DIRECTIONS FOR IMPROVING THE EFFICIENCY OF THE MONITORING OF COMMERCIAL BANKS' LOAN COMMITMENTS

Maxmudov Bakhriddin Juraevich[1], Bustonov Mansurjon Mardonakulovich[2], Rakhimov Bahromjon Ibroximovich[3]

1. *Doctor of Economics, Professor, Namangan Engineering-Construction Institute*
2. *PhD of Department "Organizing the economy and manufacture in industry enterprises" Namangan Institute of Engineering and Technology; Email: bustonov1975@mail.ru*
3. *PhD of Department "Organizing the economy and manufacture in industry enterprises" Namangan Institute of Engineering and Technology*

Abstract

Today, the growth of lending in the country is mainly due to the financing of investment projects of state programs for the development of the sector and territories, lending to small businesses and private entrepreneurship, and supporting the people who start their business.

First of all, we need to create an effective system of credit and investments from abroad, learn how to use each loan accurately. The time has come for this issue to be seven-dimensional, once-cut, and carefully thought through. "

It is well-known that worldwide Doing Business research and valuation make a significant contribution to the development of countries, including enhancing the business and competitive environment, serving as a "reliable bridge" for investors and countries seeking them

INTRODUCTION

The Bank aims to modernize, technically and technologically upgrade our economy, increase its competitiveness, increase export potential, create new productions based on innovative and energy-saving technologies, develop new types of goods that are in demand in the world market, thereby providing financial and economic stability of the country. The investment policy pursued by the system is bearing fruit.

In 2018, commercial banks in Uzbekistan provided loans for financial support of investment projects for modernization, technical and technological re-equipment and diversification of production in the real sector of the economy.

In particular, for the purpose of modernization, technical and technological renewal of production, organization of production of competitive products on the basis of modern technologies by commercial banks in 2018 it is planned to allocate 38,8 trillion. soums, or 2.4 times more than in 2017.

At the same time, investment activities of banks are primarily aimed at ensuring timely and full financing of projects included in the programs of network development, localization and regional development.

It is well known that the loan portfolio of banks is the aggregate of bank requirements by the size of loans, grouped by certain criteria based on different

credit risks[1]. This definition emphasizes the classification of loans based on certain criteria and the credit risks.

At the same time, the loan portfolio is the balance of total principal debt on real-time credit transactions.[2]

Taking into account some of the definitions described, the loan portfolio in our opinion can be described as follows: The bank's loan portfolio is the total amount of credit balances at specific times as a result of the bank's active credit operations as a managed asset.

The purpose of forming the Bank's loan portfolio is, first, to ensure profitability, and secondly, to control the level of risk, and thirdly, to comply with the requirements of the normative documents of the Central Bank.

One of the main factors influencing the formation of the Bank's loan portfolio is the nature of the banking services market

we can say that At the same time, the bank should pay attention to the borrowers' demand for borrowed funds. In addition, the size and composition of the loan portfolio directly depend on the bank's resource base. That is, large commercial banks will be able to provide large loans and small banks will be able to provide small loans.

Table 1. Classification of the Bank's loan portfolio

Portfolio Form	*Description of the portfolio*
Income portfolio	Portfolio Profitability Provider with minimal risk have been and are constantly able to pay interest loans.
Risk portfolio	The portfolio is high-risk of loans.
Balanced portfolio	"Risk-Profitability" in Portfolio perspective on effective solution of the dilemma in terms of bank loans according to the composition and financial characteristics Consolidated loans will be

Bank loan portfolio can be classified by type and type. When looking at a bank's loan portfolio, it is important to understand that it is classified according to its risk and return ratio. At the same time, the loan portfolio can be subdivided into income portfolio, risk portfolio and balanced portfolio.

The main objectives of the commercial bank loan portfolio management are:

- identification and evaluation of factors influencing the level of credit risk;
- classification of loans by risk groups;
- Credit portfolio optimization based on credit risks, customer structure and credit structure;
- determination of the borrower's creditworthiness and the likelihood of his / her financial situation changing for the purpose of predicting credit risk;
- predetermination of problem loans;
- assessment of the adequacy of the created reserves and their timely correction;
- ensuring diversification of loans, their liquidity and profitability;
- development of credit policy of the bank and adjustment of it based on the analysis of loan portfolio quality, etc.

International banking practice is widely used to diversify the loan portfolio of commercial banks by their sectoral nature. At the same time, 25% is taken as the norm. This means that more than 25% of commercial banks' loans cannot be combined in one industry. At the same time, we will examine the nature of the credit portfolio of the Uzpromstroybank ATB Katortol branch by sector.

Table 2. Analysis of loan portfolio of Uzpromstroybank's Qatortol branch as of January 1, 2019, mln.

Name of the indicator	As of January 1, 2018	As of October 1, 2018	The difference	In percentage	Average interest rate
Short-term loans	385,6	1 992,4	1 606,8	516,7%	19,33%
Long-term loans	15 971,3	60 303,6	44 332,3	377,6%	18,14%
Loans to individuals	9 542,7	25 003,2	15 460,5	262%	21,84%
Loans to individual entrepreneurs	1 146,1	1 629,9	483,8	142,2%	16,16%
Credits to private companies	2 902,6	4 223,1	1 320,5	145,5%	10,69%
TOTAL	**29 948,3**	**93 152,2**	**63 203,9**	**311,04%**	**20,64%**

Source: Reporting data of the Qatortol branch of Uzpromstroybank

As of January 1, 2019 the total amount of credit investments of 1 081 clients in the branch made up 92 824,86 million sum (20,64% of total credit investments) on increase of the credit portfolio of the Bank, fulfillment of the established plan on crediting of small business subjects.

This figure as of January 1, 2018 amounted to 29,948.3 million sums, while the loan portfolio increased by 63 203.9 million soums. Credit portfolio as of January 1, 2019 is as follows:

- 61 968.74 million soums for 85 clients;
- 1,629.86 million soums at 19 clients;
- UZS 25 003.16 million for 899 clients (including UZS 8,191.7 million for mortgage, UZS 12 572.9 million for consumer credit, UZS 2 920.5 million for micro-credit, UZS 202.5 million). sum overdraft loans);
- 4 223,09 million sums on private clients for 78 clients;

Figure 2. Share of long-term loans, %

As of 01.01.2019 the total loan portfolio of the branch made up 92,824,9 mln. The share of long-term loans made up 90,540.3 million soums. soums.

In the structure of credit investments, the share of long-term loans is 97.5% or 90 540.3 million sums, and the share of short-term loans is 2.5% or 2 284.5 million soums.
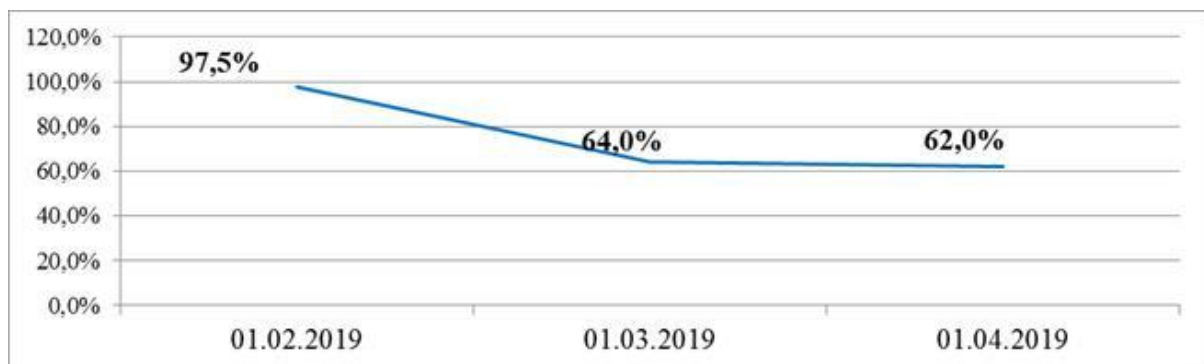

Figure 3. Dynamics of Long Term Loans Share in 2019, %

Development and evaluation criteria for the quality of individual loans will play a key role in managing the loan portfolio.

The quality of bank assets can be achieved by describing their loan portfolio based on established standards. In Uzbekistan, pursuant to the guidelines approved

by the Central Bank, the description of the assets of commercial banks and the provision of loan loss provisions is in place.

RESULTS

It is well known that the quality of bank loans is one of the most important indicators characterizing the state of the banking system and the economy as a whole. According to international experts, over 10-15% of troubled loans in the total loan portfolio reflect the systemic crisis in the banking sector. Many countries have had to take a number of measures to address the problem of unsatisfactory credit portfolio quality.

According to some Western economists, the delay in repayment of loans over 90 days or the breach of a loan agreement may indicate that the loan is problematic. The latter definition is in part contrary to the existing regulations on the classification of assets in our country. Loans and interest overdue for more than 30 days should be classified as substandard loans.

There is also the view in the economic literature that troubled credit refers to a bank's suspicion of the subject, its subject and collateral. In their view, troublesome substandard, doubtful and unsecured loans, including short-term principal debt and interest rates, as well as at least one-time restructuring without changing the terms of the loan agreement, are also problematic. The last of these definitions is controversial, and the basis for a loan restructuring is the change of contract terms.
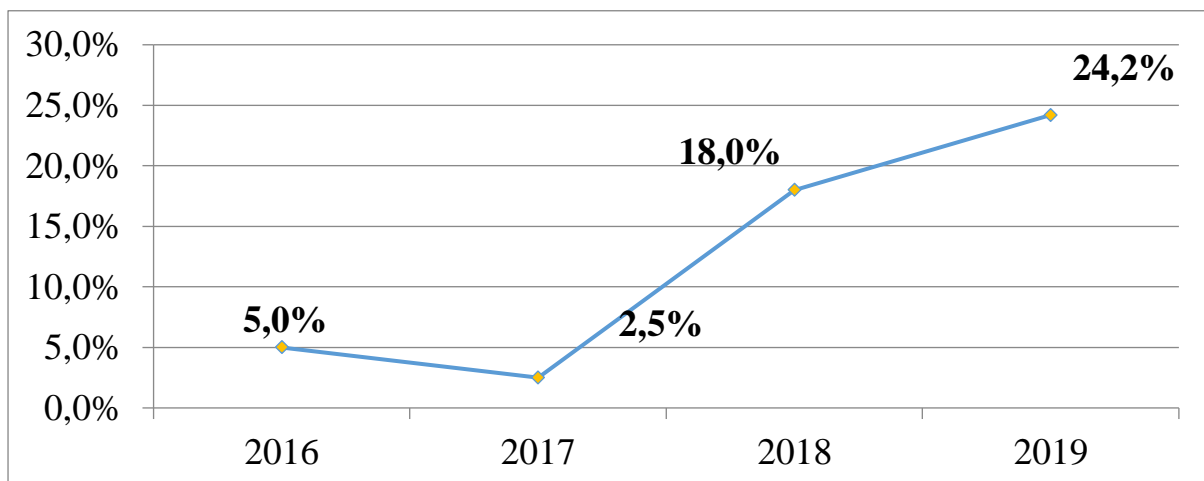

Figure 4. Profitability (without overdue income)%

Failure to comply with these conditions is contrary to the substance and purpose of the loan re-issuance.

Profitability decreased by 50% in 2017, by 720% in 2018 compared to 2017, and net profit in 2018 was 2,919.45 million.
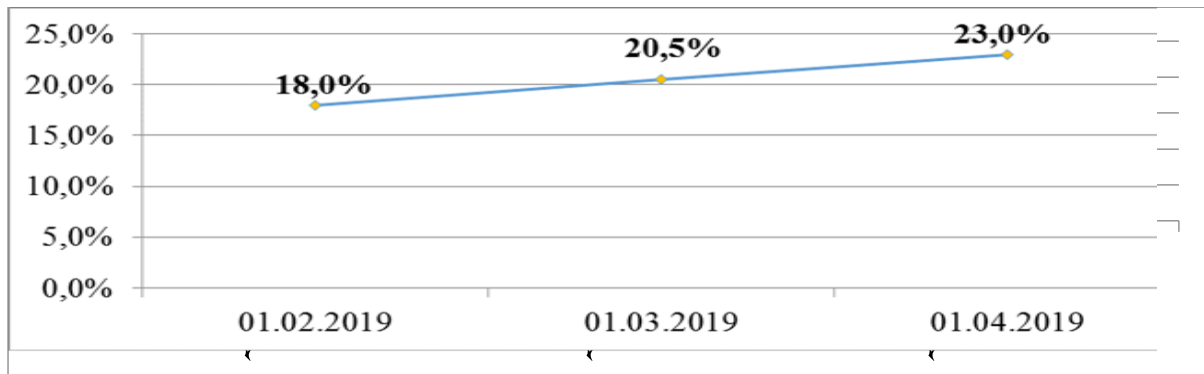
Figure 5. Profitability dynamics for 2019, (without overdue income)%

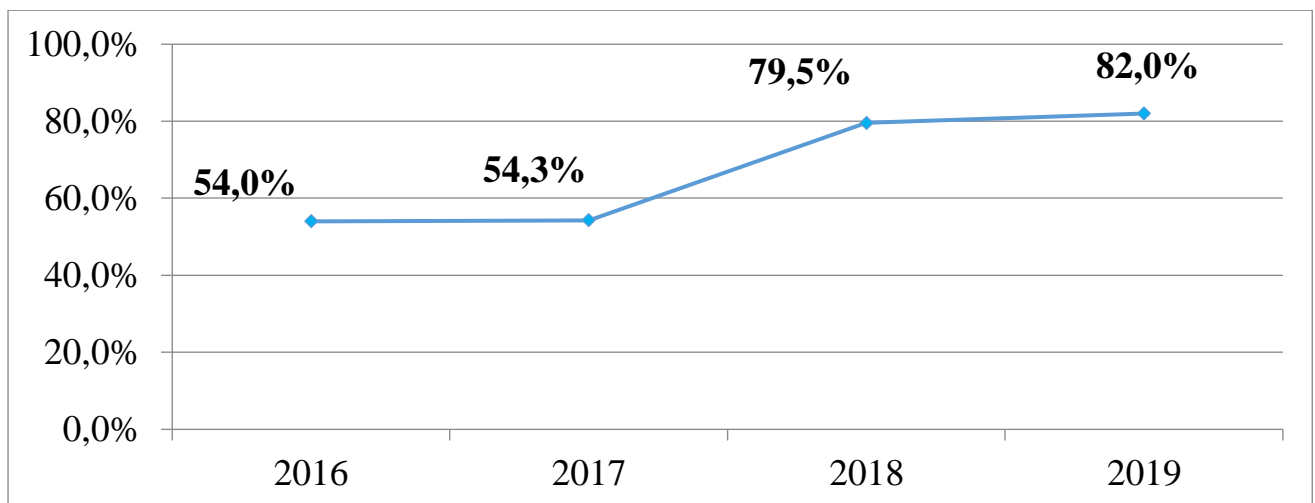$ 6.3 billion in the first quarter of 2019. soums and 1.4 bln. As a result, net profit will amount to 23%.

Figure 6. Return on assets,%

The share of income-generating assets increased from 50.7% to 84% in 2017. In order to systematically deal with problem loans, it is desirable to classify problem loans in such key areas as: time, quality, security, resource and decision-maker.
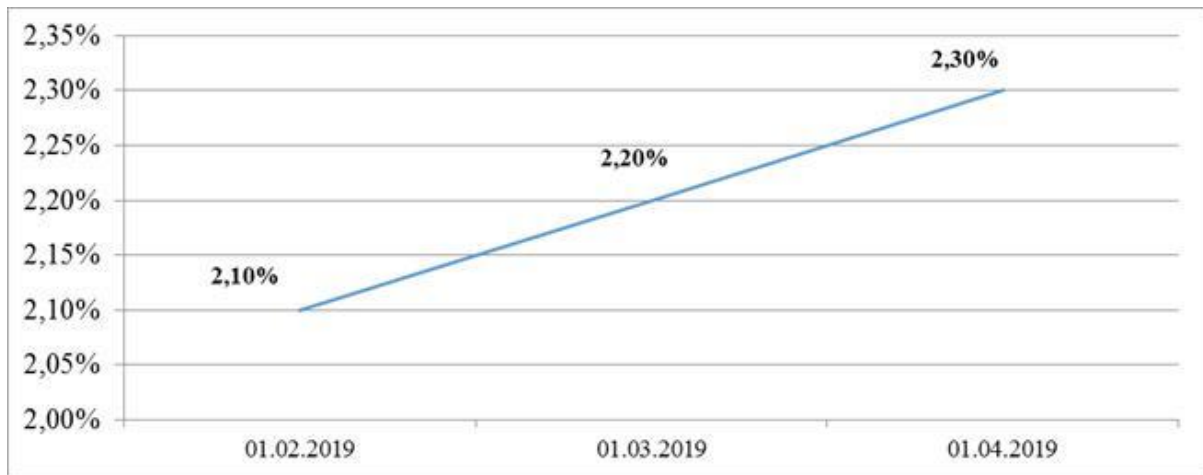
Figure 7. Assets Return on Assets for 2019,%

The first quarter of 2019 will result in the repayment of low-interest loans and $ 22 billion. It is planned to increase the profitability of the assets at the expense of allocation of high interest-rate loans.

Economic literature suggests that troubled credit refers to a bank's suspicion of the subject, its subject and collateral. In their view, troublesome substandard, doubtful and unsecured loans, including short-term principal debt and interest rates, as well as at least one-time restructuring without changing the terms of the loan agreement, are also problematic. The last of these definitions is controversial, and the basis for a loan restructuring is the change of contract terms.

DISCUSSION & CONCLUSION

The main purpose of the Bank's investment projects monitoring system is to timely address the deviations in relation to the planned performance data, to analyze the causes of these deviations, and to regulate specific areas of investment in order to normalize and increase the efficiency of investment activities. the development of proposals for bids.

Loans repayment is a key feature of credit relationships that, in practice, have a specific mechanism that is different from other types of economic relations. This mechanism is based on economic processes, which, on the one hand, are based on the credit repayment behavior, and on the other, represents the legal relationship between the lender and the borrower, arising from the loan agreement.

REFERENCES

[1]   Chui, Y.C. and Chan, S.P. (1994) Fuzzy cash flow analysis using present worth criterion, Engineering economist, 39, pp. 113-138.

[2]   Kuchta, D. (2000) Fuzzy capital budgeting. fuzzy sets and systems, 111, pp. 367-385.

[3]   Bayxonov B.T Improving methodology of econometric modeling distribution of investments through sectors in Uzbekistan's economy. Monograph. – T.: "ECONOMY", 2017. – 203 p.

[4]   Bustonov M., Irmatov M. economic growth quality – condition of improving populations' living standards. //collection of lecture thesis of the republic

academic-practical meeting namely "Perspectives of improving well-being of the people and progress of Uzbekistan in the condition of the world financial-economic crisis". – Tashkent, 2011. – P. 180/

[5] Bustonov M. theories and conditions of providing economic growth quality // collection of lecture thesis of the republic academic-practical meeting namely "main directions of providing macroeconomic proportionality and stable growth rates in economy". – Tashkent, 2011. – P. 144.

[6] Bustonov M. innovations are as economic growth quality// collection of lecture thesis of the republic academic-practical meeting namely "Strategy of modernizing economy: problems and passing ways to innovative development". Tashkent, 2011. – P. 38.

[7] Bustonov M., Irmatov M. Conditions and ways of stable growth// collection of lecture thesis of the republic academic-practical meeting namely "Strategy of modernizing economy: problems and passing ways to innovative development". – Tashkent, 2011. – P. 222.

[8] Bustonov M., Makhmudov N. perspectives of developing micro business and providing its stable development//"Ideas for business" – cooperation between Tashkent State Economy University and BAT University in the sphere of "INSPIRE" scheme of the Britain consultation. Collection of lecture thesis of the international academic-practical meeting. – Tashkent, 2011. – P. 14.

[9] Bustonov M. Conditions and perspectives of economic growth quality Ideas for business" – cooperation between Tashkent State Economy University and BAT University in the sphere of "INSPIRE" scheme of the Britain consultation. Collection of lecture thesis of the international academic-practical meeting. – Tashkent, 2011. – P. 103.

[10] Bustonov M., Djumaniyazov Sh., Akhmedov J. Macroeconomic analysis of indicators of economic growth.// Exchange Expert. – Tashkent, 2010. – № 11-12, – P. 52.

[11] Bustonov M. Prediction indicators of economic growth quality//market, money, credit. – Tashkent, 2010. – № 06, ⌈157⌉ – P. 34

[12] Bustonov M. Macroeconomic analysises of tendencies and legalities of stable economic growth// Taxpayer magazine. – Tashkent, 2010. – № 1 (11) – P. 19.

[13] Baykhonov B. T, Bustonov M.M., Econometric models of sectoral distribution of investments in the economy of uzbekistan // South Asian Academic Research Journals Vol. 9, Issue 8, August 2019

[14] Bustonov M.M., The Firm Aspects and Conditions Providing the Qualities of Economic Growth in Uzbekistan // International Journal of Economic Theory and Application 2017; 4(4): 32-39 http://www.aascit.org/journal/ijeta.

[15] Altmann.Altmann J. Wirtschaftspolitik : 7. Auflage/ .Altmann. -Stuttgart: CIP-Einheitsaufnahme, 2000. -692 p.

[16] Dictionary of Foreign Trade, by F.Henus, Sec.Ed.№4. 1947, p.387