



## **IMPROVEMENT OF BANK GUARANTEE OPERATIONS IN COMMERCIAL BANKS**

Elboev Bobur Batirovich

PhD in Economics, Associate Professor of the Department of Finance and  
Reporting, Tashkent State University of Economics, Tashkent, Uzbekistan.

E-mail: elboyevbobur9777@gmail.com

<b>ABSTRACT</b>	<b>KEY WORDS</b>
This article says that the bank guarantee plays an important role in establishing and strengthening economic relations between partners, developing and developing trade, organizing the production and service process, formalizing various economic contracts, organizing and implementing export-import operations, generating credit relations, participating in tender sales, as well as establishing new cooperation between business entities.	Bank, guarantee, bank guarantee, principal, beneficiary, counter - guarantee, financial obligation, invoices.

### **Introduction**

Global economic fluctuations, expanding financial and economic restrictions, instability in the international financial and commodity markets, and increasing transactional risks related to foreign trade create the need to expand the effective bank guarantee market. According to the World Trade Organization, "in 2024, the global trade volume is expected to grow by 3.3%, real GDP by 2.5%, and the growth rates of trade and production will be below 2.6%." For developing countries, integration into international trade, expanding their participation in the global added value chain, making international payments and minimizing risks in trade financing require a wide use of financial tools, including credit, letters of credit, bank guarantees.

For sustainable development in the world, trade financing, joining and expanding participation in global value chains, use of bank guarantees in export and import financing, assessment and management of risks arising in the process of issuing bank guarantees are being conducted. Integration into global value chains, guaranteeing the fulfillment of obligations, financial support of export and import, application of bank guarantees in international settlements despite conducting scientific research on the development of international settlements, setting criteria for providing services related to bank guarantees, modern financial technologies of bank guarantees the fact that the issues of improving the presentation on the basis of the information have not been comprehensively studied indicates the need to conduct scientific research in these areas.

In Uzbekistan, attention is being paid to the development of financial and economic cooperation with partner countries, increasing the structure and volume of exports, adapting them to the rules, norms and agreements of the World Trade Organization, and improving the financing of exports and imports.

The "Uzbekistan-2030" strategy sets priorities such as "developing mutually beneficial relations with traditional partners, expanding the geography of international cooperation, joining global production and supply chains." Determines the need to carry out scientific research on the implementation of these tasks, improvement of international settlements based on the standards of the World Trade Organization, wider introduction of bank guarantee products, provision of bank guarantees based on international standards and service to them.

No. PF-37 of the President of the Republic of Uzbekistan dated February 21, 2024, No. PF-158 of September 11, 2023, on the state program for the implementation of the strategy "Uzbekistan - 2030" in the "Year of supporting youth and business" No. PF-60 dated January 28, 2022 "On the strategy of "Uzbekistan - 2030" Decree No. PF-5992 dated May 12, 2020 "On the Development Strategy of the New Uzbekistan for 2022-2026" Decree No. PQ-300 dated September 11, 2023 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025" "Uzbekistan - 2030" strategy in 2023 with quality and own on timely implementation measures", No. PQ-364 of November 10, 2023 "On additional measures to increase the role and share of microfinance services in the development of business activities", No. PQ-3620 of March 23, 2018 "Banking services decisions on additional measures to increase the popularity of this dissertation research serves to a certain extent.

## Research Methodology

This study did not investigate the practice of issuing bank guarantees in commercial banks in the case of whole. The fact that the process of transformation of commercial banks is underway, the changes taking place in the banking system, the increased demand for calculations determine the need to conduct research on this topic.

## Results

In reliance upon the research results obtained to improve the practice of issuing bank guarantees: the proposal to issue a bank guarantee in covered and uncovered form in order to ensure that a commercial bank fulfills the financial obligations of clients to third parties and reduce credit risk has been used by JSC "People's Bank" in the "Procedure for providing guarantees and sureties of the People's Bank to third parties", approved by order of the Board of the JSC "People's Bank" № 45/3 dated April 28, 2023 (reference № 01-23/211 of JSC "People's Bank" dated April 2, 2024), and "Regulations on the formation of loan folders and preparation of documents in the system of JSCB Microcreditbank", approved by order of the Board of the JSCB "Microcreditbank" № 119-5 dated November 30, 2022 (reference № 06-16/4698 of the JSCB "Microcreditbank" dated March 24, 2023). As a result, the number of clients who took advantage of the bank guarantee in JSC "People's Bank" have increased by 10 percent, and in JSCB "Microcreditbank" - by 15 percent, full execution, as well as timely return of the bank guarantee have been ensured; the proposal for the use of an underwriting system that ensures the identification, assessment and management of risks in order to optimize the process of providing bank guarantees to businesses, improving risk assessment and reducing the decision-making period to 5 business days, has been used by JSC "People's Bank" in the "Procedure for providing guarantees and sureties of the People's Bank to third parties", approved by order of the Board of JSC "People's Bank" № 45/3 dated April 28, 2023 (reference № 01-23/211 of JSC "People's Bank" dated April 2, 2024), in the Regulations "On the procedure for using the underwriting service when lending to business entities in the system of JSCB Microcreditbank, approved by order of the Board of JSCB

“Microcreditbank” №06-16/4698 dated March 24, 2023 (reference № 06-16/4698 of JSCB “Microcreditbank” dated March 24, 2023). As a result, the rate of decision-making on issuing a bank guarantee based on an assessment of the solvency of clients who applied for a bank guarantee in the branches of JSC “People’s Bank” and JSCB “Microcreditbank” has increased by 2 times, and the period for consideration of the application, depending on the type of guarantee, has been reduced up to 5 business days; the proposal to assess the solvency of the principal by dividing the risk into categories: currency risk ( $0\% \leq ER \leq 50\%$ ), credit risk ( $0\% \leq CR \leq 35\%$ ), liquidity risk ( $0\% \leq LR \leq 5\%$ ), operational risk ( $0\% \leq OR \leq 5\%$ ) and the risk of fraud ( $0\% \leq FR \leq 5\%$ ) when issuing a bank guarantee in foreign currency, has been used in the “Credit Policy of JSC “People’s Bank”, approved by order of the Board of JSC “People’s Bank” № 34/3, and in the “Procedure for providing guarantees and sureties of the People’s Bank to third parties”, approved by order of the Board of the JSC “People’s Bank” № 45/3 dated April 28, 2023 (reference № 01-23/211 of the JSC “People’s Bank” dated April 2, 2024). As a result, the indicators of risk appetite when issuing bank guarantees have been clarified; in JSC “People’s Bank” the percentage of trouble bank guarantees has been reduced by 4.5 percent; the proposal to issue a guarantee under a credit line for a period of 1 (one) year to clients who have a constant need for a bank guarantee, has been used by JSC “People’s Bank” in the “Procedure for providing guarantees and sureties of the People’s Bank to third parties”, approved by order of the Board of JSC “People’s Bank” № 45/3 dated April 28, 2023 (reference № 01-23/211 of JSC “People’s Bank” dated April 2, 2024), and “Regulations on the formation of loan folders and preparation of documents in the system of JSCB “Microcreditbank”, approved by order of the Board of JSCB “Microcreditbank” № 119-5 dated 30 November 2022 (reference № 06-16/4698 of JSCB “Microcreditbank” dated March 24, 2023). As a result, it has become possible to use a bank guarantee within the specified limit; the amount of guarantees provided increased by 10 percent in JSC “People’s Bank” and by 12 percent in JSCB “Microcreditbank”.

## Discussion

Entities providing guarantees.

1. Bank guarantee
2. Guarantee of a non-bank credit institution
3. Insurance companies guarantee

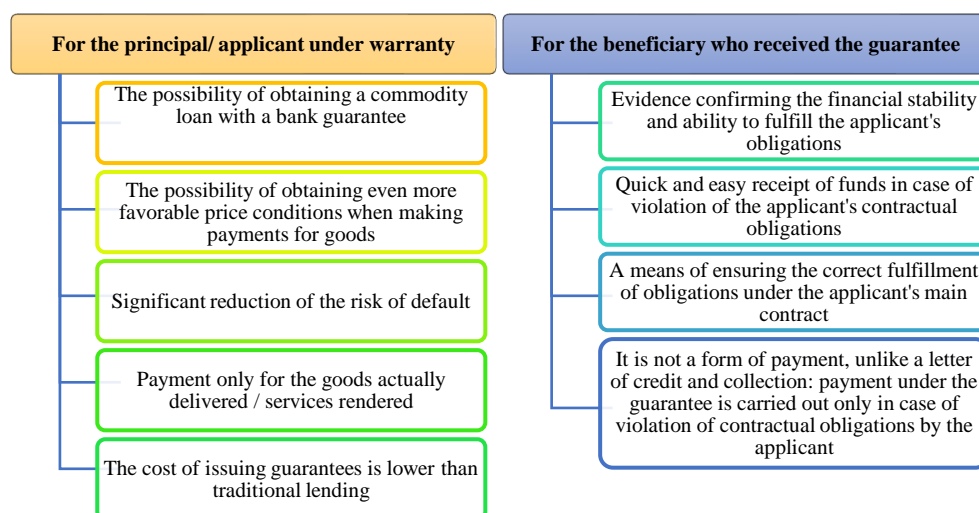


Figure 1. Advantages of a bank guarantee for the principal and beneficiary

The Bank provides a bank guarantee and acts in accordance with the agreement on the basis of Christmas arrangements. In addition, the beneficiary of the bank has the right to receive guarantees. The Bank is the guarantor of the acquisition of the uning principal grant and the beneficiary as the preferred lender. (1-picture) At the same time, as in the case of other teachers, this believes that they are also teachers, and this are teachers.

**Table 1. Analysis of the guarantees, assets and liabilities of commercial banks**

Banks	Notesources	2018 y.	2019 y.	2020 y.	2021 y.	2022 y.	Change, 2022/2018
ATB "microreditbank"	Provided catholics, ml.	121,0	112,9	120,7	124,4	337,7	216,7
	Assets, billion dollars.	2942,9	5571,4	9878,8	12802,4	16521,3	13578,4
	Liabilities, billion dollars	2246,8	3911,5	8191,6	10510,7	12870,4	
	the ratio of loans issued to assets, %	4,1	2,0	1,2	1,0	2,0	-2,1
	The ratio of issued guarantees to obligations %	5,4	2,9	1,5	1,2	2,6	-2,8
"Halk Banki ATB"	Provided catholics, ml.	131	90,9	130,7	124,4	299,5	168,5
	Assets, billion dollars.	3942,9	5687,4	9009,7	13456,4	17652,4	13709,5
	Liabilities, billion dollars	3001,3	4054,1	8136,5	10865,8	13670,5	10669,2
	the ratio of loans issued to assets %	3,3	1,6	1,5	0,9	1,7	-1,6
	The ratio of issued guarantees to obligations %	4,4	2,2	1,6	1,1	2,2	-2,2
ATB "uzsanoatkurilishbank"	Provided catholics, ml.	932,3	1599,4	2424,0	1834,2	1933,4	1001,1
	Assets, billion dollars.	31026,1	35827,1	48296,5	55731,9	63191,9	32165,8
	Liabilities, billion dollars	27822,6	29525,5	42243,0	48787,1	55631,3	
	the ratio of loans issued to assets, %	3,0	4,5	5,0	3,3	3,1	0,1
	The ratio of issued guarantees to obligations %	3,4	5,4	5,7	3,8	3,5	0,1
ATB "Agrobank"	Provided catholics, ml.	40,0	478,0	763,0	623,6	559,2	519,2
	Assets, billion dollars.	10378,7	18540,7	31002,9	39547,7	52947,7	42569,0
	Liabilities, billion dollars	8163,8	14022,1	25924,1	30752,2	43927,2	35763,4
	the ratio of loans issued to assets, %	0,4	2,6	2,5	1,6	1,1	0,7
	The ratio of issued guarantees to obligations %	0,5	3,4	2,9	2,0	1,3	0,8

The guarantees, assets and liabilities of ATB" microkreditbank", at" people's bank", ATB" Uzsanoatkurilishbank "and ATB" Agrobank " were growth in 2018-2022. The bank guarantee is taken into account in off-balance accounts in separate personal accounts as part of their obligations of a credit nature. In the structure of the bank's obligations of a credit nature, bank guarantees, obligations for lending and letters of credit are taken into account.

**Table 2. Classification of Bank guarantees by quality**

<b>№</b>	<b>Asset category</b>	<b>Amount of reserves by asset in %</b>
<b>1</b>	standard	1
<b>2</b>	substandard	10
<b>3</b>	unsatisfactory	25
<b>4</b>	suspicious	50
<b>5</b>	desperate	100

According to the regulation, commercial bank guarantees are classified into standard, substandard, unsatisfactory, dubious and hopeless categories, like other assets. Accordingly, reserves on these assets are formed in the amount of 1, 10, 25, 50 and 100% of the loan amount. determining the reasons for the transition of the bank guarantee from the "standard" category to the next negative categories; Analysis of the financial condition of the principal immediately directly on the spot and assessment of the liquidity level and market value of the collateral property; implementation of measures for its premature return when the warranty is met; control the formation of special reserves, programmed against possible losses under guarantees classified as "substandart", "unsatisfactory", "suspicious" and "hopeless"; to take measures to ensure that negatively classified bank guarantees do not become a "hopeless" asset; appeal to the economic or civil court, to the relevant authorities in case of signs of a crime, with a petition to initiate a case on the bankruptcy of a debtor who is not fulfilling his obligations to pay the debt; to take measures to organize collection work with the hookup protection authorities in order to ensure the collection of negatively classified guarantees. It is considered advisable to start at the initial stages in order to avoid the occurrence of a problem bank guarantee. It is advisable to pay special attention to the issue of risk in this.

## Conclusion

From the results of the study, the following conclusions and suggestions were formulated: Since the bank guarantee allows Principle to delay payment to the beneficiary, its effectiveness will depend directly on the amount the beneficiary is able to pay, the value of the funds, the credit risk. If the fee that the beneficiary can pay for the guarantee is low, the bank guarantee will not be common if the bank does not dare to take risks for such a payment. Therefore, when setting a fee for a bank guarantee, it will be necessary to take into account many factors. The fact that its economic attractiveness is not sufficiently clear for all participants in the relationship arising from guaranteeing is an obstacle to its widespread use. Guarantor banks can reverse this trend by offering their customers economically justified options for using bank guarantees, that is, at a price that is beneficial to all parties to the relationship: guarantor, principal, beneficiary. The Bank counter-guarantee will help the principal to enter new markets, develop international relations.

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