

## LOANS PROVIDED BY NON-BANK CREDIT ORGANISATIONS

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**Annotation:** Loans provided by non-bank credit organizations are an alternative form of financial services, aimed at allocating loans outside the banking system to various clients, including individuals and small business entities. Such organizations include microfinance organizations, leasing companies, fintech companies, and online lending platforms. They are characterized by fast lending, simplified document demand and innovation approaches. This article will tell you in detail about the types of non-bank credit organizations, their mechanisms of operation, advantages and risks.

**Keywords:** off-bank loan, microfinance, leasing, fintech, online loan, lending, financial services.

Loans issued by non-bank credit organizations are financial funds allocated by financial services institutions, and not commercial banks, which are provided to individuals and legal entities for various purposes. These organizations serve as an alternative to banks in the financial market and usually have their own characteristics in terms of obtaining a loan, interest rates and repayment period.

Microfinance organizations are institutions that provide financial assistance to low-income residents and small business entities with limited access to financial services. Their main goal is to increase financial inclusiveness, fight poverty and promote entrepreneurship by lending to economically vulnerable strata. The Microfinance System is especially important for customers with limited access to loans from official banks, carrying out the process of obtaining a loan in a simplified manner.

Services provided by microfinance organizations include microcredit, savings and deposit services, insurance programs, and financial literacy advice. Microcredit is usually issued in small volumes, unlike official bank loans, which are provided with minimal documents and sometimes without collateral. Savings services, on the other hand, provide customers with the opportunity to raise funds for the future. Insurance programs include options such as agriculture and health insurance for small entrepreneurs and farmers.

The lending procedure of microfinance organizations is quick and simplified, and unlike the banking system does not require long analyses and many guarantees from customers. Among the main characteristics of loans are small size, short duration, lack or low collateral demand and high interest rates. Due to the rapid implementation of the loan allocation process by these organizations, small business owners will be able to expand and develop their activities faster. The main advantages of microfinance include providing a financial resource for individuals with limited access to credit, stimulating entrepreneurship and increasing the economic activity of society. In particular, promoting women and young entrepreneurs to achieve economic independence is one of the positive aspects of microfinance. However, there are also some disadvantages to this system, one of which may be high interest rates. In addition, there is also

the possibility that some customers may have difficulty repaying the loan or become addicted to the loan on a permanent basis.

Real-life examples of microfinance organizations include agricultural microloans, women's entrepreneurship, and loans for startup businesses. For example, a farmer can receive microcredit to expand his farm or introduce new technologies. And a woman who is engaged in domestic production can develop her own business by obtaining a loan for the purchase of new equipment. A young entrepreneur who is launching a new startup can start his career by receiving funds from a microfinance organization for an initial investment.

Leasing companies are institutions that provide financial assistance to business and business entities in the purchase of assets necessary for long-term use. Leasing is a financial instrument that works on the basis of long-term leasing to a company or individual, rather than providing full capital funds for the purchase of assets. This method is especially useful for small and medium-sized business entities, as they may not be able to acquire large assets at a single cost.

Leasing companies are involved in financing a variety of assets, including industrial equipment, vehicles, technological devices, agricultural machinery, and real estate. They provide the right for customers to purchase assets and use them for a specified period, in the process of which the user makes a certain amount of payments. At the end of the lease period, the client can fully purchase the asset, return it or renew the contract. The main types of leasing include operating leasing and financial leasing. The operating lease is short-lived and the asset is returned to the company at the end of the lease. This method is convenient for technological equipment and assets that wear out quickly. Financial leasing, on the other hand, is long-term, and at the end of the lease, the asset usually goes to the user. This type is used especially for expensive industrial equipment and vehicles.

As a practical example, a manufacturing enterprise can use leasing to purchase new technological equipment. In this case, the enterprise acquires the necessary equipment by performing a step-by-step payment, without a single large cost. As another example, a transport company may partner with leasing companies to upgrade a fleet of trucks or buses, allowing them to focus their investment on other business needs. Leasing companies play an important role in economic development, as they stimulate business growth, increase the chances of having assets and ease the financial burden. Therefore, leasing is one of the favorable financial instruments for small and medium-sized business entities to expand their asset base and increase efficiency.

Fintech companies and online credit platforms are financial organizations that provide credit services using modern digital technologies. Unlike the traditional banking system, they aim to simplify, speed up and make the credit separation process more convenient for customers. Such companies mainly use artificial intelligence, big data, Blockchain and other advanced technologies to assess the creditworthiness of borrowers and allocate loans under suitable conditions for them. Online credit platforms usually work without banks or in partnership with banks. They have fully digitized the process of obtaining a loan, do not require excessive documentation from customers and carry out the process through mobile applications or websites. Typically, borrowers will be able to provide their personal information and get a loan in a short

time. The amount and terms of the loan are determined by the financial condition of the client, the credit history and the level of risk assessed through algorithms.

The process of obtaining a loan through such platforms is much faster, and in many cases it is possible to obtain a response to the application within a few minutes or hours. They offer a variety of financial products, from micro-loans to loans designed for small and medium-sized businesses. Fintech companies typically evaluate customer solvency using innovative risk management systems to help make the credit separation process much more reliable.

Their main advantages include convenience, speed, low document size and transparency. Unlike traditional banks, online credit platforms allow you to get a loan at any time of the day and apply advanced security measures to protect customers' personal financial information. Also, some platforms use blockchain technology to maintain credit contracts in a more reliable and non-modifiable form. However, there are also some risks of such credit systems. Interest rates can sometimes be higher than traditional bank loans, especially if the borrower's credit history is weak. Also, in some cases, it is necessary to pay attention to security issues, since digital lending can be susceptible to the risks of fraud and cyberattack. Therefore, when using such platforms, customers should pay attention to their reliability and licensing.

**In conclusion**, non-bank credit organizations offer alternative financial solutions to the traditional banking system and provide access to loans to broad segments of the population as well as small business entities. While microfinance organizations offer suitable loans for low-income customers and small businesses, leasing companies help finance assets for businesses. Fintech companies and online lending platforms, on the other hand, provide fast and convenient lending services based on modern technologies. The development of these organizations, along with increasing financial inclusion, is creating new opportunities in the credit market. At the same time, high interest rates, security issues and the need to comply with regulatory requirements are manifested as the main problems of such credit systems. Therefore, loan recipients should pay attention to checking the reliability of organizations and an in-depth analysis of the conditions.

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