

MECHANISMS AND METHODS OF REDUCING PROBLEM LOANS IN BANKS¹Mahmudov Baxriddin Jurayevich, ²Mullabayev Baxtiyarjon Bulturbayevich

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ANNOTATION

This article discusses the issues of increasing the effectiveness of mechanisms related to the reduction of problem loans in banks. The main shortcomings of the existing mechanism for reducing problem loans are highlighted, and directions for its improvement based on foreign experience in terms of external institutional and domestic banking factors are identified.

Keywords: bank, banking activities, credit, lending, borrower, overdue debt, problem loans, credit monitoring, loan default risk.

In the Resolution of the President of the Republic of Uzbekistan dated September 12, 2017 No PP 3270 "On measures to further develop and increase the stability of the banking system of the Republic" it is necessary to strictly adhere to the deadlines and approved schedules, to prevent overdue debtors. It was noted that taking measures, setting terms and interest rates on loans based on the bank's solvency, and ending the practice of lending to loss-making organizations is one of the priorities in the development of the country's banking system. This necessitates the improvement of existing problem loan management practices in the loan portfolios of commercial banks. Because the improvement of mechanisms to minimize the share of problem loans in commercial banks is one of the necessary conditions for the development of the banking system.

In 2017 and 2020, the banking system of the Republic of Uzbekistan is in a phase of constant and intensive growth. During this period, the total assets of commercial banks amounted to 84075 billion soums. 272727 billion soums soums or 3.2 times, and the volume of loans provided by banks amounted to 52,611 bln. 211581 billion soums soums or 4.0 times, which is an unprecedented result by world standards.

The increase in lending capacity in banks has a positive impact on the sustainable development of the national economy. Due to the availability of funding sources from domestic markets and foreign banks, the demand of banks for additional funds is being met. During this period, the level of overdue loans in the loan portfolios of domestic banks averaged 2.3% or 5,474 billion soums.

Resolution of the Board of the Central Bank of the Republic of Uzbekistan dated June 13, 2015 No 14/5 "On approval of the Regulation on the classification of asset quality in commercial banks and the order of formation and use of reserves to cover possible losses on assets" - problem quality - "unsatisfactory" , Are classified as "doubtful" and "hopeless" assets. Hence, the process of managing problem loans includes not only evaluating and working with loans classified as "bad" but also tracking loans classified as "unsatisfactory" and "doubtful". There are a number of effective mechanisms and methods for reducing problem loans in commercial banks, the positive results of which can be achieved through their effective use. Let us consider their brief classification.

Monitoring. Credit debt monitoring should be carried out in order to identify loans that the bank may incur in full or in part in the future. Thus, the speed of detection of such loans is an important factor in the management of problem loans. Such monitoring should be carried out by different divisions of the bank in accordance with the specifics of their activities and under the general control of the credit monitoring division of the bank.

In a well-functioning bank, the monitoring system should cover various areas for a comprehensive review and assessment of the borrower's condition. On the basis of pre-loan monitoring and business analysis, the bank collects information on the status of each borrower. This database contains very important information in terms of credit monitoring, which can be used by internal and external auditors, as well as government regulators.

Restructuring. One of the most effective ways to solve a problem credit relationship is to reconsider the terms of the loan. In this case, the commercial bank and the borrower, in accordance with the law, will be required to change the existing terms of use of credit resources and terms of loan repayment, as well as amendments to the loan agreement and pledge agreement, as well as additions. Revision of loan terms is applied by the bank in relation to certain borrowers and types of loans, taking into account the possibilities of implementation in order to eliminate the problem.

Extinguish prematurely. If the current financial condition of the borrowers and their economic potential do not allow to restructure the loan, the methods aimed at early repayment of the problem loan are used, using the relevant legal norms governing the full performance of loan obligations on a voluntary or mandatory basis.

Recovery through the courts. Judicial methods of dealing with problem debt are applied at the initiative of commercial banks and play a positive role in cases where debtors deliberately hide from the fulfillment of their obligations to repay the debt. The low efficiency of this method is due to the length of time it takes for the relevant claims of commercial banks to be considered by the courts.

Focus on collateral. One of the mechanisms for resolving problem loans is to focus the loan payment on the collateral. When it is done, the relationship between the bank and the customer is usually completely severed.

Bilateral cooperation. Another effective way to reduce the share of problem loans, eliminate their causes and strengthen the loan portfolio is a comprehensive approach of the commercial bank to work with borrowers in difficult financial situations, as well as the establishment of mutually beneficial cooperation. It should be noted that the choice of a successful means of resolving problematic situations by banks depends on certain conditions and the economic situation of borrowers.

Based on the above analysis, we can conclude that in order to improve the existing problem loan reduction mechanisms in the loan portfolio, it is necessary to pay attention to the following:

As a result of a sharp increase in the amount of loans issued by commercial banks of the country, it is necessary to introduce separate credit monitoring units in commercial banks specializing in working with debtors;

□ It is important to be under constant control from the time the loan is disbursed until the end of the loan period, to conduct a comprehensive analysis of the borrower's condition through a monitoring system and, if necessary, to take appropriate measures;

Inefficient use of all mechanisms established by law to reduce the NPL of problem loans of commercial banks is a negative situation. In our opinion, the improvement of mechanisms to reduce problem loans should be carried out at the level of commercial banks and the Central Bank, separately identified by identifying effective elements of foreign experience, taking into account the specifics of the development of the domestic banking system. We make the following suggestions for the implementation of appropriate measures:

1. Liquidation of problem loans as a result of transfer to specially created financial structures or collection agencies (in our country, the activities of collection agencies are not regulated by law).
2. Ensuring the client's interest in timely repayment of the loan (creation of a system of bonuses and discounts, preferential lending).

3. It is necessary to create Bank-analytical accounting centers, which will combine all information about borrowers, calculate the creditworthiness of borrowers and assess the financial and economic performance of borrowers.

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