

### **FINANCIAL MECHANISMS FOR SMALL BUSINESS EXPANSION AND DEVELOPMENT**

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According to the Decree of the President of the Republic of Uzbekistan No. PD-60 dated January 28, 2022 “On the Development Strategy of New Uzbekistan for 2022-2026”, the goal is set as “the need to create conditions for organizing entrepreneurial activity and forming permanent sources of income, increasing the share of the private sector in gross domestic product to 80 percent and its share in exports to 60 percent.”[1].

Small and medium-sized businesses are the backbone of every country’s economy worldwide. One of the main directions of economic growth is the development of the small and medium-sized business sector and ensuring its sustainability. One of the most important factors necessary for the successful development of small businesses is the effective use of financial mechanisms [2].

The above circumstances indicate that it is appropriate to pay attention to innovative development processes along with traditional processes in the development of small business and private entrepreneurship. From this point of view, changes in the development of private entrepreneurship, small and medium-sized businesses, their adaptability to the innovation and digitalization environment, changes in business processes and business models, as well as the ability to absorb the positive aspects of the interaction between innovation and the digital economy, are now more relevant than ever [3].

Today, the main task of our national economy is to find mechanisms to combat the impending instability that affects the development and business development, because the impact of sanctions on the Russian economy affects the entire, all economic space within its sphere of influence. Sanctions against the import of technology to Russia have a negative impact on local production, reduce the business activity of the population. This

directly affects Uzbekistan, because Russia is the leading foreign trade partner of our country [4].

It is known that there are a number of financial mechanisms for the development of small businesses. These mechanisms are aimed at financing businesses, ensuring their liquidity, reducing risks and increasing the efficiency of investments. The main financial mechanisms that serve the development of small businesses are: [5,6,7].

❖ Loans and credit guarantee mechanisms play an important role in the development of small businesses. Banks and financial institutions offer special loans to small and medium-sized businesses, but these loans are available only to firms that are willing to take risks and have access to networks. In addition, in many countries, state-guaranteed loans are provided for small businesses. Such a mechanism allows small businesses to access the financial resources they need to expand their activities;

❖ Another important financial mechanism for small businesses is equity and investments. Many small companies try to increase their capital through investors. There are specific types of investments for business development. Venture capital and private equity are among the most effective financing mechanisms for small businesses;

❖ Some countries provide grants and subsidies to help small businesses grow. This money is provided without any interest and is not repaid as a loan. Such financial assistance is very useful, especially for start-up businesses. However, such mechanisms are provided only in limited areas and under certain conditions;

❖ One of the biggest challenges in developing small businesses is risk management. Financial mechanisms allow small businesses to reduce the risks in their activities and adapt to economic changes. One of the main methods of risk management is insurance systems. Through this, small businesses are protected from the negative consequences that may arise in continuing their activities.

**Innovative ways to implement financial mechanisms.** Today, technology and new financial technologies are used as an important tool in the development of small businesses. The FinTech (financial technology) sector, blockchain technologies, smart contracts and other advanced methods create

new opportunities for small businesses. With the help of these technologies, financial mechanisms work efficiently and businesses can quickly provide their resources.

In conclusion, the role of financial mechanisms in the expansion and development of small businesses is significant. Adequate provision and effective management of financial resources contribute to the successful operation of small businesses, entry into new markets, job creation and economic stability. Also, innovative financial technologies can be a great impetus for the further development of small businesses.

### List of used literature

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