

WAYS TO ENSURE THE STABILITY OF COMMERCIAL BANKS' LOANS

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Abstract. The level of use of commercial bank loans by legal entities and individuals directly depends on the level of interest rates on loans, that is, on the level of their assessments. Therefore, one of the urgent issues of increasing the role of commercial banks as a financial intermediary in the country's economy is to ensure a low and stable level of credit ratings.

The article develops scientific proposals aimed at ensuring a stable level of credit assessment of commercial banks of Uzbekistan.

Key words: commercial bank, loan, interest rate, inflation, refinancing rate, deposit.

Introduction

Today, it is one of the main conditions to increase the level of wide use of banking services by legal entities and individuals by ensuring the stability of commercial banks' credit prices.

In the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, "Increasing the popularity of financial services for the population and business entities, including the underserved segments (low-income individuals, rural residents, micro-firms and small enterprises) from the bank's basic services (deposit, credit and payment services) was recognized [1]. This creates the need for ways to ensure the stability of the prices of commercial banks' loans.

Review of literature on the topic

According to Huerta de Soto's opinion, firstly, the decrease in the interest rates of commercial bank loans will turn the previously unprofitable investment projects into profitable investment projects; secondly, the financing of investment projects by banks with loans not secured by voluntary funds, ultimately leads to the failure of investment projects and non-return of the given loans [2].

The result of the research carried out by N. Valentseva showed that the possibility of reducing the interest rate on loans due to the interest margin is determined by the decrease in the cost of bank products. In this case, the general lower limit of the amount of the interest spread is considered a sufficient level of interest margin. An important condition for reducing costs in banks is the introduction of monitoring of the cost of banking products into banking practice [3].

In fact, reducing the interest rate of loans due to the interest margin leads to a decrease in the amount of net interest income of the commercial bank. However, the cost of credit products can be significantly reduced.

According to E.Litvinov's opinion, the use of the annuity method of collecting interest payments on retail loans by commercial banks leads to an increase in the burden of loan payments on individuals. Therefore, allowing individual borrowers to choose loan payment methods (differentiated or annuity) allows to strengthen the incentive content of interest rates [4].

According to O. Sattarov's conclusion, in order to ensure the stability of the banking system by solving the problems related to the liquidity of commercial banks, the introduction of operational liquidity loans and the introduction of a mechanism for allocating loans for a period of 90 days and at a fixed rate 2 percentage points higher than the refinancing rate as its requirements necessary [5].

Research methodology. In the implementation of the research work, in order to improve the ways of ensuring the stability of the credit prices of commercial banks, the analysis of the scientific research works of economists-scientists, statistical analysis methods and comparative analysis with the author's experiences were concluded and suggestions were made.

Analysis and results

In order to assess the current state of the credit mechanism, we analyze indicators of interest rates on bank loans in national currency issued by commercial banks (weighted average interest rates, annualized) without taking into account interest rates on preferential loans and microloans.

Table 1.

Interest rates on bank loans in national currency (weighted average interest rates, annualized)¹, in percent

Term and type of loan	2020	2021	2022
Total credits	22,3	20,8	21,9
Short term loans	22,1	21,3	22,1
Long-term loans	22,5	20,6	21,7

From the data of Table 2, it can be seen that the interest rate of short-term loans in the national currency was 22.2 percent on average during 2020-2022. It has kept the same interest rate for 2020-2022.

From the data of Table 2, it can be seen that the interest rate of long-term loans in national currency was 21.6 percent on average during 2020-2022. The interest rate on long-term loans decreased by 1.9 percentage points in 2021 compared to 2020. In turn, 2022 increased by 1.1 points compared to 2021. This is related to the refinancing rate of the Central Bank of the Republic of Uzbekistan, the annual rate of inflation and interest rates on bank deposits.

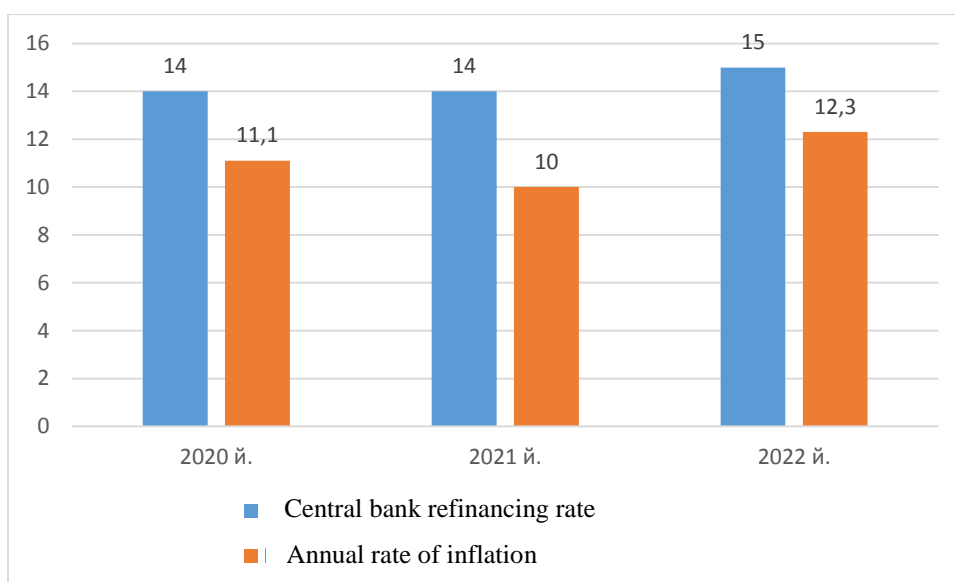
¹ The table was compiled by the author based on the official statistical data of the Central Bank of the Republic of Uzbekistan.

Table 2.**Interest rates on bank loans in national currency (weighted average interest rates, annualized)², in percent**

Term and type of deposit	2020	2021	2022
Average interest rates on total time deposits up to 1 year	16,3	15,5	16,4
Weighted average interest rates on total term deposits above 1 year	16,8	17,1	19

From the data of Table 2, it can be seen that the average interest rates on total term deposits up to 1 year in national currency in 2020-2022 averaged 16.1 percent. 2021 decreased by 0.8 points compared to 2020, 2022 increased by 0.9 points compared to 2021.

From the data of Table 2, it can be seen that the average interest rates on total term deposits in national currency over 1 year increased significantly during 2020-2022. This is explained by the high inflation rate and refinancing rate in our republic.

**Figure 1. The refinancing rate of the Central Bank of the Republic of Uzbekistan and the annual rate of inflation³, in percent**

It can be seen from the data of Figure 1 that the refinancing rate of the Central Bank in 2020-2022 was relatively high and did not fall below 14 percent. This is explained by the high level of inflation in this period, because the Central Bank cannot reduce its refinancing rate in the conditions of high inflation. In such conditions, the reduction of the refinancing rate of the Central Bank will lead to a further increase in the level of inflation.

² The table was compiled by the author based on the official statistical data of the Central Bank of the Republic of Uzbekistan.

³ The table was compiled by the author based on the official statistical data of the Central Bank of the Republic of Uzbekistan.

It can be seen from the data of Figure 1 that the inflation rate was high in our republic in 2020-2022. On top of that, the inflation rate has increased significantly in 2022 compared to 2021.

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In the Republic of Uzbekistan, firstly, starting from 2020, a step-by-step transition to the inflation targeting regime has begun. The goal is to ensure that the annual rate of inflation does not exceed 5 percent in 2023. In order to achieve this goal, it was envisaged that the inflation rate would not exceed 9.0 percent in 2022. However, the annual rate of inflation in 2022 was 12.3 percent. The failure to achieve the target inflation rate is explained by the following three main reasons:

1. High growth rate of food prices.
2. Due to the Russian-Ukrainian war, problems have arisen in transport logistics.
3. High growth rate of money supply.

Secondly, in the new version of the Law "On the Central Bank of the Republic of Uzbekistan" adopted in 2019, the fight against inflation was defined as the strategic goal of the Central Bank.

Conclusions and suggestions

In our opinion, in order to ensure the stability of credit prices of commercial banks of our republic, it is necessary to implement the following measures:

In order to reduce the inflationary pressure in relation to the interest rates of commercial banks' loans, first, it is necessary to ensure the achievement of the target index of inflation; secondly, it is necessary to reduce the growth rate of the money supply by putting an end to the practice of covering the state budget deficit at the expense of inflationary sources; thirdly, it is necessary to help reduce the interest rates of loans by increasing the state budget spending on economic development by increasing the size of the state order.

Attainment of the inflation target in 2022 was not ensured. In 2022, the annual rate of inflation should not exceed 9.0 percent, but in practice it was 12.3 percent.

In 2022, the growth rate of the money supply in the national currency was very high (30.1%) as a result of the financing of the state budget at the expense of foreign debt.

2. In order to ensure the balance between the interest rates of commercial banks' loans and the interest rates of deposits, first, it is necessary to actively use the Central Bank's REPO auctions, refinancing and mandatory reserve policies to increase the level of influence on money market rates within the framework of monetary policy; secondly, it is necessary to ensure the normative level of the net interest spread indicator (1.25%) in each commercial bank; thirdly, it is necessary to increase the volume of refinancing

loans provided at the expense of foreign currency loans attracted at relatively low interest rates.

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