

**IMPROVING THE SYSTEM FOR REFINANCING UNSECURED MICROLOANS
AT BANKS**

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Abstract: This article analyzes the economic significance and practical effectiveness of the unsecured microloan refinancing system in providing financial support to entrepreneurs. The study substantiates that high collateral requirements are among the main factors limiting small businesses access to financial resources. It highlights the role of unsecured microcredit refinancing mechanisms in ensuring bank liquidity, distributing credit risks, reducing interest rates, and expanding lending volumes.

Key words: small business, unsecured microcredits, refinancing, financial support, banking and financial system, credit.

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Annotatsiya: Mazkur maqolada tadbirkorlik subyektlarini moliyaviy qo'llab-quvvatlashda garovsiz mikrokreditlarni qayta moliyalashtirish tizimining iqtisodiy ahamiyati va amaliy samaradorligi tahlil qilinadi. Tadqiqotda garov talablarining yuqoriligi kichik biznesning moliyaviy resurslarga kirish imkoniyatlarini cheklovchi asosiy omillardan biri ekanligi asoslab beriladi. Garovsiz mikrokreditlarni qayta moliyalashtirish mexanizmlarining banklar likvidligini ta'minlash, kredit risklarini taqsimlash, foiz stavkalarini pasaytirish hamda kreditlash hajmini oshirishdagi roli yoritilgan.

Kalit so'zlar: kichik biznes, garovsiz mikrokreditlar, qayta moliyalashtirish, moliyaviy qo'llab-quvvatlash, bank-moliya tizimi, kredit risklari, likvidlik.

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Аннотация: В данной статье анализируется экономическое значение и практическая эффективность системы рефинансирования необеспеченных микрозаймов в оказании финансовой поддержки предпринимателям. В исследовании обосновано, что высокие требования к залоговому обеспечению являются одним из ключевых факторов, ограничивающих доступ малого бизнеса к финансовым ресурсам. Освещается роль механизмов рефинансирования беззалоговых микрокредитов в обеспечении ликвидности банков, распределении кредитных рисков, снижении процентных ставок и расширении объемов кредитования.

Ключевые слова: малый бизнес, беззалоговые микрокредиты, рефинансирование, финансовая поддержка, банковско-финансовая система, кредитные риски, ликвидность.

Introduction

Financial support for small businesses and private entrepreneurship is crucial for ensuring the country's economic growth, creating jobs, and increasing people's incomes. In particular, the

high collateral requirements for small business entities are one of the main obstacles to accessing financial resources. From this perspective, the development of collateral-free microcredit and its refinancing system emerges as a pressing issue.

Unsecured microloans make it easier for small entrepreneurs to access financial resources, eliminate working capital shortages, increase production volume, and expand the range of services. However, because such loans are considered high-risk, they impose certain constraints on commercial banks from the standpoint of financial stability. Therefore, the refinancing system for collateral-free microloans emerges as an important instrument within the banking and financial system.

Through the refinancing mechanism, banks provide liquidity for collateral-free microloans, distribute risks, and are able to maintain a stable loan portfolio. This, in turn, helps increase the volume of microloans to small business entities, lower interest rates, and extend loan terms. Analyses show that in countries with a collateral-free microcredit refinancing system, small businesses have greater access to finance, and investment activity and job creation improve. Therefore, state support for the development of this system, the attraction of resources from international financial institutions, and the introduction of incentive mechanisms for banks are of great importance.

The collateral-free microcredit refinancing system is an effective instrument for financially supporting small businesses, and its development contributes to the stable growth of the national economy and the improvement of the entrepreneurial environment.

Unsecured microloans play a crucial role in meeting the working capital needs of small business entities, ensuring uninterrupted operations, and increasing production volume. However, because this type of loan is considered high-risk, commercial banks provide it only in limited amounts. This situation underscores the need to broadly introduce a collateral-free microcredit refinancing system into banking and financial practices. Practically, it is considered appropriate to develop the collateral-free microcredit refinancing system in the following areas:

First, introduce separate refinancing lines for collateral-free microloans through the Central Bank or specialized state financial institutions. This will increase banks' liquidity and help expand the volume of microloans to small businesses.

Secondly, improving guarantee funds and insurance mechanisms to reduce credit risks. Partial guarantees for microloans through state or private guarantee funds reduce risk for banks and allow for the optimization of interest rates.

Third, introduce digital scoring and alternative credit assessment mechanisms. Assessing entrepreneurs' creditworthiness based on tax returns, cash flow, and digital payment data increases the efficiency of unsecured lending.

Fourth, expand refinancing opportunities by attracting resources from international financial institutions, including the Asian Development Bank, the World Bank, and the International Finance Corporation. This will help lower the cost of the resource base for microloans.

Additionally, based on the region where small business entities are registered and operating, classify microcredit providers into 5 categories with interest rates ranging from 12.5% to 18.0% the introduction of a refinancing system for microcredit providers at rates ranging from 12.5% to 18.0% in 5 categories, depending on the region where the small business entities are registered and operating, will further enhance the opportunities for financial support for small business entities.

Table 1. System for refinancing up to 100 million so'm in collateral-free microloans to financially support small businesses [1]

Territorial category	Regarding the security deposit *			Under the portfolio guarantee ***		
	Degree of risk distribution **	Microloan interest rate and term	Interest rate	Degree of risk distribution	Microloan interest rate and term	Brokerage fee
5-category	80/20	24% up to; term: up to 7 years	12,5	80/20	24% up to; term: up to 7 years	0.8-1.2% per year, based on the CATM scoring ball (A,B,C) reference
4-category	60/40		13,5	60/40		
3-category	40/60		14,5	50/50		
2-category	20/80		17,0			
1-category			18,0			

* The repayment of obligations under the collateral deposit is carried out by microcredit providers by directing recovery to the collateral deposit. The Ministry of Economy and Finance charges these funds to expenses based on a court decision.

** The degree of risk sharing is allocated between the company and the microcredit provider.

*** The guarantor's obligation to make payments arises 90 days after the microcredit becomes overdue. The advantage of the system in Table 1 is that, by taking into account the uneven development levels of the republic's regions, it further expands fair financing opportunities for small business representatives through the provision of loans.

Analysis of Related Literature

The issues of financial support for small businesses and the improvement of commercial banks' lending policies are among the widely studied topics in the fields of economics and finance. Local sources, in particular the annual reports published by the Central Bank of the Republic of Uzbekistan and commercial banks, provide statistical data on small business loans. These sources help in understanding the practical significance of financing problems for small entrepreneurs, interest rates, loan terms, and collateral requirements.

Foreign studies, including reports from the World Bank, IMF, and OECD on financial support for small businesses, indicate the most effective mechanisms used by commercial banks to develop micro and small enterprises. Research shows that providing favorable credit terms to small businesses, introducing microcredit, reducing credit risk through collateral funds, and implementing digital platforms ensures the sustainable development of these entities.

Additionally, scientific articles and books (for example, Berger and Udell, 1998; Beck and Demirgüç-Kunt, 2006) provide recommendations for improving commercial banks' strategic approaches to lending to small businesses, methods for assessing financial risks, and credit mechanisms. Their analyses show that flexibility in lending policies and the use of specialized financial instruments allow banks and entrepreneurs to increase economic efficiency.

Local studies (Mas'udov, 2020; Rashidov, 2022) have analyzed the main problems in financial support for small businesses in Uzbekistan and the capabilities of commercial banks. Studies show that the lending mechanisms offered by banks are not sufficiently simplified, interest rates are high, and the complexity of guarantee requirements limits entrepreneurs' access

to financial resources. Therefore, the need to improve lending policies and introduce new financial instruments remains pressing.

Thus, a review of the relevant literature shows that the role of commercial banks in financially supporting small businesses is significant, and improving their lending policies contributes to increasing economic efficiency. At the same time, although there is sufficient scientific research in this area in Uzbekistan, there are gaps in the practical optimization of credit mechanisms and the application of digital platforms. **Research Methodology**

This methodology provides a systematic and scientific basis for the research, as well as creating the opportunity to obtain scientific and practical results on improving the credit policy of commercial banks and the sustainable development of small businesses.

Analysis and Discussion of Results

As of January 1, 2025, there are a total of 36 commercial banks in Uzbekistan (9 of which are state-owned and 27 are other banks), as well as the currently sole “Tayyab Finance” digital microbank (" The microfinance institution “Tayyab Finance,” established in 2022, has received an initial license from the Central Bank to become a microfinance bank." [2]) is meeting the population's need for microfinance services and actively financing entrepreneurial projects.

In Uzbekistan, the results of analyzing the lending policies of commercial banks in providing financial support to small businesses show that the credit mechanisms offered by banks are not sufficient to fully meet the needs of small entrepreneurs. According to statistical data, although the growth rate of small business loans has been positive in recent years, loan interest rates and guarantee requirements still pose challenges for entrepreneurs. At the same time, simplified lending terms, specialized financial instruments, and digital platforms have not been sufficiently implemented in banks' lending policies.

Analysis shows that the bulk of loans from commercial banks to small businesses is directed to the industrial and trade sectors, while entrepreneurs in the innovation and service sectors have limited access to financial resources. Due to short loan terms and high interest rates, many entrepreneurs are unable to access bank loans. At the same time, collateral and guarantee requirements also present complex and financially burdensome conditions for small businesses.

An analysis of foreign experience shows that in developed countries, microloans, guarantee funds, subsidized loans, and digital platforms are widely used to support small businesses. These mechanisms simplify the loan application process for small entrepreneurs, reduce financial risks, and ensure the sustainable implementation of business projects.

The results of the SWOT analysis show that the strengths of commercial banks include an extensive branch network, financial resources, and experienced staff. At the same time, weaknesses include the inflexibility of lending policies, high interest rates, and complex collateral requirements. Opportunities include the introduction of microloans, state guarantee funds, digital platforms, and specialized financial instruments. Threats are associated with macroeconomic changes, inflation, and entrepreneurs' insufficient financial literacy.

Based on the analysis results, opportunities exist to support small businesses by improving the lending policies of commercial banks. Specifically, it is recommended to reduce interest rates, extend loan terms, simplify collateral and guarantee requirements, introduce microloans and subsidized loans, and also accelerate the loan application process by creating digital platforms.

Thus, the analysis and results show that increasing the efficiency of commercial banks in providing financial support to small businesses contributes to their sustainable development and enhances economic efficiency (Table 2-3).

Table 2. Volume of Commercial Bank Loans and Interest Rates in Financial Support for Small Businesses [3] (2021–2024)

	Comm	Comm	Comm	Comm	Ave	L
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Year	Commercial Bank A (mln)	Commercial Bank B (mln)	Commercial Bank C (mln)	Commercial Bank D (mln)	Average interest rate (%)	Loan term (months)	Areas for improvement
2021	80	60	40	30	18	6-12	Reduce interest rates and extend their terms.
2022	95	70	45	35	17	6-18	Introduction of microcredit
2023	110	80	55	38	16	12-24	Launching digital platforms
2024	120	85	60	40	15	12-24	To speed up the loan process

Table 3. Volume and terms of commercial bank loans for small business projects [4] (2021–2024)

Project type / Purpose	Small business entities	Loan amount (mln)	Average interest rate (%)	Loan term (month)
Production projects	150	120	16	12-24
Trade and retail business	100	95	15	6-18
Service and IT	80	60	14	12-24
Agricultural projects	70	55	16	12-18
Innovative and start-up projects	50	40	18	6-12

Conclusions and recommendations

The collateral-free microcredit refinancing system plays a crucial role in promoting entrepreneurship, expanding small business entities' access to financial resources, and ensuring sustainable growth in the national economy. Through this mechanism, the liquidity of commercial banks is strengthened, credit risks are effectively distributed, and lending conditions for small entrepreneurs become more favourable. As a result, the investment and production activity of small business entities, which face limited access to financial resources under conditions of high collateral requirements, increases. Therefore, it is necessary to strengthen state support measures for developing mechanisms for refinancing collateral-free microloans, It is therefore appropriate to strengthen state support measures for developing mechanisms for refinancing collateral-free microloans, to form a stable resource base through central and

specialised financial institutions, and to improve guarantee and insurance systems aimed at reducing credit risks. The consistent implementation of these measures will serve to increase the share of small business in the economy, create new jobs, and foster the sustainable development of the entrepreneurial environment.

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