

## MECHANISMS OF FINANCIAL SUPPORT OF ENTERPRISES IN UZBEKISTAN

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### Abstract

In the article, the problems of improving the theory and methodology of forming the financial policy of the enterprise at the current stage of economic liberalization and modernization in the Republic of Uzbekistan are studied. The advantages and specific features of improving the theory and methodology of the formation of the financial policy of the enterprise in the prospects of the socio-economic development of the country are scientifically substantiated. Possibilities of improving the theory and methodology of the formation of the company's financial policy in the corporate financial management system of the Republic of Uzbekistan were studied and recommendations were developed.

**Keywords:** enterprise financial policy, corporate financial management, enterprise finance, enterprise financial support, enterprise financial status, enterprise financial stability, enterprise financial security, strategic management, conservative method, differential, dominant sector, alternative, financial flexibility, competitive position.

### Introduction

The process of modernization and liberalization of the economy, the aggravation of the problems of fiscal policy and increasing the financial potential of enterprises, and the use of effective mechanisms for the development of corporate financial management are largely directly related to the effective formation of the financial policy of the enterprise. Since the first years of independence, our country has been pursuing a fiscal and tax policy aimed at the effective management of the finances of enterprises. The experience of developed and consistently developing countries (Japan, the USA, Germany, Great Britain, China, etc.) shows that the competitiveness and sustainable development of an enterprise fully depend on the use of effective tools for forming the financial policy of the enterprise. In this case, the influence of the external environment and competition encourage enterprises to use their financial potential more effectively.



Financial mechanisms for supporting enterprises have a long history and over time develop to meet the needs of enterprises in various conditions. United States (19th century) The United States saw the establishment of financial institutions such as banks and credit unions in the 1800s, which began to provide loans to businesses. The concept of venture capital emerged in the mid-20th century to finance startups. Germany (late 19th century) The establishment of cooperative banks (Volksbanken) was aimed at supporting local businesses, especially in rural areas. Post-World War II Japan (1950s) The Japanese government introduced financial mechanisms such as the Development Bank of Japan to support industrial growth and reconstruction after World War II. Europe (1950s-1970s) Many European countries developed publicly funded financial programs to support SMEs during post-war economic recovery, including grants, loans and subsidies. Microfinance in Bangladesh (1970s-1980s) Grameen Bank, founded by Muhammad Yunus, pioneered microfinance by providing small loans to low-income entrepreneurs to help them get out of poverty and support economic development. Emerging markets (1990-2000) Latin American, African and Asian countries, often with the support of international organizations such as the World Bank and regional development banks, began to use microfinance and support mechanisms for small and medium-sized businesses. Globalization and technology (2000s to present) The rise of Fintech has given rise to new financial mechanisms such as peer-to-peer lending platforms and crowdfunding that facilitate access to capital for businesses globally. Although financial mechanisms to support businesses have emerged from various initiatives throughout history, their development has been greatly influenced by the economic context, government policies, and business needs in different countries. Today, these mechanisms are crucial for supporting entrepreneurship and economic growth around the world.

In Uzbekistan, financial support mechanisms for enterprises are shaped by a combination of government policies, state institutions, and market-driven mechanisms aimed at fostering entrepreneurship, improving access to financing, and stimulating economic growth. Since the country's independence in 1991, and especially after President Shavkat Mirziyoyev's economic reforms starting in 2016, Uzbekistan has been focusing on improving its business climate, offering various financial instruments, and encouraging investment.

1. Government Programs and Policies . Government-Supported Financing and Credit Programs. The government of Uzbekistan has been actively working to



improve access to financing for businesses, particularly for small and medium-sized enterprises (SMEs) and those involved in strategic sectors like agriculture, manufacturing, and technology. The Microcredit Bank of Uzbekistan and Kommersiyal Bank offer loans to micro, small, and medium-sized enterprises (SMEs). These institutions play a key role in supporting businesses with limited access to traditional banking services. The DBU offers loans for large-scale investment projects, especially in infrastructure, industry, and energy sectors. It is one of the key state financial institutions involved in financing the country's industrial development. The government has implemented various SME financing programs, including concessional loans with lower interest rates and longer repayment terms. These programs are aimed at helping businesses expand operations, create jobs, and stimulate innovation. The government offers financing to businesses engaged in export activities through Uzbekistan's Export Credit Agency. This includes direct export loans, insurance for export transactions, and guarantees to mitigate risk for international trading. The government provides a range of financial incentives, particularly aimed at fostering entrepreneurship, innovation, and investment in priority sectors. There are a variety of tax breaks and incentives offered to businesses. For example, certain businesses are eligible for tax exemptions or reduced rates in sectors such as agriculture, technology, and manufacturing. These tax benefits help reduce the financial burden on enterprises, allowing them to reinvest in their operations. Uzbekistan has created several Free Economic Zones (FEZs), such as in Navoi, Angren, and Jizzakh, where businesses can benefit from significant tax and customs exemptions. Companies in these zones are typically offered exemptions from VAT, customs duties, and profit taxes, among other benefits. In addition to tax benefits, businesses that invest in priority sectors (such as renewable energy, high-tech industries, and agriculture) may receive direct subsidies, grants, or additional financial support from the government. Uzbekistan has introduced several state programs aimed at modernizing industries and promoting innovation. These programs often include financial support mechanisms to help businesses adopt new technologies, increase productivity, and enter international markets. These initiatives often provide access to low-interest loans, grants, and government-sponsored R&D programs. Specific programs focus on upgrading manufacturing processes and supporting innovation in sectors like textiles, mining, agriculture, and machinery production. The government also funds innovation competitions, startup incubators, and programs to support the



development of high-tech industries, such as IT and digital technologies. For example, the Innovations Development Fund supports tech startups through grants and low-interest loans.

2. Financial Institutions and Mechanisms. State-owned commercial banks play a central role in financing enterprises in Uzbekistan. These banks provide various financial products, including loans, credit lines, and trade finance, especially to larger businesses and those in strategic sectors. National Bank of Uzbekistan is one of the largest banks in the country and provides a range of services to enterprises, including loans for investment projects and working capital. This bank focuses on financing industrial enterprises, particularly in the manufacturing, construction, and energy sectors. This bank offers loans to SMEs and is involved in the financing of small businesses in rural and underserved areas.

These banks often provide credit lines and loans for fixed capital investment, working capital, and the acquisition of technology. The terms of these loans can vary based on the type of project, the risk involved, and the size of the business.

Commercial Banks and Private Sector Financing. In addition to state-owned banks, Uzbekistan's commercial banking sector is expanding to provide financing solutions to a wider range of enterprises. These include: Banks such as Ipoteka Bank, Asia Alliance Bank, and Hamkorbank provide loans, trade financing, and other services to SMEs. As part of broader economic reforms, the government has been working to liberalize the banking sector and increase competition, which has improved access to finance for businesses. Microfinance is a growing sector in Uzbekistan. MFIs provide small loans to individuals and small businesses that do not have access to traditional banking services. These loans are particularly important for startups and micro-enterprises in rural areas.

While the venture capital (VC) and private equity (PE) sectors are still developing, there has been growing interest in financing innovation and startups in Uzbekistan, particularly in sectors like information technology, fintech, and agribusiness. Some key features of the venture and private equity landscape include. In recent years, there has been a slow but steady rise in venture capital activity in Uzbekistan, particularly in sectors like fintech, digital services, and e-commerce. Private investment firms, both domestic and foreign, are increasingly providing equity financing for high-growth companies. Large private equity firms and investment funds are starting to focus on Uzbekistan's emerging market. They tend to invest in



more mature businesses with a proven track record, particularly in the manufacturing and industrial sectors.

Although Uzbekistan's stock market is still in the early stages of development, the government has taken steps to establish a more robust capital market. The Tashkent Stock Exchange is the primary platform for trading securities in Uzbekistan. The government has been working on creating a more attractive environment for public offerings by encouraging the listing of state-owned enterprises (SOEs) and private companies. As part of its economic reforms, Uzbekistan has been privatizing state-owned enterprises and allowing them to list on the Tashkent Stock Exchange. This is part of a broader strategy to raise capital for SOE restructuring and to develop the country's capital markets. There has been a growing use of corporate bonds and other debt instruments, which enable enterprises to raise capital from both local and international investors.

3. Alternative Financing Mechanisms As mentioned earlier, microcredit plays an important role in providing financial support to small enterprises in Uzbekistan. This mechanism allows businesses, especially in rural areas, to access small loans without the need for collateral. Although still in its infancy, P2P lending platforms are beginning to emerge in Uzbekistan, enabling businesses to raise funds directly from individual investors. As part of efforts to encourage entrepreneurship, some Uzbek platforms have begun to offer crowdfunding opportunities for small businesses, especially those with innovative products or services. These platforms allow businesses to raise funds from a large number of small investors. The growth of fintech platforms has enabled faster and more efficient lending to businesses, particularly through digital channels. These platforms can provide short-term loans, invoice financing, and other types of credit to SMEs.

4. Foreign Investment and International Financing The government of Uzbekistan has been actively seeking foreign investment to drive its economic modernization. Several reforms have been implemented to create a more investor-friendly environment, such as improving ease of doing business, offering tax holidays, and creating special investment zones. Foreign investors who establish businesses in Uzbekistan may benefit from a range of incentives, including tax exemptions, customs duties relief, and free repatriation of profits. Priority sectors for FDI include energy, infrastructure, textiles, agriculture, and information technology.

Uzbekistan is working with international financial institutions such as the World Bank, Asian Development Bank (ADB), and the European Bank for Reconstruction



and Development (EBRD) to secure funding for infrastructure projects, industrial development, and capacity-building for enterprises. These institutions provide loans for large infrastructure projects, which help businesses by improving the country's physical and digital infrastructure, including roads, energy supply, and telecommunication networks.

Conclusion. The mechanisms for financial support of enterprises in Uzbekistan are primarily government-driven, with substantial input from state-owned banks and development institutions. However, the role of private banks, venture capital, microfinance, and capital markets is also increasing, particularly as the government continues its reforms to liberalize the economy. By offering a combination of financing through state programs, tax incentives, subsidies, and foreign investment, Uzbekistan is actively supporting enterprises

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