

## Possibilities of Applying the Practice of International Mortgage Lending in Uzbekistan

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**Abstract:** The article analyzes the practice of mortgage lending in the banking practice of developed countries and gives practical suggestions and recommendations on the application of their positive aspects in the banking practice of Uzbekistan.

**Keywords:** mortgage, consumer credit, GDP, credit monitoring, microcredit, credit demand.

### Introduction

Today, commercial banks provide services to individuals, lending for various purposes is an important source of income of commercial banks. This creates the basis for the expansion and widespread introduction of banking services.

In the decree of the President of the Republic of Uzbekistan "On the strategy of actions for the further development of the Republic of Uzbekistan" No. PF-4947, special attention was paid to the issues of allocating mortgage loans to provide the population with housing. In particular, in the 4th section of the action strategy for the population of our country, "Implementation of targeted programs for the construction of affordable housing, development and modernization of road transport, engineering-communication and social infrastructure that ensures the improvement of the living conditions of the population" and "The limit set for the population for a certain period of time" "Introduction of credit cards that allow payment for goods and services from the bank's funds within the framework of the Bank" determines the need to increase the volume of lending to individuals today.

### Literature Review

With the formation of market relations in the economy, there is a need to conduct research in the field of problem loans in commercial banks. Study of the analysis of problem loans in the banking system using various methods from foreign researchers associated with the names of Lavrushina, Yu.S., Nurzat OA, Lykova N.M, Kovanyov AA, Yashin MV, Slavyansky AV, Kuznitsov S.V.

A number of international studies in the field of problem credit management have been devoted to the selection of the optimal strategy for the management of problem loans, these studies reflected in the

works of western researchers such as Herring R.Dj., Greppet Dj.M., Karele G.V., Riddou T.Dj, Viatt SB., Greaves R.

Credit risk in commercial banks and problems with managing problem loans and minimizing their number were reported by T.M. Karaliev, U.A. Tuxtabaev, K.A. Analyzed by Mukhamedjanov et al.

Researcher Kuznitsov S.V. (2008) states in his scientific work: - Problem loan is a loan in which the borrower is unable to fulfill its obligations in full in accordance with the agreements and arrangements with the bank, so the overdue payments on the borrower's loan obligations are at risk of partial or complete loss for the bank.

Yu.Yu. Platonov and S.E. According to Zaychenko (2011), an increase in the number of problem loans can lead to a deterioration in the quality of the bank's loan portfolio, additional costs, low profits or losses, and the need to organize the management of problem assets using the most effective tools.

Researcher in problem loans A.V. According to Slavyansky (2009), a "problem loan" is a loan in which the borrower fails to meet the terms of the loan agreement for timely and full repayment of the loan, and the bank also has sufficient grounds for non-compliance by the borrower.

O.A. Yusupova's (2016) scientific article argues that overdue debt is caused not only by difficult financial or unforeseen circumstances, but also by customer distraction, resulting in her forgetting to make timely payments when she has the money and the opportunity. As a rule, in such cases, the overdue debt is settled by a maximum of five to seven working days by SMS notification sent to the borrower by the credit inspector, or by text message.

V.V. Mazurin's (2016) scientific article noted that an overdue loan does not allow the borrower to repay the debt in full and on time under the current contract.. However, he noted that the concept of problem loans is mainly associated with a high level of financial losses for the bank due to the wrong approach of the borrower to the loan, and this situation is often associated with the deterioration of the borrower's financial condition.

According to the Basel Committee, a problem loan is a loan with a significant breach of the borrower's obligations to the bank, a significant deterioration in the financial condition of the borrower and a significant decrease or even loss of collateral quality.

Taking into account the above, we can observe the relevance of the scientific work carried out by these researchers in the case of problem loans in commercial banks of the country.

Indeed, existing overdue and problematic loans in commercial banks not only have a negative impact on asset quality, but also increase the risk of non-repayment of loans.

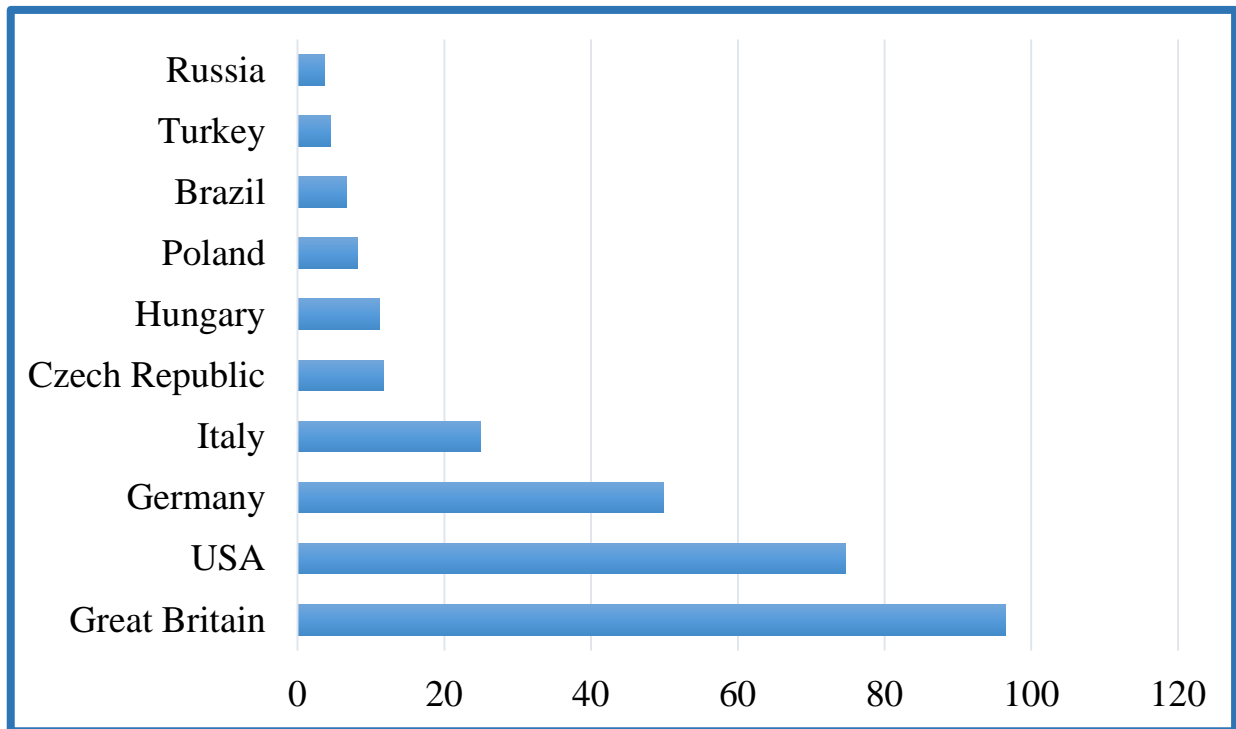
### **Methodology**

This article analyzes the current state of implementation of the existing practice of collecting problem loans in commercial banks and identifies factors affecting the stability of the bank's loan portfolio. The methods of scientific abstraction, expert evaluation, induction and deduction, comparison, systematic analysis were used in the analysis process.

### **Data Analysis**

It can be seen that negative situations have occurred in the practice of lending to individuals, especially mortgage lending, by commercial banks. Due to the decrease in the number of banks with mortgage lending practices and the reduction of mortgage lending in the current situation, the volume of mortgage lending to individuals has decreased.

However, as a result of the reforms carried out by the government of Uzbekistan, the population's need for housing was met, and modern housing was provided. In particular, in order to provide housing to the population in rural areas, to develop housing construction based on model projects, restructuring of "Gallabank" ADB, and the establishment of "Kishloq Kurilish Bank" ADB, whose activity is focused on the construction of housing in rural areas based on model projects It created the basis for the activation of the mortgage lending and mortgage loan market in Uzbekistan.

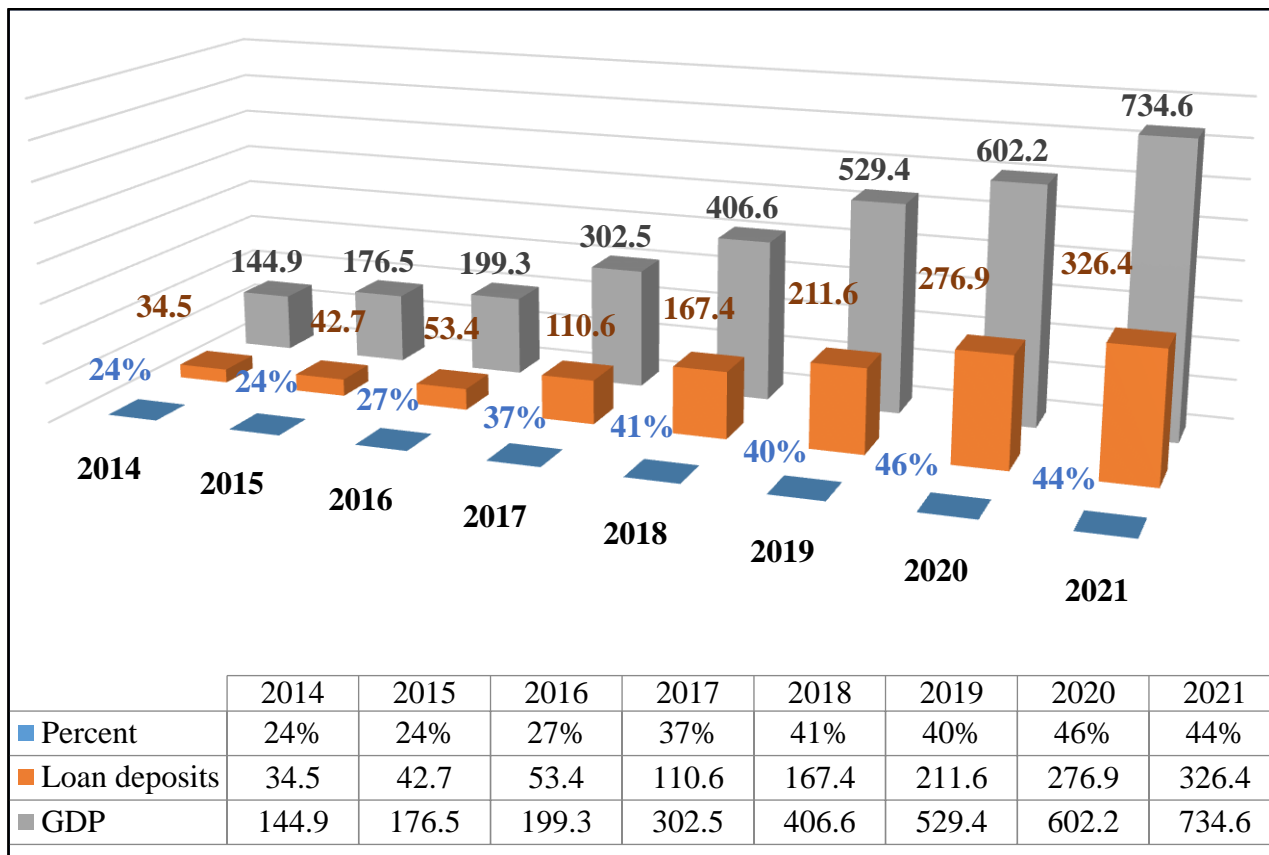


**Figure 1. The share of loans allocated to individuals in different countries of the world in GDP in 2018, in percent**

Based on the analysis of foreign operation indicators of lending to natural persons, we can see that this factor is of great importance.

From the data of Figure 1, we can see that the share of loans allocated to individuals in the country's GDP is high, up to 100% in developed countries. Loans allocated to the population in the developing countries make up a quarter or more of GDP. What is the content and significance of this indicator?

In our opinion, by providing credit to the population in these countries, it serves to satisfy their various needs and, most importantly, to increase the realization of production and service organizations. The main goal is to turn the needs of the population into demand through bank loans, and as a result, it will lead to an increase in the volume of production and construction work in the country. The level of this indicator may be relatively low in the banking system of developing countries. The reason is that the development of the banking system and the credit system of these countries are significantly different.



**Figure 2. Gross domestic product (GDP), amount and level of commercial bank loans in the Republic of Uzbekistan, trillion soums**

In 2021, the gross domestic product of Uzbekistan will be 734.6 trillion soums and achieved a 21.9 percent increase compared to 2020. GDP per person is 20.9 million soums. In 2014-2021, the gross domestic product of the Republic of Uzbekistan and the volume of loans of commercial banks had an increasing tendency. The volume of credit investments directed to the real sector of the economy increased by 17% this year compared to the previous year and reached 326.4 trillion soums by 2021, the ratio of loans to GDP was 44 percent. If we observe the international experience, in relation to the country's GDP, it is more than 190 percent in Australia, 279 percent in the Netherlands, 170 percent in the United Kingdom, and more than 150 percent in the United States. The following conclusions can be drawn from this, the loans allocated in our country are really widespread and the demand for money is increasing, but according to the analysis of international experiences, it is evidence that today the level of credit provision is not sufficient (Figure 2).

### Conclusion

In the Republic of Uzbekistan, the types and conditions of credit in the credit policy of commercial banks are specified in the requirements of the regulation "On the requirements set for the credit policy of commercial banks". Based on this, commercial banks should clearly indicate the types of loans offered to individuals in their credit policy. Depending on the object and purpose of use, the following types of loans may be provided to individuals:

1. Credit cards.
2. Consumer credit.

3. Mortgage loan.
4. Microcredit (for business activities).

Based on the above analysis, we believe that the following general measures should be introduced by commercial banks:

The 1st stage is the selection of loan types by the bank based on the needs of individuals and the direction of loan use and implementation of lending;

The 2nd stage is to determine the terms of lending according to the types of loans, in which the commercial bank specifies the terms of lending according to the 4 types of loans listed above;

The 3rd stage is the introduction of creditworthiness assessment methods by types of loans in commercial banks, in which the analysis of creditworthiness indicators by the commercial bank is carried out;

The 4th stage is identify sources of credit provision and types of collateral in commercial banks;

The 5th stage is commercial banks will carry out constant monitoring of loans granted to individuals and their status;

The 6th stage, the bank should work with problematic loans and develop measures to reduce them.

The application of these recommendations in banking practice will lead to an increase in the volume of loans provided to the population in our country, as a result of which the population's well-being will be improved and GDP will grow steadily.

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