sustainable high growth rates in various economic sectors. The goal is to raise per capita income to 4 thousand US dollars by 2030, paving the way for the country to be classified among "higher-income countries" [4]. The rapid development of the national economy and the achievement of high growth rates.

Nowadays, banks play an important role in the financial system of Uzbekistan, providing different financial loans to both enterprises and people.

In recent years, the activity of the banking system on the ground has yielded tangible results.

Over the past six years, under the family entrepreneurship program, 750 thousand citizens have repaid their loans on time and launched profitable businesses. Of these, 58 thousand opened new businesses. Now banks should support such clients and help them to move to the level of small and medium-sized businesses.

METHODOLOY RESEARCH

The article provides a comprehensive overview of research on the manifestation of various development small and medium-sized businesses. In this article, we used economic-statistical and comparative scientific research methods. Along with the most popular methods of scientific knowledge of research methodology, methods such as comparison, grouping, scientific observation, analysis and synthesis, induction and deduction, and systematization were used.

ANALYSIS AND RESULTS

The year 2025 will be decisive in providing employment and reducing poverty. A loan without conditions in the amount of 300 million soums will be provided within the framework of the program “Support for small business” [2]. This will create jobs for 1.5 million people in the coming years.

Previously, banks received funds for family entrepreneurship programs [5] exclusively from the state. The People's bank took the initiative and began issuing loans of up to 50 million soums without requiring excessive documents and collateral under the “Financial inclusion” program supported by the Asian development bank. Following this example, next year nine state banks plan to allocate \$1 billion in loans, which will provide income for 250,000 people.

All commercial banks and microfinance organizations have been supporting small and medium-sized businesses through government programs since November 1, 2024 [1].

Startup projects that attract investment and create jobs will receive support. State banks will establish venture capital companies and allocate \$50 million to support startups in mahallas. Each bank has been recommended to find a private partner to create business acceleration centers.

If the state creates the necessary infrastructure, entrepreneurs are ready to realize 3.5 thousand projects worth 31 trillion soums and create 200 thousand new jobs. Next year, 1 trillion soums will be allocated for the infrastructure of these projects. About 60 advanced cities and districts have the potential to completely eliminate unemployment and poverty. This required 2 million people to be employed and 417,000 families to be lifted out of poverty. Achieving this goal demands that the banking system be financially sound. It was noted that it is important not to rely only on state funds, but to attract \$6 billion from external sources. Also the task was set to increase the volume of deposits of the population to \$11 billion next year [6].

This year microfinance and factoring services worth 5.5 trillion soums were provided. Now state-owned banks will be able to open their own microfinance and factoring companies, attracting foreign investors.

Development of entrepreneurship – strategic goal. Entrepreneurs are strongest support and greatest strength. Therefore, their support should become the daily business of all leaders - from the center to the lowest level. Especially at the local level, hokims should interact more often with entrepreneurs, visit enterprises, and live in their concerns.

The activity of the Public Council for Support of Entrepreneurship established under the President of the Republic of Uzbekistan [3] has been mentioned.

In 2024, 5 laws, 101 decrees and resolutions have been adopted on the most pressing issues of business support. Also in recent years, the economy has seen an increase in liquidity. This has provided the ground for sustainable financing of

investment projects. Funds in the accounts of enterprises in banks have increased by 20 trillion soums, reaching 107 trillion soums. Deposits of the population increased by 25 trillion soums and amounted to 105 trillion soums. According to the year-end results, the total volume of issued loans reached 275 trillion soums.

In 2025, this figure will exceed 300 trillion soums. Particular attention will be paid to lending to small businesses: its share will increase from 28 to 40 percent, reaching 120 trillion soums.

To meet the needs of entrepreneurs, banks plan to attract \$6 billion from external sources without state guarantees in 2025. Owing to the expansion of factoring opportunities, these services have been provided this year in the amount of \$100 million.

A separate company has been set up to promote trade, which has allocated \$350 million in export financing. For every dollar invested, entrepreneurs received \$6 in export revenue. In 2024, another \$300 million will be allocated for this purpose.

The main tax rates will remain unchanged. From January 1, 2025, state property and land will be sold VAT-free, excise tax on mobile communications will be abolished, and double land tax on agricultural land outside the city limits will be discontinued. Publishing enterprises will be exempted from income tax for 5 years. Preferences for IT park residents, exempting them from all kinds of taxes, will be extended until 2040. Preferences for private schools, kindergartens and foreign specialists will be valid until 2030.

The process of Uzbekistan's accession to the World Trade Organization (WTO) is reaching its final stage. In this regard, privileges contrary to the WTO rules are canceled. At the same time, all conditions will be created for market participants to work in a fair competitive environment.

Table – 1

Share of small businesses and private entrepreneurship

Share of small business and private entrepreneurship (in % of the total volume)										
Indicators	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP	60,9	61,9	64,6	66,8	65,3	62,4	56,0	54,8	54,1	51,8
Industry	33,0	36,8	40,6	45,3	41,2	37,4	25,8	27,9	27,4	26,0
Construction	70,6	69,5	66,7	66,9	64,8	73,2	75,8	72,5	72,5	71,5
Employment	76,7	77,6	77,9	78,2	78,0	76,3	76,2	74,5	74,5	73,9
Export	26,2	27,0	27,0	26,0	22,0	27,2	27,0	20,5	20,0	29,6
Import	42,4	45,4	44,5	46,8	53,6	56,2	61,6	51,7	45,3	49,4

Source: Statistics Agency

Source: Author computation based on data from Statistics agency[7]

In 2025, it is planned to increase GDP to \$120 billion, exports to \$30 billion, and investment to more than \$42 billion. It is important to increase the incomes of private sector workers. In this regard, textile and leather enterprises that pay their employees a salary of at least 2.5 million soums and have at least 15 percent of employees from low-income families will receive tax benefits. For such companies, the rate of profit tax and income tax for their employees will be only 1 percent.

There are 142 so-called “champion” companies with more than 5,000 employees and annual revenues exceeding 1 trillion soums. They become multi-profile corporations, contributing to the development of related industries. To support such promising entrepreneurs and stimulate others, it is proposed to provide them with land and buildings directly, as well as transfer state-owned enterprises into long-term management.

It is known that 7 out of 10 richest companies in the world work in the field of information technology and fintech services. Additional benefits will be provided for the establishment of such companies in Uzbekistan. In particular, duty-free

import of laboratory equipment and technological installations for research and development (R&D) centers will be allowed.

It is planned to develop an updated Customs Code, which will meet the requirements of the World Trade Organization (WTO) and modern conditions.

CONCLUSIOIN

The banking system must be financially sound. It is important not to rely only on state funds, but to attract external sources. The need for entrepreneurs not to limit themselves to bank loans, but to adapt to international standards and independently attract funds from abroad.

The Central Bank and regional banks should expand positive experience (with loans) and become a real support for the population.

Maintaining a stable tax policy is crucial for an attractive business environment.

The entrepreneurial movement in Uzbekistan is turning into a great force, and this process is irreversible. The richer our entrepreneurs are, the richer our people and the greater the power of our state will be. The success of an entrepreneur is the success of our entire nation.

REFERENCES

1. Decree of the President of the Republic of Uzbekistan “On measure to implement the tasks defined in the fourth open dialogue of the President of the Republic of Uzbekistan with entrepreneurs” №DP-132, dated August 30,2024;
2. Resolution of the President of the Republic of Uzbekistan “On measures of financial and institutional support for the development of small businesses” №RP-306, dated September 09,2023;
3. Resolution of the President of the Republic of Uzbekistan “On measures of financial and institutional support for the development of small businesses” №RP-364, dated August 30,2022;

4. Decree of the President of the Republic of Uzbekistan “On the development strategy of New Uzbekistan for 2022-2026” № DP-60, dated January 28,2022;
5. Resolution of the President of the Republic of Uzbekistan “On additional measures for the development of family entrepreneurship and the expansion of the population`s source of income” №RP-55, dated December 12,2021;
6. <https://president.uz> – Official web-site of the President of the Republic of Uzbekistan;
7. <https://daryo.uz/en/2023/12/26> small-businesses-contribute-50-to-uzbekistans-gdp
7. <https://cbu.uz> - The Central bank of the Republic of Uzbekistan;
8. <https://lex.uz> – National database of legislation of the Republic of Uzbekistan;
9. <https://gov.uz> - The Government portal of the Republic of Uzbekistan;
10. <https://uza.uz> – National news agency of Uzbekistan

