

PROBLEM LOANS

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Abstract: This article describes the criteria for classification of problem loans in commercial banks of the country and their forms, types of problem loans and ways to reduce them. The article also analyzes the practical state of problem loans of the banking system and commercial banks of the country and formulates conclusions and recommendations for their reduction.

Keywords: Problem loans, standard loans, substandard loans, unsatisfactory loans, doubtful loans, bad loans, reserves, diversification, commercial banks.

INTRODUCTION

The reforms implemented in the banking system of our country are aimed at further simplifying the practice of lending, increasing their economic efficiency and optimizing interest rates, activating the role and participation of banks in the socio-economic development of the country in accordance with the "Strategy of Actions" in Uzbekistan, and eliminating problems related to reducing the weight of problem loans. In turn, it will serve to improve the competitive environment in the industry, improve the activity of commercial banks, the quality and culture of lending in all respects. In our country, many measures are being taken to implement ways to eliminate problem loans.

LITERATURE ANALYSIS AND METHODOLOGY: The emergence of commodity-money relations in social society created the basis for the formation and development of lending practice. After all, in any socio-economic society where commodity-money relations are valid, it is necessary for credit to be created and lending relations to be valid and this process to develop continuously. However, in recent years, a number of problems related to timely repayment of loans and accrued interest, as well as credit provision, have appeared. Despite the difficult conditions observed in the economy in 2020, the balance of credit deposits grew by 34.3% compared to the beginning of the year or 2.5 times faster than the nominal growth of GDP, and reached 280.4 trillion as of January 1, 2021. amounted to soums. In particular, the balance of loan deposits allocated to legal entities increased by 1.3 times or 56.7 trillion. to soums (a total of 222.5 trillion soums), and credit deposits allocated to individuals increased by almost 1.4 times or 15 trillion. increased to soums (54.9 trillion soums in total).[8] Increasing the efficiency of the banking system of our country is related to the active participation of banks in lending to the real sector of the economy. However, commercial banks of our country face several difficulties and problems in lending activities. Especially today, the presence of problem loans is noticeable among the loans that make up the main part of the income-generating assets of commercial banks. As banks use the borrowed funds mainly as loans, it is necessary to determine in advance the issue of not only obtaining income, but also the full recovery of the funds from the "borrower". Because "the bank, as the owner of the investment, does not sell the investment, but the right to use the investment with certain conditions and additional interest"[2]. At the moment, the concept of "problem credit" is used much more in the

scientific-theoretical and practitioner circles in our country than before, and the debate is causing debate.

In some literatures, risky credit investments in the activity of commercial banks are defined as investments in the form of problem loans, and in some literatures, problem loans are defined as loans that the bank has doubts about its object, subject, and provision. Also, if the given loan has a problem collateral and the value of this collateral is less than the amount of the unpaid debt, then this loan is considered a problem loan, substandard and lower classified loans belong to the category of problem loans.

DISCUSSION: According to the approach of Professor Sh. Z. Abdullaeva, one of the local scholars, substandard loans can also be analyzed as problematic loans due to the fact that they are not returned on time.[1] Another local scientist, U.A. Tukhtaboev, defines problem loans as follows: they are the result of the obvious manifestation of credit risks in practice, and due to the violation of the terms of the loan agreement due to objective and subjective reasons, they have passed into the category of "substandard", "doubtful" and "hopeless" loans. loans are called non-performing loans.[4] We can say that this last definition is more fully interpreted among the definitions given to problematic loans. Because it is associated with the credit risks that cause problem loans to appear, and the loan categories are distinguished. i After the adoption of the Regulation No. 2696 of the Central Bank of the Republic of Uzbekistan dated July 14, 2015 "On the procedure for the classification of asset quality in commercial banks and the formation and use of reserves to cover potential losses on assets", there were changes in the classification of loans. In particular, the category of loans classified as "good" was removed and the use of "standard" loans was introduced instead. In addition, the category of "unsatisfactory" loans was introduced.

It is known that, according to the existing regulatory and legal documents of the banking practice of our republic, the term "problem loan" means loans classified as "unsatisfactory", "doubtful" and "hopeless" loans.[6] According to the quality of assets, especially loans, commercial banks are classified into "standard", "substandard", "unsatisfactory", "doubtful" and "hopeless" categories. The quality of assets that do not raise doubts about the repayment of debts on time is classified as "standard". The financial condition of the borrower is considered stable, but there are some negative situations or trends, which, if not eliminated, may cast doubt on the implementation of the financed project or the borrower's ability to repay the asset on time.

Assets that have all the characteristics of assets classified as "unsatisfactory" and that make the full recovery of the assets doubtful and less reliable under the current conditions are classified as "doubtful". The quality of assets that have not been returned within the period specified in the contract or have signs or symptoms indicating that they will not be returned and are not returned or whose value is too low to be considered as an asset in the balance sheet is classified as "bad".

RESULT: The main way to solve this problem is the transformation of commercial banks with a state share. In this regard, the Decree of the President on the "Strategy for the reform of the banking system of the Republic of Uzbekistan for 2020-2025" was adopted, and within the framework of the implementation of this Decree, the International Finance Corporation, the European Bank for Reconstruction and Development, the Asian Development Bank and international financial organizations "PWC", "KPMG" International consulting companies such as "Deloitte" and "McKinsey & Company" were involved in the process of transformation of banks, and active work is being carried out in this regard. In the future, the high level of credit growth, while serving to support economic growth, may also create risks that have a negative impact on the stability of the banking system.

CONCLUSION: In this regard, in order to prevent the occurrence of these situations, it is

suggested to do the following:

- priority implementation of the allocated loans at the expense of the return of previously granted loans;
- maintaining the capital buffer of banks at an acceptable level by directing the net profit received by banks at the end of 2020 to increase the capital of banks;
- strict control of lending volumes by bank councils within the parameters of the business plan based on the banks' financial situation. If the rules of this scope were applied in practice, problem loans in the banking sector would have decreased in our country.

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