INTERNATIONAL INNOVATION AND RESEARCHES
International scientific journal Volume: 1 Issue: 2

THE ROLE OF MICROFINANCE IN ADDRESSING THE CHALLENGE OF FINANCIAL SERVICES FOR THE POPULATION

Dilmurodov Diyorbek,
Student of the group 2-f-23 of Academic Lyceum under
Navoi State University of mining and technology

Annotation: *The article discusses the current issue of microcredit for small businesses. Microfinance organizations (MFOs) promote self-employment and the growth of domestic small- and micro-businesses. Based on methods of analysis, synthesis, and generalization, as well as scientific abstraction, we can conclude that domestic MFOs are beginning to fill the gap in financial services for the population and small businesses in situations where credit services from banks and other financial institutions are unavailable or unaffordable. Despite the positive impact of MFOs on the domestic economy, there is room for improvement in their operations. Currently, microfinance institutions (MFIs) are unable to fully meet the demand for financial services, due in part to their limited resource base. MFIs could address this challenge by independently increasing the fees for services they provide, which would negatively impact the affordability of their services and consequently hinder their ability to expand the range of financial products they offer to potential customers. In order to promote the further development of MFIs and enhance access to financial services, we propose implementing measures to significantly boost the resource base of these institutions by providing them with more affordable funding.*

Keywords: *microfinance, small businesses, financial services, microfinance institutions, client protection, diversification, risk management, competition, operational efficiency.*

The issues of fostering economic growth and addressing income disparities among various segments of the population are pertinent not only in developing countries but also in developed nations. As you are aware, one of the prerequisites for successfully addressing these challenges is to guarantee equitable access to financial services for all segments of society. Everyone requires financial services, and those citizens who are unserved by formal financial institutions must satisfy their financial needs through the informal finance sector.By raising funds through money lenders, informal associations, mutual aid funds, and mutual credit societies, as well as using the services of informal institutions for savings and money transfers, citizens simultaneously incur additional costs in the form of excessively high fees. This interaction also poses the risk of non-fulfillment of obligations on the part of informal financial organizations and other violations of consumer rights.

As a result of these circumstances, the economic activity of citizens is reduced, leading to an increased income differentiation among different categories of citizens and hindering the state's intensive economic growth.

In the context of this discussion, the term “microfinance” will be understood to refer to the provision of various financial services to clients primarily with low

incomes. Microfinance is a concept that lies slightly above the realm of household finances.

In a narrow sense, microfinance can be defined as the provision of basic financial services, such as loans, savings, money transfer and insurance, to low-income individuals. This type of business can be compared to a country of dwarfs in comparison to a country of giants, which refers to medium- and large-sized businesses and well-off segments of society. Poor people require financial services in order to run their small businesses, create assets and maintain their standard of living.

It is important to note that microfinance should not be limited to the activities of specialized microfinance institutions. Large financial institutions may also be involved in this type of activity, as they recognize the potential for growth in this market. Additionally, recent examples have shown that mobile operators can play a significant role in the development of microfinance services, given the widespread penetration of mobile phones among all segments of society.

Unlike the affluent segments of society, lower-income individuals meet their financial service needs through informal financial arrangements. These arrangements are often characterized by high interest rates, lack of consumer protection, and the absence of formal banking institutions. Informal lenders provide loans, while savings are achieved through similar informal relationships, such as mutual assistance groups and credit societies. Money transfers also occur through informal methods. Banks typically do not view this demographic as a lucrative market segment. This vision prioritizes the needs of customers over those of banking institutions and service technologies. It also emphasizes four key aspects of financial inclusion:

1. What to offer: A comprehensive range of services, including basic products in the four key areas of savings, lending, insurance, and payments.

2. How to deliver: High-quality services that are convenient, affordable, safe, respectful of the customer, and aligned with their interests.

3. Who is eligible to receive it? - Everyone who can benefit from the services, including individuals with low income, those below the poverty line, residents of rural areas, the homeless, and various social groups that have been subjected to discrimination (women, ethnic minorities, people with disabilities);

4. Who are the providers? - Among the diverse range of organizations, financial institutions play a leading role, but the list also includes a variety of private, public, and state-run organizations [2, p. 8].

Such a comprehensive vision aims to improve the quality of services by avoiding the limitation of service to a single product or the provision of expensive, inconvenient or unsuitable services to consumers.

The protection of customers' interests is seen as a key element of a market-driven system, and the state should support such an approach. A significant advantage for market players is the diversification of customer bases.

Today, many microfinance institutions do not have well-developed risk management systems in place. At best, their credit risk management units function at the level of individual loans. Due to their excessive focus on growth and profits, some microfinance institutions are unable to cope with the scale of their operations, and risk management is given secondary importance. The isolated incidents of failure of microfinance institutions in various countries around the world indicate weaknesses in management and a lack of preparedness for stress situations. This requires attention from regulatory and supervisory bodies to ensure the stability of the microfinance sector.

Used literature:

1. Promoting financial inclusion, HM Treasury // Family Resources Survey. – 2007.
2. Артеменко Д.А. Механизм обеспечения финансовой безопасности банковской деятельности: диссертация на соискание ученой степени кандидата экономических наук. − Ростов- на-Дону, 1999.
3. Артеменко Г.А., Артеменко Д.А. Формирование и оценка трансакционных издержек налогового администрирования. // Вопросы регулирования экономики. – 2013. − № 3.
4. Белоглазова Г.Н. Деньги. Кредит. Банки. − М.: Юрайт-Издат, 2009.
5. Сиганьков А. Кредитование малого бизнеса // Эксперт. − 2006. − № 3.
6. Южанов И.А. Малое предпринимательство в России // Экономика России-XXI век. − 2003. − № 12.