

Ways to Increase the Economic Efficiency of Credit Operations by Commercial Banks

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Abstract: *This article examines ways to improve the efficiency of managing credit lines of commercial banks in Uzbekistan and, accordingly, issues of development of the credit system.*

Key words: *commercial banking, credit, bank line of credit, loan portfolio management, risk, profitability, liquidity.*

Introduction

Economic reforms further deepening and the banking system liberalization under the circumstances credit operations important place Commercial banks credit operations bank income formative activity that was because of credit of the line quality level stability provide today's on the day banks main from the duties one is considered.

Lending commerce banks for primary importance has was activity type is considered, because commerce banks credit line of quality decrease their financial to stability negative impact does, that is deadline past of loans credit investments in size weight increase bank liquidity sharp to decrease take is coming.

Therefore, commercial banks credit line effective in a way management economy of subjects credit to the funds was needs satisfy opportunity gives. This regard Our President High To the meeting presented reached In the petition" The most bad, promising large projects designation and done in increasing serious to mistakes road foreign loans ineffective to work spent economy development interference is giving.

We, first of all, from the outside credit and investments take arrival according to effective system our creation, every one the loan clear to use our study In this matter seven measure, one times cutting, thorough thinking work take going period "has arrived" he said. past in vain not loans reasonable placement, they efficiency increase, given loans according to calculated interest own on time to collect to take provide tasks banks credit line over permanent following to go that it is a pressing issue based on gives.

To the topic related literature analysis

Commercial in banks credit line management efficiency increase issues one row foreign of scientists scientific in research studied and credit line the concept his/her to the essence given in definitions expressed as. For example American economists Chris J.Barlton, Diana Mack Unknown credit line is loans categorization own inside.

Also, N.Sokolinskaya credit line short and far term loans from the sum. This definition main attention of credit for the period aimed at this situation credit of the line essence complete open Because, by the bank given of loans the deadline by designating to be put and to him/her compliance to be done only credit of the line quality in determining important factor to be possible.

Russian famous economist O.I.Lavrushin credit line concept in banking usually one or other bank loans sum " understandable " is defined as gives. Thus together at the bank credit line formation and him/her analysis take to go commerce bank strategy and tactics clear working exit opportunity givin, customers credit opportunity It is considered to increase.

Abalkin LI.Panova GS and other one group economists in my opinion, commerce banks credit portfolio is of loans quality and composition according to In this definition, we believe credit portfolio the essence open to give positive approached. Positive is that they of loans quality to the composition looking at known factors into account received without categorization the necessity they emphasize.

Another one group foreign economist from scientists K.J.Braltron and D.Mack Strangers, commercial banks credit line is loans known to the signs according to In this definition, credit line of credit clear form and to the characteristics looking at to be classified is based on.

From Uzbekistan economist scientists too regarding row research take went, in particular, Sh.Z.Abdullaeva to the mind according to, banks credit portfolio is various kind credit risks based certain to the criteria looking at categorized loans of bank requirements on a large scale is the sum of. Economist scientist own in the definition of loans a certain criteria based on to the classification, that with together credit risks separately stopped past.

Above see issued of definitions to oneself typical aspects analysis did without credit to the line as follows definition to give We believe it is possible: the bank credit line is bank credit operations done increase for necessary basis counted by the bank given total of loans the sum in itself represents.

Also, banks in the activity credit operations main place occupied for their credit line correct organization to do banks effective and stable activity to show for opportunity creating giver main from factors one is considered. Credit operations take on the way road placed disadvantages banks income to decrease, some in cases their to break take arrival Therefore, banks credit line and his/her quality control as to go commerce banks effective of activity is a pledge.

Above studied to the circumstances based on our republic commerce in banks credit line management efficiency increase roads on the surface research take to go always We consider it relevant.

Research methodology

This of the article theoretical and methodological basis as general economic literature and scientific articles, economist of scientists commerce in banks credit line effective management issues according to research, scientists and industry representatives with conversation, their writing and verbal feedback analysis to do, expert evaluation, processes observation, economic event and to processes systematic approach, author experiences with comparative analysis transfer through relevant in directions conclusion, suggestion and recommendations given. The subject study in the process general economic methods with one in line information systematize according to special approaches, that is comparison, theoretical and practical materials concentration and systematic analysis such as methods used.

Analysis and results

Bank asset operations inside credit main place occupies and bank income weighty part is exactly the same this operations through Therefore, the bank loan of the line how formation of banking activities directly impact shows.

Bank loan line effective to manage for, most first of all banks credit process correct organization to be done necessary.

Current bank loan in law line regular accordingly analysis and audited showing passed is, in this credit quality determination with one in line credit process management quality assessment, including approved credit to the policy and credit documents formalize processes, collateral formalize and

assessment, lending circle powers distribution, legislation to the standards compliance to do compatibility to provide attention focus necessary.

The banking system of our republic development, banking services provided quality and types increase for the purpose of, Uzbekistan Republic The President's "Republican Banking System" further develop and stability increase according to measures "On" PQ No. 3270 decision with approved measures Program performance on the surface Uzbekistan Banks association commerce banks with together to current banking services designated tariffs again see was released [10].

Also, banking services in our republic consumers rights protection to do provision mechanisms further improvement openness level increase, as well as in 2019-2023 Uzbekistan Republic development five priority direction according to Actions in the strategy designated tasks done increase for the purpose of banking services popularity increase and banking services consumers of rights protection to be done provision Uzbekistan Republic Central bank main from the duties one that by designating [9].

This in the decision commerce in banks loans separation according to decisions acceptance in doing of powers too much outside centralization of the main banks and their branches between responsibility clear to be limited obstacle doing situations prevent to take measures clear by designating given. With this together in the decision credit orders see exit complicated mechanisms to customers loans fast to take opportunity limit circumstances prevent take, commerce banks by microloans separation opportunity increase, retail banking services market further develop and bank- client cooperation their relationship on the road of putting modern approaches to practice to introduce, to consider loans (microloans) exit and separation for service right and other of payments recovery the real value of the debt to increase take coming situations eliminate to grow measures working It was released.

Table 1. Commercial banks assets of quality classification¹

Classification categories	Deadline past days	Creation necessary was backup	Interest calculation
Standard	0	1%	on balance
Substandard	0	10%	on balance
Unsatisfactory	1- 89	25%	In sight " not caught cases " on account
Suspicious	90- 179	50%	
Hopeless	180 and many	100%	

This to the decision appropriate above order as follows changes included (Table 1).

Uzbekistan In the banking system of the Republic of assets according to probable reserves create regarding current normative to documents relevant changes included. In particular, on June 13, 2015 The Central Bank Board's " Assets " quality classification, commerce banks by they according to probable losses cover for reserves formation and from it use in order changes and additions input No. 14/5 on decision acceptance made [11].

The quality is classified as "standard". assets in return problems not observed. In this main debt of the amount and percentages no how part deadline past or conditions again see not released to be necessary. Home debt amount or from interest deadline past and conditions again seen assets The quality is classified as "standard" possible it's not.

Commercial bank backup capital in the composition The quality is classified as "standard". assets for

¹ Source: Prepared based on data from the official website of the Central Bank of the Republic of Uzbekistan.

their not returned main of the debt (residual) amount one percentage in the amount of standard to assets to be created backup formation necessary.

Commercial bank The quality is classified as "substandard". assets for their not returned main of the debt (residual) amount ten percentage in the amount of special backup formation necessary.

Home debt and interest according to deadline past debt there is is, its period of 90 days not exceeded If it is, it is classified as unsatisfactory.

Commercial bank The quality is classified as "unsatisfactory". assets for their not returned main of the debt (residual) amount twenty five percentage in the amount of special backup formation necessary.

Below cited from factors no unless one there is if, assets The quality is classified as "doubtful":

- "unsatisfactory" assets no unless any indicator, as well as some other negative descriptions there is if (in the market) easy for sale of supply there is not being or not provided of assets existence or debt recipient's declared bankrupt to be done);
- close in the future asset partially payment probability there is if;

Home debt and interest from 90 days more than but, from 180 days not exceeded deadline past debt there is if so this asset classified as suspicious and assets for their not returned main of the debt (residual) amount fifty percentage in the amount of special backup formation necessary.

Home debt and interest within 180 days more than to the day deadline past debt there is if so, this assets are classified as "bad".

Commercial bank The quality is classified as "hopeless" assets for their not returned main of the debt (residual) amount face percentage in the amount of special backup formation necessary .

If commercial at the bank one to the debtor given one how many assets there is if, debtor by commerce to the bank returnable all assets quality from them in the lowest category classified assets as a quality classification necessary.

Central at the bank commerce bank assets according to probable losses cover for reserveable mandatory backup deposit organization made and this mandatory backup to deposit commerce banks own assets according to probable to losses against shaped special reserves to the amount equal in quantity funds representation from accounts passing to go demand placed.

Also, new included to changes According to the Central Bank of banks credit line analysis did without, commercial to banks additional accordingly assets according to probable to losses against reserves formation on the surface execution to be mandatory was instructions send possible.

From this except, new included changes and to additions according to, the bank was placed. This rule in banks problematic of loans appearance to be road not to let on the surface warning sign as service does.

With this together, included to changes according to, commercial banks own assets quality classification according to one row news entered.

Including old to the rules according to , up to 30 days payment deadline past loans "standard", up to 90 days payment deadline past loans are "substandard" and over 180 days more than to the day payment delayed loans as "bad" classified if so, new order according to contract during the term unpaid and graphic according to main debt and interest according to intermediate payments within 180 days delayed all loans as "bad" classified.

Today on the day in our republic commerce banks credit investments enough at the level diversified in the banking system of the republic economy networks activity with related risks moderate at the level formed.

Table 2. Commercial banks credit portfolio classification and created reserves status²

Credits classification	01.01.20 22 y.				01.01.20 23 y.			
	total loans , billion . soun	share, in percent	created reserve, billion . soun	share, in percent	total loans, billion . soun	share, in percent	created reserve, billion. soun	share, in percent
Standard	47 094	89.5	15.3	100	235	90.7	290	12.1
Substandard	5 126	9.7	369	55.3	9,013	8.2	1,390	58.1
Unsatisfactory	168	0.3	45	6.7	739	0.7	207	8.6
Suspicious	119	0.2	61	9.1	254	0.2	131	5.5
Hopeless	105	0.2	91	13.6	332	0.3	377	15.8
Total	52 611	100.0	667	100.0	110 572	100.0	2,395	100.0

Also, in December 2022, the Central Bank, together with commercial banks, conducted a complete inventory of their loan portfolios, and as a result, assets were reclassified according to the identified problem loans (Table 2).

From the table data, we can see that as of the reporting date, 90.7 percent of loans issued by commercial banks accounted for assets classified as "standard", 8.2 percent as "substandard", and the balance of loans classified as "unsatisfactory", "doubtful" and "hopeless" amounted to 1.2 percent.

At the same time, the total amount of reserves created on allocated loans amounted to 2.4 trillion soums, or 2.2% of the total credit line of banks, which is 3.6 times more reserves than at the beginning of last year.

43.6 percent of commercial bank loans were provided with a government guarantee, 28.8 percent with real estate, 3.8 percent with vehicles, and the remaining 23.8 percent with third-party guarantees and other collateral.

Conclusion and suggestions

In general, the ultimate goal of commercial banks' credit line management is to achieve optimal levels of risk, profitability, and liquidity indicators for this portfolio.

In our opinion, the following factors should be taken into account when effectively managing a credit line in commercial banks:

- Conducting continuous, effective monitoring of the quality of bank assets, strengthening the mechanism for identifying and eliminating problematic situations related to bank assets at the early stages;
- Developing measures aimed at effectively managing risks through broad diversification of assets in banks, strengthening credit lines, and making necessary changes to them based on the economic situation;
- Assess, study, analyze risks that may arise in the lending process, and monitor the implementation of business plan indicators based on decisions made regarding the banking system and the organization of the implementation of regulatory documents regulating credit relations;
- developing new methods of managing problem loans;

² Source: Prepared based on data from the official website of the Central Bank of the Republic of Uzbekistan.

- control over ensuring asset quality, ensuring that the share of good loans in the credit line is not less than 90 percent, and making overdue loans;
- Monitoring compliance with the terms of the bank's credit policy and lending principles.

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