



IMPROVEMENT OF THE FINANCIAL MECHANISM OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP DEVELOPMENT

Madina Isokova

*Teacher of the Faculty of Green Economics,
University of Business and Science*

Annotation: *This thesis contains crucial information about what an entrepreneur is and what sort of notion it is, in addition to crucial information about the enhancement of the financial mechanism of the growth of small businesses and private entrepreneurship. Information about the prerequisites for the growth of entrepreneurship is also available. The varieties of small businesses are also covered in this thesis. In order to improve the financial mechanism of small business and private entrepreneurial development, the thesis offers particular information on financial institutions.*

Key words: *small business, private entrepreneurship, economist, innovator, banks, credit unions, insurance companies, and investment companies.*

Small businesses and private entrepreneurship are vital components of economic growth and job creation worldwide. They account for a significant portion of employment and contribute substantially to GDP. However, despite their importance, many entrepreneurs encounter significant obstacles in securing adequate financing. Traditional financial mechanisms often fall short in meeting the unique needs of small businesses, leading to a gap that hinders their growth potential.

The growth of small businesses and private entrepreneurship is currently receiving a lot of attention from the majority of nations in the world. Because jobs will be created for the populace through the growth of small businesses and private enterprise. Additionally, governments contribute to the improvement of the populace's standard of living through the growth of small enterprises and private entrepreneurship. Additionally, the growth of small businesses and private enterprise will boost tax collections.

There are basic tasks of a small business. It consists of:

- innovative growth and innovative development of industries, regions and the country as a whole;
- improving the level and quality of life of the of the population of the regions and the country as a whole;
- formation and sustainable progressive development of the innovative economy of the state as a whole.

One of the main factors of economic development in the conditions of market relations is the development of small business and entrepreneurial activities.

The concept of entrepreneurship in its current sense was first used by the English economist Richard Cantillon in the late 17th and early 18th centuries. In his opinion, an



entrepreneur is a person who operates in risky conditions. Therefore, he considered the land and labor factor as a source of wealth that determines economic well-being.

In his book "Theory of Economic Development," renowned American economist Y. Schumpeter (1883–1950) described an entrepreneur as an inventor. "We call economic entities whose function is to introduce new combinations entrepreneurs" is how the scientist defines entrepreneurial activity as the introduction of innovations that are crucial to the progress of the capitalist economy. The English economist Friedrich von Hein (1899–1984), who was awarded the 1974 Nobel Prize in Economics, took a distinct approach to this issue. He believes that entrepreneurship is a quest for new business prospects rather than an activity. According to the scientist, entrepreneurship is not an activity.

Thus, entrepreneurship is a special type of economic activity, based on independent initiative, responsibility, entrepreneurial idea, profit-oriented, goal-oriented activity.

The concept of "entrepreneurship" is defined in the encyclopedic dictionary of an entrepreneur as follows:

Entrepreneurship - independent activity of citizens aimed at obtaining personal income and profit. This activity is carried out on its own behalf, at the expense of its own property responsibility and the legal responsibility of a legal entity. An entrepreneur (frn. entrepreneur) can engage in all economic activities not prohibited by law, including brokerage, sale, purchase, consulting, and dealing with securities.

A number of conditions are necessary for the normal development of entrepreneurship. Among other conditions that are necessary for the normal development of entrepreneurial activity in the state, the following can be mentioned:

- stability of the economic situation in the country;
- preferential treatment for taxes; developed support for entrepreneurship from the state;
- an effective system that allows you to protect intellectual property;
- access to foreign markets for entrepreneurs;
- affordable lending to small and medium-sized businesses.

There are also several types of our small ones. Types of small businesses:

- Manufacturing business. Field of activity: production of goods.
- Commercial, financial business. Field of activity purchase and sale of goods.
- Business of providing services. The most common in world practice, and so on.

Of course, there must be a clear mechanism for the development of small business and private entrepreneurship.

Banks especially commercial and specialized ever remain crucial to the growth and development of entrepreneurship, and their operations provide a solid backing capable of encouraging entrepreneurs in viable and profitable ventures.

While funding options for private companies are numerous, each choice comes with various stipulations. Money from personal savings, friends and family, bank loans, and private equity through angel investors and venture capitalists are all options for funding



throughout the life cycle of a private company. A financially literate business owner is more likely to be fully in control of their business. Gaining an understanding of what balance sheets and profit and loss statements mean provides a clear view of the financial state of your enterprise and subsequently facilitates smarter business decisions.

There are four important types of financial institutions in the small business and private entrepreneurship development mechanism. The most common types of financial institutions include banks, credit unions, insurance companies, and investment companies. In short, financial institutions play an important role in improving the financial mechanism of small business and private entrepreneurship development.

In conclusion, the development of small businesses and private entrepreneurship is essential for sustainable economic growth. However, the existing financial mechanisms often fail to adequately support these enterprises. By identifying the challenges faced by small businesses in accessing finance and proposing innovative solutions—including leveraging technology, developing tailored financial products, and enacting supportive government policies—we can create a more conducive environment for entrepreneurship.

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