

Methods to Ensure Continuity of Customer Lending

Sardor Abdullayev

Tashkent Financial Institute

Abstract: The article discusses the novelty of the problem associated with Conveyor lending or lending with the Conveyor method. The article points to the current problems with this method and discusses possible solutions to these problems.

Keywords: credit conveyor, conveyor platform, conveyor algorithm, statistical analysis, conveyor stages, corporate credit conveyor.

Introduction

The development of market relations requires support for small businesses and private entrepreneurship, capitalization of banks, improvement of credit relations, digitalization of the lending process, and changes in approaches to banking. Lending to clients, providing them with loans based on a correct assessment of their creditworthiness creates the basis for timely and effective repayment of loans and minimal risks associated with loans. In this regard, the use of credit scoring, programs and methods of the credit conveyor, and underwriter services is of great importance in determining the creditworthiness of clients. The use of such modern methods makes it possible to prevent losses associated with non-repayment of a loan through a more accurate and in-depth assessment of the client's creditworthiness. By changing the methods and principles of assessing credit risks, reducing them and ensuring timely repayment of loans to the bank, introducing into the practice of banks methods for assessing the client's creditworthiness, used in the practice of foreign banks, providing him with a quick loan after a thorough analysis of the client's financial situation and issues related to his credit history, and an opportunity is created to reduce credit risk. In this article we would like to discuss one of these modern methods - the "credit pipeline". When we hear the word "assembly line," most of us think of Henry Ford, the Irish-American businessman who managed to dramatically develop industry, especially the automobile industry. Because Henry Ford was the first businessman-industrialist to use the assembly line in the production of cars. Conveyor actually comes from the English word "convey", which means to deliver, transfer or pass through someone something, and it was used in ancient China and India in the continuous delivery of water for irrigation. In our opinion, the method used by Henry Ford in the automobile industry, and the continuous supply of water for irrigation in China and India, is probably our watering can. Henry Ford used this concept in the industrial production of automobiles. From 1908 to 1913, he used the assembly line to produce cars and managed to ensure continuity of production, and this method laid the foundation for Henry Ford's popularity around the world¹.

In recent decades, the growth in demand for bank credit in the conveyor economy, especially in lending, has stimulated the use of the conveyor system, so commercial banks in many countries have begun to introduce the "Credit Conveyor" into their practices.

¹ racy Letts To Play Henry Ford II In James Mangold's Ford Vs. Ferrari Pic, Deadline .23 July 2018.

The development of the digital economy requires the introduction and improvement of the “Credit Conveyor” in the practice of commercial banks. In our opinion, the “Credit Conveyor” is a program for processing loan applications issued by clients to obtain a loan, in other words, a highly automated system that provides continuous service in terms of organizational and technological decision-making on loan products. This system can be used for personal loans, mortgage loans, auto loans, consumer loans and credit cards.

Review of literature on the topic. The loan conveyor is a relatively new banking service that has appeared in more practice. In the economic science of our country, this topic has not yet been studied, and it is necessary to carry out a number of works in the field of introducing this method into the practice of our banks and conducting scientific research in this direction. In this regard, we decided to conduct a wider study on this topic, that is, the meaning of the credit pipeline, its necessity and importance. Russian scientist D.A. Yagunov, who conducted research on lending processes in commercial banks, studied the analysis of the credit pipeline based on scoring [3.81-83]. At the same time, he thought about creating a consumer loan in commercial banks based on scoring, identified problems associated with scoring analysis, and shared them with his solutions. O. Dyakov and K. Solyanov analyzed the formation of a credit pipeline based on a business intelligence system. [4. 27]. This article describes the quality of the credit pipeline as a tool for improving the business process of lending to individuals in a bank using Business Intelligence and Advanced Analytics technologies. M.S. Lyuft focused on the influence of the credit conveyor on reducing operational risk and described it as a way to limit the corrupt actions of a bank employee in the lending process in the credit conveyor [2.4]. Y. Sergienko, unlike the scientists mentioned above, studied the credit conveyor based on credit scoring and focused on its convenience for lending to individuals in the lending process [5. 120-125].

In the studies of the above mentioned scholars, they mainly focused on the expression of the credit pipeline and its positive aspects. However, when they use the credit conveyor for lending, its features, risks associated with the credit conveyor, as well as the issues of applying lending processes by this method in the practice of our domestic banks are very relevant.

Analysis and results

The mechanism of the loan conveyor is to transfer the process from receipt of an application to approval of a loan from a bank employee to the borrower himself. Below is a diagram of how the credit conveyor works.

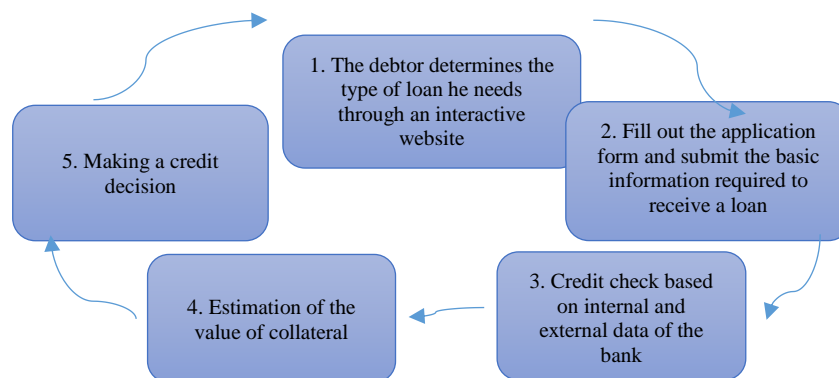
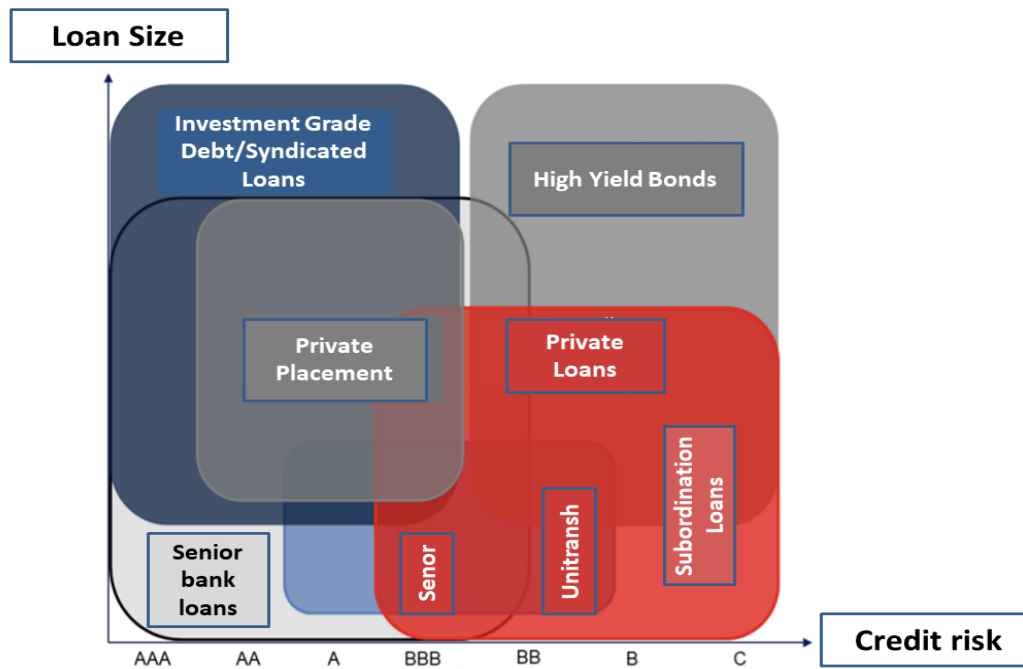


Figure 1. Simplified form of the credit pipeline.

Of course, the bank can set its own requirements for the borrower based on its internal rules. The image above shows a simplified view of the pipeline, during which the client can independently register through the bank's website and apply for a loan. The client can perform these actions through a special interface. If the client has left the page, he can always continue filling out the application. When checking a client's creditworthiness, the data on his applications are determined and checked on a general basis, and credit history plays a big role in this.



The first stage of the pipeline is the provision of consulting services to the borrower. At the same time, the bank's platform includes identifying customer needs, selecting suitable banking products, calculating loan parameters using a loan selection calculator and creating a loan offer. After this, the client will have to study the proposals at the initial consultation and make a decision.

If a positive decision is made, the process moves to the next stage of the pipeline - processing the application. In this case, the client is identified and it is necessary to select a banking product and enter additional information about the client. At this stage, electronic copies of the required documents are uploaded for review by a bank employee. The entered data is sent to the appropriate branch of the bank and the application process begins. First of all, an initial assessment is carried out - an automatic check of the borrower's compliance with the bank's credit policy and its requirements, control of factors associated with credit risk, and verification of the client using checklists, including anti-money laundering checklists, lists and internal blacklists. The parameters of an application that has passed the initial assessment will have to be calculated and undergo examination. The most basic stage of the loan pipeline is decision making, and decision making may include a fully automated process. In this case, of course, first of all, a security check, a legal check, an assessment of hazards and risks and verification of collateral by collateral managers, and an analysis of loan parameters by a loan specialist will be necessary. When making a credit decision, it is necessary to automatically notify the client about the approval or rejection of the client's application, the loan term, transactions in the personal account and other important events via SMS and email. We can say that it is desirable to add all this to banking services.

A loan pipeline can be used for many types of loans. For example, working in the mass retail lending market involves processing many typical loan applications. To efficiently process large volumes of applications, lenders must have clear and reliable loan processing procedures that will help manage credit risk and help customers make quick lending decisions. An all-in-one loan pipeline application solution helps you implement flexible digital processes to efficiently manage all stages of loan processing. In addition, if we focus on the use of a credit pipeline for corporate clients, then for corporate clients who provide large loans and require an individual approach, the bank must offer the optimal solution for each specific business problem. Another important feature of corporate lending is the high level of risk associated with the size of the loan.

Since working with corporate clients requires collecting, processing and storing a large amount of financial information about them, the bank must have special approaches and tools that reduce the burden on loan officers and allow them to correctly assess the viability of the business.

Lending to small and medium-sized businesses is a high-risk area of banking. Relatively small loans for small and medium-sized businesses require higher administrative costs compared to other types of loans. To make a loan decision for an SME, a lender must process a large amount of financial information. The perfect development of the loan pipeline makes it possible to simplify these procedures with the help of modern technological tools and capabilities, facilitating the entire process of lending to small and medium-sized businesses.

Conclusions and offers.

The credit pipeline is one of the main tools that banks must master or apply in their activities in the context of digitalization of the economy. Some banks in Uzbekistan are currently trying to use such a platform. However, implementing this in all banks of Uzbekistan and creating such a platform throughout Uzbekistan can facilitate the lending process and, in turn, speed up the lending process. This, in turn, can make a great contribution to the development of the economy of Uzbekistan. In addition, it would be advisable to apply the credit conference not only to individuals, but also to legal entities. In this case, many necessary and possible administrative and automation situations related to working with legal entities can be excluded from the human factor and transferred to the algorithm. This makes it possible to prevent various risks and cases of abuse.

The credit conveyor, in turn, speeds up this process, creates the basis for automating stages associated with organizational and managerial work, and also helps reduce the bank's operational risk. That is, it reduces errors that can be made due to the human factor, and performs work only on the basis of an algorithm. The use of a credit conveyor in small and medium-sized businesses also has positive qualities. It plays an important role in a growing economy due to the increasing contribution of SMEs to GDP and decreasing unemployment rates. Developing a loan portfolio and ensuring its quality requires, first of all, statistical analysis and process programming. This is very important for the bank, since this process requires increasing the volume of domestic investment on the part of banks.

References

1. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. 4947 "On the Action Strategy for the further development of the Republic of Uzbekistan".
2. M.S. Lyuft, I.V. Peshchanskaya Credit conveyor as a way to reduce the risk of dishonest behavior of a bank employee. – Bulletin of VSUIT, No. 4, 2014.
3. Yagunov D. A. Credit conveyor based on scoring - Transport business of Russia. 2010 No 1. pp. 81-83.
4. Dyakov O. Solyanov K. Formation of a bank's credit pipeline based on business analytics systems - Business Strategies 2016 No 7(27).
5. Sergienko Yu. Credit conveyor based on scoring - Russian Economic University named after G.V. Plekhanov – 2020 Page 120-125.