

WAYS TO ENSURE SUSTAINABLE GROWTH OF COMMERCIAL BANKS' LOANS

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A B S T R A C T	K E Y W O R D S
<p>Ensuring the stable growth of commercial bank loans is one of the necessary conditions for improving the practice of financing investment costs of enterprises of the real sector of the national economy. Therefore, in the 2020-2025 strategy for reforming the country's banking system, ensuring stable and moderate growth of bank loans is recognized as one of the priority areas of banking system reform.</p> <p>In the article, the problems related to ensuring the stable growth of loans of the country's banks are identified and scientific proposals aimed at solving them are developed.</p>	<p>commercial banking, loan, loan portfolio, classified loans, problem loan, income, interest income, interest rate, inflation, deposit.</p>

Introduction

Improving the lending practice of commercial banks in the Republic of Uzbekistan is one of the urgent issues of developing the country's economy. In particular, in the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, lending only based on market requirements, reducing the dependence of banks on state resources, improving the quality of the credit portfolio and the quality of risk management, and adhering to a moderate level of growth in the volume of lending are the priorities of the strategy of reforming the country's banking system. recognized as directions [1]. This, in turn, creates the need to ensure the stable growth of commercial banks' loans.

Analysis of Literature on the Topic

According to J. Sinki, the main activity of banks is to finance loans through deposits. However, if previously banks were considered only as intermediaries in the process of distribution of financial resources, at the current stage of economic development, they can be considered as enterprises engaged in the production of information and provision of operations [2].

According to Huerta de Soto's conclusion, the decrease in the interest rates of investment loans of commercial banks turns previously unprofitable investment projects into profitable investment projects, and as a result of the financing of investment projects by banks at the expense of loans that are not secured by voluntary funds, there are cases of failure of investment projects and non-return of given loans [3].

According to V.Kayukov and A.Kayukov, in order to improve the mechanism of providing enterprises with bank loans by banks, it is necessary to strengthen the resource base of commercial banks, to ensure the proportionality of banks' assets and liabilities according to their size and duration [4].

According to O. Lavrushin's conclusion, short-term lending for a large object within the credit line has the following advantages for large enterprises:

- is given only to legal entities;
- the bank's clients are only large enterprises;
- borrowers are enterprises with a constant need for short-term resources;
- the main account of the borrowers of this loan is in the lending bank;
- credit is granted only to financially reliable customers [5].

According to J. Gudl's conclusion, the negative impact of the coronavirus pandemic on the lending practice of banks is manifested in the liquidity problem in banks as a result of non-return of loans. In order to solve this problem, firstly, the quality of loans guaranteed by the British Government is 330 bln. set to guarantee the pound sterling; secondly, the Bank of England set the lowest discount rate (0.1%) in its 325-year history on March 19, 2020 [6].

According to a group of Chinese economists, lowering the interest rates of loans by reducing the mandatory reserve requirements of the Central Bank will play an important role in mitigating the negative impact of the consequences of the corona virus pandemic on the lending practices of commercial banks. People's Bank of China on March 13, 2020 550 bln. announced that it would reduce its reserve requirements in order to free up funds in the amount of 70.3 billion yuan. In this regard, the rate of one-year loans to creditworthy corporations was reduced to 0.1%, and the rate of five-year loans was reduced to 0.05% [7].

According to O. Sattarov's conclusion, the high level of reserve allocations intended to cover losses from loans is a negative situation from the point of view of ensuring the stability of commercial banks [8].

According to the conclusion of L. Muradova, it is necessary to increase the level of diversification of the credit portfolio of commercial banks by setting the limits of the crediting sector, which provides for restrictions on lending to certain industry enterprises, which make up 25% of the credit portfolio of commercial banks [9].

According to N. Jumaev's conclusion, the deepening of the problem of indebtedness on international loans is determined by the low efficiency of using international investment loans [10].

Analysis and Results

In the banking practice of developed countries, banks have established a comprehensive use of credit forms for lending to enterprises, and leasing loans and syndicated loans are widely used to finance their investment costs.

In addition, the provision of a standard level of loan loss reserves has a positive effect on their lending potential.

Also, in developed countries, paying attention to the level of diversification of the credit portfolio plays an important role in preventing the level of credit risk from exceeding. For example, US banks strictly adhere to the principle of diversification of the loan portfolio. Therefore, the weight of loans given to enterprises of one branch in the loan portfolio of commercial banks of this country does not exceed 25 percent.

Low and stable loan interest rates are one of the primary prerequisites for ensuring stable growth of commercial banks' loans.

We evaluate the stability of interest rates on deposits and loans of Russian commercial banks using the data in the table below (Table 1).

Table 1 Average annual interest rates of deposits and loans of commercial banks of the Russian Federation in national currency-rubles, in percent[11]

Indicators	2017	2018	2019	2020	2021
Interest rate of deposits	8,2	5,9	5,6	4,1	4,4
Interest rate of loans	12,1	10,5	9,5	8,3	8,8

From the data presented in Table 1, it can be seen that in 2017-2020, the average interest rate of deposits received by the commercial banks of the Russian Federation in national currency tended to decrease. This downward trend is explained by the fact that the average interest rate of loans granted by commercial banks in the national currency during this period has a tendency to decrease. In addition, the average interest rates of deposits and loans of Russian commercial banks in 2021 decreased significantly compared to 2017. These circumstances are positive from the point of view of ensuring the investment attractiveness of commercial banks.

Table 2 Average annual interest rates of deposits and loans in national currency by commercial banks of the Republic of Uzbekistan, in percent [12]

The average annual interest rate of deposits with a maturity of up to 1 year in national currency	14,2	14,9	16,1	16,3	15,5
Average annual interest rate of loans in national currency	16,2	21,1	23,7	22,3	20,8

From the information presented in Table 2, the interest rates of deposits attracted by commercial banks in the national currency and loans granted in the national currency were relatively high in 2017-2021.

Table 3 Loan loss provisions at Bank of America (USA). quantity and level [13]

Indicators	2017	2018	2019	2020	2021
Amount of loan reserve, mln. US dollars	3396	3282	3590	11329	4594
The level of reserve allocations for loans in relation to gross assets, %	0,1	0,1	0,1	0,4	0,1

From the data presented in Table 3, it can be seen that Bank of America's loan loss provisions have had an increasing trend in 2018-2020. This is a negative situation from the point of view of improving the bank's credit services. However, in 2021, the level of this indicator has significantly decreased compared to 2020.

From the data presented in Table 3, it can be seen that the level of loan loss provisions at Bank of America in relation to gross assets was stable in 2017-2021 (except for 2020). This is a positive situation from the point of view of improving the bank's credit services.

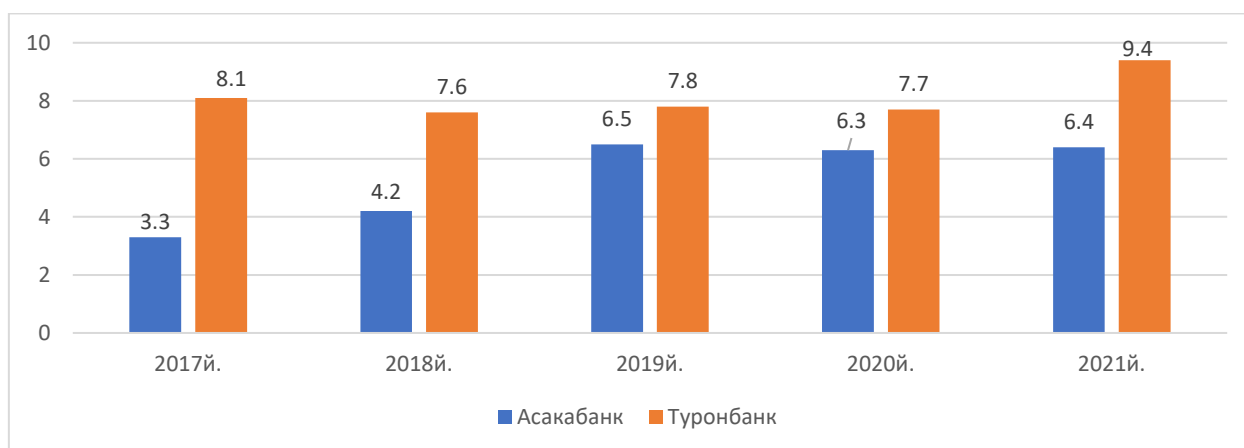


Figure 1. Profitability of loans at JSC "Asakabank" and JSC "Turonbank" [14]

From the data of Figure 1, it can be seen that the profitability of loans in Asakabank increased significantly in 2021 compared to 2017. However, in 2020 compared to 2019, this indicator decreased. From the data of Figure 1, it can be seen that the profitability of loans in Turonbank increased significantly in 2021 compared to 2017. However, in 2020, this indicator significantly decreased compared to 2017.

Conclusions and Suggestions

During the research, we formed the following conclusions:

assessment of the stability of interest rates of deposits and loans

*In 2017-2020, the average interest rate of deposits accepted by the commercial banks of the Russian Federation in the national currency was observed to decrease, which is explained by the fact that the average interest rate of the loans granted by the commercial banks in the national currency during this period had a tendency to decrease;

* the interest rates of deposits attracted in national currency by commercial banks of our republic and loans granted in national currency were relatively high in 2017-2021;

From the data presented in Table 3, it can be seen that Bank of America's loan loss provisions have had an increasing trend in 2018-2020. This is a negative situation from the point of view of improving the bank's credit services. However, in 2021, the level of this indicator has significantly decreased compared to 2020.

* The fact that the level of reserve allocations intended to cover losses from loans in Bank of America in relation to gross assets was stable in 2017-2021 is a positive situation from the point of view of improving the bank's lending practices;

* In Asakabank, the profitability of loans increased significantly in 2021 compared to 2017, while in Turonbank, the profitability of loans increased significantly in 2021 compared to 2017.

In our opinion, the following measures should be implemented to ensure the stable growth of commercial bank loans of our republic:

1. In order to improve the quality of the credit portfolio of commercial banks, first, it is necessary to lower the cost of loans by introducing modern banking technologies into the lending practice; secondly, it is necessary to ensure the balance between interest income from loans and interest expenses on time deposits; thirdly, it is necessary to prevent deterioration of the structure of classified

loans in order to prevent the excess of reserve allocations intended to cover losses from loans granted to enterprises.

2. In order to improve the resource provision of loans of commercial banks, first of all, time deposits should be exempted from mandatory reserve requirements; secondly, it is necessary to support the emission operations of commercial banks related to valuable securities by means of monetary policy and tax policy instruments of the state.

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