

Long-Term Loans: Problems and Solutions

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Abstract: Today, the world is developing rapidly; new techniques and innovative technologies are being created. In turn, in order to implement these innovations and produce competitive products or services in accordance with modern requirements, as well as to further expand the scope of activities, businesses naturally need high bank loans and choose the financial institution that is most able to meet these needs. This article examines and analyzes in detail the problems associated with long-term loans provided by commercial banks. The authors have developed their own approach to this problem on the basis of the literary sources of foreign and domestic scholars. In addition, the article presents relevant proposals and recommendations.

Keywords: long-term lending, interest, assets, liabilities, profits.

INTRODUCTION

The deepening of socio-economic reforms and the integration of international economic relations, which are being carried out in our country today, increase the demand for long-term investments in economic entities. This, in turn, requires the formation of the resources of commercial banks at the expense of sustainable sources. For this, commercial banks must have sufficient capital, be financially stable, in a word, their long-term resource base must be ensured.

Also, a number of important measures are being implemented to further develop the banking and financial sector of our country and provide customers with long-term loans on time. For example: Decree No. PF-5992 of the President of the Republic of Uzbekistan dated May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" states "to improve the quality of the credit portfolio and risk management, to follow a moderate increase in lending volume, to conduct a balanced macroeconomic policy, improving corporate management and attracting managers with international practical experience, ensuring the financial stability of the banking system by implementing technological solutions for assessing financial risks, indicates that banks should study foreign experiences in lending and look for opportunities to apply it to themselves.

Today, the existence of a number of problems related to the development of the long-term lending system by commercial banks in developing countries reflects the fact that they have high credit risk risks. In particular, the relatively low level of profitability of enterprises, the lack of necessary financial instruments, the lack of long-term resources, the lack of flexibility in the procedure used for paying debts, does not allow to adapt to changes in the financial capabilities of borrowers, which can lead to the deterioration of customer activity. In such a situation, the amount of financial resources with a limited opportunity, state subsidies, creates the problem of choosing long-term loan parameters, and its solution means the need for a special approach for a wide range of borrowers.

The growth trends of economic activity in the country are also reflected in banking activities. In particular, loans of commercial banks occupy a very important place in the GDP growth of the Republic of Uzbekistan. As of January 1, 2020, the ratio of credit deposits to GDP was 41.3 percent, which is a clear proof of our opinion.

When each commercial bank provides long-term loans to its customers, it is desirable to determine the repayment of the loan principal and accrued interest in reasonable and realistic terms (monthly, quarterly, in certain periods of the year) based on the cash flow income of the borrower, without being determined at the same time. because if the repayment schedule is made according to the type of activity of the client, the problem of defaults will be less.

Today, the importance of long-term lending to the real economy is increasing. From the point of view of macroeconomic stability, long-term lending has a number of advantages, it helps the technical recovery of production. But due to the problem of lack of sufficient long-term stable resources in commercial banks, long-term lending can be relatively low in most cases. Also, in countries with low savings rates, short-term loans often dominate because households and companies want to be flexible.

As a result of the reforms carried out in our republic, the banking system is trying to minimize the risks associated with the activity of economic sectors as much as possible. In particular, as of January 1, 2019, 40% of commercial banks' credit deposits were allocated to industry, 12% to transport and communication, 15% to individuals, 6% to trade and general services and agriculture, and 4% to construction.

The share of state-owned banks in the credit investments of the banking system of our country remains high.

Today, the world is rapidly developing, new equipment and innovative technologies are being created. In turn, in order to put these innovations into practice and to produce competitive products or provide services based on modern requirements, and to further expand the scope of activity, business entities naturally have a high need for bank loans and choose a financial institution that can meet these needs in the most reasonable way.

As a result of our scientific research, it became clear that it is necessary to try to organize the level of customer service in our national banking system within the framework of internationally recognized banking services. Commercial banks have also developed the following proposals for long-term lending to customers:

1. In our country, the interest rates of loans given by commercial banks do not correspond with the profitability indicators of enterprises in economic sectors. The average interest rate of loans provided by banks is much higher than the profitability indicators of economic sectors, especially in the agricultural and industrial sectors. These situations create the risk of non-payment of loans issued by commercial banks. Lending by commercial banks to the most important sectors of the economy shows that each customer should be treated individually;
2. In order to optimize the interest rates of commercial banks, it is necessary to reduce the refinancing rate of the Central Bank;
3. Constantly analyze the effectiveness of long-term loans in increasing the profitability of the bank's loan portfolio;
4. In order to increase the profit of commercial banks, it is necessary to effectively conduct credit, investment and deposit policies in order to achieve optimal use of assets and liabilities.

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