

THE WORK OF COMMERCIAL BANKS WITH PROBLEM LOANS AND WAYS TO IMPROVE THEM

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ABSTRACT

The article analyzes the existing work on the issue of dealing with credit portfolios and problem loans in the banking system and the measures taken within the framework of the legislation, as well as some recommendations on ensuring the effective operation of the lending and collection system in this area. given.

Keywords: Commercial banks, assets, loan portfolios, credit, risk, overdue payments.

INTRODUCTION

During the consistent reform of the financial sector, a number of measures were implemented, and as a result, necessary legal conditions were created for conducting advanced banking business and strengthening the competitive environment in this sector. In particular, " About the Central Bank of the Republic of Uzbekistan", " Banks and " On Banking Activities ", " On Currency Regulation " and " Payments and Payments " updated laws on systems " were adopted. banking sector reveals a number of systemic obstacles that prevent the development of the banking sector in accordance with economic reforms and the needs of society, such as the high level of state intervention in the banking sector, the insufficient quality of management and risk management in state-owned banks, and the low level of financial mediation in the economy. shows the existence of problems.

As commercial banks use the main part of their funds as lending, it is necessary to determine in advance the issue of full recovery of the funds from the borrower, not just for income. Because the bank, as the owner of the investment, does not sell the investment, but the right to use the investment for a certain period of time based on certain conditions and premium interest. At the moment, the concept of "problem credit" is causing much more debates and discussions by theoretical and practical scientists in our country than before. This is certainly not in vain, because today the share of problem loans in the credit portfolio of commercial banks of our republic is quite high, despite the measures to reduce it. 1 On the strategy of reforming the banking system of the Republic of Uzbekistan for Today, due to the fact that many countries are facing the problem of increasing bad debts in the banking system, the urgency of improving the system of working with problematic loans of banks is still gaining importance. Therefore, there are unsolved problems related to credit repayment by clients as well as creditors.

LITERATURE ANALYSIS

Different definitions of problematic loans are given in the scientific literature. In some literature, a problem loan is defined as a loan whose object, subject, and provision have been doubted by the bank, while in some literature, a problem loan is defined as "the fact that the borrower has not made one or more payments or it is defined that the decrease in the value of

the loan provision means² that the loan will be transferred to the category of problematic loans. Issues of working with overdue loans in commercial banks and improving the efficiency of their portfolio management have been studied in the scientific researches of a number of foreign scientists and the concept of loan portfolio has been expressed in the definitions given to its essence. For example, American economists Chris J. Barlton, Diana Mack Naughton describe the credit portfolio as including the classification of loans. In fact, the internal and external work activities of the banking sector are developing further with the development of IT, and the banking system can be shown as the sector that has the greatest impact.

Also, N. Sokolinskaya defines that "loan portfolio consists of the sum of short and longterm loans" and focuses on problem loans management. In this definition, the main focus is on the term of the loan, this case does not fully reveal the condition and essence of the loan. Because the determination of the term of the loans given by the bank and compliance with it can only be an important factor in determining the quality of the credit classification. Uzbek economists have also conducted a number of researches in this regard, in particular, according to Sh.Z.Abdullaeva, overdue loans of banks are allowed to be returned based on certain criteria based on various credit risks. are deficiencies and gradually affect the standard condition of total bank assets.

In his definition, the economist emphasized the classification of loans based on certain criteria, as well as credit risks. above-mentioned definitions , we believe that the concept of overdue loan can be defined as follows: represents the total amount of loans granted. In its various forms, the late payment or non-payment of the specified debt by the creditor and the abuse of the time factor in this case serve as the object of the issue we are talking about above. Also, since credit operations occupy the main place in the activity of banks, proper organization of their loan packages is one of the main factors that create an opportunity for effective and stable operation of banks. Deficiencies in credit operations can lead to a decrease in banks' income, and in some cases, their bankruptcy. Therefore, monitoring the credit portfolio of banks and its quality is a guarantee of the effective operation of commercial banks. Based on the cases studied above, we believe that it is always relevant to conduct research on ways to improve the efficiency of overdue oans management in commercial banks of our republic.

RESEARCH METHODOLOGY AND EMPIRICAL ANALYSIS

In this study, statistical tables and graphs, analytical comparison, logical and comparative analysis, grouping methods, and research works of foreign and domestic scientists on the subject were widely used. Also, as a theoretical and methodological basis of the article, general economic literature and scientific articles, researches of economists on the issues of effective management of overdue loans in commercial banks, interviews with scientists and representatives of the field, analysis of their written and oral opinions, experts Conclusions, proposals and recommendations are given in the relevant areas by means of evaluation, observation of processes, systematic approach to economic phenomena and processes, comparative analysis with the author's experiences. In the process of studying the topic, in addition to general economic methods, special approaches to data structuring, such as comparison, compilation of theoretical and practical materials, and systematic analysis, were used.

ANALYSIS AND RESULTS

In our opinion, problem credit refers to loans classified as "substandard", "doubtful" and "bad". According to its economic essence, problem loans are the result of the actual manifestation of credit risks, because it is considered a consequence of the bank's inability to properly manage credit risks. The concept of "problem credit" is directly related to the category of "credit risks". Therefore, it is appropriate to focus on the economic content of bank credit risks when revealing the nature of problematic loans. This serves as a basis for achieving the above goal. The main part of the credit risk that arises in commercial banks is inextricably linked with the possibility of a decrease in the demand and production of products in some sectors of the country. In addition to these, it is safe to say that the following factors influence the level of bank credit risk:

- the degree of concentration of bank credit activity in a certain sector or circle that quickly adapts to changes in the economy, as well as has an elastic demand for its products. This is related to the degree of concentration of bank customers in certain sectors or geographical areas, especially sensitive to market changes;
- level of formation of bank activity in new, non-traditional branches and circles;
- the implementation of new types of services in the banking practice in large quantities for a short period of time may result in a negative result for the bank due to the low demand for new banking services;
- make up a large part of newly attracted customers in the near term;
- the fact that most of the credit and other bank contracts are for clients who are experiencing certain difficulties, etc.

In the current legislation, it is specified that the bank's loan portfolio should be regularly analyzed and audited, in which, in addition to determining the quality of the loan, the quality of the management of the lending process should be assessed, including compliance with the approved credit policy and the procedures for issuing loan documents, the issuance and evaluation of collateral, attention should be paid to the distribution of lending powers, ensuring compliance with legal norms. No. 242 "Classification of asset quality, establishment and use of reserves by commercial banks for possible losses" approved by the Central Bank of the Republic of Uzbekistan on November 9, 1998 according to the criteria mentioned above, they are classified as "good", "standard", "substandard", "doubtful", "hopeless" or unreliable loans. Assets are classified according to their quality, and reserves against possible losses are organized in each reporting period. These reserves are formed from the undistributed profit of the bank in relation to the balance of the credit deposit in that period.

CONCLUSIONS AND DISCUSSIONS

In our opinion, in order to prevent loans given by commercial banks of our country from becoming problem loans, we think it is appropriate to make the following suggestions:

- comprehensive approach to the loan application received by the banks, i.e. correct and perfect implementation of initial monitoring. Here, first of all, focus on the client's character, his financial situation, his position among business partners and his experience in this field;
- checking the completeness and correctness of the set of documents submitted by the client to the bank during the review of the loan application. It is necessary to thoroughly analyze the

client's financial situation and give an objective assessment by the employee of the credit department ;

- starting from the period of credit allocation, to continuously monitor the client's work according to the business plan, the circulation of funds in the account, to take measures to prevent overdue receivables and payables;

- to constantly monitor the conditions of maintenance and operation of the property provided as credit security;

- if a third-party guaranty contract is presented as credit security, analyze the financial statements of the guarantor once every quarter and study its solvency;

- to create more opportunities for the bank's property appraisal specialist in the appraisal of the company's property. In addition, in our opinion, it is necessary to take into account the following factors in the effective management of problem loans in commercial banks:

- to carry out constant, effective monitoring of the quality of bank assets, to strengthen the mechanism for identifying and eliminating problematic situations related to bank assets at the initial stages;

- to develop measures aimed at effective risk management by diversifying assets in banks, improving the credit portfolio, and making necessary changes to them based on the economic situation;

- on the basis of the decisions taken on the banking system and the organization of the execution of regulatory documents regulating credit relations, to assess, study and analyze the risks that may arise in the lending process, control the performance of business plan indicators;

- formation of new methods of managing problem loans;

- control of compliance with the terms of the bank's credit policy and lending principles.

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