

# The Importance Of Financial Support For Entrepreneurial Activity

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**ABSTRACT:** Foreign and domestic economists are devoted to improving the practice of financial support for entrepreneurial activity, and during the research, the significance, methods, and modern trends of financing business entities in a market economy were analyzed. The role of financial resources in the development of entrepreneurship, bank loans, state programs, and support mechanisms provided by international financial institutions have been studied in detail.

**KEYWORDS:** entrepreneurship, financial support, lending, investments, bank loans, international financial institutions, financial resources, small business, innovation, competitiveness, grants, subsidies, financial stability, capital, private sector, credit risks, business plan, market economy

## Introduction

Today, one of the most pressing topics and directions of the market economy is the improvement of the practice of financial support for entrepreneurial activity. Entrepreneurship, as an important component of the economy, is of great importance in creating new additional jobs, introducing new types of innovative technologies, and ensuring economic growth. From this point of view, the issues of financing and supporting business entities are defined as priority areas of economic policy of any state.

From the experience of countries that have achieved sustainable development, it can be understood that any state that has followed an active investment strategy in the development of the business sphere, in particular, business, has not failed to achieve economic results. According to a report by the International Monetary Fund (IMF), "today 90% of enterprises in the world belong to small and medium-sized businesses, which provide jobs for 63% of the world's population. At the EU level, the total share of small and medium-sized businesses is 99.8%, providing employment for 85% of the population and participating in the creation of 58% of the total added value.

## Analysis and results

In various societies and countries, the concepts of "entrepreneurship" and "entrepreneur" have emerged, developed, and improved since past centuries. If we consider the process of its development from a historical point of view, then in Ancient Rome, commercial activity was called entrepreneurship. In this activity, people engaged in labor necessary for themselves and members of society, and earned income by leasing.

In the Middle Ages, the term "entrepreneur" had several meanings. First of all, those engaged in foreign trade; then organizers of various entertainment events, parades and entertainment evenings; as well as persons responsible for large construction and production projects were accepted as entrepreneurs. In the 17th century, a "entrepreneur" was considered a person who, in cooperation with the state, was forcibly involved in performing a certain volume of commercial work or was forced to produce a product at a predetermined fixed price.

Thus, the entrepreneur acted as an owner of property, and his success or failure was determined by the profit or loss he received from his activity. Along with the opinions and considerations expressed in this area, there are various interpretations of the concept of entrepreneurship, its essence, and place in the economy. Especially noteworthy is the moment when this category was first used and interpreted. The term "entrepreneurship" was first reflected in economic literature in the general dictionary of the commercial sphere, published in Paris in 1732. In this case, the term "entrepreneur" is understood as a person who undertakes to perform certain work in the construction process or in production.

From the point of view of the history of the origin of the term "entrepreneurship," the first entrepreneurs were people who organized their activities at the risk of their property. Therefore, the concept of "entrepreneurship" is connected with the concept of property and is based on the entrepreneur's material contribution to the economy. In the 17th century, merchants were called entrepreneurs and were distinguished from those engaged in financial activities. In the 18th century, due to the development of industry, employers made

decisions as entrepreneurs. Later, based on Karl Marx's theory, a decision was made as an entrepreneur capitalist, but in history, not every capitalist is an entrepreneur.

Currently, the concept of "entrepreneurship" and its essence are explained in various forms in scientific sources.

In many cases, according to conventional understanding, the specific activity of a subject to carry out activities systematically and receive income and profit from it is entrepreneurship, and this process is carried out at risk. According to the Law "On Entrepreneurship," which is considered the main regulatory document in the field, "the independent, proactive activity of citizens aimed at obtaining profit or personal income, which is carried out on behalf of the citizen, at their own risk, and on the basis of their own or the property liability of a legal entity. Here, the entrepreneur is an energetic person who has full or partial material resources or financial resources and directs these resources to organize their business."<sup>1</sup>

Thus, taking into account the above opinions and considerations, we can give the following definition to the term "entrepreneurship": "A legal or natural person who organizes activities through the production of work, services, products, the purpose of which is to obtain profit and economic benefit, and also carries out their own initiatives in accordance with the legislation." Through entrepreneurs, people are actively involved in labor. They also contribute to meeting the needs of society. Therefore, there are various classifications of entrepreneurial activity. Its division into different directions is of particular importance. Therefore, a thorough study of the classification of entrepreneurship is necessary.

Theoretical study of entrepreneurship classes is necessary for understanding their essence, forms, and place in the development of society. This process includes a comprehensive analysis of economic, legal, and social factors. Individual, collective, social, and innovative directions of entrepreneurship are studied using scientific and theoretical methods. In particular, innovative entrepreneurship plays a significant role in creating new opportunities and achieving a competitive advantage in the global economic environment. Based on theoretical knowledge, it is possible to rationally manage resources, reduce risks, and formulate effective strategies. Therefore, theoretical analysis is crucial for the success of entrepreneurial practice.

**Table 1**  
**Sustainability rating of business entities<sup>2</sup>**

| Category   | Category content   | entrepreneurship<br>Number of<br>entities in 2023 | Entrepreneurship<br>change in the number<br>of entities in 2024 |
|------------|--|---|---|
| <b>AAA</b> | Very high credit stability. There are practically no financial risks.  | 517   | + 405   |
| <b>AA</b>  | High stability. Financial risk is minimal.   | 1569  | + 980   |
| <b>A</b>   | High stability, but some sensitivity to market conditions.   | 2423  | + 1 469   |
| <b>BBB</b> | Moderately stable. A good situation, but sensitive to economic changes.  | 12359   | + 6 592   |
| <b>BB</b>  | Moderately low stability. The financial situation is relatively risky, but not disastrous.                         | 28242   | + 15 558  |
| <b>B</b>   | Low stability. There is a possibility of difficulties, but there is still an opportunity to continue the activity. | 49905   | + 15 558  |

<sup>1</sup> Law of the Republic of Uzbekistan dated 02.05.2012 No. LRU-328

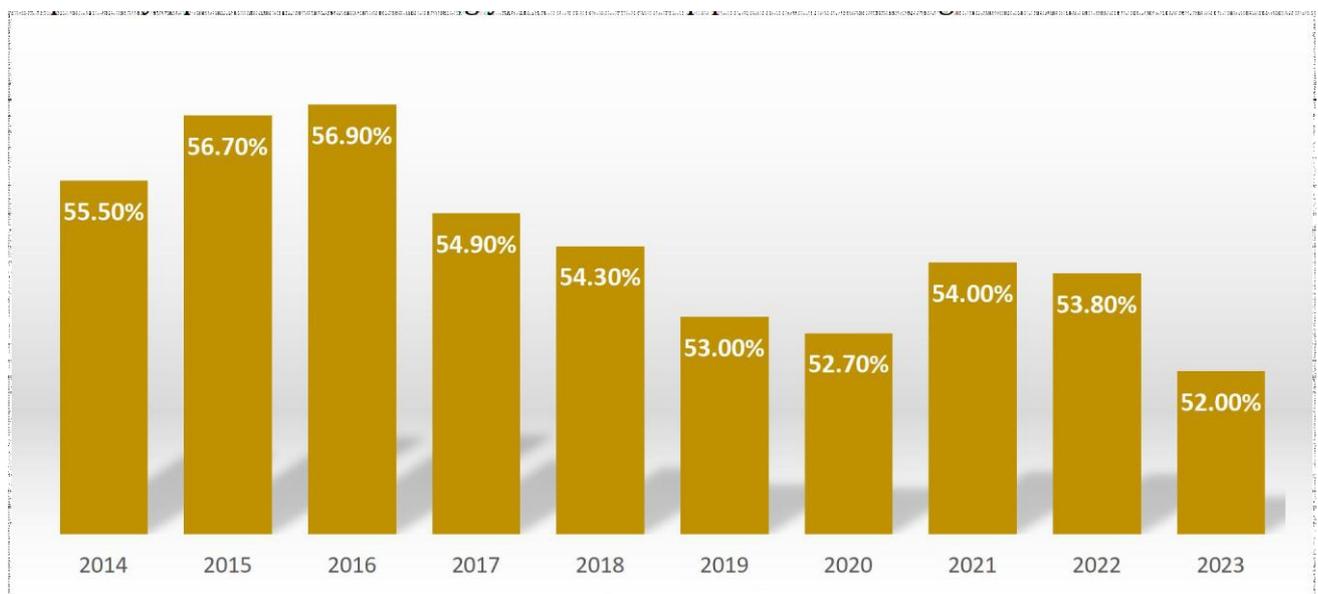
<sup>2</sup> <https://soliq.uz>

|            |  |        |           |
|------------|--|--------|-----------|
| <b>CCC</b> | Low stability. The financial situation is risky and there may be difficulties with payments. | 34528  | + 10 119  |
| <b>CC</b>  | The financial situation is weak. High probability of bankruptcy or financial difficulties.   | 144077 | + 38 595  |
| <b>C</b>   | The financial situation is very weak. There is a possibility of bankruptcy.                  | 114919 | + 6 236   |
| <b>D</b>   | Solvency is at a very low level. The probability of bankruptcy is high.                      | 158923 | - 111 174 |

In Table 1, the financial stability ratings of business entities are divided into categories, reflecting changes for 2023 and 2024. Ratings are rated from AAA to D, which allows for the analysis of changes in the level of their stability and the number of subjects.

The AAA category represents the highest credit stability, and by the end of the six months of 2024, the number of persons belonging to this category increased by another 405 compared to the previous year. Whereas in 2023 these entities amounted to 517, according to the final result, a significant increase was observed. The number of business entities with a very high credit stability rating is growing by 78% over the year. These entities with a high level of financial security indicate an increase in the number of the most stable segments of the developing economy, and this situation leads to their isolation.

From the data presented in the table, it can be seen that the number of business entities of all categories has increased compared to last year. It should be especially noted that if in 2023 the number of business entities of category D (very low solvency, high probability of bankruptcy) amounted to 158,923, then by the middle of 2024, the number of business entities of this category decreased by 111,174. This means that the number of subjects in category D has decreased by 70%. This is a very good result, as the number of companies with very low solvency and bankruptcy is significantly decreasing. This indicates an increase in financial stability. The first figure shows information on the contribution of the business sector to the state's gross domestic product (GDP) in the Republic of Uzbekistan from 2014 to 2023. According to the data presented, the share of the entrepreneurial sector in GDP reached its highest level in 2015-2016, during which the share was 56.7%-56.9%. In 2017-2020, this share decreased slightly, but remained in the range of 52.7%-54.9%, constituting more than half of the gross domestic product.



**Diagram 1. The share of small business and private entrepreneurship in the gross domestic product of the Republic of Uzbekistan.<sup>3</sup>**

The share of small business in relation to GDP in 2021-2023 remains relatively stable, but a small downward trend is observed. The indicator for 2023 shows a 52% result. These figures may have a slight downward trend over the years, which means not only a decrease in the share of business entities in the economy, but also an increase in the share of other sectors. This table reflects the important role of small business and private entrepreneurship in the economy of Uzbekistan, since they constitute a large part of GDP.

The use and application of innovative technologies in an economy dominated by private property is one of the requirements of a modern market economy. Entrepreneurs often come up with innovative ideas, but financial resources are needed for their implementation.

- Ensuring competitiveness in entrepreneurial activity is very important. In such conditions, entrepreneurs can quickly adapt to market changes.

Business entities with sufficient financial resources will have the opportunity to expand and develop their business faster. This, in turn, contributes to the development of economic relations and stimulates economic growth.

Access to financial resources is important for entrepreneurs, which plays an important role in the implementation of their ideas, risk management, and increasing competitiveness.

Reforms aimed at supporting entrepreneurship in Uzbekistan have been widely implemented in recent years. The large-scale reforms carried out in Uzbekistan in recent years to support entrepreneurship serve to expand opportunities, especially for small and medium-sized businesses. At the same time, reducing the tax burden and eliminating bureaucratic obstacles in the process of conducting business is recognized as one of the main directions of these reforms. The state's offer of various grants and subsidy programs is an important factor in stimulating entrepreneurs who have proven themselves in market conditions.

Thanks to the support of innovative ideas of entrepreneurs, the processes of transition to an innovative economy in the country are also accelerating. Therefore, as a result of these reforms, there is an increase in entrepreneurial activity.

**Number of enterprises and organizations operating in the Republic of Uzbekistan<sup>4</sup>**

|                         |       |       |       |       |       |       |       |       |       |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Karakalpakstan Republic | 12552 | 12946 | 13742 | 15590 | 18404 | 21968 | 23721 | 26692 | 25928 |
| Andijan region          | 26048 | 26278 | 24644 | 27391 | 30740 | 36726 | 40474 | 44658 | 29717 |
| Bukhara region          | 13828 | 14809 | 15625 | 18115 | 23459 | 28233 | 31160 | 33686 | 31203 |
| Jizzakh region          | 10076 | 10694 | 12008 | 14226 | 17190 | 20993 | 22714 | 25847 | 19923 |
| Kashkadarya region      | 18557 | 18005 | 18471 | 20915 | 25259 | 30180 | 36168 | 41612 | 33064 |
| Navoi region            | 8533  | 8771  | 9469  | 11175 | 17067 | 20133 | 22711 | 25179 | 21880 |
| Namangan Region         | 17695 | 18746 | 19952 | 21269 | 25909 | 30882 | 33422 | 36914 | 27634 |

<sup>3</sup> <https://stat.uz/uz/>

<sup>4</sup> <https://stat.uz/uz/rasmiy-statistika/usreo-2>

|                        |               |               |               |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Samarkhand Region      | 18553         | 19435         | 21061         | 25066         | 31354         | 38946         | 46667         | 54163         | 43477         |
| Surxondaryo region     | 12207         | 13003         | 13719         | 15172         | 19220         | 25367         | 28291         | 31427         | 24657         |
| Syrdarya region        | 8300          | 8993          | 9392          | 10367         | 13169         | 15425         | 15920         | 17259         | 13432         |
| Tashkent region        | 24403         | 25019         | 26919         | 31030         | 38523         | 46173         | 50296         | 55472         | 45295         |
| Fergana region         | 23083         | 23310         | 25571         | 29128         | 35379         | 42241         | 46622         | 52746         | 42574         |
| Khorezm region         | 12899         | 13342         | 13674         | 14837         | 18614         | 21979         | 25160         | 28904         | 27089         |
| Tashkent               | 51024         | 55077         | 61284         | 69236         | 83846         | 95951         | 10560         | 11781         | 99151         |
| Total for the republic | <b>257758</b> | <b>268428</b> | <b>285531</b> | <b>323517</b> | <b>398133</b> | <b>475197</b> | <b>528929</b> | <b>592371</b> | <b>485024</b> |

Data for almost 10 years, covering 2016-2024, show the growth of the number of manufacturing and service firms and organizations operating in the regions of the Republic of Uzbekistan. From 2016 to 2024, the number of enterprises and organizations in the republic steadily increased. If in 2016 this figure was 257,758, then in 2024 it reached 485,024. This indicates the addition of 227,266 new organizations and enterprises in total. Annual growth averaged 7-10%, which confirms the effectiveness of economic reforms and the policy of supporting entrepreneurship. Analyzing by region, the city of Tashkent has the largest number of operating enterprises.

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