



IMPROVING THE EFFICIENCY OF WORKING WITH PROBLEM LOANS IN BANKS

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ABSTRACT	KEY WORDS
This article discusses how to improve the efficiency of working with problem loans in banks. Lending is at the forefront of the functioning of any commercial bank and has always been given a special role. Due to the increased volumes of lending to corporate clients, small businesses and the retail sector, the share of problem debt in banking structures is growing, which may subsequently develop into overdue debt. Consequently, banks are forced to pay great attention to working with problem debt, develop new methods and mechanisms for identifying it, create separate divisions ready to effectively monitor and combat this debt.	Problem debt, problem loan, overdue loan, measures to collect problem debt, signs of a problem loan.

Introduction

Today, the most important problem for both credit institutions and their clients is the return of issued loans. Not only the success of resolving a particular conflict situation, but also the stability and reputation of the bank itself depend on the correct choice of the method of working with "problem" assets. Each bank chooses its own ways to resolve problem debts in accordance with the policy pursued within the organization. Let us consider the main problems that arise in the process of working with problem assets of legal entities. The main problem of banks when independently working with problem debts is the lack of a clearly functioning and regulated legal mechanism for working with debts, as well as the lack of a general standard for working with problem assets. In order to minimize the legal risks that arise in the situations under consideration, banks must independently develop documentation (rules, instructions, procedure, regulations) for the settlement of problem debts. This document must provide for the delineation of powers between various structural divisions of the organization on the issue under consideration, and vest responsible persons with the appropriate rights and responsibilities [5].

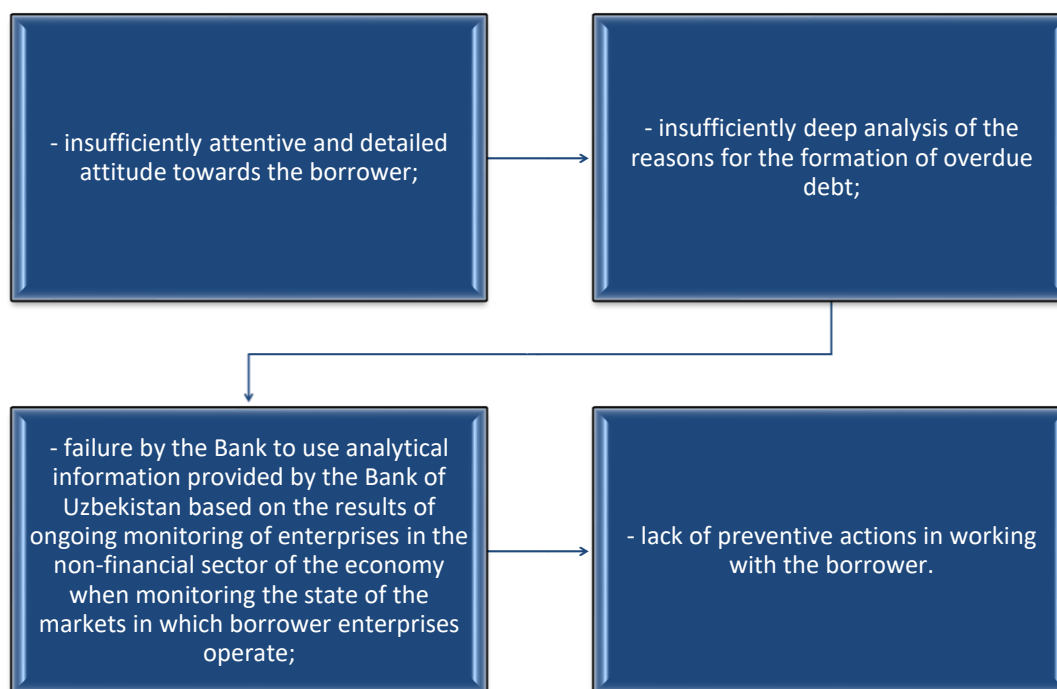
In addition to this problem, there are significant problems in the legislative and regulatory field of activity of both banks and their clients that complicate the process of collecting problem debts. In Uzbekistan, there is currently a legal way to evade debt repayment - bankruptcy, despite the fact that it is very lengthy. Bankruptcy is often a goal, the achievement of which allows the debtor to avoid the

return of debts that are "unbearable" for him. In the course of recognizing a person as bankrupt and conducting bankruptcy proceedings, creditors are often left "with nothing", since the bankrupt's property is clearly insufficient to satisfy the legal claims of all creditors. Despite the prevalence of deliberate bankruptcy, it does not find due qualification in law enforcement agencies. In addition, given that arbitration managers have the authority (duty) to identify signs (facts) of deliberate bankruptcy, it should be noted that in many cases they fail to fulfill their duties for one reason or another. In this regard, the primary responsibility for preventing intentional bankruptcy should lie with the creditors themselves. However, to do this, they must have an understanding of the main goals and characteristics of the commission of this act [2].

Often, deliberate bankruptcy is committed with the purpose of avoiding payment of accounts payable by stealing the property of the enterprise, coupled with the transfer of funds of the "insolvent" enterprise to structures controlled by the guilty party. The meaning of this criminal structure is that, in accordance with the civil legislation of the Republic of Uzbekistan [1], creditors' claims that are not satisfied due to the insufficiency of the property of the liquidated legal entity are considered to be extinguished. In addition to this problem, the bankruptcy procedure itself is very complex and lengthy, since effectively conducting the bankruptcy procedure does not mean simply being present at the procedure. Correct interaction with creditors and correct communication with arbitration managers are required. Effective actions are needed to search for the debtor's assets, to challenge transactions concluded by the debtor on the eve of the bankruptcy procedure. In addition, an adequate assessment of the assets that can be sold within the framework of the bankruptcy case is necessary. Plus, the effective conduct of the auctions themselves and, as a result, the maximum return of money [3].

In addition to the problems in the legislation governing work with problematic debt, there are certain difficulties in the organizational process. Thus, one of the problems is the bureaucratic structure of the bank, in which there are many departments, each of which performs its own functions and responsibilities, in fact, the client is not assigned to anyone. Also, almost every action of a specialist in the process of his work with problematic debt is accompanied by documentation, it is necessary to make many value judgments. Such a complex organizational structure extends the time with a problem asset. The Department for work with problem assets works with corporate clients. Enterprises can have different profiles, in this regard, it is necessary to have a lot of information to work with them, and it is also necessary to know the intricacies of each business. Since clients are different, each one needs its own approach, develop a plan.

The mechanism for working with problem assets is quite complex, labor-intensive and lengthy, since there are many procedures in this process, as a result of which employees do not have enough time. On the one hand, it is possible to increase the staff of employees, in this case the efficiency of the Bank may increase. But, on the other hand, for the Bank these are additional costs for wages. There is also a certain seasonality in this work, so you cannot take additional employees for a short period. In addition to organizational problems, difficulties with repayment of loans may also arise due to the fault of bank employees. These may be the following reasons:



We can also highlight the problems of dishonesty of bank employees:

- ✓ The first problem appears when credit officers issue a clearly problematic (non-repayable) loan to an obviously insolvent borrower.
- ✓ The second problem is that if the company is large, then credit officers work well, but if the company is small (5.6.7 million), then credit cards do not work well, as a result of which arrears of more than 90 days occur.

In accordance with the previously identified problems, it is necessary to develop recommendations for improving the organization of the Bank's work with problem loans. The first recommendation is related to the usefulness of developing a standard for working with problem assets. The presence of such a standard will help harmonize the approaches of banks and regulators to controversial issues of credit institutions' work with problem assets, will provide additional mechanisms for a reasonable risk assessment when determining the amount of reserves formed for problem assets, proven advanced methods for working with problem assets and document forms for such work. In addition, the standard will reduce the costs of financial institutions for audit, legal and consulting services to support work with problem assets and, of course, will increase the trust of counterparties and the business community in banks [5].

The second problem identified involved evasion of debt repayment within the bankruptcy procedure. Taking into account the considered features of intentional bankruptcy, important measures to prevent intentional bankruptcy and, accordingly, important aspects of protecting the interests of creditors, it seems, should be stricter conditions for providing loans, a thorough analysis of the accounting and other documentation of the borrower (his guarantors), increased control over the expenditure of credit funds, as well as monitoring the financial and economic activities of the borrower enterprise. In other words, the security for the fulfillment of credit obligations should have a high degree of liquidity [2]. To solve organizational problems, it is necessary to directly involve specialists - practitioners in developing the relevant internal documents. In the internal document of the Bank regulating the work on collecting overdue debt, it is necessary to prescribe the clarity of coordination of all actions of the

responsible services for collecting overdue debt. In particular, it is recommended to organize the collection of developments of branches, comments of employees who apply these methods in the process of performing their job responsibilities.

When working with problem loans, the Bank must act as quickly as possible. The complexity of the document approval mechanism and red tape significantly delay the work. To solve this problem, it is possible to propose expanding the powers of specialists working with problem debts by increasing the limit of powers within which they can make decisions. In practice, it often happens that the Borrower is in debt to several creditors at once. To solve the problem of lack of time and staff, the Bank can combine efforts to collect problem debts for specific clients with other credit institutions in the region that have encountered similar problems with these clients. In addition, expanding cooperation between banks and insurance companies can have a positive effect on reducing the number of bad loans by distributing risk between the two partners. Cooperation will also allow banks to exchange information on "bad" clients, which will make it impossible for the same person to take out a bad loan from two different banks. Deepening cooperation and developing new interaction schemes, such as insuring individual groups of borrowers from specific threats inherent in this particular category of clients, will minimize credit risks for the Bank.

Timely response to early signs of emerging financial difficulties allows the bank to take preventive measures to improve the situation and protect the bank's interests. These measures must be taken as early as possible, before the situation gets out of control and losses become inevitable. First of all, bank employees must conduct a more in-depth analysis of the borrower, identify the specific reasons that led to the deterioration of the situation. It is important to find out the borrower's position: does he want to repay the debts, can he be trusted, is he able to restore the status quo, having achieved the desired profit? Regardless of whether the bank decides to maintain its relationship with the borrower or to abandon them in the future, it is advisable for the bank to develop a corrective plan for further action. In this case it is necessary:

- find out how deep are the reasons that led to the deterioration of the situation (deterioration of the financial condition of the borrower; failure to comply with contractual obligations under the loan transaction by the borrower's counterparties; improper use of the loan; change in the composition of the management bodies of the borrower-legal entity; presence of force majeure and other circumstances);
- add this loan to the special watch list;
- meet with the management of the enterprise, outlining a plan of further actions;
- if necessary, lower the borrower's credit rating, stop reflecting the loan fee in the bank's income, increase deductions to reserve funds;
- taking into account the results of the analysis, if it is necessary to change the terms of the loan transaction (revise the size of the credit line up to its closure, use additional collateral, increase the loan interest rate, etc.);
- find out potential dangers for banks in other areas of interaction with this client;
- critically analyze all loan documentation, including the loan agreement with the lending terms specified therein, the pledge agreement (from the standpoint of the completeness and cost of collateral);
- re-evaluate the reliability of all forms of credit repayment security (availability of guarantees, sureties, bills of exchange, etc., in addition to collateral);
- increase attention to the status of the client's current account;

- develop a program for changing the debt structure (if necessary, defer credit repayment) [4].

In addition to these measures, the Bank must also analyze the turnover of the borrower's bank accounts, check the sufficiency and safety of the security, assess the financial position of the guarantor (surety) at the time of the loan and in the presence of a guarantee (surety) and at the time of the formation of overdue debt, and also assess the completeness of the measures taken by the Bank to repay the overdue debt. Monitoring must be carried out on an ongoing basis. In most cases, problem loans do not arise suddenly. In practice, there are many signals indicating a deterioration in the financial condition of the borrower and an increased likelihood of non-repayment of the loan. These signals were discussed in the first chapter. To avoid this, banks must periodically conduct objective reviews of loans by the internal control department in order to identify signs of problem loans missed or hidden by the credit department employees. Inspections conducted by supervisory and regulatory authorities also very often reveal previously unnoticed problem loans. Nevertheless, the first "identifier" of problem loans should be the bank's internal control service. Some banks even apply sanctions to credit officers if problems with loans are not noticed by them. However, in order to have as few problem loans as possible, work to prevent problematic situations should be carried out already at the stage of making a decision on issuing a loan with the participation of employees of the internal control service.

But even if the loan was issued to a borrower who met all the parameters of creditworthiness, it is necessary to constantly monitor the situation, since his financial situation may change, which will be indicated by alarm signals. The reason for big problems for the borrower is sometimes ordinary forgetfulness. A person missed the date of the next payment, paid the usual amount a couple of days later. But fines have already been accrued for the delay, which are paid off first. An underpayment has arisen, which the client is unaware of. Accordingly, fines are accrued on it, which accumulate. And if this process is "launched", a penny misunderstanding can turn into a serious claim. Therefore, it is very important to organize preventive actions to prevent the occurrence of a delay due to the simple forgetfulness of the borrower. To do this, it is sufficient to notify the client in advance of the need to make the next payment in accordance with the payment schedule, using any method chosen by the client (SMS reminder, email or regular mail, phone call) [3].

In conclusion, it is necessary to focus on the following premise - problem loans are an integral part of the banking business. This suggests that any credit institution should have a comprehensive system for working with problem loans, secured by internal regulatory documents. The relevant departments of the bank should constantly monitor borrowers, analyze their financial and economic condition, identify signs of trouble at an early stage, and in the event of detection of a problem loan, apply measures to prevent losses. In turn, commercial banks should organize their activities in such a way that the lending process, not associated with unjustified risks, would generate income, and the collection process would be as effective as possible and would not violate the legal rights and interests of borrowers.

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