
Lending to Family Enterprises: Assessment of the State and Prospects of Development

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Abstract: This article discusses the concept of a family enterprise, analyzes the state of development of family entrepreneurship in the Republic of Uzbekistan over the past five years, identifies difficulties in creating enterprises, the procedure for lending, and the rules for lending to family entrepreneurship.

Keywords: family enterprise, measures for the development of family entrepreneurship, loans, interest on loans, credit conditions, soft loans, resources of trust funds.

According to the Law "On Family Entrepreneurship", family entrepreneurship is an initiative activity led by family members in order to generate income (profit) at their own risk and under their own property responsibility. Family entrepreneurship is based on the voluntary nature of its participants. Family entrepreneurship can be carried out with or without the formation of a legal entity. The organizational and legal form of family entrepreneurship carried out with the formation of a legal entity is a family enterprise. Family entrepreneurship without the formation of a legal entity is carried out in accordance with the procedure established by law. A family enterprise is a small business entity created by its participants on a voluntary basis on the basis of common property owned jointly or jointly by the participants of the family enterprise, as well as the property of each of the participants of the family enterprise for the production and sale of goods (works, services). Its activities are based on the personal work of its participants. A family enterprise is one of the organizational and legal forms of business entities. Such an enterprise can carry out activities only with the formation of a legal entity. A family enterprise may own separate property, acquire and exercise property and personal non-property rights on its own behalf, bear certain obligations, be a plaintiff and a defendant in court. The family enterprise is liable for its obligations with all the property belonging to it, which, in accordance with the law, can be levied. The participants of a family enterprise, in accordance with the legislation, bear subsidiary liability with the property belonging to them for the obligations of the family enterprise if the property of the enterprise is insufficient. A family business may hire employees in accordance with the law. The total number of participants in a family enterprise and its employees may not exceed the average annual number of employees of small businesses established by law, while the minimum number of participants in a family enterprise must be at least two people.

In the Republic of Uzbekistan, in order to implement the country's Development Strategy until 2026, stable economic growth, ensuring competition in the economy, creating equal conditions for all business entities and further strengthening the confidence of business communities, the main directions for increasing the role of the private sector in ensuring the economic growth of the country were identified.

Table 1 - Share of small business and private entrepreneurship (%)

Indicators	2020 year	2021 year	2022* year	change (+,-)	
				к 2020	к 2021
GDP	55,7	54,9	50,5	- 5,2	- 4,4
Industry	27,9	27,0	23,2	- 4,7	-3,8
Construction	72,5	72,4	74,9	+ 2,4	+ 2,5
Busyness	74,5	74,4	74,8	+ 0,3	+ 0,4
Export	20,5	22,3	17,6	- 2,9	- 4,7
Import	51,7	48,7	44,7	- 7,0	- 4,0

2022 year – preliminary data*

As can be seen from the table, the share of small business and private entrepreneurship in % of the total volume is mainly decreasing in dynamics in terms of such indicators as GDP, industry and foreign trade operations. This is due to restrictive measures during coronavirus infection. But at the same time, during this period, new enterprises were created within the country, in which jobs were created, and construction was carried out at a high pace.

In comparison with the number of enterprises operating in the republic in terms of organizational and legal form, the third place is occupied by family enterprises, which accounted for approximately 11.3% of the total number of business entities.

There has been a noticeable increase in the number of enterprises by 4.5 times in recent years.

The most active business is developing in the Samarkand and Ferghana and Surkhandarya regions — the largest number of such enterprises operates there.

But there are also certain difficulties in creating such enterprises. At the first stage of family entrepreneurs will be the question of determining the profile. It is necessary to analyze what professional skills and experience each of the participants of the future family business has. This is followed by a marketing study of the market to which you need to enter with the goods and services in demand.

First, financial, intellectual and physical costs will be required from the family. It is better if they are documented and shared, which in the event of a crisis or a participant withdrawing from the case will provide a civilized section. The percentage of profit that each of the participants will be able to claim will also depend on the initial deposits and contributions. The initial finances may be the contribution of one or all participants, and in their absence, a loan or a loan for the development of a small business. Next, you need to decide what the organizational form of the enterprise will be – an LLC or an enterprise without the formation of a legal entity. For most potential entrepreneurs, the issue of business financing is acute.

The decree of the Government of the Republic of Uzbekistan "On additional measures for the development of family entrepreneurship and the expansion of sources of income of the population" provides for a program of lending to family entrepreneurship.

According to this document, within the framework of family entrepreneurship development programs in 2022:

- a) the resources of trust funds and the Reconstruction and Development Fund for financing projects are placed in commercial banks at a rate of 10% per annum;
- b) preferential loans at the rate of 14% per annum began to be allocated:
 - to the population and business entities wishing to engage in family business, certain work activities aimed at generating income, and expand the type of activity – for up to 3 years, including a grace period of 3 to 6 months;
 - for animal husbandry (cattle, sheep, goats), fish farming and poultry farming (egg

- production) – for up to 3 years, including a grace period of up to 1 year;
- for the organization of horticulture, viticulture and lemon growing, purchase of greenhouses, agricultural machinery and equipment – for up to 7 years, including a grace period of up to 3 years;
 - members of the Hunarmand Association – for the purchase of equipment, spare parts and raw materials for production needs, the creation of handicraft development centers, ust – shogird schools, the construction of museum houses and workshops or the purchase of buildings and structures for these purposes - for up to 3 years and for the replenishment of working capital – for a period of up to 18 months;
- c) loans are allocated on the basis of the recommendation of the assistant khokim of the district (city) on the development of entrepreneurship, employment and poverty reduction, issued to the borrower living in the mahalla assigned to him;
- d) loans in the direction of livestock development are allocated as a priority for the creation of mini-farms for breeding from 10 to 50 heads of breeding cattle (cattle, sheep, goats) imported from abroad;
- e) loans are allocated to leading business entities to replenish working capital for the production of agricultural products on the land areas of dehkan farms and household lands of the population on the basis of cooperation and purchase of manufactured products.

Since March 1, 2022, loans have been allocated through a Single electronic platform of family entrepreneurship development programs in a completely digital format. Applications for a preferential loan are submitted by the borrower independently or with the support of an assistant hakim attached to the corresponding mahalla through an online platform oilakredit.uz, all documents are processed online.

Financial analysts concluded that non-performing loans (NPL) accounted for 8% of the total volume of loans issued under family entrepreneurship development programs. This is significantly more than the share of problem debts in the total loan portfolio of banks, which reached 5.3% during the analyzed period.

The most difficult situation with non-refundable soft loans is in the Namangan region, where they are 44% of the total volume of loans under programs. It is followed by the Andijan region with 26% and Surkhandarya with 20%. In these regions, banks have not recovered 149.4 billion rubles. Sums from borrowers with fixed incomes. Of these, 89.3 billion. the sum fell on employees of banks and state institutions.

In 79% of cases, the problem loan was insured, but financial institutions did not turn to insurers. At the same time, the volume of NPL under targeted programs has decreased by two-thirds since the beginning of 2022, primarily due to write-offs by banks as "hopeless".

The results of the audit of the volume of problem debts showed a slight reduction in debts by 101.2 billion. soums. In addition, the following measures were taken to recover funds:

- Claims for recovery in the amount of 400 billion rubles were filed. sum of debts;
- Materials on loans worth 55 billion rubles have been submitted to law enforcement agencies. sums for legal assessment;
- BPI was instructed to recover 168 billion rubles according to court decisions. soums.

In order to activate family entrepreneurship in 2023, the scale of their financial support will be expanded in Uzbekistan. If in 2022 about 10 trillion was allocated for this. the sum of preferential loans, then this year this figure will increase to 12 trillion. soums. According to the recently signed presidential decree, an additional 300 million US dollars will be allocated

to support the sphere of family entrepreneurship.

The maximum amount of loans for family businesses will be increased from the current 225 million to 300 million soums, and unsecured loans to dehqan farms — from 33 million to 50 million soums. soums.

If now you can get a loan for a family business only once, now you can get preferential loans again in case of failure. Part of the credits are allowed to be transferred to a plastic card. In addition, the target parameters for financing family enterprises in the context of regions have been developed.

In the republic there are ample opportunities for expansion and development of small production enterprises for the organization of greenhouses, processing of fruits and vegetables, the creation of workshops for processing meat and dairy products, the cultivation of cattle and cattle, etc. To do this, there are significant raw material opportunities, land, labor, but it requires investment of capital, effort and initiative to organize production. Financing of family businesses on preferential terms will help them adapt faster to rapidly changing market conditions. In addition, it is possible to increase the volume of trade abroad, reduce the number of unemployed persons, and reduce the level of poverty of the population.

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