

MECHANISMS OF COMMERCIAL BANKS FOR REDUCING PROBLEMATIC LOANS

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Annotation:The article considers the issues of increasing the efficiency of banks with overdue debts. The most effective methods of reducing the risk of problem loans, eliminating the factors that cause them, and improving the loan portfolio are identified. Also, an analysis of existing problem loans in the loan portfolio was conducted and practical proposals were made for their elimination.

Keywords:bank, bank, loan, lending, borrower, overdue debt, problem loan, loan monitoring, non-performing loan.

Introduction. Today, banking is one of the dynamically developing systems in the economy of the Republic of Uzbekistan. However, such rapid growth threatens the quality of assets (including loans) and the ability of banks to manage credit risk, the issue of improving the methods of working with problematic loans of commercial banks remains relevant.

President Of The Republic Of Uzbekistan Sh. M.Mirziyoev said that" it is necessary to further expand the potential of banks, banks, borrowers, companies and associations in the repayment of problematic loans, and the heads of regions will work cooperatively in their collection." The bank's goal in risk management is to ensure the return of all assets and narrow the boundaries of possible fluctuations.

Usually, when it comes to risk, experts first of all refer to credit risk, that is, the non-repayment of the loan and the interest accrued to it. To this level of risk, the customer must.

General information about sources of literature; literature review With the formation of market relations in the economy, the need arose to carry out research work on problematic loans in commercial banks. Lavrushina, Yu.S. , Nurzat O.A., Lykova N.M., Kovanyov A.A., Studied the analysis of problematic loans in the banking system using various methods of foreign researchers associated with the names Yashin MV, Slavyansky AV, Kuznitsov. A number of International Studies in the field of problem credit management are devoted to choosing the optimal strategy for problem credit management, these studies are based on Herring R.Dj., is reflected in the work of Western researchers such as Greppet.

On credit risk in commercial banks and problems associated with the management of troubled loans and their reduction in the number.M.Karaliyev , U.A.To ' xtaboev, KA. Analyzed by Mukhamedzhanov et al .

Researcher S.V.Kuznitsov (2008) notes in his scientific work: – a problem loan is a loan in which the borrower cannot fully fulfill his obligations in accordance with contracts and agreements with the bank, therefore, expired payments on the loan obligations of the

borrower are at risk of partial or complete loss for the bank [1]. Yu.Yu. Platonov and S.E.Zaychenko (2011) believes that an increase in the number of problematic loans can lead to a deterioration in the quality of the bank's credit portfolio, additional costs, low profit or loss, the need arises to organize the management of problematic assets using the most effective tools. [2].

According to Slavyansky (2009), a "problem loan" is a loan in which the borrower cannot fulfill the terms of the loan agreement in order to pay off the loan on time and in full, as well as there are sufficient grounds for non-fulfillment by the borrower in the bank. [3]. O.A.A scientific article by Yusupova (2016) argues that overdue debt is not only a severe financial or unforeseen situation, but also a distraction of the client, as a result of which he forgets to make timely payments when he has money and opportunity. [4]. As a rule, in such cases, overdue debt is calculated by the credit Inspector through an SMS notification or text message sent to the borrower for a maximum of five to seven working days.

V.V.A scientific article by Mazurin (2022) argues that an expired loan does not allow the borrower to pay off the debt in full and on time under the current contract. However, he argues that the concept of problematic loans is mainly due to the high rate of financial losses for the bank due to the borrower's improper treatment of the loan, a situation often associated with a deterioration in the financial situation [5]. According to the Basel Committee, a problematic loan is a loan in which the borrower's obligations to the bank are significantly violated, the borrower's financial situation has significantly deteriorated, and the quality of collateral has significantly decreased or even lost [6].

Taking into account the above, we can trace the relevance of the scientific work carried out by these researchers on the example of problematic loans in the commercial banks of our country.

Indeed, in commercial banks, existing expired and problematic loans not only negatively affect the quality of assets, but also increase the risk of non-repayment of loans.

Methodology. This article analyzes the current state of implementation of existing practice for the collection of problem loans in commercial banks and identifies factors affecting the stability of the bank's credit portfolio. In the analysis process, methods of scientific abstraction, expert assessment, induction and deduction, comparison, systematic analysis were used.

Data analysis. The occurrence of problematic loans is associated with the influence of credit risk, as a result of which the bank is concerned that the borrower cannot timely and fully pay his obligations under the loan agreement, and the bank may suffer losses associated with lending to such borrowers. Therefore, in Banking Practice, problem loans are usually called low-quality loans. This interpretation of problem loans focuses on losses arising from problems. However, not every problematic loan ends in loss. The bank's task is to prevent or minimize possible losses.

Analysis of Foreign Studies in the field of problem loan management shows that the most effective strategy for efficiency is a problem loan management strategy aimed at the financial recovery of a struggling borrower, which is carried out within the framework of strategic cooperation with the client.

From the methodological point of view of problematic credit debt, it is important to systematize indicators according to the content of the concept of "problem" on credit. Different interpretations of the concept of "problem" used in theory and practice make it possible to systematize problematic loans depending on the sources of loan repayment

(primary and secondary) as well as the parameters for assessing credit risk (real and possibly). In banking practice, the main sources of loan repayment are income from the sale of goods and services by a legal entity and income from an individual. The presence of sufficient primary resources means that the borrower is able to create sufficient cash flows to fully meet his obligations to pay the loan before the bank. Secondary sources usually mean that the borrower cannot pay the loan at the expense of the current income. Secondary sources of loan repayment include property collateral, guarantees, bail and credit liability insurance. When they are used to pay off a loan, cash flows are formed not during the current activity of the borrower, but at the expense of guarantors or insurance companies as a result of the sale of mortgaged property.

While the normal course of a loan agreement at the stages of credit operations under concluded loan agreements indicates a “uniform execution” of a bank loan, on the contrary, the occurrence of violations in the process of fulfilling a loan agreement indicates the nature of “problematic loans”. Figure 1 shows the stages of credit operations.

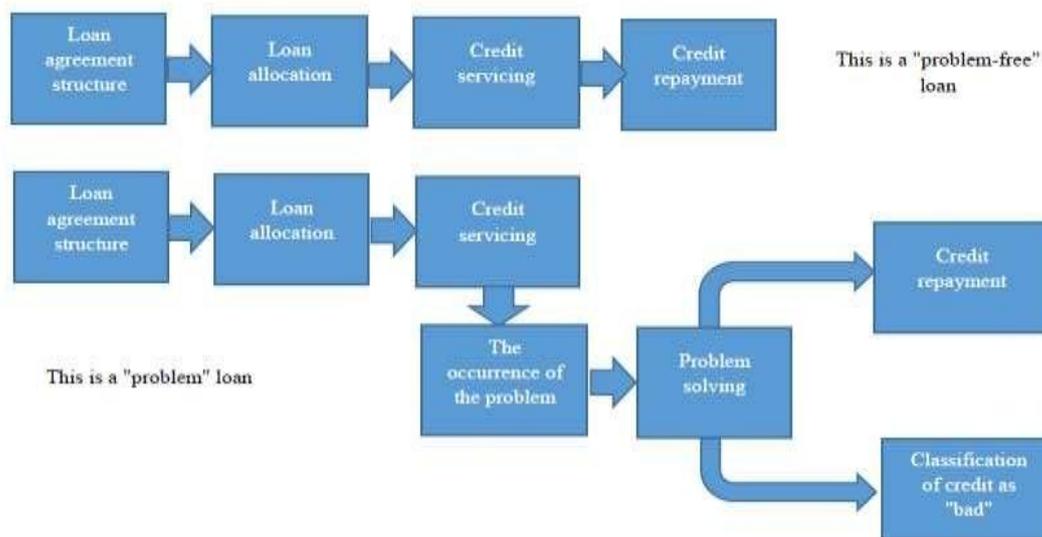


Figure 1. Stages of a credit transaction

At the initial stage, a loan agreement is concluded between the bank and the borrower in the form of a bilateral mandatory legal contract. The loan agreement specifies the terms of the loan. Once the loan agreement is signed, there will be an opportunity to use the credit resources. A loan can be issued on the condition that you issue a one-time loan or provide funds (line of credit) for a certain period of time. If the borrower meets both the interest rate and basic service requirements on the underlying payments until the loan amount is fully repaid, the loan will remain in place. Then one of two options happens: either the loan is paid off on time, or the loan becomes a problem. If the borrower pays the principal on the loan and the accrued interest on time, this is a sign that the loan transaction continues normally. The final stage of the "trouble-free" loan agreement is the full repayment of the loan amount issued to the borrower for temporary use and interest accrued on the loan according to the terms of the loan agreement, as well as the completion of the relationship between the bank and the borrower. If the loan is broken by the borrower during the service process, this indicates that the loan agreement is "problematic". To ensure compliance with the terms of the loan agreement, the bank must carry out a number of measures, return the

loan to the bank in case of success of the action, and in case of failure, the borrower's debts must be written off at the expense of the Commercial Bank.

Analysis and results. On the example of several banks with the participation of a state with a stable credit rating, which has been operating in the Republic of Uzbekistan for more than ten years, we analyze the effectiveness of methods of working with problematic loans in the credit portfolio of commercial banks.

With the rapid growth of current loans, the volume of expired and problematic loans of banks today accounts for 2-3% of the bank's loan portfolio, and in some cases 3-5% and more, and the growth rate is increasing.

Table 2 data on problem loans of commercial banks (NPL) as of may 1, 2024 [7]

№	Bank	Credits (billion sum).	Problematic loans (billion sum). (NPL	Share of problematic loans in the structure of total loans
Jtotal		188 326	4 470	2,3%
1	Uzmilliybank	58 730	1 411	2,4%
2	Joint Stock Commercial Bank “ Uz sanoat qurilish bank ”	33 471	378	1,1%
3	Asakabank ” Joint Stock Company	29 742	942	3,2%
4	Joint Stock Commercial Mortgage “ Ipoteka - bank ”	20 174	489	2,4%
5	Joint Stock Commercial Bank “ Agrobank ”	20 448	260	1,3%
6	Joint Stock Commercial of the Republic of Uzbekistan Xalq banki	14 219	824	5,8%
7	“Qishloq Qurilish bank” Joint Stock Commercial Bank	11 541	166	1,4%

Table 2 data shows that not all methods used in the internal practice of lending in banks when working with expired loans always give the expected result. In such cases, the management must make changes to the structural units and methods of work, taking into account the effectiveness of banking operations.

Conclusion. In accordance with the goals and objectives of this article, the set of measures aimed at collecting and improving the quality of problematic loans in commercial banks may include the following actions:

- ✓ measures to improve the credit portfolio of banks and the quality of projects;
- ✓ Opportunities to apply stress-testing practices to loans available in banks ' loan portfolios;

- ✓ development of an effective mechanism for ensuring the quality of a loan portfolio with a detailed analysis of the classification of problem loans;
- ✓ Development of specific measures to restore the financial capabilities of each client who is in a difficult situation after the registration of credit portfolios of commercial banks.

It is also worth paying attention to the following effective measures to eliminate the share of existing problematic loans in the loan portfolio and reduce its share:

- Attract additional collateral: collateral for additional guarantees or sureties, property or real estate;
- Sale of collateral ;
- Repayment of the loan by selling the assets of the borrower, preventing investments in low-income assets;
- Customers with mandatory sanctions enabled ;
- Repayment of the loan by attracting additional funds and financial assistance from the borrower.

Thus, on the basis of practical actions formed in the study of this article, a scientific and methodological approach was proposed to the organization of a system for managing problem loans of borrowers. In this case , special attention is paid to the early identification of problem loans, and the possibility of applying all recommendations in Banking Practice makes it possible to increase the effectiveness of the process of managing problem loans.

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