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# IMPORTANT METHODOLOGICAL ISSUES OF THE CREDIT MECHANISM

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One of the main methodological issues of the credit mechanism is the formation of the interest rate of loans and ensuring their stable level.

The market mechanism of loan interest rate formation requires the full formation of the national loan capital market. That is, the mechanisms of operations in both segments of the national loan capital market (money market and capital market) should be improved.

Formation of a balanced interest rate is one of the central issues of formation of interest rates of loans and ensuring their stability.

The first fundamental problem with the practical application of the equilibrium interest rate concept is that it is an unobservable entity. The actual interest rate (nominal or real) observed in any given period is the equilibrium rate, because the economy is in a certain state of equilibrium in each period. However, balanced interest rate refers to certain interest rates that are formed under special conditions. However, it is difficult to firmly believe in the formation of such interest rates in real life.

In the standard approach to determining the neutral/equilibrium interest rate, the equilibrium rate is formed when output and inflation are in equilibrium. According to the mentioned scientists, the balanced rate, taking into account the effects of the financial cycle on financial stability, should be higher than the models in which only the business cycle is taken into account [1] .

The second complication is that even within one concept (for example, neo-Keynesian), the balanced rate can have different levels depending on which model (open or closed economy; economy with financial tension (compression)) or economy without tension) is considered [2] .

The second problem of practical application of this concept is the difficulty of estimating the neutral rate. R. Kaplan, head of the Federal Reserve Bank of Dallas, stated that the assessment of the interest rate consistent with the neutrality of monetary conditions is more of an art than a science that requires a comprehensive analysis of a wide range of factors [3] .

According to H. Ray's conclusion, the principle possibility of evaluating the balanced rate is related to the possibility of fulfilling a specific condition, that is, not the trilemma of monetary policy, but the action of the dilemma [4] .

The results of scientific studies carried out by foreign economists have shown that all three conditions are considered simultaneously in the general equilibrium of RBS models to estimate the interest rate in the short term [5] .

Therefore, to estimate the equilibrium rate in the short run, we build a general equilibrium model without price rigidity (with flexible prices) or the RBC model. The specific characteristics of the economy are taken into account in this model. For example, the openness or smallness of the economy or the high export of raw materials. For the purposes of the three-sector structure of the economy in general equilibrium (for the energy-producing sector, in the country for the manufacturing sector and the manufacturing sector abroad) is appropriate to consider.

In this model, we need to study not only the recovery of the interest rate level in the short-term equilibrium, but also the dynamics of the transition of the interest rate from one long-term equilibrium to another. In doing so, we apply one of the widely used filters for interest rate estimation - Laubach and Williams. These calculations reflect an estimate of the short-term equilibrium interest rate [6] .

Beyer and Wieland estimate the equilibrium interest rates obtained by different methods are characterized by very high uncertainty, which is important for evaluating the compliance of these calculations with the objectives of monetary policy [7] .

Uncertainty in interest rate fluctuations depends on various factors, including the expectations of financial market participants, which is one of the important factors taken into account when forecasting interest rates.

An overview of approaches to determining the equilibrium rate on the example of the US economy is presented in the scientific research of J. Hamilton, I. Harris, S. Graf, H. Lindvall, and others [8] .

The equilibrium interest rate as the rate corresponding to the long-term equilibrium of the economy was studied in He et al. [9] .

Real _ balance rate to determine the concept of capital assets the price to define consumption to the model is based on of this model main predictions in practice sure cannot find confirmation [ 10] .

Descriptive models of the balance between the supply of credit funds (funds) and the demand for them (investments) are widely covered in the economic literature. They demand and offer factors through into debt the price of money received learns _ These are models different theoretical of models separately to the results relies on and real interest rate level e mas , maybe his change direction evaluates [ 11] .

is represented by the works focused on the imbalance of the economy in the standard definition of equilibrium rates due to the possible accumulation of financial stability risks [12] .

One of the important methodological issues of the credit mechanism is credit risk assessment.

According to the Basel-1 system:

* standard coefficients for measuring the level of risk are given to broad categories of assets, such as: state (sovereign), bank and corporate assets. For example, to cover the corporate risk, regardless of the borrower's credit quality, it is envisaged to allocate 8% of the capital (that is, 100% of the risk measurement coefficient);

*the risk level of any loan given to clients by commercial banks is equal to 100 percent;

*credits differ significantly from each other according to the level of risk.

The coefficients used in the assessment of credit risk in the Basel-II standard take into account the following:

-sovereign credit rating of the country;

- rating of the bank;

- rating of the customer who received the loan;

-type of bank transaction.

One of the important requirements of Basel-II is the requirement to increase the risk level of bank loans that are not provided with sufficient reserve allocations. The essence of this requirement is that if 90 days or more have passed since the end of the loan repayment period, if the amount of the created reserve is less than 20 percent of the total debt on the loan, then the risk level of these loans is 150 percent. This has a negative impact on the liquidity and stability of the capital base of commercial banks with a relatively high share of overdue loans in gross loans. The reason for this is that, firstly, in our republic, reserve allocations intended to cover losses from loans are carried out entirely at the expense of commercial banks. This, in turn, serves to reduce the level of capitalization of the net profit of banks. Second, risk exposure of overdue loans at the level of 150% leads to an increase in the amount of risk assets of commercial banks. As a result, the capital adequacy ratio of commercial banks decreases. Thirdly, the main part of the loans is made by crediting the representative accounts of the commercial bank "Nostro". Therefore, non-payment of loans leads to a decrease in the amount of liquid assets of the bank and, therefore, to a decrease in its current level of liquidity [14] .

It should be noted that in the international banking practice, including the banking practice of the Republic of Uzbekistan, the requirements of the Basel Committee are used for the classification of loans and the organization of reserves for them.

The results of researching the methodological foundations of the credit mechanism showed that:

- the market mechanism of interest rate formation of loans should be fully formed of the national loan capital market, that is, the mechanisms of operations in both segments of the national loan capital market should be improved.

- one of the central issues of formation of loan interest rates and ensuring their stability is the formation of a balanced interest rate, and the following are the problems of applying the concept of a balanced interest rate in practice:

- the object is considered an unobservable object;

- even within one concept (for example, neo-Keynesian), the balanced rate may have different levels depending on which model (open or closed economy; economy with financial tension (compression) or economy without tension) is considered.

- showed that calculations of equilibrium interest rates obtained by different methods are characterized by very high uncertainty, and this situation is important for assessing the compliance of these calculations with the goals of monetary policy;

- A new method of credit risk assessment was proposed in the Basel-II standard, and in this method, the level of credit risk is determined depending on the credit rating of the borrower.

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