

Theoretical Foundations of Financing and Lending Policy of Banks

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Abstract

In the article, the concept of financing and lending policy in banks, theoretical foundations of financing and lending policy, opinions of economists and the author's suggestions and conclusions on financing and lending policy are presented.

Keywords: financing, lending policy, investment, investment projects, credit forms.

Banks, in turn, are the main source of additional loans in various sectors of the economy, additional funds for restructuring the production process, conducting an active economic policy, developing entrepreneurship and increasing production efficiency helps to attract.

Organization of lending is two subjects of credit relations - the bank (lender) and customer provides for the harmonization of mutual obligations and interests of (borrower) . Full credit operations by commercial banks depend on the level of their credit policy. It is an important aspect of bank lending that each bank formulates its credit policy taking into account political, economic, organizational and other aspects. This is the basis of credit management.

The bank's clear definition of its credit policy, taking into account its political, economic, organizational and other aspects, ensures compliance with the standards set by the governing bodies and providing profitable loans. The bank's credit policy provides bank managers and credit inspectors with the main directions to be followed in making a clear decision on granting credit and choosing the right composition of the bank's loan portfolio. The composition of the bank's loan portfolio should reflect its credit policy. Otherwise, the effective application of the bank's credit policy will not be ensured, and the higher bodies of the bank's management will have to revise it or take measures on its application.

The main task of commercial banks in providing loans is to decide to whom depositors' money can be entrusted. This activity is a very important and very effective process, and its successful implementation allows to significantly increase the leverage in the investment structure. The bank must clearly determine when, to whom and under what conditions it will grant loans.

It is necessary for the bank to decide what kind of loans, how much, to whom and under what conditions. There are such types of business that the bank may find difficult to lend. Therefore, it should not be forgotten that every activity is associated with risk. The credit policy of the bank is sufficient to prevent dangerous situations that may arise in its activity, for this purpose it is necessary to have the ratio between deposits and loans, between the bank's liabilities and its capital, and other indicators. A reasonable credit policy increases the quality of loans. Therefore, the main goal of the credit policy should include such elements as the management process, the adequacy of funds, the classification of risks according to the level of quality, the balance of the credit portfolio, and the separation of components of obligations.

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Thus, in general, while being an integral part of banking policy, the credit policy of a commercial bank is separate rather, it should be considered taking into account the influence and dependence of all elements of banking policy.

In contemporary economic literature, there are two parallel opinions regarding the content of the commercial bank's credit policy.

First, credit policy at the macroeconomic level is usually understood as banking policy.

Secondly, credit policy at the microeconomic level is usually understood as a specific bank's policy in the field of credit process management.

The purpose and strategy of the credit policy, the level of authority and the distribution of responsibilities, as well as types of loans, concentration, collection of financial information on debtors, requirements for collateral security and credit monitoring, setting interest rates on loans, Transactions with bank related persons, off-balance sheet items, audit of loan portfolio and corporate reports should be covered.

The main goal of the policy is to satisfy the credit needs of economic sectors, to comply with the current requirements and norms in the process of financing lending and investment projects, to regularly diversify risks and to obtain maximum profit based on minimum risks while ensuring bank liquidity.

In order to develop the country and modernize the economy, to continue and deepen socio-economic reforms, the following are defined as the main directions of the policy:

a) to further increase the bank's investment activity and ensure a proportional increase in the share of long-term loans in the total volume of the loan portfolio, as well as create a solid basis for expanding long-term lending practice;

b) in the lending process, focus on financing long-term, high-performance investment projects aimed at developing strategic sectors of the economy, including modernization of production in the sectors of the agro-industrial complex, upgrading from a technical and technological aspect, attracting modern foreign technologies and equipment;

c) attracting credit lines of international financial institutions and foreign banks to finance investment projects;

d) financial support to small business, agricultural enterprises and private business entities in order to sustainably supply the domestic consumer market with local food and non-food products and create new jobs; and increase the volume of credit resources and microcredits allocated to them;

e) To give priority to the development of poultry, fisheries, beekeeping, cattle breeding and expansion of greenhouses in the allocation of credit funds for ensuring food security in the republic's territories, including more complete filling of the domestic market with local food products comprehensive support for the cultivation of grapes, fruit, vegetable and horticultural products in homesteads and vacant land of farms in order to provide;

f) expanding the process of financial rehabilitation of economically weak enterprises, establishment of new enterprises on their basis, modernization of production, technical and technological re-equipment and sale to potential investors.

Tasks of the bank during the implementation of the policy:

- providing loans to farms producing agricultural products and providing comprehensive banking services;
- agricultural producers, enterprises of all forms of ownership, including cotton gins and grain processing enterprises specializing in the processing, storage, transportation and sale of cotton and grain products, and consistently improving financing mechanisms;
- implementation of an active investment policy aimed at improving land reclamation, modernization of production in the branches of the agro-industrial complex, technical and technological updating, attracting modern foreign technologies and equipment, and on this basis ensuring the production of high-quality, competitive products in domestic and foreign markets, sustainable filling of the domestic consumer market with local food products;
- mobilizing bank resources, offering new attractive types of savings and deposits, wide attraction of funds of the population and enterprises, their effective use, ensuring timely and full return of deposited funds;
- attracting preferential loans, investments and grants from international financial institutions and leading foreign banks, and refinancing agricultural producers and enterprises of the agro-industrial sector of the republic's economy at the expense of these funds.

In order to further improve the socio-economic development of the regions, private entrepreneurship and business environment, financial support of these processes by the bank, to attract the population to entrepreneurship under the slogan "Entrepreneurship of ordinary people", to increase their knowledge and awareness in the field of business, organizational and financial support (Mark Gertler and Nobuhiro Kiyotaki, 2009).

The strategy of the policy consists of:

- high quality assets with formation achieving profitability and liquidity;
- increase the quality of the credit portfolio by diversifying it;
- forming a team of qualified employees who can ensure a high-quality loan portfolio and its effective management;
- providing short-term and long-term loans for the financing of economically promising, profitable projects in line with the bank's strategic goals;
- implementation of the lending process based on the terms of the resources involved;
- promote the development of long-term, mutually beneficial relations with bank clients;
- compliance with the decisions of the Cabinet of Ministers and the norms established by the

Central Bank in the implementation of credit activities;

- implementation of lending based on other internal policies and procedures of the bank related to this area.

In terms of credit policy, strategic issues, namely, the size and form of loans, the ratio between short and long-term loans, and the process of analyzing financial information related to procedures, loan portfolio, and ensuring the return of funds.

The main purpose of developing and adopting a credit policy by commercial banks is to provide shareholders with a high return on active operations, to maintain the bank's liquidity at a sufficient

level, to diversify risk, to establish and guarantee the unity of operations, to ensure compliance with laws and regulations. consists of

The content of the bank's credit policy is as follows:

- issues related to determining and forming the bank's loan portfolio (loan types, repayment terms, quantity and quality);
- the list of powers assigned to the deputy chairman of the bank responsible for credit activity, the chairman of the credit committee and the credit inspector (maximum amount and types of loans);
- total rights of the bank in the field of lending and information provision;
- description of the system of checking and making decisions on loan applications;
- the list of necessary documents to be attached to the loan application and documents that must be kept in the loan case (the debtor's financial report, loan agreement, pledge, guarantee agreement, etc.);
- detailed information about who is responsible for keeping and checking credit works, who has the right to receive them and under what circumstances;
- loan security and basic rules for its acceptance, assessment and implementation;
- a statement of standards that determine the quality of all loans;
- setting and specifying the highest credit privileges (that is, the highest ratio of loan sums and gross assets of the bank);
- the region served by the bank, the industry, sector or sector of the economy where the main part of credit investments is introduced;
- the composition and analysis of problematic loans, in which the possibilities of how to solve the problems are shown;
- the remaining documents describe prohibited or unacceptable types of loans (borrowers whose solvency is doubtful or documents do not provide a complete list, etc.) (Law LU-582 , 2019).

If the credit policy is competently drawn up and properly implemented at all levels, from the head of the bank to the operator, it allows the bank's management to make the right decisions, get rid of excessive risks, and correctly evaluate bank loans. At the same time, the credit policy should be more flexible, taking into account the political, economic and legal conditions.

In this regard, the existence of a clearly developed and understandable credit policy to the lowest level of employees is one of the main, strategic tasks in ensuring the stability of the banking system and, ultimately, the rapid growth of the real sector of the economy through financing. The nature of competition in banking activity is determined by the nature of the market. A strong credit policy is necessary for banks to operate effectively in the conditions of strong relations. Today, economic processes envisage that the commercial banks of our republic will have sufficient resource funds, that they will be able to get a high income by placing the available funds on the basis of the minimum risk.

Getting a high profit, in turn, increases the level of riskiness of operations conducted by banks.

Another resource base in the financing policy of commercial banks is their investment activity. The term "investment" comes from the Latin word "invest" which means "put", "mobilize funds",

"capital investment". In a broad sense, investment refers to the mobilization of capital for the purpose of increasing and retrieving funds. In most cases, the concept of "investment" is defined as material and immaterial goods and rights related to economic and other activity objects. Investment means all kinds of national and intellectual wealth, which must be directed to the objects of business activity and bring income or achieve some positive effect. The main purpose of making an investment is to make a profit and achieve a positive social effect.

Investment lending is a form of bank credit, which is aimed at reconstruction or modernization of production facilities, construction and organization of new production. The basis of granting this type of loan is an investment program designed to move to a more efficient stage of production of existing products or services in the enterprise.

If we focus on the main features of investment loans of commercial banks according to this definition, it is appropriate to recognize the following aspects:

that investment lending is given only for a purpose, for example, it is directed to the financing of projects of socio-economic importance or aimed at increasing the country's export potential;

that investment loans are long-term, that is, investment loans can be granted for a period of 3 to 15 years. This is a sufficient period for the implementation of projects within the framework of the state investment program;

the source of return of funds in investment lending is income from project implementation.

According to Yescomb, —attracting long-term investment loans to finance large projects through financial engineering depends on the assessment of risks related to construction, operation, revenue and the distribution of risks between investors and lenders (Yescomb E.R., 2008) .

According to I. Kamilova, —the expansion of the scope of investment loans of commercial banks is strongly influenced by the inflation rate and the change in interest rates. In particular, interest rates are the price of investment loans of commercial banks. Therefore, an increase in the interest rates of investment loans leads to their increase in price (Kamilova I.X., 2019).

Qiu and Wang , whether the investment is greenfield or merger and absorption is mainly determined by the size of the market, the difference in production costs between multinational companies and local firms, the degree of competition in the market determined by the number of domestic enterprises, and determining depends on factors such as the costs of opening a new enterprise (Qiu D. and Wang Sh., 2011).

In fact, the high cost of opening a new enterprise in the country where investment is planned, the presence of strong competition in this market, and the low cost of local enterprise production compared to the world market encourage foreign investors to acquire existing ones rather than to open a new enterprise.

In order to develop investment loans of commercial banks, foreign investments of a resource- and market-seeking nature are attracted to our economy under the state initiative, which are import substitutes and export stimulants, aiming at the realization of long-term strategic goals, products from the raw stage. until it is ready for consumption, it is advisable to enrich it with productive investment types.

Economist N.Simonyans, as an investment activity of commercial banks, "funding of investment projects on the basis of loans and shares of universal and specialized commercial banks, organization and placement of issuance of securities in the primary market, asset management, management of an investment company, execution of transactions with real estate recognizes

activities aimed at growth, consulting-analytical and broker-dealer operations". Also, in the research conducted by A.Naryana, it was mentioned that the risk management processes in the investment activities of commercial banks are carried out in the following stages: identification and analysis of the nature of the risk; risk assessment and calculation of losses; development of risk management recommendations, risk reduction through the authority of officials involved in risk management; control over the preparation of submitted risk management reports in accordance with established criteria and rules; earning income depending on the level of risk (high risk high income, low risk low income); coordination of risk and income (Ismailov D.A., 2018).

In his research, D.Ismailov stated that "the implementation of high-tech projects based on scientific innovations and discoveries usually has a high level of risk, as well as there is a high demand for venture financing in our republic. states that it is necessary to actively attract foreign venture funds to positively solve this problem due to the lack of development of this risky investment method" (Ismailov D.A., 2018).

Innovations in the conditions in which current economic knowledge is being formed is considered the main factor that ensures economic growth. From this it can be concluded that the more active and intensive the innovation activity in the region, the higher the level of economic development. It is well known that it is very difficult to ensure this task, especially in the long term, without supporting and implementing innovative changes.

It is worth emphasizing the need to develop measures to stimulate innovation activity at all levels, and only then can certain results be achieved in the field of innovation activity. G.X.Rozikova stated that "the creation of optimal conditions for the development of innovations will allow the modernization of the technological base and a radical increase in the competitiveness of the national economy."

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