

## **INDUSTRIAL ENTERPRISES BY BANKS PROBLEMS OF LOANING AND WAYS TO SOLVE THEM**

Asqar Ergashovich Absamatov  
Lecturer of Department of Finance at Termez State University

### **ANNOTATION:**

**Investment loans of commercial banks are an important source of financing the costs of modernization, technical and technological re-equipment of industrial enterprises. However, banks need to have sufficient resources to increase the use of investment loans by commercial banks, while industrial enterprises need to be able to repay investment loans in a timely and complete manner. The article identifies current issues related to the improvement of lending practices of industrial enterprises of commercial banks of the Republic of Uzbekistan, and develops scientific proposals to address them.**

**Keywords: Commercial bank, credit, investment credit, reserve, interest, resource, industrial enterprise, liability, deposit, liquidity, solvency.**

### **INTRODUCTION:**

According to the Decree of the President of the Republic of Uzbekistan PF-4947 dated February 7, 2017, in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, it is necessary to expand macroeconomic stability and maintain high economic growth. recognized as one of the conditions [1].

Also, according to the Decree of the President of the Republic of Uzbekistan PP-5992 dated May 12, 2020, the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025 identifies a moderate increase in loans to commercial banks as one of the priorities of banking reform. The above-

mentioned circumstances make it necessary to study the issue of improving the lending practices of commercial banks on a scientific basis.

### **ANALYSIS OF THE RELEVANT LITERATURE:**

A study by Uerta de Soto found that lower interest rates on investment loans from commercial banks turn previously unprofitable investment projects into profitable investment projects, and that investment projects fail and non-repayment as a result of banks financing loans secured by unsecured funds. cases occur [3].

According to G. Panova, in order to increase the ability of banks to provide loans, first of all, it is necessary to ensure the adequacy of their deposit base [4].

According to J. Sinki, one of the important functions of the employees of the credit department of banks is to properly assess the effectiveness of the activities and management of the borrowing company [5].

This conclusion of J. Sinki is of great practical importance for the banking practice of Uzbekistan. This is because commercial banks of the country do not evaluate the effectiveness of their management in lending to enterprises [5].

According to V. Kayukov and A. Kayukov, in order to improve the mechanism of providing industrial enterprises with bank loans, it is necessary to strengthen the resource base of commercial banks, to ensure the balance of assets and liabilities of banks in terms of volume and term [6].

According to Lavrushin, short-term lending for large enterprises within the credit line has the following advantages for large enterprises:

- Issued only to legal entities;
- The bank's clients are only large enterprises;
- Borrowers are enterprises that are in constant need of short-term resources;
- The main account of the borrowers is in the lending bank;
- Loans are issued only to financially secure customers [7].

J. According to Majidov, the high rate of devaluation of the national currency has led to higher prices for imports and higher inflation.

As a result, the costs associated with the repayment of loans in foreign currency and the increase in the cost of production. As a result, their ability to pay has declined.

#### RESEARCH METHODOLOGY:

In writing the scientific article, the methods of induction and deduction of research and expert evaluation, grouping, comparative, structural and trend analysis of financial analysis were used. In the process of a full study of the problem, the National Bank for Foreign Economic Activity and IT.

In particular, commercial banks used grouping and trend analysis methods of financial analysis to assess the composition of credit resources. The expert assessment method was used in assessing the reserve allocations of the National Bank for Foreign Economic Activity to cover loan losses.

These methods were used in the analysis and results section of the article and served as the basis for our preparation of conclusions and recommendations. The results of the methods used in the study will serve to improve the lending practices of industrial enterprises by banks.

#### ANALYSIS AND RESULTS:

Lending to industrial enterprises is one of the priorities of the National Bank for Foreign Economic Activity lending.

As of December 31, 2020, the volume of loans of the National Bank of TIF amounted to 65.6 trillion. UZS, of which 31.8% were loans to businesses belonging to the industrial sector of the economy (www.nbu.uz).

In turn, the expansion of the National Bank of TIF's lending capacity to industrial enterprises depends on the bank's resource base and the liquidity and solvency of industrial enterprises.

Using the data in the table below, we assess the dynamics of the resource base of the National Bank of TIF.

Table 1. Table 1 Structure and dynamics of the resource base of the TIF National Bank [9]

	2018 Y.	2019 Y.	2020 Y.	2020 in 2018 change relative to the year, %
Term deposits, bln. sum	3 287	6 515	1 089	33,1
Obtained from other banks funds, bln. sum	37 792	35 307	42 420	112,2
Regulatory capital, bln. sum	5 722	13 141	13 873	242,5
Resources - total	46 801	54 963	57 382	122,6

Table 1 shows that the amount of time deposits of the National Bank of TIF in 2020 decreased by 66.9% compared to 2018. This is,

This is a negative situation in terms of expanding the National Bank's lending to industrial enterprises.

Also, the loans of the National Bank of TIF from other banks in 2020 increased by 12.2% compared to 2018. This is explained by the

increase in loans from foreign banks during this period.

In addition, the amount of regulatory capital of the National Bank of TIF in 2020 increased by 22.6% compared to 2018. This is a positive development in terms of improving the resource supply of bank loans. Because regulatory capital is a stable source of funding.

In 2018-2020, the growth rate of demand deposits and time deposits in the National Bank of TIF was observed. However, the bank does not have a sufficient deposit base the share of demand deposits in total deposits is more than 30%.

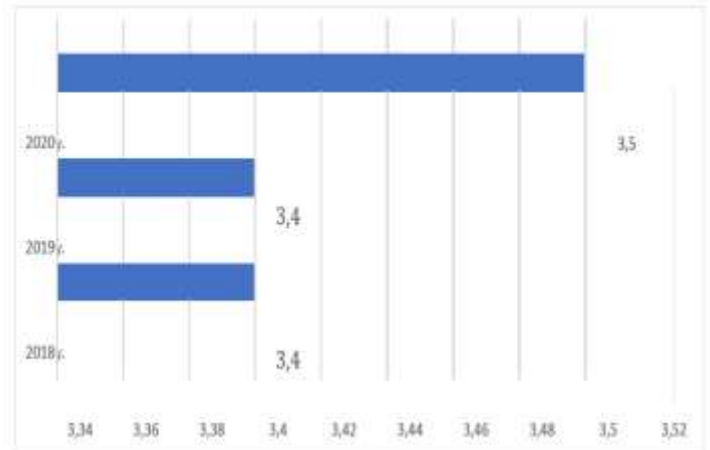
In 2018-2020, the share of demand deposits in the total volume of TIF National Bank deposits tended to decline. This is a positive situation in terms of strengthening the bank's resource base.

One of the most pressing issues related to the improvement of lending practices of industrial enterprises by commercial banks is the problem of unbalanced liquidity in banks.

In turn, the imbalance between the maturity of assets and the maturity of liabilities of banks played an important role in the emergence of the problem of unbalanced liquidity in commercial banks.

There was a significant correlation between the maturity of assets and liabilities. The expansion of banks' lending to industrial enterprises depends directly on the quality of loans provided to them. Figure 1 shows that in 2018-2020, TIF National

The Bank's provision for potential losses on loans to industrial enterprises was higher than for loans to industrial enterprises. Moreover, this figure increased by 0.1 percentage points in 2020 compared to 2018. This is a negative situation in terms of improving the lending practices of industrial enterprises of the National Bank of TIF.



1-figure. The reserve ratio of potential losses on loans to industrial enterprises by the National Bank of TIF, as a percentage [11]

It should be noted that the issue of resource provision of long-term loans in commercial banks of the country has not been resolved. President of the Republic of Uzbekistan Sh.M. As Mirziyoyev admits, "70 percent of deposits in banks are short-term, and 90 percent of loans are long-term." [12]

It should be noted that the coronavirus pandemic has had a negative impact on the lending practices of industrial enterprises of commercial banks of Uzbekistan.

In accordance with the Decree of the President of the Republic of Uzbekistan dated April 3, 2020 PF-5978 "On additional measures to support the population, sectors of the economy and businesses during the coronavirus pandemic", indebtedness of legal entities in the amount of 7.9 trillion soums and 4.7 trillion soums in loans to individual entrepreneurs postponed from April 1 to October 1, 2020, additional restructuring payments on loans to organizations facing financial difficulties due to measures taken to combat coronavirus and a sharp decline in economic activity trillion soums [13]

## CONCLUSIONS AND SUGGESTIONS:

Banks should have sufficient resources to increase the use of investment loans by commercial banks, while industrial enterprises should be able to repay investment loans in a timely and complete manner.

Expansion of promising investment projects and lending to small businesses and private entrepreneurship is a prerequisite for sustainable development of the country's economy.

The decrease in the amount of time deposits of the National Bank of TIF in 2020 compared to 2018 by 66.9% is a negative situation in terms of expanding its lending to industrial enterprises.

The increase in the volume of loans received by the National Bank of TIF from other banks in 2020 compared to 2018 by 12.2% is explained by the increase in loans from foreign banks during this period.

In 2018-2020, the TIF National Bank does not have an adequate deposit base, ie the share of demand deposits in total deposits is more than 30%.

In 2018-2020, there was a significant correlation between the maturity of assets and liabilities of JSC "Uzpromstroybank".

In 2018-2020, the National Bank of the TIF had a high level of potential losses on loans to industrial enterprises relative to loans to industrial enterprises.

In our opinion, the following measures should be taken to improve the practice of lending to industrial enterprises by commercial banks of the republic:

1. In order to improve the resource provision of loans to industrial enterprises, first of all, it is necessary to ensure a high and stable level of the share of funds from the sale of these securities in the approximate resources by ensuring the investment attractiveness of bank securities; second, it is necessary to maintain the

opportunity to increase the level of interest paid on time deposits by ensuring a stable level of net interest spread; third, the share of interbank loans in the volume of resources should be reduced (because they are an expensive resource).

2. In order to reduce the level of reserve allocations to cover loan losses by improving the quality of loans to industrial enterprises by commercial banks, first, the composition of classified loans should be improved by ensuring a high and stable level of standard and substandard loans; secondly, it is necessary to improve the system of assessing the creditworthiness of industrial enterprises through the introduction of financial ratios and cash flow assessment methods, which are widely used in banking practice in developed countries; third, it is necessary to increase the share of insurance policies of insolvent insurance companies in the structure of collateral for loans to industrial enterprises.

## REFERENCES:

- 1) Irvine, Steven. "Click, Click - You're Dead," *Euromoney* (365), 1999, p. 78-80.
- 2) Garg, R. & Rahman, Z. (2010). Evaluating a Model for Analyzing Methods used for Measuring Customer Experience. *Journal of Database Marketing & Customer Strategy Management*, 17 (2), 78-90.
- 3) Hanafizadeh, P., Behboudi, M., Koshksaray, A. A. & Tabar, M. J. S. (2014). MobileBanking Adoption by Iranian Bank clients. *Journal of Telematics and Informatics*, 31 (1), p. 62-78.
- 4) Hoffman, Thomas. "Are Online Banks Profitable?" *Computerworld* (34), 1999a, p. 33.
- 5) Keisidou, E., Sarigiannidis, L., Maditinos, D. I. & Thalassinou, E. I. (2013). Customer Satisfaction, Loyalty and Financial Performance. *International Journal of Bank Marketing*, 31 (4), 259-288

- 7) Klaus, P. & Maklan, S. (2013). Towards a Better Measure of Customer Experience. *International Journal of Market Research*, 55 (2), 227-246
- 8) Martins, C., Oliveira, T. & Popovic, A. (2014). Understanding the Internet Banking. *International Journal of Information Management*, 34 (1), p 10-13.
- 9) Patsiotis, A. G., Hughes, T. & Webber, D. J. (2012). Adopters and Non-Adopters of Internet Banking: A Segmentation Study. *International Journal of Bank Marketing*, 30 (1), 20-42.
- 10) Stafford, Barbara. "Risk Management and Internet Banking: What Every Banker Needs to Know," *Community Banker* (10: 2), 2001, p. 48-49.
- 11) Teo, C., Anderson, D., Fenwick, N. & Ying, Z. N. (2014). The State Of Digital Business in Asia Pacific in 2019
- 12) Yee, R. W. Y., Yeung, A. C. L. & Cheng, T. C. E. (2010). An Empirical Study of Employee Loyalty, Service Quality and Firm Performance in the Service Industry. *International Journal of Production Economics*, 124 (1), 109-120.
- 13) Resolution of the President of the Republic of Uzbekistan dated July 03, 2018
- 14) No. 3832 "On measures for the development of the digital economy in the Republic of Uzbekistan".
- 15) Resolution of the President of the Republic of Uzbekistan dated November 21, 2018 N PP-4022
- 16) "On measures to further modernize the digital infrastructure in order to develop the digital economy"
- 17) Decree of the President of the Republic of Uzbekistan dated January 09, 2018 No. 5296 "On measures to radically improve the activities of the central bank of the Republic of Uzbekistan"
- 18) Decree of the President of the Republic of Uzbekistan dated October 05, 2020 No. 5296 "ON APPROVAL OF THE STRATEGY" DIGITAL UZBEKISTAN-2030 "AND MEASURES FOR ITS EFFECTIVE IMPLEMENTATION"  
<https://muse.jhu.edu/article/11589>
- 19) Тўлаков, У.Т., (2021). Ўзбекистонда ер солиғи ривожланиши истиқболлари. "Иқтисодиёт ва инновацион технологиялар" илмий электрон журнали, 1(3), 355-366.
- 20) Тўлаков, У.Т., (2021). Мол-мулк солиғи ставкаларини белгилашнинг ўзига хос хусусиятлари. "Логистика ва иқтисодиёт" илмий электрон журнали, 1(5), 286-297.
- 21) То'лаков, У.Т. Soliqlar va soliqqa tortish: O'quv qo'llanma / U.T.To'lakov, O.T.Maxmudov; S.K.Xudoyqulov umumiy tahriri ostida. – Termiz: TerDU nashr-matbaa markazi, 2021. – 365 b.