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INCREASING THE EFFICIENCY OF TARGETED AND PREFERENTIAL CREDITATION IN THE SYSTEM OF SUPPORTING SMALL AND MEDIUM ENTREPRENEURSHIP

Senior lecturer: **Maksudov Orif Shakirovich**

SamIES.

Tokhirov Rasulbek Tolibjon Ugli

Student of Samarkand Institute of Economics and Service

Faculty of banking and auditing

Group BI-S-221.

Abstract: This article examines the mechanisms and economic efficiency of targeted and concessional lending as key instruments of government support for small and medium-sized businesses. Commercial banks, guided by the principles of risk minimization and profit maximization, often impose strict requirements on aspiring entrepreneurs as borrowers. Under these conditions, traditional market lending mechanisms prove ineffective for providing mass business support.

Keywords: Small and medium-sized businesses, targeted lending, concessional loans, financial support, commercial banks, economic efficiency.

Introduction. Small and medium-sized businesses are a crucial driver of economic growth, employment, and the formation of a competitive environment in any modern economic system. However, the specific nature of this sector, characterized by limited equity capital, high sensitivity to market fluctuations, and liquidity shortages, predetermines its vulnerability. Limited access to financial resources traditionally remains the main barrier to small business development. There is a need for active government intervention through the introduction of targeted and concessional lending instruments, which help mitigate market imperfections and direct financial flows to the highest-priority sectors of the economy.

In economics, the concept of government support for business through credit mechanisms is rooted in Keynesian and institutionalist theories. Researchers note that concessional lending aims to overcome information asymmetries in financial markets. Commercial banks are not always able to adequately assess the potential of small businesses, leading them to inflate interest rates by incorporating a risk premium.

Targeted lending, in turn, entails the provision of funds for clearly defined government objectives such as production modernization, the purchase of innovative equipment, export development, or support for socially significant projects. As noted by foreign and domestic economists, the effectiveness of such loans is measured not only by the commercial profit of the bank or borrower, but also by the social impact expressed in the creation of new jobs and increased tax revenues. The practical implementation of subsidized lending programs is based on close collaboration between the government, specialized development institutions, international financial organizations, and commercial banks. The government typically subsidizes interest rates. This means that a commercial bank provides an entrepreneur with a loan at a reduced cost, and the difference between the market rate and the subsidized rate is compensated by the government from budgetary funds.

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Another important element of the mechanism is the provision of guarantees and sureties. Since small businesses often lack sufficient collateral, government support funds act as guarantors for banks. This reduces the risk for commercial banks and encourages them to more actively lend to the real sector of the economy. The targeted nature of such resources is strictly controlled: the borrower is required to provide full reporting on the intended use of every ruble or dollar received, minimizing the risks of misuse and capital withdrawal from the circulating economy.

The effectiveness of subsidized financial injections can be assessed at the macroeconomic and microeconomic levels. At the individual enterprise level, obtaining a loan at a reduced interest rate and with a grace period (a grace period for principal repayment) allows for debt relief at the most critical moment during project launch or production scaling. This frees up additional working capital, which the entrepreneur can use to improve product quality, hire qualified personnel, or implement new technologies.

At the macroeconomic level, large-scale preferential lending programs have a multiplier effect. Affordable loans stimulate domestic production, reduce the economy's dependence on imports, and facilitate the diversification of the economic structure. Moreover, enterprises that receive timely support eventually become stable taxpayers, fully offsetting the state's initial investment in interest rate subsidies.

However, the risks of excessive subsidies are also actively debated in the economic literature. Financial analysts warn of the emergence of so-called moral hazard, where the availability of "cheap" money reduces borrower discipline and leads to ineffective project management. If a business is built solely on government subsidies, without taking into account real market demand, there is a high probability of its bankruptcy after the expiration of the preferential program.

Ammas.

Despite obvious advantages, existing financial and credit support systems face a number of systemic problems. Firstly, the processes are highly bureaucratic. Compiling a huge package of documents to confirm eligibility for preferential programs takes up too much time for small businesses. Secondly, preferential resources are often concentrated among a limited number of the most stable and largest small businesses, while micro-firms and emerging startups are left out of support.

To improve the effectiveness of targeted and preferential lending, a comprehensive transformation of approaches is necessary. A promising direction is widespread digitalization and the implementation of scoring systems based on artificial intelligence and big data. This will allow commercial banks to more quickly assess the borrower's actual situation, automate the process of verifying the intended use of funds, and reduce administrative costs.

It would also be advisable to move from strict industry-specific restrictions to assessing the innovative and export potential of a specific project. International experience shows that the most effective programs are those that are closely aligned with regional characteristics and the real needs of local markets.

Conclusion. In summary, targeted and concessional lending is a powerful and indispensable catalyst for the development of small and medium-sized businesses. It successfully compensates for market failures and provides access to capital for promising but financially vulnerable businesses. The key to the effectiveness of these instruments is maintaining a balance between government support

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and market discipline. Credit resources should be directed exclusively to viable projects capable of generating real added value.

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