

Ways to Reduce Problem Loans in Commercial Banks

Saidov Xayotjon Raxmatulloevich

Denov Institute of Entrepreneurship and Pedagogy
Intern teacher of the Department of Finance and Banking

Abstract: The article describes ways to reduce problem loans in commercial banks of the Republic of Uzbekistan. In this article, the analysis of the work being done on the issues of lending and working with problem loans in the banking system and the measures taken within the framework of the legislation have been made, as well as information and some recommendations on ensuring the effective operation of the lending and withdrawal system in the banking sector was also given.

Keywords: commercial banks, assets, loan portfolios, banking activity, credit, risk, overdue payments, problem-free and problem loans.

Introduction

Nowadays, the increase in the volume of bank loans aimed at the development of the economy in our Republic, the increase in the number of clients of various ownership and business management forms using bank loans, and the rational placement of loans given by banks and their efficiency improvement, the loans given and their it is demanded that the main task of banks is to continuously monitor the loan portfolio to ensure the recovery of accrued interest. During the rational reform of the financial sector, a number of measures were implemented, and as a result, necessary legal conditions were created for conducting advanced banking business and strengthening the competitive environment in this sector. When commercial banks use the main part of their funds for lending, it is necessary to determine in advance the issue of full recovery of the funds from the borrower, not just for income. Because the bank, as the owner of the investment, does not sell the investment, but the right to use the investment for a certain period of time based on certain conditions and additional interest. Currently, in our country, the concept of "problem credit" is causing much more debates and discussions by theoretical and practical scientists. This is certainly not in vain, because today the share of problem loans in the loan portfolio of commercial banks of our republic is a very high percentage, despite the measures to reduce it.

Also, commercial banks are required not only to lend to entities, but also to control the expected result from these resources through accounting. Also, the emergence of problematic loans in the implementation of credit operations makes it necessary to regulate their accounting based on the requirements of international standards. Based on this necessity, one of the urgent issues is the improvement of the processes of payment of loans and reserves of possible losses in commercial banks.

Discussion and results

We believe that bad loans are a part of commercial banks and there are several ways to eliminate them. Some banks offer installment plans to eliminate bad loans, while others offer loan restructuring or debt relief.

The main part of the credit risk arising in commercial banks is inextricably linked with the possibility of a decrease in the demand and production of products in some sectors of the country. In addition to these, it is safe to say that the following factors affect the level of bank credit risk:

- the degree of concentration of bank credit activity in a certain branch or circle that quickly adapts to changes in the economy, as well as has an elastic demand for its products. This is related to the degree of concentration of bank customers in certain sectors or geographical areas, especially sensitive to market changes;
- the degree of formation of banking activity in new, non-traditional branches and circles;
- the implementation of new types of services in banking practice in large quantities for a short period of time may result in negative results for the bank due to the low demand for new banking services;
- forming a large part of newly attracted customers in the near term;
- the fact that most of the credit and other bank contracts are for customers who are experiencing certain difficulties, etc.

In the current legislation, it is specified that the bank's loan portfolio is regularly analyzed and audited, in which, in addition to determining the quality of the loan, it is necessary to assess the quality of the management of the lending process, including the approved credit policy and the procedures for issuing loan documents, the issuance and evaluation of collateral, attention should be paid to the distribution of lending powers, ensuring compliance with legal norms.

Issued by commercial banks based on the rule No. 2696 "Classification of the quality of assets, establishment and use of reserves by commercial banks for possible losses" approved by the management of the Central Bank of the Republic of Uzbekistan on July 14, 2015 loans are classified into "standard", "substandard", "unsatisfactory", "doubtful" and "bad" loans according to the above criteria.

Problem loans can have different causes. According to the World Bank, internal factors cause 67 percent of losses in the emergence of problematic loans of banks. This indicator is only 33 percent due to external factors. Lack of supply to internal factors accounted for 22 percent, incorrect evaluation of information in the study of loan orders accounted for 21 percent, weak operational control, and failure to detect early warning signs in time and take appropriate measures against them accounted for 18 percent, collateral The low quality of supply was 5 percent, and the lack of possibility to obtain the supply specified in the contract was 1 percent. According to the calculations of the World Bank, the bankruptcy of the company accounts for 12 percent, the weakness of the company's financial control accounts for 11 percent, the loss of the company's position in the market and internal social problems account for 6 percent, and theft and fraud account for 4 percent of the external factors. organized by

About non-performing loans (NPL) of commercial banks
Information as of November 1, 2023

				<i>mlrd. so`m</i>
№	Name of bank	Credits	Non-performing loans (NPLs)	Share of problem loans in total loans
	Total	460 491	16 777	3,6%
	State-owned banks	329 529	13 069	4,0%

1	O'zmilliybank	95 867	3 107	3,2%
2	O'zsanoatqurilishbank	56 063	1 538	2,7%
3	Agrobank	54 874	1 894	3,5%
4	Asaka bank	40 245	1 842	4,6%
5	Xalq banki	24 104	2 138	8,9%
6	Biznesni rivojlantirish banki	22 258	1 258	5,7%
7	Mikrokreditbank	14 283	726	5,1%
8	Turon bank	11 115	305	2,7%
9	Aloqa bank	10 643	259	2,4%
10	Poytaxt bank	76	2,0	2,6%
Other banks		130 962	3 708	2,8%
11	Ipoteka-bank	35 851	1 987	5,5%
12	Kapital bank	24 860	289	1,2%
13	Hamkorbank	15 451	117	0,8%
14	Ipak yo'li bank	10 989	266	2,4%
15	Orient Finans bank	8 037	15	0,2%
16	Invest Finance bank	6 348	91	1,4%
17	Trastbank	4 903	127	2,6%
18	Davr bank	4 646	32	0,7%
19	Tenge bank	3 883	100	2,6%
20	Asia Alliance bank	3 230	78	2,4%
21	Tibisi bank	3 127	65	2,1%
22	Anor bank	3 073	51	1,7%
23	KDB bank O'zbekiston	2 261	0,0	0,0%
24	Ziraat Bank Uzbekistan	1 539	41	2,7%
25	Universal bank	1 155	14	1,2%
26	Garant bank	976	185	18,9%
27	Madad Invest bank	280	32	11,5%
28	Oktobank	253	213	84,0%
29	Yangi bank	27	0,0	0,0%
30	Eron Soderot banking ShB	24	4,8	19,7%
31	Apeks bank	22	0,0	0,0%
32	Hayot bank	20	0,0	0,0%
33	AVO bank	7	0,0	0,0%
34	Smart bank	0,4	0,0	0,0%
35	Uzum bank	0,0	0,0	0,0%

We aimed to analyze problem loans of commercial banks of the Republic of Uzbekistan, and the results of the analysis gave the following comments:

As of November 1, 2020, the total amount of loans granted by commercial banks in the Republic is 266,933.0 billion. organized soum. Of this, 235,971.0 billion 30,962.0 billion soums corresponded to banks with a state share. soums fell to other banks. 6560.0 billion of these loans. 2.5% of total loans are considered problematic loans. The worst indicator in terms of quantity is 2196.0 billion to Uzmilliybank ATB. and to Uzagroexportbank ATB regarding its share in total loans 4.7% was correct. The best indicator in terms of quantity is Poytakht bank ATB 1,0 bln. and Aloqa Bank ATB showed 0.6% of its share in total loans.

When analyzed as of April 1, 2021, we can see that the positions of commercial banks in the Republic regarding problem loans have not changed. In particular, the total amount of loans is 283485.0 bln. amounted to soum. Of this, 249,303.0 billion 34,182.0 billion soums belong to

banks with a state share. soums were borne by other banks. 10178.0 billion of these loans. 3.6% of total loans are considered problematic loans. The worst indicator in terms of quantity is 1941.0 billion to Uzmilliybank ATB. and Uzagroexportbank ATB accounted for 55.5% of its total loans. The best indicator in terms of quantity is 7.0 billion to Poytakht bank ATB. and in relation to its share in total loans, it was 0.1% to Aloqa Bank ATB.

As of April 1, 2022, the total amount of loans granted is 340,259.0 billion. organized soum. Of this, 28976.0 billion 50,499.0 billion soums belong to banks with a state share. soums fell to other banks. 16831.0 billion of these loans. 4.9% of total loans are considered problematic loans. The worst indicator in terms of quantity is 3524.0 billion to Xalq bank ATB. soums and 88.2% of Uzagroexportbank ATB accounted for its share in total loans. The best indicator in terms of quantity is 2.0 billion to Poytakht bank ATB. 2.6% of Poytakht bank ATB, as well as its share in total loans.

As of November 1, 2023, the total amount of loans issued by commercial banks in the Republic is 460,491.0 billion. organized soum. From this 329529.0 billion Soums are left for banks with a state share 130962.0 billion. soums fell to other banks. 16777.0 billion of these loans. 3.5% of total loans are considered problematic loans. The worst indicator in terms of quantity is 3107.0 billion to Uzmilliybank ATB. soums and compared to its share in total loans, Xalq Bank ATB accounted for 8.9%. The best indicator in terms of quantity is 2.0 billion to Poytakht bank ATB. soums and in relation to its share in total loans, Aloqa Bank ATB made 2.4%.

Also, commercial banks are required not only to lend to entities, but also to control the expected result from these resources through accounting. Also, the emergence of problematic loans in the implementation of credit operations makes it necessary to regulate their accounting based on the requirements of international standards. Based on this necessity, improvement of the processes of payment of loans and reserves of possible losses in commercial banks is one of the urgent issues.

The process of elimination of each problem loan is carried out as a result of negotiations between banks and customers, and in accordance with the terms of the contract, the process of elimination of problem loans is carried out. In addition, you may be required to submit employment or income information, be verified by the loan originator, or make additional payments to eliminate problem loans. The process of eliminating all problem loans is carried out as a result of negotiations between banks and customers, and each case is unique. Then, in accordance with the terms of the contract, the process of eliminating problem loans is carried out.

Summary

In short, bank loans must be clearly and accurately reflected in accounting and financial statements. Conducting credit monitoring and strengthening control over them after credit allocation. By monitoring allocated loans, it is possible to determine for what purpose the loan is being used. It is necessary to strengthen the control over the work carried out in banks related to the process of loan allocation and recovery, and thereby reduce the weight of doubtful and hopeless loans. In order to strengthen the collection of loans, to strengthen the relationship between bank employees and the client, and to organize a constant exchange of information between the client. The volume of loans allocated by commercial banks is increasing every year, and this has a great impact on the growth of the economy of our country.

References:

1. Abdullaeva Sh.Z. Banking risks and lending. T.: Moliya, 2012, 124-6.
2. Decree of the President of the Republic of Uzbekistan on the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, 12.05.2020 yildagi PF-5992-son <https://lex.uz/uz/docs>.

3. Resolution No. 422 of the Cabinet of Ministers "On approval of the procedure for focusing the collection on the liquid assets of the debtor in case of non-repayment of debt on bank loans", 04.12.2002 yil.
4. Abdikarimova D.R. Necessity and basic principles of bank collateral assessment.// «Moliya» jurnali. – Toshkent, 2015. - №4. – B. 58-63.
5. Abdikarimova D.R. Evaluation of collateral for bank loans. – T.: « Economy-Finance », 2016. – 168 b.