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FORMS OF CREDIT FOR SMALL BUSINESS AND ENTREPRENEURSHIP

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ABSTRACT

This article provides ideas and comments on the forms of lending to small business and entrepreneurship.

Keywords: business, credit, commodity, money, credit object.

INTRODUCTION

A loan to a small business is a relationship that arises from the borrowing and repayment of funds in cash or in kind in the form of payment for a certain period of time.

The credit relationship is one of two entities - the owner of the money, i.e. the lender; the second is the need for money, i.e. it occurs between the borrower. Credit arises as a result of the repayment of funds in the form of goods and money on the terms of maturity and interest payments.

According to the term of the loan is divided into three types:

1. Short-term loans (loans with a term of up to one year).
2. Medium-term loans (loans with a term of one to three years).
3. Long-term loans (loans with a term of more than three years).

International loans vary slightly in terms of maturity. In this case, loans for a period of one to five years are considered medium-term, loans for a period of five years and more are considered long-term loans.

There are similarities between the concepts of credit and finance, on the one hand, and differences on the other.

If finance refers to the relationship of all economic entities to their own funds, credit, on the other hand, refers to the relationship of borrowing money owned by another entity and is an element of market relations.

The common denominator between finance and credit is that both of them have different ways of accumulating and using cash relationships.

He can use the monetary resources he owns in finance at any time, at no cost. A loan is a temporary use of someone else's money for a fee and a refund when it expires. Credit is a category specific to commodity-money relations and represents the movement of money.

Credit entities may be different. These include enterprises, firms, organizations, governments, and various categories of the population.

The object of credit is not any money, but only temporarily vacant money and goods that can be given.

There are three types of free money:

- money in the hands of entrepreneurs or big money, ie capital;

- money in the hands of the population - money collected to meet the needs sooner or later, the owner in the hands of the means of consumption, not capital;
- money at the disposal of the state. This money is both capital (for a state-owned enterprise) and general consumption money.

The recorded free money constitutes a loan fund (loan fund). Empty money comes from the following sources:

- accumulation of depreciation pool before the expiration date. Depreciation is allocated annually and is available for a certain period of time as it is used after a few years;
- Investment money is allocated from the profit to increase production, but it is possible to invest this money after accumulating a certain amount;
- The money previously spent on raw materials, fuel and materials is returned to the owner with the sale of goods, but their repurchase does not occur at the same time. However, these funds will initially be credited to the current account. These resources are considered as credit resources only after they have been deposited;
- the time of use of the money of social funds allocated from the profit does not coincide with the time of its receipt, as a result of which the money remains empty;
- Receipts and disbursements of wages do not occur simultaneously. It is known that when the goods are sold, the money goes down, the salary is paid every 15 days, not every day. As a result, the salary fund money may also be empty;
- citizens, as consumers, will have accumulated money to provide for old age, to buy valuable goods, to travel or to hold a grand ceremony, which will be idle until they reach a sufficient amount, or until the opportunity to use it;
- Revenues and expenditures of the state budget do not occur simultaneously;
- Due to the fact that the formation and use of various donations and insurance money took place at different times, some of it remains unspent.

In short, the uneven movement of monetary resources in society allows some money to remain idle and turn into a debt fund.

Credit performs four different functions:

First, it creates money-equivalent means of payment (e.g., promissory notes, checks, certificates, etc.) and attracts them into economic circulation.

Second, it implements the rule that money makes money by turning idle money into working capital.

Third, it ensures the mobility of production resources by redistributing funds between different sectors through lending.

Fourth, lending stimulates economic growth through debt collection tools.

Different results are achieved with credit and its use. These results can be positive or negative. Positive results mean the achievements achieved as a result of effective use of credit. For example, in Asaka, Andijan, a new car plant, which is being built mainly on a bank loan, will meet the country's demand for cars to a certain extent and will take a worthy place in the world market.

The negative role of credit is mainly manifested in the following two cases:

- unreasonably large amounts of credit in various ways, resulting in an increase in the money supply and the devaluation of the national currency;
- if the received international loans are not used effectively and the country repays the loan from other sources of income, for example, from the sale of gold.

Credit relationships can be direct and indirect between the owner of the money and the borrower. In the first case, they enter into direct circulation. In the second case, they occur through contact intermediaries. Accordingly, the following basic forms of credit arise:

1. Commercial credit.
2. Bank credit.
3. Consumer credit.
4. Government credit.
5. International credit.

A commercial loan is a loan given by sellers to buyers in the form of goods. In this case, the goods are given on credit on the condition of payment within a certain period. The borrower of a commercial loan issues a promissory note (debt obligation) to its owner.

The total amount of debt granted through a loan depends on the price and quantity of the goods. For example, a 1,000-meter velvet loan is given for $ 2 per meter. In this case, the loan of the owner of the velvet to the buyer is $ 2,000 (1000x2).

In a commercial loan, interest takes the form of a premium on the price of velvet sold on credit, so velvet is given on credit at a price higher than its cost. For example, if velvet is sold for $ 2 per meter in cash, the loan will have an additional interest of $ 2.5. In our example, the premium for 1000 meters of velvet is $ 500 (1000 x 2.5 = 2500; 2500 - 2000 = 500).

There are basically five ways to make a business loan:

- promissory note method;
- open account, discount method;
- seasonal credit;
- consignment.

When the goods are delivered by promissory note, the seller provides the trader to the buyer. The buyer, in turn, accepts it, that is, agrees to pay the amount specified in the draft in a timely manner.

The essence of a commercial loan through an open account is that as soon as the buyer orders the goods, it is shipped, and the payment is made from time to time for a specified period. In this case, the buyer does not have to apply for a loan every time he buys goods, that is, he does not apply for a loan.

In the discount method, if the buyer makes the payment within a certain period agreed in the contract after the payment documents are written, a discount is given on the total amount of payment. If he fails to pay within this period, he shall make the payment in full within the prescribed period.

Seasonal credit is commonly used in the sale of toys, souvenirs, and other consumer goods. For example, retailers buy Christmas tree toys throughout the year and accumulate large stocks for toys this year. Toys will be paid in January-February after the New Year holiday. The

convenience of this method for manufacturers is that they get rid of the cost of storing toys in warehouses.

Consignment is a method in which buyers buy goods without obligation, ie they are paid after the goods are sold. If the goods are not sold, it will be returned to the owner.

Bank credit. Banks and other credit institutions accumulate money in their own hands on the condition of paying interest to its owners and lend it on their own behalf and receive interest. There are three subjects:

- money holder;
- credit organization;
- the borrower's credit relationship appears.

Among banks, commercial banks are the central link. According to the Law of the Republic of Uzbekistan "On Banks and Banking", commercial banks are joint-stock, share-based and private, providing "credit settlements and other banking services."

Banks lend to businesses that are reliable and able to use money efficiently. They, in turn, spend this money to invest and grow the economy. The bank selects reliable customers and provides loans on the condition that their property or other wealth is pledged. For example, if a bank lends a farmer $ 15,000, the value of his mortgaged property should not be less than that amount.

Consumer credit. Commercial banks provide loans to firms for business, consumers to buy goods. This results in consumer credit. In the United States, for example, banks issue consumer credit cards to buy goods worth up to $ 2,500, which are paid for based on invoices issued by banks and stores. Such a loan will be very preferential, its interest will be less than the interest on other loans, and may even be interest-free.

Consumer credit is designed to meet the consumer needs of the population. It can be in the form of goods and money. In particular, long-term loans for individual housing construction are consumer loans in cash.

Government credit. Banks also lend to the state. He also borrows from it. This creates a state loan. The debt and its interest are repaid from the budget. Under public credit conditions, lenders are rarely banks. Often this task is performed by the population, firms, enterprises and organizations.

The state borrows in various forms, primarily in the form of government bonds. The loan is a certificate of indebtedness of the state, which guarantees the repayment of the debt in due time and the payment of interest. The loans are issued by central and local governments. Loans are interest-bearing, interest-bearing, both interest-bearing and interest-bearing, and sometimes interest-free.

In credit relations, the state not only acts as a debtor, but also as a lender. The state creates a loan fund in the bank at its own expense, and also provides loans from the treasury. Treasury debt is spent from the state budget to enterprises, firms and organizations for their financial rehabilitation. This loan is also issued for a certain period of time, subject to repayment and interest. But the interest is very privileged and does not aim to make a profit. The state may also waive its debt.

International credit is an international movement of loan capital, which is associated with the issuance of funds in the form of goods and currency on the basis of repayment, maturity and repayment.

The subjects participating in international credit relations are commercial banks, central banks, government agencies, governments, large corporations and international and regional financial institutions.

The main forms of international credit are corporate loans, acceptance loans, acceptance-reimbursement loans.

A corporate loan is a loan given by a firm in one country to a firm in another country. Its most common type is a loan based on the exporter's sale of goods to the importer on the basis of deferred payment.

Accepted loans are loans provided by large banks in the form of acceptance of drafts. This credit is used if the exporter doubts the importer's solvency or wants to receive the payment amount quickly.

Acceptance-reimbursement credit means that the exporter's promissory note is accepted by the bank of the third country and the importer transfers the sum specified in the promissory note to the accepted bank.

It is known that private banks also provide international loans, such as international organizations (International Monetary Fund, European Bank for Reconstruction and Development, Asian Development Bank, etc.). But the terms of their loans are significantly different from each other.

These differences include:

- International organizations usually provide long-term loans. Private banks, on the other hand, provide mainly short-term loans;
- low interest rates on loans from international organizations. It is usually 7-9% per year. Private banks, on the other hand, have a relatively high ratio, in most cases 18-20%;
- International organizations provide loans on the basis of economic stabilization programs. In this case, specific programs will be reviewed by their experts. In addition, international organizations require borrowing countries to adhere to certain indicators - a certain ratio of the budget deficit to GDP, the monthly rate of inflation, etc .; private banks do not require adherence to such programs and indicators;
- The share of secured loans in the volume of international loans issued by private banks will be large. In the credit of international organizations, on the contrary, their share is usually

КФС = КФ / КМ * 100;

Here, КФС – loan interest rate, %;

КФ – loan interest, soums;

КМ – loan amount, soums.

The interest rate on loans is determined by the country's loan capital market. The interest rate on international loans is determined by the global loan capital market, the main part of which is located in London, Tokyo, New York, Frankfurt, Paris and Brussels.

Loan interest rates fluctuate under the influence of various factors. The main of these factors are:

The ratio of supply and demand in the money market, that is, how much money is in demand in the market and how much money is borrowed against it. When demand increases, interest increases, and when supply falls, it decreases.

The level of profit expected from the use of borrowed money, more precisely the consumption value of that money. If the loan money brings a lot of benefits to the entrepreneur or fully satisfies the consumer's needs, the interest rate will be high, otherwise it will go down. This compares to the benefits of using money now.

Terms and conditions of debt repayment. If the loan is given for a long period of time and can be repaid slowly, in small installments, the borrower will agree to a higher interest rate. If the loan is given for a short period of time and has to be repaid in one lump sum, the borrower prefers a lower interest rate. The fact is that the longer the loan is given, the more profit can be made using it, and the easier it is to pay interest on the account.

How to repay the loan. If the loan is issued in a freely convertible currency, the interest rate is set higher, if it is issued in ordinary currency, the interest rate is set relatively low. Since convertible money is reputable, it is easy to use and you can earn money from it quickly.

Inflation rate. When inflation occurs, the loan is partially devalued until it is returned to the owner. In this case, the owner of the money loses. Therefore, interest rates are set taking into account inflation. Percentage varies in direct proportion to the rate of inflation.

Income from using money in a way other than lending. In this case, the principle of preference of the owner of the money applies. If the stock dividend is high, the interest decreases and vice versa. If a 15% dividend is paid on a share, the interest must be higher. Otherwise, the owner of the money would prefer to buy the stock rather than lend it.

The level of risk of lending. If the debt repayment is guaranteed, the interest rate will be low, if it is risky and the loan repayment is doubtful, the interest rate will be high. Typically, interest is assigned to financially sound and reputable firms. The difference between high and low interest rates reduces the risk of debt for money holders to a certain extent, because in one place the low interest rate is offset by its excess in another.

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