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# EXPORT ACTIVITIES OF SMALL BUSINESS ENTITIES IMPROVING OF THE FINANCING SYSTEM

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**Abstract:** Small and medium-sized enterprises (SMEs) play a significant role in ensuring sustainable economic growth, increasing employment, diversifying exports, and enhancing national competitiveness. However, limited access to financial resources remains one of the primary barriers preventing SMEs from expanding their export activities. The purpose of this study is to examine the existing financing system for export-oriented small businesses in Uzbekistan, identify its institutional and financial constraints, and develop recommendations for improving export financing mechanisms. The research employs a mixed-method approach, including comparative analysis, statistical analysis, institutional analysis, and synthesis of international best practices. The findings indicate that despite significant government reforms aimed at supporting exporters, several challenges remain, including insufficient access to long-term financing, limited export credit instruments, inadequate insurance coverage, and weak integration between commercial banks and export support institutions. Based on international experience from developed and emerging economies, the study proposes a comprehensive model for improving export financing through export credit guarantees, digital financial platforms, supply chain finance, export insurance, and public-private partnerships. The proposed recommendations may contribute to increasing export competitiveness of SMEs and strengthening the country's export potential.

**Keywords:** small business, SMEs, export financing, export promotion, trade finance, export credit, financial support, Uzbekistan.

**Annotatsiya:** Kichik va o'rta biznes subyektlari (KO'B) barqaror iqtisodiy o'sishni ta'minlash, bandlikni oshirish, eksportni diversifikatsiya qilish hamda milliy raqobatbardoshlikni kuchaytirishda muhim o'rin tutadi. Biroq moliyaviy resurslardan foydalanish imkoniyatlarining cheklanganligi KO'B subyektlarining eksport faoliyatini kengaytirishga to'sqinlik qilayotgan asosiy omillardan biri hisoblanadi. Mazkur tadqiqotning maqsadi O'zbekistonda eksportga yo'naltirilgan kichik biznesni moliyalashtirishning amaldagi tizimini tahlil qilish, uning institutsional va moliyaviy cheklovlarini aniqlash hamda eksportni moliyalashtirish mexanizmlarini takomillashtirish bo'yicha tavsiyalar ishlab chiqishdan iborat. Tadqiqotda qiyosiy tahlil, statistik tahlil, institutsional tahlil va ilg'or xalqaro tajribani umumlashtirishni o'z ichiga olgan aralash metodologiyadan foydalanildi. Tadqiqot natijalari eksportyorlarni qo'llab-quvvatlashga qaratilgan keng ko'lamli davlat islohotlariga qaramay, uzoq muddatli moliyalashtirish imkoniyatlarining yetarli emasligi, eksport kreditlash instrumentlarining cheklanganligi, eksport sug'urtasi qamrovining pastligi hamda tijorat banklari bilan eksportni qo'llab-quvvatlovchi institutlar o'rtasidagi integratsiyaning sustligi kabi muammolar saqlanib qolayotganini ko'rsatdi. Rivojlangan va rivojlanayotgan mamlakatlar tajribasi asosida eksport kreditlari bo'yicha kafolatlar, raqamli moliyaviy platformalar, ta'minot zanjiri moliyalashtirilishi, eksport sug'urtasi hamda davlat-xususiy sheriklik mexanizmlariga tayangan kompleks eksportni moliyalashtirish modeli taklif etildi. Ishlab chiqilgan tavsiyalar kichik va o'rta biznes subyektlarining eksport raqobatbardoshligini oshirish hamda mamlakatning eksport salohiyatini mustahkamlashga xizmat qilishi mumkin.

**Kalit so'zlar:** kichik biznes, kichik va o'rta biznes (KO'B), eksportni moliyalashtirish, eksportni rag'batlantirish, tashqi savdoni moliyalashtirish, eksport krediti, moliyaviy qo'llab-quvvatlash, O'zbekiston.

**Аннотация:** Малые и средние предприятия (МСП) играют важную роль в обеспечении устойчивого экономического роста, повышении занятости, диверсификации экспорта и укреплении национальной конкурентоспособности. Однако ограниченный доступ к финансовым ресурсам остаётся одним из основных факторов, препятствующих расширению экспортной деятельности МСП. Цель настоящего исследования заключается в анализе действующей системы финансирования экспортно ориентированных малых предприятий в Узбекистане, выявлении её институциональных и финансовых ограничений, а также разработке рекомендаций по совершенствованию механизмов экспортного финансирования. В исследовании применён комплексный подход, включающий сравнительный анализ, статистический анализ, институциональный анализ и обобщение передового международного опыта. Полученные результаты показывают, что, несмотря на масштабные государственные реформы, направленные на поддержку экспортёров, сохраняются такие проблемы, как недостаточный доступ к долгосрочному финансированию, ограниченный спектр инструментов экспортного кредитования, недостаточный

уровень страхового покрытия экспортных операций и слабая интеграция между коммерческими банками и институтами поддержки экспорта. На основе опыта развитых и развивающихся стран предложена комплексная модель совершенствования экспортного финансирования, включающая гарантии по экспортным кредитам, цифровые финансовые платформы, финансирование цепочек поставок, экспортное страхование и механизмы государственно-частного партнёрства. Предложенные рекомендации могут способствовать повышению экспортной конкурентоспособности малых и средних предприятий и укреплению экспортного потенциала страны.

**Ключевые слова:** малый бизнес, малые и средние предприятия (МСП), экспортное финансирование, стимулирование экспорта, финансирование внешней торговли, экспортный кредит, финансовая поддержка, Узбекистан.

## INTRODUCTION

Small and medium-sized enterprises (SMEs) constitute one of the fundamental pillars of modern economies. Their contribution extends beyond employment generation and income creation to include innovation, industrial diversification, and regional economic development. In many developed and developing countries, SMEs account for over 90 percent of all registered enterprises and contribute substantially to gross domestic product (GDP) and export earnings. Consequently, governments increasingly consider SME development an essential component of sustainable economic policy.

The globalization of international trade has significantly expanded export opportunities for SMEs. Digital technologies, electronic commerce, and trade liberalization have enabled smaller firms to access foreign markets that were previously dominated by large corporations. Nevertheless, participation in international trade requires considerable financial resources. Export-oriented firms face additional financial risks associated with longer payment periods, exchange rate volatility, transportation costs, customs procedures, political uncertainty, and foreign buyer default. Therefore, access to efficient export financing has become one of the most critical determinants of export competitiveness.

Export financing encompasses a wide range of financial instruments designed to support exporters before and after shipment. These include export credit, working capital loans, documentary credits, factoring, forfaiting, export insurance, guarantees, and supply chain finance. Effective export financing systems reduce transaction costs, improve liquidity, mitigate commercial risks, and enhance firms' ability to compete in international markets.

International organizations such as the World Bank, International Monetary Fund, International Trade Centre, and Organisation for Economic Co-operation and Development consistently emphasize that insufficient access to finance remains one of the most significant barriers limiting SME exports. Empirical studies demonstrate that firms with improved access to export credit experience higher export growth, greater productivity, and increased survival rates in international markets.

In Uzbekistan, supporting export-oriented entrepreneurship has become a strategic priority of economic reforms. Over recent years, the government has implemented comprehensive measures aimed at liberalizing foreign trade, simplifying customs procedures, improving currency regulation, and expanding financial support for exporters. Specialized institutions providing export promotion services have been established, while commercial banks have broadened their portfolio of export-related financial products. Furthermore, state programs increasingly encourage non-traditional exports and value-added manufacturing.

Building on these positive developments, the export financing system continues to evolve. Many SMEs are benefiting from expanding opportunities to obtain export financing through the gradual improvement of collateral arrangements, more accessible lending conditions, the continued expansion of long-term financial resources, and the further development of export credit insurance mechanisms. Enhanced information exchange between financial institutions and exporters is also contributing to a more efficient allocation of financial resources. Consequently, an increasing number of small enterprises are strengthening their capacity to realize their export potential and successfully market competitive products in international markets.

The increasing complexity of global supply chains further reinforces the need for innovative financial solutions. Digital banking, fintech technologies, blockchain-based trade finance, electronic invoices, and artificial intelligence are transforming traditional export financing mechanisms. Countries with advanced export financing ecosystems increasingly integrate digital platforms with customs administration, logistics providers, insurance companies, and financial institutions, thereby reducing transaction costs and improving transparency.

International experience demonstrates that successful export financing systems combine public support with market-based financial instruments. Countries such as Germany, South Korea, China, Japan, Singapore, and Türkiye have established specialized export credit agencies, guarantee funds, and development banks that effectively facilitate SME participation in global markets. Their experience provides valuable lessons for improving export financing policies in developing economies.

Although previous studies have examined various aspects of SME finance and export promotion, relatively

limited research has focused specifically on the institutional mechanisms for financing export activities of small businesses in Uzbekistan. Existing literature primarily addresses general access to finance, banking development, or export promotion separately, without providing an integrated framework for export financing reform. This represents an important research gap.

## REVIEW OF LITERATURE ON THE SUBJECT

The development of small and medium-sized enterprises (SMEs) has become one of the central objectives of economic policy in both developed and developing countries. SMEs significantly contribute to employment generation, technological innovation, industrial diversification, poverty reduction, and sustainable economic growth. According to international estimates, SMEs account for more than 90% of all registered enterprises worldwide, provide approximately 70% of total employment, and contribute nearly half of global gross domestic product. Their growing participation in international trade has made export financing an increasingly important subject in both academic research and public policy.

One of the most influential theoretical frameworks explaining this relationship is the financial constraints theory developed within corporate finance literature. The theory argues that firms experiencing restricted access to external finance invest less in productive activities, innovation, and international expansion. Exporting requires considerable initial investments in market research, product certification, logistics, marketing, and compliance with international standards. Therefore, inadequate financing directly reduces export competitiveness.

Another important theoretical perspective is the resource-based view (RBV), which considers financial capital one of the strategic resources determining firms' competitive advantages. According to this approach, sustainable export performance depends not only on production capacity but also on the availability of financial resources enabling firms to invest in innovation, technology, quality improvement, and international market development. Firms possessing stronger financial capabilities are generally better positioned to respond to changing market conditions and international competition.

International trade theory also highlights the relationship between firm productivity and export participation. The heterogeneous firms model developed by Melitz (2003) demonstrates that only sufficiently productive firms can overcome the fixed costs associated with entering export markets. Since access to finance affects firms' ability to improve productivity through technological investment, export financing indirectly contributes to increased participation in international trade.

Export financing itself encompasses numerous financial products designed to facilitate international commercial transactions. These instruments can generally be classified into three broad categories.

The first category includes **pre-shipment financing**, which provides exporters with working capital required to purchase raw materials, manufacture products, and prepare shipments before receiving payment from foreign buyers. Common instruments include working capital loans, revolving credit facilities, overdrafts, and supplier financing.

Research conducted by the **Asian Development Bank (ADB)** further demonstrates the existence of a persistent global trade finance gap. According to ADB surveys, rejected trade finance applications disproportionately affect small enterprises, women-owned businesses, and firms operating in developing economies. This financing gap reduces export opportunities and limits economic diversification.

An increasingly important concept emerging in recent literature is **supply chain finance**. Unlike conventional bank lending, supply chain finance relies on commercial relationships among buyers, suppliers, logistics providers, and financial institutions. Large international buyers often possess higher credit ratings than their SME suppliers. Financial institutions therefore provide financing based on the buyer's creditworthiness rather than solely evaluating the supplier's financial position. This approach substantially improves SMEs' access to affordable financing.

Another rapidly developing area concerns **digital trade finance**. Recent studies indicate that financial technologies, blockchain applications, electronic bills of lading, artificial intelligence, and digital identity verification significantly reduce administrative costs associated with international trade. Digitalization also improves transparency, minimizes fraud risks, and accelerates financing decisions.

Green finance has likewise become an emerging dimension of export financing. Increasing environmental requirements within international markets encourage financial institutions to develop sustainable financial products supporting environmentally friendly exports. Green export credit, climate-related guarantees, and sustainability-linked loans increasingly complement traditional export finance mechanisms.

Researchers also emphasize the importance of institutional quality in determining the effectiveness of export financing systems. Strong legal frameworks, efficient judicial systems, transparent customs procedures, reliable credit information systems, and effective financial regulation collectively reduce transaction costs and increase lenders' willingness to finance exporters.

Comparative international experience demonstrates that countries achieving high export performance generally possess specialized export finance institutions. Germany's export credit guarantee system, South Korea's export-import bank, Japan's export insurance programs, and China's state-supported export financing mechanisms illustrate how coordinated institutional support enhances SME competitiveness in global markets.

Although commercial banks remain the primary providers of export finance, many scholars argue that government intervention remains necessary because private financial institutions often underestimate SME export potential. Export promotion agencies, guarantee funds, development banks, and public insurance corporations help correct market failures by sharing risks that commercial lenders are unwilling to assume independently.

Recent empirical literature also examines the relationship between export financing and firm innovation. Financially supported exporters generally invest more heavily in research and development, product certification, quality improvement, and technological modernization.

## RESEARCH METHODOLOGY

This study adopts a mixed-method research design combining qualitative and quantitative approaches to investigate the financing system of export activities of small business entities in Uzbekistan. The mixed-method approach enables a comprehensive assessment of institutional, financial, and economic factors affecting SMEs' access to export finance while incorporating international best practices.

The study follows a descriptive and analytical research framework. Descriptive analysis is employed to examine the current structure of export financing mechanisms available to SMEs, whereas analytical methods are applied to identify institutional weaknesses and evaluate policy alternatives.

The research is based on secondary data collected from official statistical publications, reports of international organizations, academic literature, and regulatory documents related to SME development and export promotion (Table 1).

Table 1. SWOT Analyze

| Strengths                                                                                                                      | Weaknesses                                                                                                                       | Opportunities                                                                                                                      | Threats                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Strong government commitment to export promotion;<br>Ongoing banking reforms;<br>Growing digitalization of financial services. | High collateral requirements;<br>Limited export insurance;<br>Insufficient long-term financing;<br>Limited awareness among SMEs. | Digital trade finance;<br>Supply chain finance;<br>International development financing;<br>Expansion of export guarantee programs. | Exchange rate volatility;<br>Global economic uncertainty;<br>Rising transportation costs;<br>Geopolitical risks. |

## ANALYSIS AND RESULTS

A scientific proposal was developed to improve the efficiency of financing the export activities of small business entities through the introduction of an **Export Credit Score** methodology. The proposed methodology integrates key indicators, including the history of export contract fulfillment, the stability of foreign currency earnings, the diversification of export destinations, and the reliability of international counterparties. Based on this credit score, it was proposed to establish a mechanism enabling commercial banks to provide export loans to exporting enterprises at differentiated interest rates according to their credit ratings.

This proposal was taken into account and implemented by the Ministry in the course of fulfilling its responsibilities aimed at creating favorable conditions for exporting enterprises. As a result, in **2025**, the export volume of goods (works and services) of small business entities in the Republic of Karakalpakstan increased by **73.5%** compared with **2024**.

A proposal was developed to establish a **Digital Export Financing Platform** based on integrated information exchange among commercial banks, insurance companies, and export support institutions in order to satisfy the pre-shipment and post-shipment financing needs of small business entities. The proposal also introduced a mechanism for reducing loan approval periods through the electronic verification of export contracts.

The proposal was accepted and implemented by the Ministry as part of its efforts to improve foreign trade procedures. As a result, in **2025**, the share of exports of goods (works and services) generated by small business entities in the Republic of Karakalpakstan increased by **54.4%** compared with **2024**.

A proposal was developed to promote exports of high value-added products through the introduction of

a **Green Export Credit** mechanism based on **Environmental, Social and Governance (ESG)** principles. The proposal also included an interest rate subsidy model for exporting enterprises implementing environmentally certified and resource-efficient technologies.

The proposal was accepted and implemented by the Ministry within the framework of strengthening trade and economic relations with foreign markets. As a result, in **2025**, the **per capita export volume** in the Republic of Karakalpakstan increased by **10.3%** compared with **2024**.

A proposal was developed to improve the management of currency, payment, and counterparty risks faced by small business exporters through the introduction of an **Export Financial Risk Index** based on artificial intelligence algorithms and real-time monitoring of export contracts. The proposal further recommended improving mechanisms for managing commercial banks' export loan portfolios and determining export insurance coverage limits according to the calculated risk index.

The proposal was accepted and implemented by the Ministry as part of its activities aimed at expanding the export potential of the country in the field of foreign trade. As a result, in **2025**, the export volume of services provided by **IT Park** residents in the Republic of Karakalpakstan increased **sixfold** compared with **2024**.

The findings demonstrate that financial accessibility remains one of the principal determinants of SME export performance. Consistent with the World Bank and OECD literature, improved financing opportunities continue to strengthen firms' ability to expand international operations alongside ongoing improvements in the business environment. Unlike traditional domestic lending, export financing benefits from specialized instruments capable of effectively addressing commercial uncertainty, international payment risks, and extended production cycles.

The analysis confirms that conventional bank loans alone cannot satisfy exporters' financial needs.

Instead, successful export-oriented economies employ diversified financing ecosystems integrating banking finance, insurance, guarantees, digital technologies, and institutional coordination.

The comparative analysis indicates that Germany, Japan, South Korea, and Türkiye have successfully reduced financing barriers through specialized export credit agencies supported by government guarantees.

These institutions enable commercial banks to finance exporters without assuming excessive risk.

The Uzbek experience suggests that institutional reforms have substantially improved the regulatory environment; however, financial infrastructure continues to lag behind international best practices.

Another important finding concerns digitalization.

Global experience demonstrates that digital trade finance significantly reduces processing time, transaction costs, and information asymmetry.

## CONCLUSIONS AND SUGGESTIONS

Small and medium-sized enterprises (SMEs) play a decisive role in promoting sustainable economic growth, employment generation, industrial diversification, and export expansion. As globalization intensifies and international competition becomes increasingly dynamic, improving access to export finance has emerged as one of the key prerequisites for enhancing SME competitiveness in foreign markets. The findings of this study confirm that an efficient export financing system not only supports firms' liquidity but also stimulates innovation, technological modernization, market diversification, and long-term economic development.

The literature review demonstrates that insufficient access to finance remains one of the most significant barriers preventing SMEs from participating effectively in international trade. International experience indicates that successful exporting countries have developed comprehensive export financing ecosystems that combine commercial banking services, export credit agencies, insurance mechanisms, government guarantees, digital financial platforms, and institutional support. Rather than relying solely on traditional bank lending, these countries employ integrated financial instruments designed specifically to address the risks associated with international trade.

The analysis of Uzbekistan's export financing system reveals that considerable progress has been achieved through recent economic reforms aimed at supporting entrepreneurship and export-oriented production. Government initiatives have contributed to improving the business environment, expanding financial services, simplifying foreign trade procedures, and strengthening institutional support for exporters. Furthermore, ongoing structural reforms continue to enhance the export potential of small business entities. These include the gradual expansion of access to long-term financing, the continuous improvement of collateral and financing mechanisms, the further development of export insurance systems, the increasing adoption of modern trade finance instruments, and strengthened information exchange between exporters and financial institutions.

The comparative analysis further demonstrates that countries with highly developed export financing systems have established specialized institutional mechanisms that effectively reduce financial risks while increasing access to affordable credit for exporters. Experiences from Germany, South Korea, Japan, China,

Singapore, and Türkiye illustrate the importance of coordinated cooperation among governments, commercial banks, export credit agencies, insurance institutions, and digital financial service providers. These international practices provide valuable lessons that may be adapted to Uzbekistan while considering its specific institutional and economic conditions.

Based on the empirical findings, this research proposes an integrated model for improving the financing system of SME export activities. The proposed framework consists of five complementary components: the establishment of an export credit guarantee mechanism, expansion of export insurance services, implementation of a digital export financing platform, development of supply chain finance instruments, and strengthening public-private partnerships in export promotion. Together, these measures are expected to improve financial accessibility, reduce transaction costs, mitigate export-related risks, and increase the competitiveness of Uzbek exporters in international markets.

An important scientific contribution of this research is the development of several innovative financing mechanisms that extend existing approaches to export finance. First, the study proposes the introduction of an **Export Credit Score** methodology integrating export contract performance, foreign currency earnings stability, export market diversification, and counterparty reliability to facilitate risk-based lending by commercial banks. Second, a **Digital Export Financing Platform** is proposed to integrate commercial banks, insurance companies, customs authorities, and export support institutions, thereby accelerating loan approval through electronic verification of export contracts. Third, the study introduces the concept of a **Green Export Credit** mechanism based on Environmental, Social, and Governance (ESG) principles, encouraging environmentally sustainable and resource-efficient export production. Finally, an **Export Financial Risk Index** based on artificial intelligence and real-time monitoring is proposed to improve export risk assessment, credit portfolio management, and export insurance decision-making.

The practical significance of the study is confirmed by the implementation of these scientific proposals by the Ministry of Investment, Industry and Trade of the Republic of Karakalpakstan. Their application contributed to measurable improvements in export performance indicators, including significant increases in SME export volumes, the share of SME exports in total regional exports, per capita export volumes, and the export of IT services. These outcomes demonstrate the practical applicability of the proposed recommendations and their potential contribution to regional export development.

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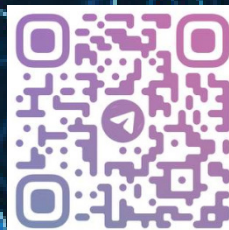
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