



# International Conference of Economics, Finance and Accounting Studies

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## **Challenges in Financial Support for Business Entities and Strategies for Resolution**

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The elimination of problems associated with improving the forms and methods of financial support of business entities in the context of economic transformation depends on a number of factors.

First, the systematic formulation of these terms to a certain extent involves the problems of qualitative analysis and understanding of all areas and sources of financial support for enterprises in the field of business.

Secondly, an important point that explains the need to conduct the announced analysis is the problems of developing the most optimal ways of providing business entities with financial resources.

Problems with financial support for business entities can hinder the development and successful operation of enterprises, which requires measures to improve their financial security.

Thirdly, the lack of financial resources in the financial support of business entities means that economic entities do not have sufficient funds to carry out their activities, finance current operations, make investments, repay debts, and cover other financial obligations. This can lead to financial difficulties, limited business growth, inability to expand, and sometimes even solvency problems. Insufficient financial resources can be due to a variety of factors, such as low profits, high levels of debt, inability to obtain credit or investment, and economic and political instability. For enterprises facing a shortage of available financial resources, it is important to attract additional funds, optimize financial processes, control costs, and develop a strategy to increase profits in order to ensure the sustainable development and successful operation of the business.

Fourth, for some enterprises, debt financing may be very expensive due to high interest rates, which leads to additional financial difficulties. This increases the costs of the enterprise, reduces its competitiveness and profitability. High interest rates, in turn, limit the ability of entrepreneurs, especially small and medium-sized enterprises, to obtain credit. As a result, this slows down economic growth and business development. To solve this problem, state intervention is required, for example, by reducing Central Bank rates or developing other business support programs.

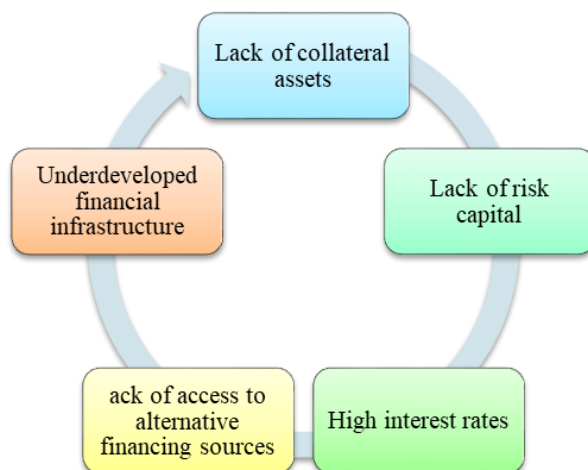
Fifth, the profitability of business entities is insufficient. Some companies face the problem of low profitability due to high costs, insufficient sales, or competition in the market. Low profitability leads to limited investment opportunities for business development, debt repayment, attracting new employees, or increasing wages for current employees. In addition, it reduces the

attractiveness of the company for investors and increases the risk of financial instability. To combat this problem, businesses need to analyze their costs, look for new sources of income, improve the quality of products or services, review pricing and marketing strategies, and develop more efficient internal processes.

Sixth, changes in the economic environment, such as inflation, currency fluctuations, or changes in legislation, can create additional financial risks for economic entities. For example, inflation and rising prices for services, currency fluctuations can worsen the terms of trade between nations, and changes in legislation can require additional investments to meet new requirements. To mitigate these risks, companies need to develop risk management strategies such as portfolio diversification, the use of financial derivatives, currency or inflation hedging, and continuous monitoring of changes in the economic environment.

In general, the main problems that hinder the acquisition of bank loans for business entities in Uzbekistan can be divided into the following:

- inaccurate and unreliable reporting by business entities, lack of incentives to adequately reflect financial results in the reports, which reduces the possibility of obtaining loans from banks for replenishing working capital and investment purposes;
- the small scale of business entities' business, which makes it difficult to assess their condition, and the low quality of business plans when attracting loans;
- the small amount of own funds and the lack of liquid assets that small enterprises could use as collateral for loans. Lack of other collateral, limited lending programs secured by vehicles and real estate;
- Incompatibility of the profitability of business entities with the interest rates on loans, which are supplemented by various commissions charged by the bank;
- The complexity and duration of the procedure for obtaining a bank loan, often due to the borrower's lack of qualifications to properly prepare all the necessary documents, has developed.



**Figure 1. Problems in the mechanism of financial support for business entities<sup>1</sup>**

As shown in Figure 1 above, limited access to credit is one of the main problems faced by many entrepreneurs, especially in the early stages of their business. Lending institutions usually have strict requirements for granting loans, including credit history, collateral, financial stability, and other factors. Furthermore, it is often difficult for startups or young companies to provide the collateral needed to secure credit. There are several approaches to solving this problem:

1. Government support for entrepreneurship: Government funds and programs can help

<sup>1</sup> Compiled by the author

entrepreneurs finance their businesses by offering guaranteed loans, subsidies or grants, special programs for small and medium-sized businesses, and preferential credit terms.

2. Development of alternative sources of financing: In addition to traditional credit institutions, entrepreneurs can turn to alternative sources of financing such as crowdfunding, angel investment, venture capital, microfinance, and others.
3. Easing requirements for obtaining credit: Credit institutions may review their credit policies to ease requirements and conditions for entrepreneurs, especially startups and young companies, taking into account their specific circumstances and needs.