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FOREIGN EXPERIENCE IN COMMERCIAL BANK LENDING TO SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

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Abstract:

This paper provides a comparative analysis of the U.S. SBA guarantee programs, Germany's KfW refinancing model, and Korea's KODIT and KOTEC guarantee and technology assessment systems. Common features of foreign experience—lending through private banks, partial risk sharing, targeted segmentation, digital processes, and the joint assessment of performance and financial sustainability—are identified. Practical proposals for Uzbekistan are developed based on portfolio guarantees, technology scoring, and the house-bank model.

Keywords: foreign experience, small business lending, SBA, KfW, KODIT, KOTEC, credit guarantee, refinancing

Introduction

In financing small businesses, the role of the state is not to select every loan instead of banks, but to reduce risk and information barriers in segments that are underserved by the market. Foreign countries address this task through guarantees, refinancing, technology assessment, advisory support, and capital instruments. A commercial bank selects the client, extends the loan, and conducts monitoring, while the state or a development institution assumes part of the risk or provides long-term funding under clearly defined rules.



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When adapting foreign experience, it is not sufficient simply to replicate a program name or interest rate. Each model has its own legal environment, credit information infrastructure, procedures for reviewing guarantee claims, loss-sharing arrangements, and performance indicators. In adapting these models to Uzbekistan, banks should retain responsibility for credit analysis, public support should generate additional lending, and the fiscal risks of the program should be disclosed transparently.

Research Methodology

The study is based on comparative institutional analysis. Programs in the United States, Germany, and Korea were compared in terms of the lender, the institution covering the risk, the purpose of the product, the share of risk, the assessment method, and performance criteria. Official materials of the U.S. Small Business Administration, KfW, KODIT, KOTEC, the World Bank, and the OECD were used. Conclusions for Uzbekistan were screened according to institutional compatibility, fiscal risk, banking competition, and data availability.

Analysis and Results

In the United States, the SBA 7(a) program does not lend directly to small businesses; loans are provided by banks and other lenders working with the SBA, while the SBA guarantees a specified share. A 7(a) loan may be used for working capital, equipment, real estate, business acquisition, and debt refinancing. Under the official terms, the maximum loan amount is \$5 million, with a guarantee of 85 percent for loans of up to \$150,000 and up to 75 percent for larger loans [9]. This ensures that the bank retains part of the credit risk.

The SBA 504 program is aimed at long-term investment in fixed assets and real estate and is implemented in cooperation with Certified Development



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Companies. In fiscal year 2025, 84.4 thousand loans totaling \$44.8 billion were guaranteed through the 7(a) and 504 programs, including \$37 billion under the 7(a) program and \$7.8 billion under the 504 program [10]. A key lesson from the U.S. experience is the clear differentiation of products by purpose, data-based supervision of participating lenders, and annual public reporting of program results.

In Germany, the KfW development bank implements many small business programs through the customer's servicing bank. The entrepreneur submits an application to their bank, the bank assesses the credit risk and manages the customer relationship, while KfW provides long-term funding and, under certain programs, risk-relief instruments. This house-bank principle allows the public institution to use the existing banking infrastructure without duplicating a retail branch network.

KfW's 2024 report shows financing commitments of €16 billion for small and medium-sized enterprises, of which €13.4 billion was provided through the SME Bank and Private Clients segment [11]. Products such as the ERP SME Loan, Digitalisation and Innovation Loan, and StartGeld for new businesses are differentiated by investment purpose and stage of enterprise development. The KfW experience demonstrates how subsidized interest rates can be linked to measurable objectives such as transformation, innovation, and energy efficiency rather than being converted into generally available cheap credit.

In Korea, KODIT provides guarantees for commercial bank loans and other corporate obligations, credit insurance, P-CBO guarantees for bonds, consulting, and guarantee-linked investment services within an integrated system [12]. This model addresses not only small enterprises' access to bank credit, but also problems related to trade receivables and direct access to capital markets. As the



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guarantee institution collects data and works with enterprises over the long term, it also becomes an additional source of information for banks.

A distinctive feature of KOTEC is the partial substitution of collateral with an assessment of technological potential. The institution uses the KTRS or AIRATE system to assess technological competence, market potential, commercialization, and risk. Technology-based enterprises rated B or higher are eligible for guarantees [13]. The standard guarantee limit is KRW 3 billion per enterprise, with higher limits available for high-technology, export-oriented, or green businesses. This makes it possible to conduct a structured assessment of future technological value when an innovative enterprise has insufficient historical financial indicators.

Foreign Models of Small Business Lending

Country and Institution	Main Instrument	Lesson for Uzbekistan
United States – SBA	7(a) and 504 partial guarantees	Risk sharing with banks and product differentiation by purpose
Germany – KfW	Refinancing through the house-bank model	Use of the existing banking network and provision of long-term funding
Korea – KODIT	Guarantees, insurance, and P-CBO	Expansion of financing instruments within an integrated system
Korea – KOTEC	Guarantees based on technology ratings	Assessment of innovative businesses with insufficient collateral
World Bank principles	Partial and risk-based guarantees	Independent governance and transparent performance reporting



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Conclusion and Recommendations

Foreign experience demonstrates that there is no single universal model for small business lending. The United States emphasizes guarantees and product specialization, Germany focuses on channeling long-term resources through the servicing bank, and Korea combines guarantees with technology assessment. Their common feature is the use of public instruments to address clearly defined market failures while preserving private banks' credit analysis and risk exposure. For Uzbekistan, the following measures are proposed: 1) pilot portfolio guarantees for standardized small loans; 2) determine the guarantee share according to the segment and the quality of the bank's portfolio; 3) allocate long-term resources on a competitive basis through the house-bank model; 4) develop an independent technology-scoring institution for technology start-ups; 5) manage guarantee claims and losses according to transparent criteria; 6) disclose indicators on additional lending, new borrowers, job creation, and losses for each program; and 7) design public support so that it does not replace commercial lending.

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