

## *The Role and Importance of Banks in the Development of Business Activity*

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**Annotation.** *The role and importance of commercial banks in the sustainable development of industries and links of the economy, the financing of entrepreneurial activity are immeasurable. Based on this, this article discusses the issues of improving the activities of commercial banks.*

**Keywords:** *bank, banking system, banking transformation, entrepreneurial activity, economic growth, lending practice, monetary policy, financial system, standard of living of the population*

### **INTRODUCTION**

According to the experience of developed countries in the world, the main way of financing the activities of business entities is lending by commercial banks. In most developed countries, the share of services provided by business entities in GDP is 70-75 percent. The majority of the population employed in the economy is also employed in this sector, accounting for 70 percent in Japan and more than 80 percent in the United States. Up to 90 percent of business entities' activities are financed by loans from commercial banks [1]. Today, the competitive environment is being improved by commercial banks in terms of comprehensive support and development of the activities of business entities, as well as providing and offering advanced innovative banking services for lending. Based on the experience of advanced foreign countries and the strategic goals of the banking system, improvement of the practice of lending to business entities by commercial banks, effective placement, management and

distribution of credit resources, reduction of lending risks, research of modern forms of lending, transparent and perfect The scientific foundations of such problems as credit policy formation are being researched. In Uzbekistan, the issues of improving the practice of lending to business entities by commercial banks are gaining importance. "...the reform of the banking and financial system of our republic made it possible to increase the role of the banking system in the development of the country's economy. At the same time, in order to further improve the quality of the provided banking services and establish full cooperation relations with business entities, commercial the tasks of fundamentally improving the working methods of banks, strengthening the views of the population and economic entities on the banking system as a reliable institutional partner remain urgent" [2]. The stable development of business entities, which are considered to be an active component of the socio-economic development of the country, is inextricably linked with the banking system, in which innovative complex banking services provided by commercial banks, including innovative lending services, are of a new quality. requires to be taken to the indicators. In particular, the fact that 55-60 percent of the loans allocated by commercial banks are given on the basis of state programs, the large share of preferential loans, the instability of the deposit base of banks, and the high risk of inflation [3] increase the need and importance of solving the existing problems in this regard

### **Literature Review**

Entrepreneurship by commercial banks Some aspects of improving the practice of crediting subjects, evaluating and managing risky processes occurring in the procedure of crediting, and developing forecast indicators of crediting practice were discussed by M. from foreign economists. A. Passel [4], Yu. A. Gerasina [5], O. I. Lavrushin [6] and others have studied it in detail. Among the economists from Uzbekistan Sh. Z. Abdullaeva [7], G. O. Turdieva [8], M. S. In the scientific works of Rustamov [9] and others, a number of scientific and practical proposals were developed for the development of banks' lending practice. In particular, O.K.Iminov based on detailed analysis of the recommendations of the World Bank and other foreign financial organizations on improving the credit system in the republic, Uzbekistan meets world

standards. explained the scientific-methodical aspects of the creation of the incoming credit mechanism, Sh. Z. Abdullaeva emphasized that the price of credit funds and the cost of credit services serve as the main criteria in determining the credit price [7]. F. Kholmamatov way to exceed the standard level of reserve allocations intended to cover losses from loans in commercial banks commercial banks made proposals such as increasing the level of diversification of the loan portfolio. Today, there are shortcomings in the credit policy and lending practices of commercial banks and their causes, including: The reason for choosing the subject of this dissertation is that the lending procedure of banks in the republic still cannot meet world standards and customer requirements, and the lending practice of commercial banks of developed countries is not applied to commercial banks of the country.

### **Results and Discussion**

In order to develop the economy in Uzbekistan, it is very important to first thoroughly study the advanced foreign experience and methods of developed countries, then analyze these experiences and use them to adapt to the conditions. That is why it is important to study the experience of foreign countries in the development of lending practice and use them to improve the lending practice of commercial banks of the Republic of Uzbekistan. The components of the practice of lending to business entities by commercial banks are in constant interaction, and from this unity wholeness arises. In order to know the laws of this integrity, first of all, it is necessary to determine the sequence of the parts that make up the lending practice, that is, which one comes after which one. The formation of lending practice in commercial banks covers several interrelated stages. Analysis of changes in the client's financial condition, assessment of the financial condition of the business entity, in the monitoring of the practice of lending to business entities by commercial banks. auditing and involves several interrelated steps. In this context, the monitoring of lending practices covers large-scale credit controls carried out at various stages of the loan process. It is known that banks, as an intermediary organization in the movement of funds, offer the resources involved to clients at a higher interest rate and benefit from this. But according to the analysis of the practice of banks, the interest rate of commercial bank loans and time deposits of

the population is interest there is a negative difference between rates, that is, there are cases where commercial banks attract funds at high interest rates and provide them to clients at low interest rates. However, according to the norms accepted in the international banking practice, the interest margin on loans and deposits of commercial banks should be at least 4.5 percent. There are the following problems related to the improvement of the practice of lending to business entities by the commercial banks of the Republic: the lack of full use of modern types of lending services in the practice of commercial banks; that the funds of the credit lines allocated to business entities by commercial banks are not effectively used; that the expenses related to formalization were not taken into account when determining the amount of loan funds allocated by commercial banks; that the client's activity was not taken into account when drawing up the loan repayment schedule; setting a credit limit for branches of commercial banks by the main bank; differences in issuing loans in national and foreign currency by commercial banks; the terms of loans provided by commercial banks and the problems of clearance of supplies. Lending to business entities by commercial banks We put forward the following ideas for improving the practice: 1. The expediency of increasing the efficiency of the bank's lending practice by applying the indicator of satisfaction of business entities with the bank's lending practice and the indicator of their shortcomings in the bank's lending practice to the activity of commercial banks is explained by the following: by measuring and evaluating the bank's lending efficiency, the activity of the credit department employees is evaluated, business entities are involved do and them retention rate is measured; increasing the experience of business entities and mutual exchange of knowledge will be achieved, leading to an increase in the number of bank clients. As a result, an opportunity to increase the bank's income is created. 2. Lending to business entities by commercial banks The results of the study and generalization of the advanced foreign experience in improving the practice showed that: the existing experience of providing guarantees in the practice of lending to business entities by US commercial banks indicates that their practice of lending has improved; The practice of lending in the banks of the state of Bangladesh has been improved by dividing customers into groups with the same opportunity, providing

separate banking services and providing loans; The implementation of Islamic banking and financial lending in the country shows that business entities can carry out their activities not only within the framework of the current legislation, but also in accordance with the requirements of their religion - in halal ways. 3. It is necessary to reduce the weight of banks with a state share in the loan deposits allocated by commercial banks. For this purpose, we offer the following experiences of the lending practices of the Japanese state: firstly, the establishment of a special state commercial bank for the implementation of state programs; secondly, the state's share in commercial banks with a state share should be drastically reduced and completely sold.

## **CONCLUSION**

Business entities by commercial banks We put forward the following points on improving the lending practice: 1. The expediency of increasing the efficiency of the bank's lending practice by applying the indicator of satisfaction of business entities with the bank's lending practice and the indicator of their shortcomings in the bank's lending practice to the activity of commercial banks is explained by the following: by measuring and evaluating the bank's lending efficiency, the activity of the credit department employees is evaluated, business entities are involved the level of making and keeping them is measured; increasing the experience of business entities and mutual exchange of knowledge will be achieved, leading to an increase in the number of bank clients. As a result, an opportunity to increase the bank's income is created. 2. Lending to business entities by commercial banks The results of the study and generalization of the advanced foreign experience in improving the practice showed that: the existing experience of providing guarantees in the practice of lending to business entities by US commercial banks indicates that their practice of lending has improved; The practice of lending in the banks of the state of Bangladesh has improved by dividing customers into groups with the same opportunity, providing separate banking services and providing loans; The application of Islamic banking and finance to the country shows that business entities can carry out their activities not only within the framework of the current legislation, but also in accordance with the requirements of their religion - in halal ways. 3. It is necessary to reduce the weight of banks with a state share in the loan deposits allocated by commercial banks. For this purpose, we offer the following experiences of the lending practices of the Japanese state establishing a commercial bank; secondly, the state's share in commercial banks with a state share should be drastically reduced and completely sold. 4. It is necessary to establish innovative online lending services in the banking practice of Uzbekistan. Online lending is widely used in the banking practices of developed countries. In order to improve this type of service, it is necessary to

improve the speed and quality of the Internet, and to increase the computer literacy of business entities. Because, innovative online lending business entities have a lot of power and can be expressed by meeting the demand for lending practice without wasting time. 5. Lending to business entities by commercial banks The expediency of increasing efficiency is explained by the following: funds given to business entities by opening a credit line should be formed on the basis of supply and demand; the total amount of the loan should take into account the expenses related to the formalization of collateral of the business entity; the main bank should liberalize the amount of credit when setting the credit limit for branches of commercial banks; repayment of the loan in foreign currency in foreign currency and it is important to take into account the correlation between the term of the loan, improvement of these aspects will serve to further develop the lending practice of business entities in banks

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