

IMPROVING THE PRACTICAL BASIS OF THE CREDIT MECHANISM

Gadoev Suhrob Jumakulovich

Head of the Department of Finance and Financial Technologies of Termiz State University, PhD,
associate professor

Raxmonov Shuxratjon Xaydarqulovich

Senior teacher of Uzun Agricultural Technical College under Termiz State University

Shodiyeva Shamsiya Nuraliyevna

Senior teacher of Uzun Agricultural Technical College under Termiz State University

Abstract: In developed countries, by improving the practical foundations of the credit mechanism, the role of commercial banks in the development of the real sector of the economy, in ensuring the efficiency of the use of loans, and in the development of bank lending activities on the basis of innovations is ensured. The article reveals urgent problems related to the improvement of the practical foundations of the credit mechanism and develops scientific problems aimed at solving these problems.

Key words: Commercial banking, credit, credit mechanism, credit resources, resource base, credit provision, credit risk.

Enter

Despite the significant improvement of the credit system in Uzbekistan in recent years, its level of development lags behind the requirements set by the economy. Banks are limited to providing traditional types of loans using standard security methods. The fact that modern lending models are not properly implemented is the basis of certain problems. In such conditions, improving the lending mechanism and methodology is becoming a necessity today.

In the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, it is necessary to create equal conditions of competition in the financial market, to implement lending only on the basis of market conditions, to reduce the dependence of banks on state resources, to modernize the provision of banking services, to create an efficient infrastructure of banks and to automate their activities, as well as identified as priorities for increasing the efficiency of the banking system by gradually canceling functions that are not specific to the activities of banks [1].

The above-mentioned circumstances create the need to improve the practical foundations of the credit mechanism.

Literature review.

According to G.S.Panova, in order to increase the ability of banks to give loans, first of all, it is necessary to ensure the adequacy of their deposit base. In order to ensure the adequacy of the deposit base of commercial banks, it is important to prevent transaction deposits from exceeding 30 percent of gross deposits, to introduce limits for the part of deposits directed to credit operations, relying on the experience of German banking practice. In Germany, 60 percent of time deposits and 10 percent of transaction deposits are directed to credit operations [2].

The result of the research carried out by N. Valentseva showed that the possibility of reducing the interest rate on loans due to the interest margin is determined by the decrease in the cost of bank products. In this case, the general lower limit of the amount of the interest spread is considered a sufficient level of interest margin. An important condition for reducing costs in banks is the introduction of monitoring of the cost of banking products into banking practice [3] .

According to E.Litvinov, the use of the annuity method of collecting interest payments on retail loans by commercial banks leads to an increase in the burden of loan payments on individuals. Therefore, allowing individual borrowers to choose loan payment methods (stratified or annuity) allows to strengthen the incentive content of interest rates [4] .

According to O. Iminov's conclusion, "the interaction of commercial banks with non-bank credit institutions in the field of credit mechanism should be built on a new basis. In the republic, the provision of funds by special credit institutions based on credit lines by commercial banks has made these institutions not "competitors" with banks like in developed countries, but rather "dependent" on them to a certain extent. They cannot independently carry out lending, but distribute funds to commercial banks on agreed terms. At the same time, commercial banks, being fully responsible for the "fate" of the loan, are forced to transfer half of the profit from it to the non-budget fund. Such a situation sharply reduces the efficiency of credit" [5] .

According to O. Sattarov's conclusion, the following measures should be taken to ensure the stability of the banking system by solving the problems related to the liquidity of commercial banks:

- The Central Bank allocates refinancing loans for commercial banks in order to help them solve their liquidity in the short term;
- introduction of operational liquidity loans and a mechanism for allocating loans for a period of 90 days and at a fixed rate 2 percentage points higher than the refinancing rate, as its requirements;
- improvement of the working mechanism of the interbank credit resource market. In this case, the Central Bank allocates resources to at least three of the local commercial banks and directs them through them in order to restore their liquidity for banks experiencing short-term financial difficulties;
- further development of the securities market, first of all, issuing state bonds and making banks an active participant in their trading .

This conclusion of O. Sattarov is devoted to the improvement of the credit mechanism of the Central Bank. Indeed, refinancing loans of the Central Bank play an important role in ensuring the liquidity of commercial banks [6] .

Analysis and discussion of results.

One of the important indicators describing the modern state of the credit mechanism is the profitability index of given loans. In turn, the following two indicators are widely used in assessing the profitability of loans:

1. Rate of return per unit loan.

2. The weight of interest income from loans in the total amount of interest income.

It is important to note that the weight of interest income from loans in the total volume of interest income should be proportional to the weight of loans in gross assets.

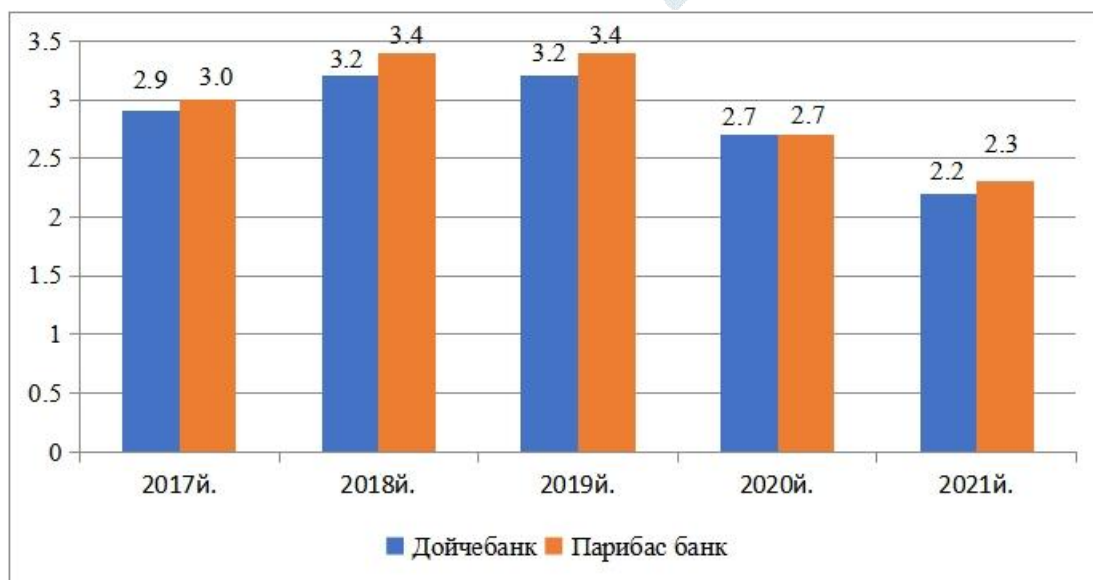


Figure 1. Rate of return on 1 euro loan at Deutsche Bank and Paribas Bank, in percent

The data presented in Figure 1 shows that the rate of return per 1 euro loan at Deutsche Bank had an increasing trend in 2017-2019. This is a positive situation from the point of view of ensuring the efficiency of the bank's lending practice. However, this indicator had a downward trend in 2019-2021.

The data presented in Figure 1 shows that the rate of income per 1 euro loan at Paribas Bank had an increasing trend in 2017-2019. This is a positive situation from the point of view of ensuring the efficiency of the bank's lending practice. However, this indicator had a downward trend in 2019-2021.

The rate of profitability of loans is one of the indicators of the environment that describes whether the credit mechanism has improved or not. On the other hand, the rate of profitability of 1 unit loan is one of the main indicators describing the rate of profitability of loans. This indicator makes it possible to make an accurate assessment of the profitability of loans without taking into account the influence of influencing factors on the profitability of loans.

Table 1

Composition and dynamics of Sberbank's retail loan portfolio

	2017	2018	2019	2020	Change in 2020 compared to 2017
Housing loans, bln. rubles	3132	3851	4291	5219	166.6%
Consumer loans, bln. rubles	1575	2113	2658	3108	197.3%
Plastic cards and overdrafts,					

bln. rubles	572	658	794	829	144.9%
Auto loans, billion rubles	120	130	141	152	126.7%
Retail loans - total, bln. rubles	5399	6751	7884	9308	172.4%

From the data presented in Table 1, it can be clearly seen that the amount of housing loans in the retail loan portfolio of Sberbank in 2017-2020 had an increasing trend. This is explained by the following:

- *The fact that Sberbank is one of the leading banks in the Russian mortgage loan market;
- * high demand for housing loans by the population;
- *the existence of the practice of state financial support of lending for housing construction and purchase by banks.

From the data of Table 1, it can be seen that in 2017-2020, the amounts of consumer loans granted by Sberbank to individuals, loans granted on credit plastic cards, overdraft loans and car loans had a tendency to increase. This is a positive situation from the point of view of improving Sberbank's lending practices.

Now we will analyze the lending practices of another commercial bank, which is the object of research - Aloqabank.

Since one of the main activities of Aloqabank is lending, firstly, loans occupy a high weight in the volume of Aloqabank's assets; secondly, the amount of interest income from loans is significantly higher in the volume of Aloqabank's gross income. This plays an important role in ensuring the financial stability of the bank.

Table 2

Amount and level of Aloqabank loans

Indicators	2016	2017	2018	2019	2020	2021	2022
Loans, billion soum	1094	1626	4743	5592	5696	7653	9161
Weight of loans in gross assets, %	69.5	58.2	81.1	76.2	70.3	60.6	57.0

From the data of Table 2, it can be seen that during the analyzed period, the amount of loans given by Aloqabank had an increasing trend.

From the data of Table 2, it can be seen that during 2016-2022, the weight of Aloqabank's loans in the volume of gross assets was unstable. For example. In 2018, this indicator was 81.1 percent, and in 2022 it was 57.0 percent.

Table 2 shows that the weight of Aloqabank loans in the volume of gross assets decreased significantly in 2022 compared to 2016. This is explained by the significant increase in the weight of investments in securities in the volume of gross assets during this period.

Since loans have a high weight in the volume of assets of commercial banks, the financial stability of banks depends on the amount of interest income from loans. Therefore, the analysis of the profitability of loans is of great practical importance for commercial banks.

We evaluate the profitability of Aloqabank loans using the information in the table below.

Table 3

Indicators describing the profitability of Aloqabank loans

Indicators	2016	2017	2018	2019	2020	2021	2022
Loans, billion soum	1094	1626	4743	5592	5696	7653	9161
Interest income from loans, bln. soum	138	169	473	827	809	923	1350
Income rate corresponding to 1 soum loan, %	12.6	10.4	10.0	14.8	14.2	12.1	14.7

3 , it can be seen that the amount of Aloqabank loans had an increasing trend in 2016-2022.

From the data of Table 3, it can be seen that the amount of interest income received by Aloqabank from loans had an increasing trend in 2016-2019. This is a positive situation from the point of view of improving the bank's lending practices. However, in 2019-2021, the profitability of Aloqabank loans had a decreasing trend. This is a negative situation from the point of view of improving the bank's lending practice.

From the data of Table 3, it can be seen that the profitability of Aloqabank loans had a decreasing trend in 2016-2018. This is a negative situation from the point of view of improving the bank's lending practices. However, this indicator has significantly increased in 2022 compared to 2016.

Conclusions and suggestions

In order to increase the ability of commercial banks to issue loans, first of all, it is necessary to ensure the adequacy of their deposit base; secondly, it is necessary to reduce the cost of credit products by reducing the interest rate on loans due to the interest margin.

The fact that the income level corresponding to 1 euro loan at Deutsche Bank had a tendency to increase in 2017-2019 is a positive situation from the point of view of ensuring the efficiency of the bank's lending mechanism, but this indicator had a tendency to decrease in 209-2021.

At Paribas Bank, the rate of income per 1 euro loan had an increasing trend in 2017-2019.

In 2017-2020, the amount of housing loans in the retail credit portfolio of Sberbank had a tendency to increase, while the amount of consumer loans to individuals, loans on credit plastic cards, overdraft loans, and car loans had a tendency to increase.

In 2016-2022, the weight of Aloqabank's loans in gross assets was unstable, while the amount of interest income received from loans had an increasing trend in 2016-2019.

During the research, the following scientific proposals aimed at improving the practical foundations of the credit mechanism were developed:

1. It is necessary to analyze the indicators describing the level of net profit at the same time as determining the creditworthiness of economic entities with the status of a legal entity through financial coefficients.

In this case, we recommend analyzing the ratio of the cost of products to the net income from the sale of products and the ratio of net profit to assets.

is one of the important indicators describing the level of net profit . But there is no normative level of this indicator. To assess its current level, a comparative analysis indicator of financial

analysis is used, and the current level of this indicator is compared with the levels of previous periods and with the average level of the industry.

At the modern stage of the development of the economy of the Republic of Uzbekistan, reducing the cost of products is one of the urgent issues of the development of the real sector of the economy.

For many years, the high rate of inflation and the rate of depreciation of the national currency led to a high weight of the cost of products in the net income of enterprises.

There is also no benchmark for the ratio of net profit to assets. Therefore, the comparative analysis method of financial analysis is used to assess the current level of this indicator.

In our opinion, the possibility of obtaining a loan should be reduced for legal entities that allowed the weight of the cost of products to increase in the volume of net income from the sale of products and the ratio of net profit to assets to decrease during the last three months.

The President of the Republic of Uzbekistan Sh.M. Mirziyoev touched on the urgency of the issue of cost reduction in the economy of our republic and said that "over the last 10 years, there is a sharp difference between the increase in the price of mineral fertilizers, fuel and lubricants and seeds and the increase in the purchase price of raw cotton and grain." .

Also, the high rate of depreciation of the national currency leads to an increase in the cost of imports. This has a negative impact on the solvency of economic entities.

Non-fulfillment of the tasks defined in the localization programs does not allow reducing the level of dependence of industrial enterprises on imports. In such circumstances, the fact that the national currency continues to depreciate and its rate of depreciation is high does not allow to reduce the prices of industrial products.

2. In order to ensure the effectiveness of innovative loans, first of all, it is necessary to improve the system of quantitative evaluation of these loans (quantitative characteristics of loan products are determined by the size of the bank's own capital, the size of lending limits, the borrower's ability to pay, as well as the size of the loan collateral); secondly, by developing retail lending on the basis of innovations, it is necessary to increase the weight of retail loans in the volume of gross loans.

Used literature

1. Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992. On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020 - 2025//National database of legal documents, 05/13/2020, No. 06/20/5992/0581; National database of legislative information, 18.10.2021, No. 06/21/6325/0972; 12/30/2021, No. 06/21/42/1224, 03/18/2022, No. 06/22/89/0227; 10.06.2022, No. 06/22/152/0507; 04/27/2023, No. 06/23/62/0232.
2. Panova G.S. Kreditnaya politika kommercheskogo banka. - M.: IKTs "DIS", 1997. - S. 194 .
3. Valentseva N.I. Tsenoobrazovanie na rynke bankovskikh uslug//Bankovskoe delo. – M .: 2013. – No. 11. - S. 39.
4. Litvinov E.O. Kreditnoe bremya naseleniya Rossii: voprosy theory i metodologii. Monograph. - Volgograd, 2012. - S. 14.

5. Iminov O.K. Ways to develop the credit system of the Republic of Uzbekistan. I.F.D. diss. autoref. - Tashkent, 2002. - B. 27.
6. Sattarov O.B. Improving the methodology of ensuring the stability of the banking system of the Republic of Uzbekistan. I.F.D. science narrow take three. destiny eat diss. autoref. - Tashkent, 2018. - 70 p.
7. Гадовев С.Ж. Kredit mexanizmini amaliy asoslarini takomillashtirish. // Iqtisodiy taraqqiyot va tahlil. – Toshkent, 2023. – №3. B. 130-136.
8. Гадовев С.Ж. O'zbekiston respublikasida kredit mexanizmini takomillashtirish imkoniyatlari. // Yashil iqtisodiyot va taraqqiyot. – Toshkent, 2023. –№ 8. B. 18-25.
9. Гадовев С.Ж. Kredit mexanizmini metodologik asoslarini takomillashtirish. // Yashil iqtisodiyot va taraqqiyot. – Toshkent, 2023. –№ 7 B. 288-294
10. Гадовев С.Ж. Kredit riskini baholash va boshqarish amaliyotini takomillashtirish. // Iqtisodiyot va turizm. – Buxoro, 2023. –№ 4(12). B. 75-84.
11. Гадовев С.Ж. Econometric modeling and forecasting of factors affecting the credit mechanism. // Academic Journal of Digital Economics and Stability (ISSN 2697-2212) Impact Factor: 7.121, 2023. Volume – 32, Aug-202 P. 20-35.
12. Гадовев С.Ж. Ways to ensure the stability of commercial banks' loans. // Ekonomika i sotsium. Saratov, 2023. – № 8(111) C. 1-9.
13. Гадовев С.Ж. Tijorat banklari kreditining ta'minotini takomillashtirish yo'llari. // [Science Problems.uz](https://scienceproblems.uz) (ISSN 2181-1342). – Toshkent, 2023. –№ 8(3). B. 175-181.
14. Гадовев С.Ж. Kredit mexanizmining elementlari o'rtasidagi aloqadorlikni ta'minlash yo'llari. // Siyosatshunoslik, huquq va xalqaro munosabatlar. (ISSN 2181-3477) – Toshkent, 2023. –№ 02/08. B. 5-11.
15. Гадовев С.Ж., Жумазода А. Tijorat banklari mijozlarining kredit to'loviga layoqatliligini baholashni takomillashtirish. // Logistika va iqtisodiyot. Toshkent, 2022. – №2. B. 209-214.
16. Гадовев С.Ж., Jumazoda A. Improving credit efficiency assessment of commercial banks' customers. // Thematics journal of business management. (ISSN 2277-3002) Impact Factor: 7.25, 2022. Volume – 5, Issue – 1 R. 18-24.
17. Гадовев С.Ж. Tijorat banklari qimmatli qog'ozlar portfelining sifatini ta'minlash yo'llari. // Moliya. – Toshkent, 2021. –№4. B. 57-64.
18. Гадовев С.Ж. Tijorat banklarining likvidligini ta'minlashning dolzarb masalalari. // Moliya. – Toshkent, 2021. –№6. B. 89-98.
19. Гадовев С.Ж. Тижорат банкларида ликвидлилик riskini бoшқаришнинг долзарб масалалари. // Молия. – Тошкент, 2019. – № 4. 43 – 50 б.
20. Гадовев С.Ж. Тижорат банкларида баланслашмаган ликвидлилик муаммоси хусусида. // Халқаро молия ва ҳисоб. – Тошкент, 2019. – № 3. 33 – 42 б.

21. Gadoev S.J. Topikal issues of liquidity risk management at commercial banks//International Journal of Memejement, IT & Engineering. (ISSN: 2249-0558) Impact Factor: 7. 119, 2019. – Volume – 9, Issue – 9. – Pg. 73 – 77.
22. Гадоев С.Ж. Монетар сиёсат инструментларидан фойдаланиш амалиётининг назарий ва амалий жиҳатлари. // Халқаро молия ва ҳисоб. – Тошкент, 2017. – №5. 31 – 39 б.
23. Гадоев С.Ж. Tijorat banklari kreditlarining riskliligi va daromadliligi. // The Article was published in the “Conference on Universal Science Research 2023”. 2023. Volume 1, Issue 7 P. 94-96.
24. Гадоев С.Ж. Tijorat banklari kreditlarining daromadliligini ta'minlash imkoniyatlari. // "XXI asrda innovatsion texnologiyalar, fan va ta'lim taraqqiyotidagi dolzarb muammolar" nomli konferensiya. 2023. 7 - son. B. 135-138.
25. Гадоев С.Ж. Tijorat banklari kreditlarining baholari barqarorligini ta'minlash imkoniyatlari. // Formation and Development of Pedagogical Creativity: International Scientific-Practical Conference (Belgium). 2023. Vol. 1. P. 67-69.
26. Гадоев С.Ж. Tijorat banklari kreditining ta'minotini takomillashtirish. // International conference on "Sustainable development: problems, analysis, prospects" (Poland). 2023. P. 44-46
27. Гадоев С.Ж. Кредит механизмининг муҳим методологик масалалари. // Бизнес ва иқтисодиётда рақамли трансформация. Халқаро илмий-амалий конференция материаллари. – Toshkent, 2023 йил 21 июнь. В. 457-462.
28. Гадоев С.Ж. Кредит механизмини самарали ташкил этиш масалалари. // Бизнес ва иқтисодиётда рақамли трансформация. Халқаро илмий-амалий конференция материаллари. – Toshkent, 2023 йил 21 июнь. В. 497-501.