

IMPORTANT FEATURES AND KEY ELEMENTS OF FINANCING IN SMALL BUSINESSES

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Abstract

The article studies the important features of financing in small businesses. Information on the demography of enterprises and organizations of the Republic of Uzbekistan, information on enterprises and organizations with foreign investment as of May 12, 2025, information on enterprises and organizations with foreign investment as of May 12, 2025, is analyzed. Also, the relationship between entrepreneurship and innovative investment activities is studied.

Keywords: Small business, entrepreneurship, GDP, industry, consulting, enterprise, foreign investment.

Introduction

In a market economy, small businesses are an important component of the country's economy. They play a special role not only in increasing employment, but also in ensuring regional development, accelerating innovation and strengthening competitiveness. However, one of the main factors in the successful operation of these entities is the stable and effective organization of financial support. Financing is a process that is crucial at all stages of business (from raising initial capital to expansion and modernization), and its specific features and elements are even more important in small business conditions. Therefore, an in-depth study of the sources, forms, methods and factors affecting financing of small businesses is currently relevant.

ANALYSIS AND RESULTS

The structural elements of the financial management system and their totality play an important role in the effective organization of financial management in small business entities and increasing its effectiveness. These elements are also important in explaining the essence of financial management. It can be seen from the numerous economic literature devoted to this topic that there are different approaches to explaining the essence of financial management by economists. A comparative study of the approaches given by economists to this concept, while systematizing them, allows us to identify its main elements. For this purpose, we found it appropriate to present the definitions given to this concept in a systematized manner.

Based on a comparative analysis of the above definitions, the following general aspects of this concept can be highlighted: a system for the formation and effective management of financial resources; increasing the effectiveness of the use of financial resources through the use of financial mechanisms; organizing financial planning to achieve financial results; monitoring the use of financial resources; expanding sources of financial resources; increasing production



productivity through the introduction of modern technologies. From the above, it can be seen that there are a number of important elements of financial management, which are of great importance in the formation of a financial management system based on interdependence.

The financial management process allows for the effective use of financial resources through instruments aimed at performing important tasks and achieving goals. Based on the study of economic literature, we found it appropriate to express the structure of financial management as follows.

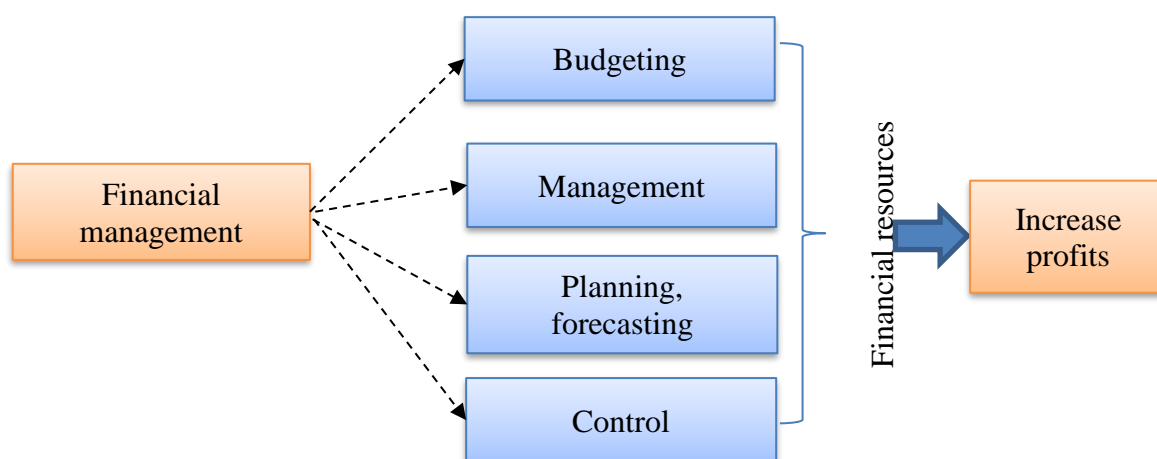


Figure 1. Financial management structure

Financial management is the application of management concepts in budgeting, forecasting, managing and controlling a company's financial resources to achieve its goals. It is aimed at maximizing investor profits by optimizing the firm's cash flow. It is related to all areas related to profitability, costs, cash and credit. The effective use of these structural elements in the activities of small business entities has a significant impact on the final effectiveness of the financial management system. In the effective organization of financial management, the rational establishment of relations between the object and the subject of management is of particular importance.

As of May 12, 2025, the number of enterprises and organizations operating in the republic amounted to 446.9 thousand, of which 377.8 thousand or 84.5 percent are small enterprises and microfirms.

Table 1 Information on the demographics of enterprises and organizations of the Republic of Uzbekistan

Year	Enterprises and organizations	from which:	
		business entities	foreign enterprises
2019	324 896	262930	255728
2020	395 982	334767	381097
2021	501 743	439 927	436 742
2022	548 701	484 935	481 138
2023	488 761	425 958	422 282
2024	469 261	404 755	400 491
2025 as of 12.05.2025	446 876	381 890	377 833

By region, the largest number of operating enterprises and organizations is in Tashkent city - 22.6 percent, Tashkent - 9.6 percent, Samarkand - 8.8 percent, Fergana - 8.1 percent and

Kashkadarya region - 6.5 percent. A significant share of business entities in the total number of operating enterprises and organizations was in Tashkent city - 90.1 percent, Navoi - 87.6 percent, Khorezm - 86.9 percent and Bukhara regions - 86.7 percent.

In order to create the most favorable investment climate for attracting direct investments in our country, large-scale measures have been taken to liberalize the economy, limit interference in the activities of business entities, reduce and simplify licensing and permitting procedures, ensure free access to investments, as well as create the necessary infrastructure in the regions. As a result, the number of enterprises with foreign investment is increasing every year. By region, the largest share of the total number of operating enterprises with foreign investment is in Tashkent - 64.4 percent, and among the regions - Tashkent - 12.1 percent, Samarkand - 3.7 percent, and Surkhandarya - 3.4 percent.

Table 2 Information on enterprises and organizations with foreign investment as of May 12, 2025

Regions	Overall	from which	
		joint venture	foreign enterprise
Republic of Uzbekistan	16 007	4 043	11 964
Republic of Karakalpakstan	160	67	93
Regions:			
Andijan region	330	118	212
Bukhara region	335	119	216
Jizzakh region	224	97	127
Kashkadarya region	149	76	73
Navoi region	278	111	167
Namangan region	235	101	134
Samarkand region	598	254	344
Surkhandarya region	546	62	484
Syrdarya region	237	79	158
Tashkent region	1942	454	1488
Fergana region	510	208	302
Khorezm region	154	59	95
Tashkent city	10309	2238	8071

Over the past five years, the total number of enterprises operating with foreign investment in Uzbekistan has increased by 1.3 times, while the share of foreign enterprises (in relation to the total) has increased from 53.2% to 74.7%. As of May 12, 2025, out of 16,007 enterprises operating with foreign investment, 4,043 were joint ventures and 11,964 were foreign enterprises.

When analyzing the enterprises and organizations operating in our republic with foreign investment, the leading place was taken by the People's Republic of China with 3,880 enterprises. This accounted for 24.2% of the total number of enterprises operating with foreign investment in the republic.



Among the countries contributing capital to the economy of Uzbekistan, the Russian Federation (19.1%), Turkey (12.3%), Kazakhstan (7.0%), Afghanistan (4.2%) and South Korea (4.1%) also occupy a special place. However, the scale of cooperation with some countries, such as Japan (97), Pakistan (149), Ukraine (179), is relatively small, which indicates that the potential has not yet been fully utilized.

Table 3 Information on enterprises and organizations with foreign investment as of May 12, 2025

Countries	Overall	from which	
		joint venture	foreign enterprise
China	3 880	605	3 275
Russia	3 051	905	2 146
Turkey	1 964	486	1 478
Kazakhstan	1 114	270	844
Afghanistan	677	82	595
South Korea	665	181	484
UAE	352	123	229
Tajikistan	343	87	256
India	320	83	237
USA	314	147	167
Kyrgyzstan	304	81	223
Azerbaijan	278	57	221
Great Britain	239	125	114
Belarus	232	62	170
Turkmenistan	230	48	182
Iran	216	74	142
Germany	215	100	115
Ukraine	179	54	125
Pakistan	149	23	126
Japan	97	25	72

The number of enterprises with foreign investment in Uzbekistan has increased significantly, which is a result of the favorable investment climate created for foreign investors in the country and the policy of economic openness. The largest number of enterprises was established with countries such as China, Russia, Turkey and Kazakhstan, with which economic cooperation is actively developing. In most cases, the number of foreign enterprises is higher than joint ventures, which indicates that investors are striving to operate independently. There are also many joint ventures with developed countries - the USA, Germany, Great Britain, which play an important role in the development of technological and scientific and technical cooperation. These circumstances indicate that Uzbekistan's potential for attracting international investment is increasing, and its foreign economic policy is being implemented effectively. At the same time, new investment flows can be attracted by expanding cooperation with countries with untapped potential.

The connection of entrepreneurial activity with the innovation process is shown in the figure. Entrepreneurship, as an economic category, is carried out in a competitive environment with

the aim of processing its own and borrowed capital through the implementation of production relations, obtaining profit. For the survival and competitiveness of entrepreneurial structures, they must respond in a timely manner to innovations and threats in the external business environment. This response should be reflected in the search for innovations, finding investments for the application of new innovations, which creates the conditions for creating competitive advantages.

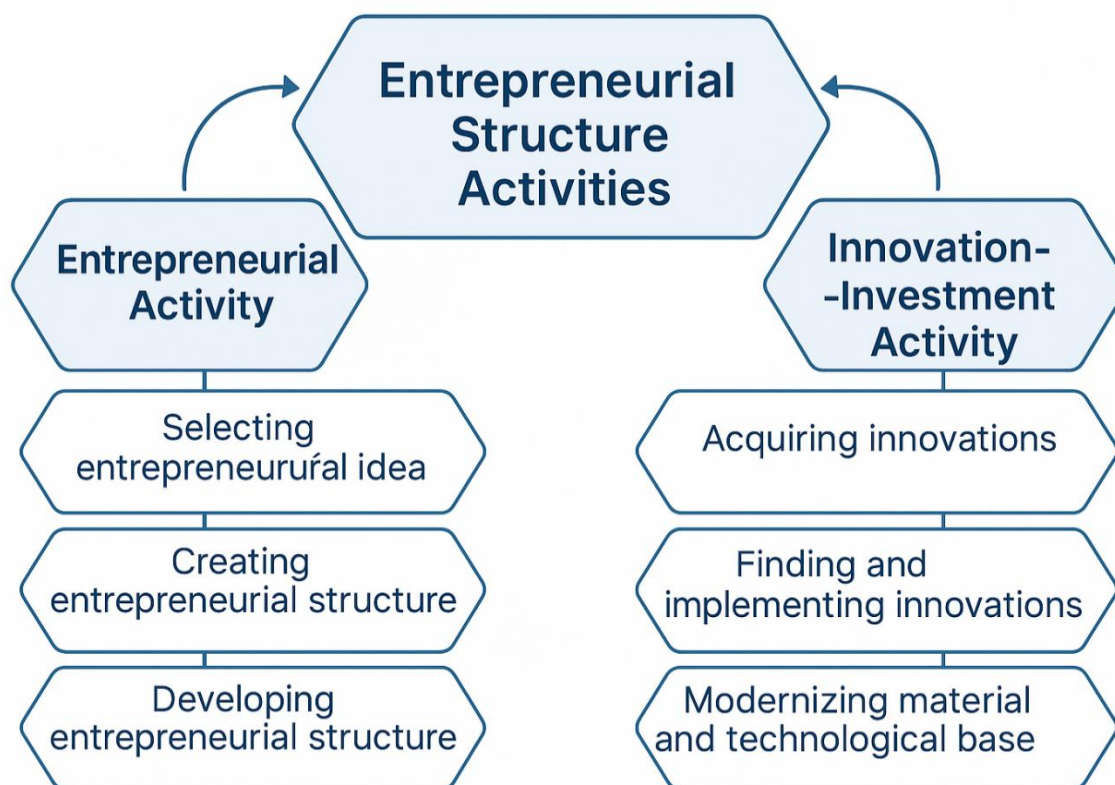


Figure 2. The relationship between entrepreneurship and innovative investment activities

Entrepreneurship and innovation-investment activity are complementary and interrelated processes. Innovation is an important factor that increases the competitiveness of entrepreneurial activity, allowing it to enter the market through new products, services or technologies. The implementation of such innovations in practice requires investments. Therefore, investment activity serves as an important tool for the implementation of innovative ideas.

CONCLUSION

In conclusion, the financing system of small businesses is one of the main factors in ensuring their sustainable operation and growth. The successful implementation of the financing process depends on many factors - the availability of financial resources, the development of credit infrastructure, state support, as well as a clear and well-founded business plan. The analysis shows that the main elements of financing for small businesses are their own funds, loans from commercial banks, investments, grants and subsidies within the framework of state programs.

In the future, the development of these elements and their accessibility to small businesses will contribute to economic stability and an improvement in the entrepreneurial climate.

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