

## LENDING PRACTICE OF NON-BANK CREDIT ORGANIZATIONS

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### Abstract

This article describes non-bank credit organizations, analyzes the growth dynamics of non-bank credit organizations in 2018-2022, provides information on the assets of non-bank credit organizations and their lending practice, liabilities and capital. Conclusions and proposals for improvement of non-bank financial and credit organizations are also included.

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**Introduction.** The expansion of the network of non-bank credit organizations and the scope of microfinancing services provided by them serves to increase the volume of financial support of small business and private entrepreneurship, especially lending to the population. In the report of the World Bank, it was noted that Uzbekistan is among the ten countries in the world that have achieved the best results in the field of improving the business environment for entrepreneurial activity in recent years.

In this regard, the creation of the following privileges and opportunities is envisaged:<sup>1</sup>

- In order to ensure the stability of the tax system, guarantee that the value-added and profit tax rates for business will not be increased for three years, expand the opportunities for small and medium-sized businesses to enter international markets, develop micro-financing, support innovations and start-ups, and support large-scale enterprises. implementation of new instruments for the development of cooperation with business;
- Transition from simple "manual labor" to the stage of industrialized production in providing employment on the basis of family entrepreneurship, increasing the amount of preferential credit for the purchase of equipment up to 100 million soums;
- Providing all services to business entities through an online portal based on the principle of "single window" and reducing service time by 3 times on average;

As a result of reforms in this direction, we can see that the share of small business and private entrepreneurship in our gross domestic product is increasing year by year. As of May 1, 2022, 92 percent of non-bank credit institutions' loans were classified as "standard," 5 percent "substandard," 1 percent "doubtful," and 2 percent "bad."

Today, in our country, the role of microfinance services is gaining importance in materially supporting the underprivileged population and ensuring their well-being. In turn, the growing demand for microfinance services among the population requires bringing the activities of local microcredit organizations and lenders to the level of international requirements and offering quality services.

<sup>1</sup>. "Uzbekistan-2030" Strategy. 11.09.2023. No. PF-158

Non-bank credit organizations are not entitled to :

- to carry out direct production, insurance, as well as trade activities, except for microfinance organizations providing services related to Islamic financing and to carry out other activities not provided for by this law;
- to attract deposits (deposits) from individuals and legal entities;
- from participants (shareholders) who are natural persons, to attract loans in an amount that exceeds the amount of the contribution to the charter fund (authorized capital) or the nominal value of the shares in their possession, excluding the raising of debt funds in the form of bonds.

Non-bank credit-financial organizations are not officially banks, but their main activity is the provision of financial services, which are largely dependent on and alternative to banks.<sup>2</sup>

**Analysis of literature on the topic.** Economist D. Tajibayeva's scientific work has developed a number of scientific proposals and practical recommendations on improving the legal basis of microcrediting practice, providing them with financial benefits from the state. D.Tajibayeva's scientific research focuses on the issues of improving the practice of providing microcredits of microcredit organizations. The candidate's thesis of economist B. Mamatov on the topic "The practice of microfinancing of small business and private entrepreneurship and its improvement" researched the role of microcredit organizations in financing small business and private entrepreneurship and made suggestions and recommendations aimed at ensuring the development of microcredit organizations in Uzbekistan developed. According to D. Savinova, one of the foreign economists, it is necessary to provide a separate credit service for each stage of the small business lending market. It offers three types of credit services in three stages of this market, including:

- granting microloans of minimum amount to individual entrepreneurs and small business entities with legal entity status;
- providing medium and long-term loans to small business entities for capital construction and purchase of fixed assets on the basis of a limit, in the form of one-time lending and lending by opening a credit line, by setting restrictions and limits;
- loans to small businesses and entrepreneurs in order to replenish working capital in the form of overdrafts or by opening credit lines to give Some economists-scientists recognize microfinancing as the activity of providing small loans to a certain group of clients, to entrepreneurs who do not have a credit history, lack of collateral, who do not have the opportunity to use traditional banking services, microfinance relations social forward while separately attention are focused on, and they understand microfinancing as microcrediting and emphasize that its maximum amount is determined by legislation.

**Analysis and results.** Own funds of non-bank credit organizations, loans from banks, grants, as well as borrowed funds from their participants (shareholders) are the sources of funds related to the activities of non-bank credit organizations.

Microfinance organizations:

- ✓ to carry out microfinancing activities;
- ✓ to perform the tasks of payment agent (subagent) or agent of banks, insurance and other financial organizations;
- ✓ to provide consulting and information services related to the activities it carries out;

<sup>2</sup> Z. Mamadiyorov, M. Makhmudova, M. Kurbanbekova. Banking work Textbook. T.: -Innovative development publishing house. 2021 year. 158 pages.

- ✓ has the right to provide loans, leasing, guarantees, factoring services and services related to Islamic financing to business entities in the amount exceeding the amount of microcredit.

Pawn shops provide short-term (up to one year) micro-loans to individuals on the basis of a deposit pledge of movable property for personal consumption, and temporary storage of movable property for personal consumption from individuals. has the right to receive for.

Over the past five years, the number of microcredit organizations have increased to 41, and the number of pawnshops have increased to 30, and now 71 microcredit organizations and 76 pawnshops provide microfinance services to residents and entrepreneurs. In terms of regions, non-bank credit organizations have increased by 2 times (64 in total), in Fergana and Bukhara regions by 3 times (respectively 19 and 14) and in Tashkent region by 1.4 times (14). Also, over the past year, 8 microcredit organizations, 32 branches and retail service centers, 11 pawnshops, and 11 pawnshops have opened new participants in the market of non-bank credit organizations, making their total number 148. In particular, the assets of non-bank credit organizations doubled compared to the corresponding period of the previous year and amounted to 3.4 trillion soums as of May 1, 2022. A 2.2-fold increase in lending operations was the main factor in the growth of assets. Assets of microcredit organizations increased by 58% (557 billion soums) to 1,520 billion soums, and assets of pawnshops increased by 35% or 60 billion soums to a total of 231 billion soums. The increase in the volume of assets was mainly due to the increase of loans in microcredit organizations by 501 billion soums and in pawnshops by 47 billion soums.

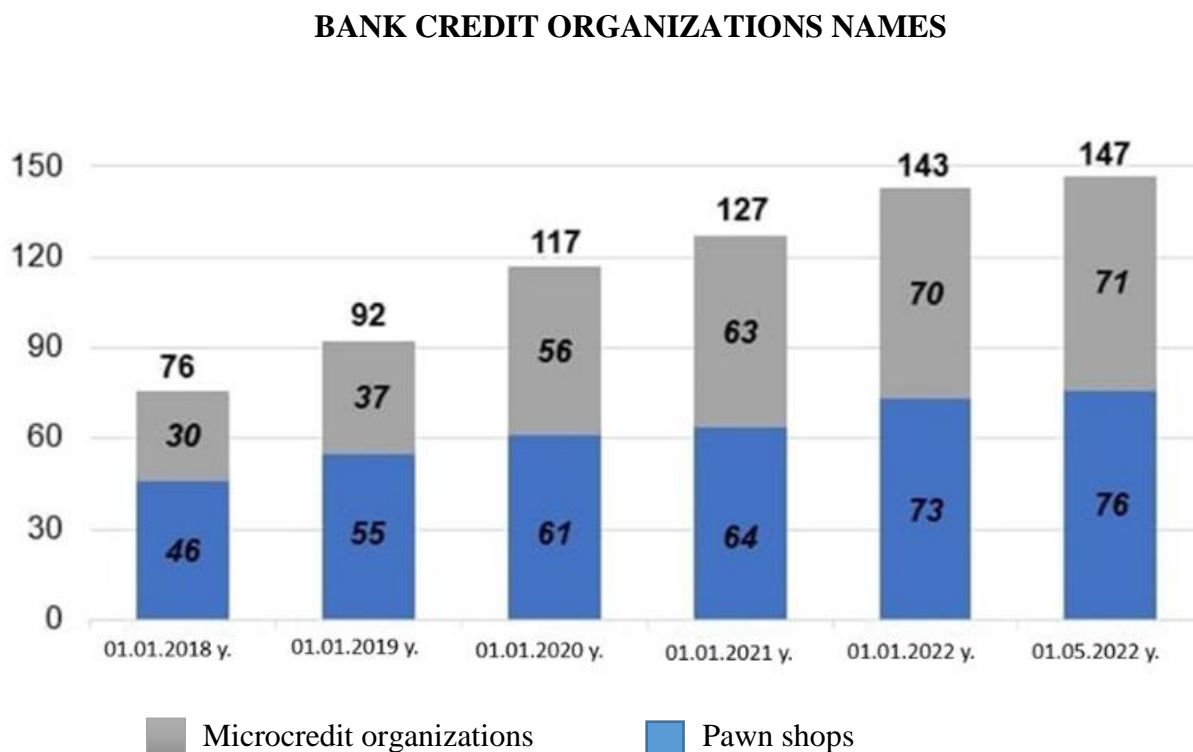
The authorized fund of the non-bank credit organization is formed in the national currency of the Republic of Uzbekistan and consists only of funds contributed by the founders of the non-bank credit organization.<sup>3</sup> It is prohibited to use loans, pledged funds and other funds with obligations, as well as funds obtained from criminal activities, to form the authorized fund (authorized capital) of a non-bank credit organization.

The minimum amount of the authorized fund (authorized capital):

- ✓ mortgage refinancing organization;
- ✓ two billion soums for a microfinance organization;
- ✓ a pawn shop, it should be five hundred million soums.

The minimum amount of the charter fund of a non-bank credit organization must be formed by the date of the application for account registration or the notification of the commencement of pawn broking activity, and until the registration of the account or the commencement of pawn broking activity. should be kept in the bank account until the notification is sent.

<sup>3</sup> Law of the Republic of Uzbekistan " On non-bank credit organizations and microfinancing activities " .  
March 17, 2022

**Composition of pawnshops and microcredit organizations in 2018-2022. (Figure 1)**

As shown in the above diagram, the number of pawnshops in 2018 was 46, and by 2022 it will be 76, that is, in 2022, there will be an increase of 30 compared to 2018, and in 2018, there will be 30 microcredit organizations. In 2022, it will be 71, and in 2022 it will increase to 41 compared to 2018. It should be noted that the lending practice of non-bank credit organizations as we can see from the statistics. In January-April 2022, the volume of microfinance services provided by microcredit organizations and pawnshops increased by 63% compared to the same period last year and amounted to 1.4 trillion soums. As of May 1, 2022, the total balance of microfinance services (1.6 trillion soums) is 52%, in particular, the balance of credit deposits of microcredit organizations (1,404 billion soums) is 55%, and the loan balance of pawnshops is (195 billion soums) increased by 32%. As a result, the balance of resources allocated to commercial banks by the mortgage refinancing organization in order to meet the growing needs of the population for housing increased by 4 times (1,105 billion soums) and reached 1,428 billion soums. As of May 1, 2022, the balance of total credit deposits of all non-bank credit organizations has increased by 2.2 times compared to the corresponding period of the previous year, reaching 3 trillion soums or a share of 0.9% in the total volume of lending. Over the last year, the contribution of non-bank credit organizations to the total volume of lending has doubled, mainly due to the high growth rate of lending by the mortgage refinancing organization.

Mortgage refinancing organizations can refinance mortgage loans through:

- a) to provide financial resources to banks for mortgage loans given or to be given by them;
- b) to obtain the right to claim on mortgage loans issued by banks;
- c) to place funds in mortgage securities issued by banks;
- d) has the right to provide consulting and information services related to refinancing of mortgage loans.

Non-bank credit organizations can provide services remotely (electronic services), purchase state securities of the Republic of Uzbekistan, shares in the authorized fund (authorized capital) of legal entities and their debt securities, free funds has the right to enter the bank as deposits (deposits), as well

as to have other rights in accordance with the law.

### Conclusions and suggestions.

In recent years, systematic work has been carried out to create a continuous chain of comprehensive support for the development of entrepreneurship in our country. At the same time, instruments for supporting medium-sized businesses, which are a link of the economy based on new technologies and innovations, producing high-quality and competitive products, remain insufficiently created. In the conditions where high interest rates of resources are maintained in the financial market, there is a growing need to create new and alternative instruments for financing business projects, in particular, to introduce a share in business projects and mortgage of services, to expand the provision of guarantee support.

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