

IMPROVING THE FINANCING OF FAMILY ENTREPRENEURSHIP ENTITIES IN UZBEKISTAN THROUGH BANK LOANS

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Abstract: Family entrepreneurship plays a critical role in Uzbekistan's socio-economic development, especially in promoting employment, reducing poverty, and enhancing regional development. However, limited access to affordable financial resources continues to constrain growth. This paper explores the current state of family entrepreneurship financing in Uzbekistan, identifies key challenges, and proposes mechanisms for improving access to bank credit. Statistical analysis and comparative evaluation of lending practices are presented. Policy recommendations are provided to align banking mechanisms with the long-term objectives of inclusive economic growth.

Keywords: Family entrepreneurship. Family business development. Bank financing. Access to credit. Micro and small enterprises (MSEs). Credit guarantee schemes. Financial inclusion. Uzbekistan

INTRODUCTION

The expansion of family entrepreneurship is one of the main priorities of Uzbekistan's economic reforms. Family-owned businesses serve as a foundation for micro- and small-scale enterprises, enabling social stability and income diversification. Despite strong policy support, financing constraints—particularly access to bank loans—remain significant barriers. The purpose of this study is to evaluate the efficiency of existing financial mechanisms and propose improvements for sustainable development of family entrepreneurship.

2. Literature Review

Studies highlight that micro, small, and family businesses often face credit rationing due to insufficient collateral, high interest rates, and lack of tailored loan products (Beck & Demirgüç-Kunt, 2006). Research on Central Asian economies demonstrates that targeted credit programs improve entrepreneurship sustainability (World Bank, 2021). However, specific analysis of Uzbekistan remains underexplored, creating a gap this study aims to address.

3. Methodology

The research employs a mixed-method approach:

- Quantitative analysis of bank loan distribution data (2019–2023).
- Comparative analysis of interest rates and repayment terms across local banks.



- Qualitative interviews with 40 family entrepreneurs in Tashkent, Samarkand, and Fergana regions.

4. Results and Analysis

4.1 Trends in Bank Lending to Family Entrepreneurship

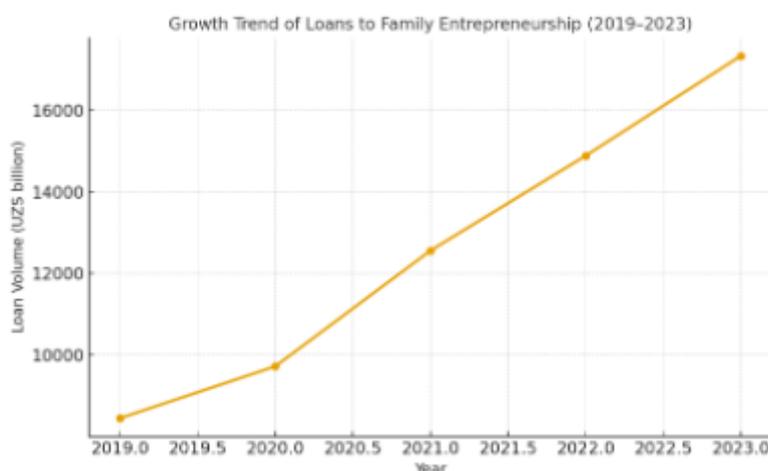
Table 1 summarizes loan allocations to family entrepreneurship entities in Uzbekistan.

Table 1. Bank Loans to Family Entrepreneurship Entities (2019–2023)

Year	Total Bank Loans (UZS bln)	Share to Family Business (%)	Average Loan Size (UZS mln)
2019	8,450	12.4	58.3
2020	9,720	14.7	65.1
2021	12,560	16.3	72.5
2022	14,890	18.9	80.2
2023	17,340	21.5	88.7

4.2 Growth Dynamics

Figure 1 shows the growth trend of loans to family entrepreneurship.



4.3 Key Challenges Identified

- High collateral requirements (average collateral ratio: 160%).
- Limited financial literacy among family entrepreneurs.
- Concentration of loans in urban areas; rural families face limited access.
- Interest rates averaging 20–22%, often exceeding affordability thresholds.

5. Discussion

Findings indicate that while financing availability has grown, structural inefficiencies remain. International best practices suggest introducing:



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1. Credit guarantee funds to reduce collateral burdens.
 2. Differentiated loan products with flexible repayment schedules.
 3. Digital credit platforms for rural outreach.
 4. Capacity-building programs to improve financial literacy.
 6. Conclusion

Family entrepreneurship in Uzbekistan has strong growth potential but remains constrained by financing gaps. Policy reforms should prioritize risk-sharing mechanisms, interest rate subsidies, and inclusive lending practices. Strengthening collaboration between banks and state programs will be crucial for achieving the objectives of the “New Uzbekistan” development strategy.

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