

ADVANCED FOREIGN EXPERIENCES OF USING CREDIT FUNDS TO IMPROVE THE WELL-BEING OF THE POPULATION

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Annotation. This article presents foreign experiences of using credit funds and their results. Instructions for using foreign experiences in using bank loans in Uzbekistan are also provided. Also, the share of loans in the assets of commercial banks in the world is compared.

Abstract: This article presents foreign experiences of using credit funds and its results. In Uzbekistan, there are instructions for using foreign experience in using bank loans. Also, the share of loans in the assets of commercial banks in the world is compared.

Keywords. Commercial banks, credit, assets, business entities, valuation, loan repayment, Islamic finance

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According to the experience of developed countries in the world, the main direction of financing the activities of business entities is lending by commercial banks. Today, a healthy competitive environment is being developed in the comprehensive support and development of business entities by commercial banks, as well as the provision and offering of advanced innovative banking services in lending. In order to improve the lending methodology of commercial banks in developed and developing countries of the world, special attention is paid to such research areas as improving the quality of bank loans, reducing credit risks, improving methods and mechanisms for objectively assessing the creditworthiness of clients, transforming lending practices into the most favorable profitability strategy for the bank, and introducing advanced innovative banking services and products to increase the financial stability and lending capacity of banks. In particular, the World Bank has allocated loans worth nearly 4.8 million US dollars to finance 61 projects in 47 countries around the world to support entrepreneurs.

In the direction of economic development prospects in Uzbekistan, it is extremely important to first of all study the advanced foreign experience and methods of

developed countries in a comprehensive manner, then analyze these experiences, adapt them to the conditions of our country, and use them. Therefore, it is important to study the experience of foreign countries in this regard in the development of lending practices and use them to improve the lending practices of commercial banks of the Republic of Uzbekistan.

When analyzing the share of loans in the assets of commercial banks in the world, the indicators of commercial banks of the Republic of Uzbekistan in 2020 are higher than those of commercial banks in the United States and the Eurozone. However, in addition to loans, the share of investments in securities in the assets of commercial banks in the United States and the Eurozone is higher. In turn, further increasing the lending capacity of commercial banks depends on the quality of their loans. This requires increasing the lending efficiency of banks.

Loans are the main source of income for banks, and interest rates on loans are usually higher than on securities. For example, at the end of 2022, loans accounted for 56.1% of all assets of US banks. While the average interest rate on loans was 4.5%, the average interest rate on securities purchased by banks was only 2.5%. Thus, if a bank can grow its loan portfolio at a faster pace, its value will increase. Small banks in the US are expanding their commercial, retail and other lending activities, improving their financial stability and loss-reduction capabilities, while large banks are increasing their priority in providing high-risk commercial loans (Figure 13).

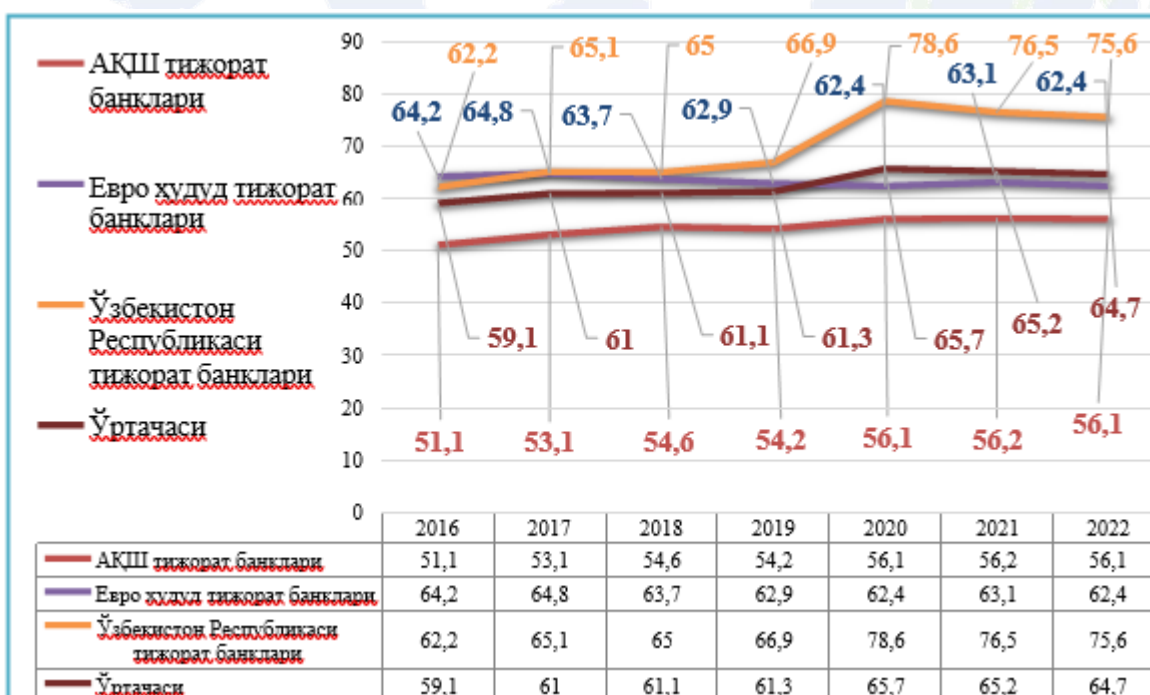


Figure 1.1 Share of loans in the assets of commercial banks in the world, in percent

In international practice, pledging goods in circulation under bank loans is widely used. In this case, the enterprise must not have a limit (sanction) on the sale of goods and the enterprise must have the right to independently sell and purchase goods, raw materials, materials and other assets. There are specific aspects of pledging an enterprise's goods under a bank loan. In particular, if the payment for goods or assets sold by the enterprise has not been received, they are removed from the pledge register, and those purchased are considered bank collateral from the moment the enterprise is granted ownership of these goods. In this process, it is necessary to observe such a condition that the goods at the disposal of the enterprise should not be less than the amount of collateral provided for in the loan agreement. Also, their liquidity should not change from the envisaged level, that is, not decrease.

In commercial banks of our country, it is advisable to adopt separate approaches to assessing the quality of credit allocated to the collateral (goods in circulation) of each potential business entity receiving a loan and to use a separate model scoring system for determining the credit collateral in addition to the rating provided. To do this, first of all, the author proposed a mechanism for calculating the risk of non-repayment of a loan. This indicator is determined by dividing the credit collateral (Kt), that is, the goods in circulation, by the amount of credit (Km) when determining credit risk (Kr): $Kr=Kt/Km$ Based on the risk of non-repayment of a loan, the quality of credit collateral (goods in circulation) can be rated as follows.

If the quality of credit collateral (goods in circulation) (KTS) of each potential business entity is assessed at a score of "0.76" or less, this indicates that the bank has a problem with the occurrence of credit collateral risks. This is the basis for concluding that if the bank does not take timely measures, the increase in the risk level may lead to negative consequences for the bank. The commercial bank should monitor the activity of such loans and take measures to increase the mandatory collateral requirements (Table 1.1).

Table 1.1

Criteria for assessing the quality of credit collateral (QC)

Rating (score)	1	2	3	4	5
Credit default risk	0,76-	0,61-	0,51-0,60	0,41-	0,40 below

	1,0	0,75		0,50	
Credit collateral quality	good	average	satisfactory	doubtful	problematic

In order to achieve a unified approach to assessing the quality of credit in relation to the collateral of each potential business entity in commercial banks of our country, it is advisable to use a scoring system for determining the reliability of credit collateral in addition to the rating presented. For example, in manufacturing enterprises, 70 percent of funds are placed in fixed assets, in trading enterprises, these assets make up about 10-15 percent. Therefore, the type of collateral and the procedure for assessing them for each individual enterprise are agreed between the bank and the borrower.

Today, two-thirds of Islamic finance is concentrated in Islamic banks. To give an idea of the total volume of Islamic finance, the author compared it with the current volume of the banking system of Uzbekistan. If the total volume of Islamic finance is 2.438 trillion. US dollars, the volume of the banking system of Uzbekistan is 25.7 billion. US dollars, that is, the volume of Islamic finance is 95 times larger. If the volume of Islamic financial institutions is compared with the volume of global financial institutions, today the volume of Islamic finance is about 0.71 percent of the total volume of assets of global financial institutions, which is 339 trillion. US dollars.

The total value of assets of China's ICBC Bank, the largest commercial bank in the world, is 3.62 trillion. US dollars, which is much higher than the total volume of Islamic finance, meaning that a single financial institution has a volume greater than Islamic finance. However, Islamic finance is still in its infancy, and the potential for future Muslim clients is huge. For example, the total population of Muslim-majority countries is growing at 1.8 percent per year, compared to 1.1 percent for the global population. By 2030, it is expected that a quarter of the world's population will be Muslim.

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