



Article

Analysis of Alternative Sources of Financing For Small And Medium-Sized Businesses

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Abstract: In modern economic conditions, the enterprises' own funds have not been able to become the necessary basis for implementing a unified innovation policy, and have not eliminated multi-channel financing. At the same time, it is necessary to consider that the greatest efficiency of the enterprise's activities is achieved if they equally provide and stimulate all types of activities, allow for comprehensive financing of the entire cycle, all areas of innovative development. In addition, no higher authority knows better than the enterprise itself where to direct the funds allocated for this so that they give the highest return. The solution to the problems raised becomes possible with the creation of a single fund for innovative modernization of enterprises (EFIMP). It involves the transfer to a single basis of all types of activities, not only current economic activities, but also financing of innovative activities in the context of the reconstruction and technical re-equipment of enterprises.

Keywords: Financing, Profit, Fund, Small Business, Innovation, Policy, Enterprises, Development

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1. Introduction

In the modern conditions of economic management, the own funds of enterprises have not been able to become the necessary basis for the implementation of a unified innovation policy, did not allow to eliminate multichannel financing.

It is also necessary to take into account that the greatest efficiency of the enterprises' activity is achieved if they equally provide and stimulate all types of activities, allow to comprehensively finance the whole cycle, all directions of innovation development. Besides, no superior body knows better than the enterprise itself, where to direct the funds allocated for this purpose, so that they gave the highest return.

The solution to these problems becomes possible with the creation of a unified fund for innovative modernization of enterprises (UFIMP). It implies the transfer to a single basis of all types of activities, not only current economic activities, but also the financing of innovation activities in the context of reconstruction and technical re-equipment of enterprises.

Literature Review

In the framework of the problem of financial support of small business in a constantly changing external environment. Under these conditions, enterprises for the first time have the opportunity to comprehensively finance all areas of innovative development from a single source.

The formation of sources does not mean the creation of a simple summation of previously used sources. In the economic literature and periodicals on the financing of enterprises there are different opinions, for example, there is an opinion on the implementation of modernization of enterprises from a specially created for this purpose venture fund. [1] Domestic economists I. Butikov and Sh. Shokha'zami often mention the possibility of financing the modernization of enterprises through the placement of securities, while not excluding the role of dividends from securities in the financing of enterprises. [2]

In Uzbekistan, it is planned to sell packages of shares of 1001 state enterprises and a package of shares of 40 enterprises by conducting a **public IPO** on the principle of **“one share, one share”** (JSC “Uzbekneftgaz”, JSC “Uzbekiston Temir Yollari”, JSC “Uzavtosanoat”, JSC “Uzkiymosanoat”, JSC “Navoiyazot”, JSC “AGMK”, JSC “Uzdonmakhsyot”, JSC “Uzagrokimyokhimoya”, commercial banks and other). [3]

However, a large number of enterprises, including small and medium-sized businesses, do not pursue a policy of additional issue of securities and cannot use this source om, because they do not meet the basic requirements of investors in order to be interested in investing funds. In order for a company to become a participant in the capital market, it is necessary to carry out an internal reorganization of the enterprise and disclose information to investors, which limits the use of this source.

Each approach has its own specific features regarding the financing of modernization or innovative development from the existing fund. In our opinion, a more efficient source would be the net profit rather than the aggregate total profit. [4]

Research by foreign economists Waseem A.A., Zongrun W., Danish A.A. show that SME owners do not have higher education, but still successfully run their businesses. For example, the IC report for 2013 shows that in 2011 in Canada, the majority of SME owners had some post-secondary education - 67% (32% - higher education, 22% - bachelor's degree and 13% - master's degree). Almost 24% have secondary education, and less than 10% of SME owners had a diploma below secondary education. [5] Also, Beck, Demirgüç-Kunt, Laeven and Maksimovic mention that SMEs usually face obstacles to raise the funding; they consistently report higher financing hindrances than large enterprises. Bank credit is the most widely recognized an outer source of money for some SMEs, which are intensely dependent on conventional debt to satisfy their start-up, income and investment needs. [6]

Increasing the role of profit would first of all reduce the enterprise modernization costs. This in itself would also contribute to an increase in the total amount of profit allocated to finance the modernization of enterprises, and concentrate financial resources at the level of the main link - small business in order to more effectively use the means of financing.

Formed at the expense of the enterprises' own funds (depreciation charges for full restoration, profit, proceeds from the sale of excess equipment), the production development fund represents a qualitatively new form of concentration of financial resources at the enterprise level and their more efficient use. With the help of the fund, not only the current needs of production are met, but also the needs of its long-term development. For example, the fund's resources can be used to finance the costs of innovative activities of existing production facilities, as well as the preparation and development of new and modernized products, the manufacture of prototypes, the introduction of advanced technological processes, the conduct of research, development and design work, compensation for increased costs of producing new products during the period of their development, the organization and development of subsidiary farming, personnel training and a number of other expenses provided for in accordance with the current legislation.

Another source of funding is government funding. In the structure of budget expenditures of the Republic of Uzbekistan for 2023, about 37% of investment resources

are used to finance education, health care, science, culture, etc. alnye - to stimulate innovative private and foreign projects in the field of development of the national economy. 16.7 trillion was allocated to support the real sector of the economy of Uzbekistan in 2023. sum, including for road infrastructure (21.9% of the total amount of expenses), engineering and communication networks (12.5%), irrigation and land reclamation (8.4%), special industry reserved zones (5.3%) and tourism (1.1%). This source of financing activities is cheap, its size increases annually and serves as the main source of increasing the economic potential of the enterprise. [7]

Consequently, the formation of the fund is a transition to a higher, progressive form of financial support for modernization, allowing enterprises to more flexibly maneuver financial resources, increase their independence and initiative in making financial decisions necessary for accelerated modernization of enterprises' activities.

2. Materials and Methods

Both quantitative and qualitative research methods have been used in this study in order to get desired results. Data for this research has been acquired from official databases of Uzbekistan. Statistical methods have been used to analyze the obtained data.

3. Result and Discussions

Economist Huyghebaert mention, **trade credit** is an alternative way to finance business needs. It occurs when a company purchases goods and services with deferred payment. It is a short-term loan and the payment is due in 30-60 days; if the payment is not made within the set period of time, interest is charged and it becomes a source of funding. [8] Demirgüç-Kunt and Maksimovic, **trade finance** is universal; in contrast to conventional bank lending, it is the next most significant external approach to SME financing in almost all developed and developing countries. [9]

Small business and the financing of its innovative activities in the context of strengthening the competitive environment, the presence of its weaknesses and strengths is archival. On the one hand, in order to survive in the sea of business, a small enterprise must have mobility, fluidity. Competitive advantage is determined by the speed with which the entrepreneur can adjust to the slightest changes in the needs of customers. It must be done faster than a competitor will do the same. This is why small businesses survive in competition. If it were not for its flexibility and mobility, the small business segment would have long ago absorbed big business, which has huge financial resources, but it is sluggish and takes a long time to adjust to the changing environment [16].

What is important in this case is what is happening now in the information environment, which small businesses must monitor and use to change their operations. Everyone has heard the philosophical terms "breakthrough innovative products" or "information explosion", which everyone is experiencing. Whereas breakthrough or breakthrough information used to be simply lacking, now there is an overabundance of it, it is unstructured, false or hidden.

According to the UN data, about 50 thousand technical and scientific journals are published worldwide every year, in which more than one million scientific articles are published. In fundamental sciences (mathematics, physics, philosophy, etc.) the volume of knowledge doubles every 10 years, in applied sciences (engineering technology, economics, programming, Internet) it is updated every five years [17].

An important feature characterizing the modern innovative breakthrough is not only the rapid acquisition of new scientific data and results, but also a significant reduction in the time from the moment of their receipt to their actual implementation in practice.

If technologies (production, managerial, financial) are improved, then with the same fixed set of production resources it becomes possible to increase the volume of production of products, or the development of innovative products, or improved or fundamentally

new types of products. This suggests that the costs remain unchanged, and the volume of output and sales increases, and this leads to an increase in profit, which is an important source of financial support for innovation [18].

So, the relevance of possessing modern innovative products is beyond doubt. Where to get it from? This, in fact, is the problem. There are a lot of ways, you can “hit the bumps” on your own, but it is much more effective to learn from other people's mistakes. The most effective way is to get education. But in the environment of education is also not all simple. Knowledge received during a four-year university education is outdated by the time you receive your diploma. Hence everyone knows the joke, “When you get to work, forget everything you learned and learn it all over again.” This is the same way again: the way of “kicking the bucket”. This fact explains the ongoing reform of education in the country. Reform is reform, but small businesses need to survive and develop here and now. Large enterprises have long ago solved this problem, they have their own structures for recruitment, hiring, training and retraining of personnel. Large enterprises can also compensate for their lagging behind by economies of scale, political decisions, implementation of strategies to influence the needs of consumers. Small businesses cannot afford such luxuries [19].

4. Conclusion

An entrepreneur must study law, become a system administrator, an auditor-accountant, an appraiser, a top-level computer network specialist, and at the same time be a professional manager, a professional in human relations, an expert in building a sales system, a professional marketer and a PR genius. At the same time, one should also become a specialist in aligning production lines, a financier and an expert in quality management, as well as know the issues of foreign policy, if the company works with foreign partners.

No small business budget will allow you to hire all of these employees, and even if you did, the staff would not be full-time. But the worst part is that there are far fewer real professionals in the world than there are companies that need their services.

So, it is physically impossible for everyone to simply “hire such specialists on staff”. There are simply not enough of them [20].

It would seem that the situation is hopeless, but in our opinion, there is a way out. The way out is to prepare highly specialized, short-term seminars and trainings. The subject matter should be determined by the consumers of small businesses themselves. In addition to this - round tables and conferences for exchange and accumulation of experience and making effective financial and managerial decisions.

All efforts of short-term training centers established at universities should be directed to this task. At first, such centers can be called business education centers, and only specialists combining the highest professional training and solid practical experience should be invited to conduct classes. These are professional consultants invited from other regions, as well as university professors with more than 10 years of practical experience in their specialty. At round tables and scientific-practical conferences, the experience and knowledge of entrepreneurs are combined, joint decisions are made, and proposals are made for the regional authorities. To train highly specialized specialists, Samarkand Institute of Economics and Service and a number of technical universities can take an active part in this. They have all the necessary training facilities and specialists in finance, accounting and economics.

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