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Financing Issues of Business Entities

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Abstract: This article provides information on the financing of business entities and its importance, types, attention paid to entrepreneurship in our country, sources and methods of financing business entities, risks and difficulties in financing, their general analysis and comprehensive proposals on future prospects.

Key words: microcredit, small business, entrepreneurship, financial management, account, tax, income, investors

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INTRODUCTION

In the process of modernization of the national economy, the development of business entities is of great importance. Business entities that do not require large funds and guarantee the growth rate of material resources in a short period of time are important in providing the employment problem in the economy quickly and without excessive expenses, filling the domestic market with consumer goods in conditions of limited financial resources earns.

Also, to increase the share of the economically active population, to implement innovative technologies, to create a healthy competitive environment, to strengthen mutual relations between different sectors of the economy, and, importantly, to promote the growth of the country's gross domestic product. is an important and main factor of provision.

The role of business entities in the economy is large not only in terms of number, but also in terms of tasks. We can see this in the development of the market situation, the increase in the balance of demand and supply, and the formation of a competitive environment.

Our government pays special attention to the development of small businesses and entrepreneurial entities, and to providing a favorable investment environment.

In particular, on the basis of the President Sh. Mirziyoyev's Decree No. PF-158 of September 11, 2023 "On the Strategy of Uzbekistan-2030", the implementation of institutional and structural reforms aimed at stimulating the development of small business and private entrepreneurship is determined. [On September 11, 2023 Sh. Mirziyoev's "On Uzbekistan-2030 Strategy" Decree No. PF-158].

Every year, business entities are getting more information about the need to develop new types of products and services and the related economic benefits. However, not all operating business entities actually use the mechanism of increasing the efficiency of the use of financial resources in their activities. It is important for business entities to effectively use financial resources for their competitive and sustainable development.

Effective use of financial resources in the management of the enterprise has a special place, because ensuring the continuity of the production and sale of the enterprise's products is related to its liquidity, solvency and profitability.

Analysis and optimization of sources of formation of financial resources is one of the urgent issues for the successful operation of any business structure.

The rapid development of financial relations, changes in the market environment, changes in the regulatory and legal framework, political instability, increasing financial risks, fierce competition and inclusive globalization have a direct impact on the financial activities of enterprises.The main goal of this article is to study the sources of financing of enterprises, in particular, economic activity; to assess the behavior of the size and structure of financial resources of enterprises, to form their financial results, to search for optimization methods and to increase the efficiency of using financial resources.

Business financing is the process of raising funds necessary for the growth and successful operation of a business. Each business entity uses different sources of financing depending on its goals and market conditions. Types of business entities: Individual entrepreneurs, limited liability companies, joint-stock companies and other types of business.

An individual entrepreneur is a natural person, a state-registered small business entity that engages in business activities not prohibited by law, has an account number and seal in a bank, and assumes rights and obligations.

A limited liability company is a company whose members are liable for the company's obligations only to the extent of their contributed share. According to the agreement of not less than two individuals or legal entities, it can be established by adding their shares in order to engage in common economic activities. Such a society is a legal entity.

Joint-stock company is a partnership company organized according to the principle of participation for the purpose of earning income. A joint-stock company is different from other partnership enterprises, the financial basis of such a company is the issuance of shares with a nominal value for circulation and their distribution through sale. Shareholders receive income in the form of dividends.

Financing of business entities is especially important in the development of small and medium-sized businesses. Accumulation and effective management of financial resources is necessary to ensure the activity of business entities, to introduce innovations and to achieve success in the market. There are several main sources of financing for business entities. They consist of:

1. Own funds. Many small and medium business entrepreneurs use their own capital. The advantage of using own funds is that it helps to avoid problems related to external debts or investors. However, this resource is also limited, as not all entrepreneurs will have their own funds.
2. Bank loans. A bank loan is one of the most common sources of financing for entrepreneurs. Banks provide business loans with specific terms, usually interest payments and repayment within a certain period of time. Small and medium-sized business entrepreneurs can expand their production capacity, introduce new technologies or capture new markets with the help of bank loans.
3. Investors and the capital market Investors, particularly angel investors and venture capital (VC) firms, invest in a business but receive a portion of the company's stock in return. This resource is especially important for innovative and technological start-ups, as they face difficulties in obtaining a traditional bank loan.For example: in 2018, the company "Uzbekenergo", which became the main energy company of Uzbekistan, received funds from a number of international investors and financial organizations for the development and development of its new projects in the field of green energy. For example, the Government of Uzbekistan and the International Finance Corporation (IFC) invested $100 million, which was aimed at building new solar power stations and improving energy efficiency.This project created opportunities for the production and export of environmentally friendly energy, as well as the impetus for the implementation of new technologies.

4. Government programs and subsidies Many countries develop subsidies, grants and other financial programs to help develop small and medium-sized businesses. These programs provide entrepreneurs with the capital they need to start or expand their businesses. Government subsidies often take the form of interest-free or low-interest loans, grants and other support through public funds.For example: In 2020, the government of Uzbekistan introduced the Small and Medium Business Development Program. Subsidies in the amount of 500 billion soums were allocated through this program. This amount was allocated to small businesses to purchase new equipment, expand production areas and increase the number of employees. For example, "Doston Agro" farm received subsidies through this program and provided the necessary funds to purchase new agricultural equipment, resulting in an increase in yields.
5. Crowdfunding. Crowdfunding is a method of collecting funds from the public through Internet platforms. In this way, small investments can be combined to create large financial resources. Crowdfunding is usually used for innovative projects or start-ups, as they often have difficulty getting funding from traditional financial sources (such as banks or investors).For example: in 2017, the Tashkent-based start up company "SmartLight" raised funds from the crowdfunding platform to develop its smart lights. Funds in the amount of 50,000 dollars were collected through the "Kickstarter" platform. With the help of this fund, the company improved technologies and was able to sell its products around the world.
6. Private credit organizations and microcredits. Private credit organizations and microcredit organizations provide short-term loans to small businesses that require less documentation. Microloans are mainly intended to help small and medium-sized businesses in developing countries.For example: Shahlo, who opened a small shop in Uzbekistan with a microcredit of 10 million soums provided by the microcredit organization "Mikroloans", used this money to purchase, upgrade equipment and goods for his new store. Shahlo received a microcredit with a low interest rate and gave a great impetus to the development of his business.

There are various sources of funding for business entities, and each source has its own characteristics. Own funds, bank loans, investors and the capital market, government programs and subsidies, crowdfunding and microcredits are all important tools that help entrepreneurs start and develop their businesses. Each of them, in turn, should be chosen appropriately, depending on the needs of entrepreneurs and the stage of business development.

Several problems arise in the financing of business entities:

1. Currency risks. Foreign currency loans are subject to exchange rate fluctuations, which can create additional burdens for entrepreneurs.

2. Changes in interest rates. Changes in interest rates on bank loans can affect financial plans and increase the costs of entrepreneurs.

3. Difficulties in obtaining credit: Banks often refrain from lending to small and medium-sized businesses because they are considered more risky. Many documents, security and guarantees are required for obtaining a loan.

4. Lack of financial literacy: Some entrepreneurs do not know how to properly plan and manage their finances. This, in turn, has a negative impact on business growth.

5. Lack of subsidies and grants: The lack of financial support allocated by the state or complicated procedures cannot fully satisfy the need for financial support of small entrepreneurs.

Conclusions and suggestions

Financing of business entities is one of the main factors of economic growth and development and provides the necessary conditions for the successful operation of small and medium-sized businesses. The importance of access to financial resources in starting and developing a business is undeniable. The availability of financing sources, including commercial banks, government financial assistance programs, private investors, and venture capital, through various mechanisms, expands the opportunities available to entrepreneurs. However, many entrepreneurs have limited access to financing, which can be a barrier to their business development.

Even if financial sources and resources are available, they are not always easily and effectively used by business entities. Effective and fair distribution of financial resources is necessary for business development. For financing to be effective, entrepreneurs need to build relationships with banks and other financial organizations, implement proper financial management, and develop risk management strategies. The following solutions and recommendations can be considered to solve the problems of financing business entities:

Increase financial literacy: It is important to increase the financial literacy of entrepreneurs through events, courses and online resources. This, in turn, helps them improve their financial planning, be successful in obtaining credit, and manage their resources effectively.

Expanding cooperation with private investors: For small and medium-sized businesses in Uzbekistan, establishing cooperation with investors can create opportunities for development. State cooperation and additional protection mechanisms can be introduced to reduce risks for investors.

Simplified credit mechanisms: Banks should create simplified credit programs for small businesses. This, in turn, provides opportunities to many entrepreneurs and plays an important role in business development.

Further improvement of the state's financial programs: It is necessary to increase the funds allocated by the state to support small and medium-sized businesses, simplify the processes of obtaining subsidies and grants, and develop new programs.

Improvement of the financial support system: It is necessary to further expand the financial resources available to entrepreneurs, including loans, subsidies and

investments, and create favorable conditions for them. Banks and other financial institutions should develop special loan products for small and medium-sized businesses.

Improving financial knowledge and skills: It is necessary to organize special trainings, seminars and educational programs to improve financial knowledge and skills for entrepreneurs. This will help them make financial decisions and develop effective approaches to investment attraction and risk management.

Strengthening of state financial programs: The state should allocate more financial support and subsidies for the development of small and medium-sized businesses. It is important to ensure that support programs and financial instruments are available, especially for new entrepreneurs.

Increasing investment attractiveness: To improve the investment environment in Uzbekistan, it is necessary to improve the legal regulation, simplify the taxation system, and strengthen guarantees for investors. It helps entrepreneurs find the capital they need to expand their businesses.

Development of risk management system: Implementation of an effective risk management system for business entities, which is necessary for successful business operation. If the risk analysis and preventive measures are determined correctly, it will serve the effective use of financial resources.

Implementation of financial technologies: Innovations in the field of Fintech, such as online lending, electronic payment systems, and the wider use of blockchain technologies for entrepreneurs will speed up and simplify their financial operations. This increases access to financial resources.

METHODOLOGY

This study employs a qualitative approach, analyzing various sources of financing for business entities and their impact on economic growth. Data is collected from primary and secondary sources, including government reports, academic articles, and case studies. The research examines the different types of financing available to entrepreneurs, such as personal funds, bank loans, government subsidies, investors, and crowdfunding. A comparative analysis of these sources is conducted to identify their effectiveness, benefits, and challenges. Additionally, the study explores the role of financial literacy and risk management strategies in the successful utilization of these financing options. The findings aim to provide comprehensive recommendations for improving financing access for small and medium-sized enterprises (SMEs) in Uzbekistan and beyond

RESULTS AND DISCUSSION

The analysis reveals that business entities in Uzbekistan rely heavily on a combination of own funds, bank loans, and government programs for financing. While own funds are the most accessible, they are often limited, especially for small businesses. Bank loans, although widely used, pose challenges due to stringent requirements and high interest rates. Government programs and subsidies, such as those aimed at small and medium-sized businesses, have provided significant

financial support, yet the bureaucratic processes often hinder quick access to these resources.

Investor funding, including venture capital and angel investors, plays a crucial role in fostering innovation, especially for start-ups in sectors like technology. Crowdfunding has also emerged as an alternative, particularly for innovative projects, though it remains less common.

The primary challenges identified include a lack of financial literacy among entrepreneurs, limited access to financing for smaller businesses, and risks related to currency fluctuations and interest rate changes. Moreover, the complexity of credit approval processes remains a barrier for many businesses.

The study highlights that improving financial literacy, simplifying credit mechanisms, and expanding government support are critical for enhancing business financing. Strengthening relationships between entrepreneurs and investors, as well as fostering a more favorable investment climate, will be key to supporting the growth of small and medium-sized businesses.

CONCLUSION

The financing of business entities is crucial for the growth and sustainability of small and medium-sized businesses, which play a key role in economic development. Access to various funding sources, such as personal funds, bank loans, government programs, investors, crowdfunding, and microcredits, provides entrepreneurs with the necessary resources to expand their businesses. However, challenges like limited access to financing, currency risks, high interest rates, and financial literacy issues persist. To address these challenges, it is essential to improve financial education, simplify credit processes, enhance government support, and foster stronger partnerships with investors. By creating an effective financial support system and adopting innovative financial technologies, business entities can achieve sustainable growth and contribute significantly to the economy.

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