



## BASES OF LEGAL REGULATION OF MICROFINANCIAL SERVICES PROVIDING ORGANIZATIONS

**Madumarov Talantbek Tolibjonovich**

Dean of the Faculty of Social Economics of  
Andizhan State University,  
Doctor of Sciences in Law,  
Professor,  
Republic of Uzbekistan

**Gulomjonov Odiljon Rahimjon ugli**

2nd year student of National Ideology,  
Fundamentals of Spirituality and  
Legal Education of Andizhan State University,  
Republic of Uzbekistan

Article DOI: <https://doi.org/10.36713/epra2491>

### ABSTRACT

*This article covers the main place of small business and business in today's market economy. Including scientifically analyzed the development of small business and business, and the legal basis, at this time financially support small business and business, the latter is amended and the rules for this branch of national legislation are added.*

**KEY WORDS:** *Small business, businessmen, credit, private property, bank, state, family, economy, money, syllable, debt, physical person.*

### INTRODUCTION

In our country, as in other areas, the door to great opportunities for entrepreneurship has been opened. In particular, great attention is paid to the types of microfinance services. The level of access to financial resources and the state of formation of the financial infrastructure play a special role in the development of the country. Banks, which are the main subjects of this infrastructure, cannot meet all the needs of businesses and the population in financial resources. Therefore, the presence of non-bank structures together with banks in this area of activity is required. In Uzbekistan, such structures are mainly microcredit organizations. Such organizations usually include pawnshops, microcredit organizations, which are formed in various organizational and legal forms. According to the latest amendments to the legislation, banks now provide microcredit and microcredit services, which indicates that banks are also a type of microcredit organizations. In turn, such diversity in the subjective status of microcredit organizations shows that there are certain problems, specific approaches and specific aspects in the legal regulation of their activities.

### METHODS

Microfinance also means that financing is carried out on a smaller scale, and the amount of loans that do not exceed a certain amount or amount is defined by the state as microfinance [1]. The definition of microfinance is given in Article 3 of the Law of the Republic of Uzbekistan dated September 15, 2006 "On microfinance" [2]. is the activity of providing other services in accordance with the contract (hereinafter referred to as the contract).

It is clear from this definition that microfinance is the implementation of the types of financing activities (microcredit, microcredit, microleasing) specified in the legislation in the amount not exceeding the established amount. The maximum amount for each type of microfinance is determined by law. For example, a thousand times the minimum wage for a microcredit, a hundred times the minimum wage for a microloan is the maximum amount of service. In this case, the ongoing funding can not be more than this amount. After all, microfinance is not available in all financial institutions. This type of activity is usually defined by law as being carried out by a financial institution called a microfinance institution.



## RESULTS AND DISCUSSIONS

According to the first part of Article 3 of the Law of the Republic of Uzbekistan dated September 20, 2006 No-53 "On microcredit organizations" [3], a legal entity engaged in the provision of services in the field of microcredit, microcredit, microleasing and other microfinance services in accordance with this Law the person is a microcredit organization.

A microcredit organization is any organization that provides microcredit, microcredit, microleasing and other financial services provided by law, with or without the provision of statutory funds to small businesses and the poor, with the exception of statutory prohibitions. - is understood as a legal entity established in a legal form [4, p.14].

A.V. Chirikov describes a microcredit organization as an entity that lends to citizens and small businesses for a maximum amount limited by law for profit or to achieve a socially useful goal [5, p.7].

Apparently, the microcredit organization is also a legal entity. As a legal entity, a microcredit organization operates for profit. After all, the services provided by him are always paid. For example, according to Article 744 of the Civil Code, the borrower undertakes to repay the loan amount and pay interest on it. The interest received is the profit that the microcredit organization receives on its own. In this regard, the microcredit organization can be included in the category of commercial legal entities.

The first rules related to the activities of microcredit organizations in Uzbekistan were established by the entry into force of the Civil Code of the Republic of Uzbekistan. In particular, Article 289 of the Civil Code sets out the rules for the activities of pawnshops. According to the first part of this article, the pledge of movable property from citizens for personal consumption for the provision of short-term loans can be carried out by specialized organizations - licensed pawnshops as an entrepreneurial activity. Pawnshops can provide short-term (for a period not exceeding three months) loans to citizens under the pledge of real estate for personal use [6, p.258].

In accordance with the list of activities requiring licenses, approved by the Resolution of the Oliy Majlis of the Republic of Uzbekistan No. 222-II of May 12, 2001, the activities of pawnshops must be licensed. Licensing of pawnshops is carried out by the Central Bank of the Republic of Uzbekistan.

The Regulation "On the procedure for licensing the activities of pawnshops" was approved by the Resolution of the Board of the Central Bank of the Republic of Uzbekistan dated September 22, 2003 No. 23/3 (AV registration number 1291 dated 10.12.2003). According to paragraph 8 of this Regulation, the license to carry out the activities of pawnshops, 500 mln. may be transferred to a legal entity registered as a pawnshop in the manner

prescribed by law, with the formation of a minimum authorized fund in the amount of UZS. The authorized fund of a pawnshop is formed from the funds paid by the founders of the pawnshop. It is not allowed to use borrowed and mortgaged funds and other borrowed funds to form the authorized fund of the pawnshop.

The activities of pawnshops are regulated by the "Rules for Activities and Operations by Pawnshops" approved by the Board of the Central Bank of the Republic of Uzbekistan on September 22, 2003 No. 23/4 [Reg. No. 1290, December 10, 2003]. According to paragraph 4 of these Rules, the pawnshop enters into contracts with citizens upon presentation of a passport or other identity document.

With the adoption of the Law of the Republic of Uzbekistan dated September 15, 2006 No.-50 "On microfinance" created a unique legal framework for the activities of microcredit organizations. This law defines the legal definition of the concept of microfinance as the main activity of microcredit organizations. In particular, according to Article 3 of the law, microfinance is the activity of organizations providing microfinance services to provide microcredit, microcredit, microleasing, as well as other services in accordance with the agreement on the provision of microfinance services (hereinafter referred to as the contract).

Analyzing the microfinance activity, T.T. Madumarov highlights the following specific features of this activity:

Specific features of microfinance activities include: first, the activities of microfinance institutions are characterized by a special legal regulation and are not subject to the legislation on banks and banking activities. Second, microfinance services are provided by certain types of legal entities - credit unions, companies, pawnshops, and microfinance organizations established for this purpose and with special legal capacity. Third, microfinance is determined by the normative limitations of the list of services provided [7, p.61].

In addition to this, it can be concluded that microfinance is an activity aimed at providing credit services to customers in the amount specified by the contract and not exceeding the amount provided by law. Because microfinance aims to provide financial support to small businesses and the needy, to direct them to entrepreneurship. Microfinance activities through the provision of non-refundable funds will create new jobs in the country, reduce poverty. Therefore, this law should focus on the acquisition of all-round financial resources by the poor. The Law of the Republic of Uzbekistan dated September 20, 2006 No.-53 "On microcredit organizations" has a special place in the legal regulation of the activities of microcredit organizations. According to Article 5 of this law, a microcredit organization operates on the basis of its constituent documents.



The minimum amount of the charter capital of microcredit organizations is set in paragraph 3 of the Regulation “On the procedure for licensing the activities of microcredit organizations” (registration number 2093, 13.04.2010), according to which from October 1, 2017 the minimum amount of the charter capital of microcredit organizations 2 0 billion soums.

With the adoption of the Resolution of the President of the Republic of Uzbekistan dated July 23, 2019 No PR-4400 “On measures to increase the popularity of microfinance services” began a new stage in the development of microcredit organizations. According to the decision of the Central Bank of the Republic of Uzbekistan and the Ministry of Finance from August 1, 2019:

The maximum amount of microcredit will be increased to 50 million soums, the amount of microcredit - up to 300 million soums and the amount of microleasing - up to 600 million soums;

The period for consideration of an application for a license to conduct activities of microcredit organizations and pawnshops will be reduced from 30 to 15 working days.

## CONCLUSION

In recent years, our country has seen consistent reforms in the economic and financial spheres, as well as practical results. Many of these practical indicators are related to the activities of new financial institutions emerging in our country. This is primarily the result of the development of existing entrepreneurship and small and medium business, improving the living standards of the population, helping low-income people to do business through credit, expanding the ranks of entrepreneurs in rural areas, employment. Today, the result or effect of these ongoing reforms will serve, albeit to a lesser extent, in the prevention of poverty.

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