

THEORETICAL ASPECTS OF LENDING TO INDIVIDUALS BY COMMERCIAL BANKS

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Abstract. Lending to individuals is an important source of income for banks, as well as a means of turning the needs of the population into demand and creating a basis for improving their well-being. In this respect, research and improvement of lending to individuals, coordination of mutual relations between commercial banks and customers, and economic development are of great importance. In this thesis, the theoretical aspects of lending to individuals are studied and relevant recommendations are developed.

Keywords: individual, loan, mortgage loan, consumer loan, microloan, retail lending, debt burden, creditworthiness, bank credit policy.

INTRODUCTION

The main content of the large-scale reforms implemented in the Republic of Uzbekistan is based on the principle of human dignity. Decree No. 60 of the President of the Republic of Uzbekistan "On the development strategy of New Uzbekistan for 2022-2026" sets the goal of "creating new jobs in the country, increasing the income of the population and thereby reducing poverty by at least 2 times by the end of 2026." It is possible to increase the income and well-being of the population by allocating loans to the entrepreneurial activities of the population by commercial banks [1].

Lending to individuals by commercial banks is an important source of income for banks, and creates a basis for turning the needs of the population into demand and improving their well-being. Also, manufacturing and services in the country serve as an important tool in creating GDP in general.

MATERIALS AND METHODS

However, in international practice, the balance of loans allocated to individuals by commercial banks has a significant share in GDP and bank assets. In particular, as of January 1, 2022, the share of personal loans in GDP was 78% in the USA, 69% in Japan, 73% in Malaysia, 67% in France, and 57% in Germany. This figure was 22% in the CIS countries, in particular in the Russian Federation, 13% in Kazakhstan and 5% in Ukraine. In the Republic of Uzbekistan, as of January 1, 2022, the share of personal loans in GDP was 9.5% [3].

The development of competition between commercial banks in the Republic of Uzbekistan, the establishment of banks in different forms of ownership, especially the increase in the number of banks with the participation of foreign capital, has a positive effect on the environment of interbank competition. This, in turn, serves to increase the offer of various credit products to the population by banks.

RESULTS AND DISCUSSION

Article 3 of the Law No. 33 dated May 6, 2006 "On Consumer Credit" of the Republic of Uzbekistan defines the concept and forms of consumer credit. According to it, a consumer loan is a loan granted to an individual (consumer) for the purchase of goods (works, services) in order to satisfy his consumption needs. [3]

In addition, there are no specific opinions on the fact that granting loans to individuals includes lending to business activities in addition to the personal needs of individuals. And G. Beloglazova clarified it and noted it as loans given for the purchase of goods (works, services) for other needs not related to business activities.

In international banking practice, the word "Retail" also means retail, and these retail banking services also represent a set of services provided to individuals.

In the research of A.I. Polishchuk and S.A. Bystrov [14], it is noted that retail banking business differs from mortgage lending and its distinctive features are as follows:

1. that the amount of lending in retail lending practice is small;

2. the importance of secondary sources of loan return is low compared to the borrower's credit rating;

3. Special technologies are used in retail banking business and credit cards are widely used.

The specific aspects of lending to individuals in commercial banks are as follows:

1. The fact that the amount of the loan is small;
2. The fact that lending to individuals has the same standard;
3. Generality of credit organization;
4. Simple and convenient lending procedure;
5. The purpose of the loan is to satisfy personal needs;
6. Formation of initial deposits in the lending process;
7. Allocation of credit without specific purpose, etc.

According to Article 5 of the Law No. 765 dated April 20, 2022 of the Republic of Uzbekistan "On Non-Bank Credit Organizations and Microfinancing Activities", "a borrower who is a natural person can be granted funds in the amount of not more than fifty million soums - microloans it is noted that commercial banks, microfinance and payment organizations, as well as pawnshops have the right to carry out microfinancing activities.

Retail credit activities of commercial banks are carried out on the basis of the principles of standardization, differentiation and publicness.

1. The principle of standardization means the need for the developed technology of credit and retail services, which is recorded in the internal bank documents and must be performed by the participants of the credit process, while paying attention to the customer's requirements for credit products.

2. The principle of differentiation is the formation of homogeneous groups for retail credit products. It allows to assess the effectiveness of retail loans and develop in the direction required by the bank.

3. The principle of publicity ensures wide coverage of retail customers and sales of credit products as a result of relatively small (in monetary terms) individual credit requests of retail segment customers.

CONCLUSION

We believe that it is appropriate to implement measures in the following directions in order to improve the practices of lending to individuals by commercial banks:

1. Full explanation to the population of the terms and conditions of credit products and types offered by commercial banks to individuals. In particular, conveying information about the interest rate of the loan, its repayment schedule and schedule.

2. Use of artificial intelligence-based evaluation models in the practice of banks granting loans to individuals. Today, in the process of lending to individuals, the scoring system for assessing creditworthiness is widely used. Organization of scoring based on artificial intelligence allows to provide quick loans to customers while reducing the human factor.

3. The expansion of lending by commercial banks based on the guarantee of the employer within the framework of the salary project creates a basis for increasing the bank's income. It also allows you to sell multiple banking products.

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