



IMPROVING THE FOUNDATIONS OF THE FINANCIAL MECHANISM FOR THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE CONTEXT OF ECONOMIC TRANSFORMATION

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Received: 24 th March 2026 Accepted: 14 th April 2026	In the context of global economic transformation, SMEs are a key driver of sustainable growth, employment, and innovation. This study outlines the theoretical foundations of the financial support mechanism and identifies its priority areas for improvement. Focusing on Uzbekistan, it highlights the need to expand financial access and strengthen institutional frameworks

Keywords: Small and medium-sized enterprises (SMEs), financial mechanism, financial accessibility, transition economy, Uzbekistan, credit guarantee systems, financial instruments, digitalization of financial services, institutional framework, economic transformation.

Modern economic shifts, driven by structural reforms and the rapid spread of digital technologies, demand a more resilient framework for national markets. In this volatile environment, small and medium-sized enterprises (SMEs) serve as the backbone of the economy due to their inherent agility and capacity for rapid innovation. However, the long-term viability of these businesses is tied directly to the efficiency of the financial mechanisms supporting them—specifically how effectively credit, investment, and state aid are channeled into the sector.

In the specific case of Uzbekistan, SMEs already provide a massive contribution to national GDP and support the lion's share of domestic employment. While recent legislative reforms have successfully lowered the barriers to entry by simplifying registration and liberalizing tax codes, the "financial ceiling" remains a problem. Many local firms still struggle with a lack of long-term capital, high borrowing costs, and a stock market that is not yet deep enough to offer a real alternative to traditional bank loans.

Conceptually, a robust financial mechanism for SMEs should be viewed as a synchronized ecosystem of instruments and institutions. It must rest on four pillars: accessibility (ensuring no firm is excluded), efficiency (maximizing the impact of every soum invested), sustainability, and flexibility. In transition economies like ours, the gap between these ideals and reality is often widened by information asymmetry—where banks don't fully trust the data provided by small borrowers—and a lingering lack of diverse financial products.

While Uzbekistan has seen progress through state-backed credit guarantees and the rise of

digital banking, the system is still overly dependent on commercial bank lending. To break this cycle, we must prioritize the diversification of the financial landscape. This means moving beyond simple loans toward venture capital, leasing, and crowdfunding. Furthermore, strengthening the institutional "safety net" through better credit guarantee schemes will allow banks to lend more freely to businesses that lack traditional collateral.

Ultimately, the transformation of Uzbekistan's economy depends on whether we can build a financial ecosystem that is as innovative as the entrepreneurs it seeks to support.

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