

**NON-PERFORMING LOANS**

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Abstract

Problem loans are important in ensuring the development of the banking system and the economy. This article analyzes the causes of the emergence of problems, the impact of credit on the banking sector and the economy, national problems, methods of managing and correcting problem loans. Problem loans can be associated with various economic, economic instability, weak management, and monitoring. The article, loans and work, conducted in Uzbekistan on the world scale on problematic and received from them.

Keywords: Bank, loan, borrower, overdue debt, problematic loan, NPL, loan monitoring, risk of non-repayment of the loan.

Introduction

Non-performing loans (NPLs) have a significant impact on the banking system and economic development. They are present in the loan portfolios of banks and represent unpaid or completed loans. Non-performing loans can reduce the capacity of banks and fuel uncertainty in the economic system

1. Problem of non-performing loans. Non-performing loans are loans made by the bank and not returned or received. Loans that have been completed for 90 days or outstanding loan problems are classified as non-performing loans. Such loans harm the banking system, because they reduce the liquidity and profitability of banks.

2. Reasons of presence of non-performing loans. Non-performing loans might emerge due to incorrect valuation of loans, lack of management control, weak laws and regulations, economic downturns, poor loan underwriting, high interest rates, business failures, and personal financial issues. Unappropriated analysis of loans, weakened internal control and audit systems, legal issues on loans or the absence of legal entities to complete payments by debtors are some of obvious factors for emergence of non-performing loans in banks.

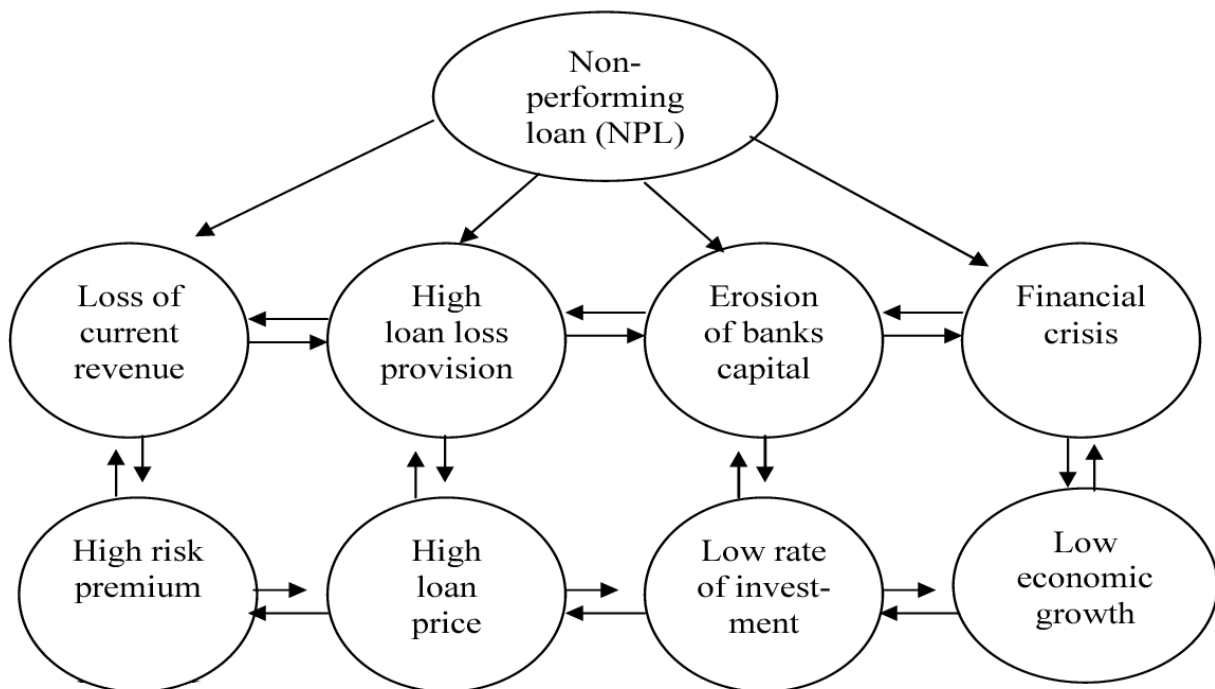
3. Effect of non-performing loans. Non-performing loans affect the state of damage of banks and reduce their ability to lend. At the same time, it can lead to deterioration of bank cash flow and even bankruptcy of banks

Credit relations are one of the most important socio-economic relations that have emerged in society after commodity-money relations. Credit is an economic category, like money, and it is important for the effective operation of funds, meeting the demand of business entities and individuals for additional funds without spending too much time and money. Credit relations are studied directly or indirectly as a separate socio-economic process in all branches of economic



science. In economic literature, it is noted that the word "credit" comes from the Latin word "creditum" - loan, debt. Some economists believe that "credo" means "I believe". Of course, the main factor is the mutual trust of subjects participating in credit relations.

Here, the creditor, the main issue in granting the loan, is the "trustee" in relation to the borrower. However, trust alone is not enough for credit to be valid as an economic category. In the creation of credit and credit relations, there is such a category, together with trust, that encourages the implementation of mutual economic cooperation between the creditor and the borrower. If we look at it from the point of view of the creditor and the borrower, the main factor in the development of this relationship is economic interest, that is, the loan percentage. For the borrower, it is to achieve the appropriate economic interest by ensuring the continuity of the production process. It can be seen that the economic interest of both parties is a powerful financial mechanism in the creation and development of credit and credit relations.



Bank-related reasons include various negative situations that occur during the lending process:

- granting credit on the basis of familiarity rather than on the basis of deep economic analysis;
- miscalculation of the risk level of the loan due to having a superficial idea of specific network characteristics of the enterprise and its real needs;
- insufficient credit provision as a result of high collateral assessment;
- wrongly issuing a loan, for example, insufficient conditions for protection of the interests of the creditor
- bank in the loan agreement;
- lack of control over the debtor's activities during the loan period, etc.

In addition, one of the main problems facing the banking system of our country today is explained by the difficulty of selling this collateral at the market price, which is a secondary source of loan extinguishment as a result of evaluating the mortgaged property at an unrealistic price. In most cases, the sale price of movable and immovable property put up for sale does not reflect its market



value. As a result, it is very difficult to sell property pledged by banks. According to the data of the Central Bank, as of September 1, 2024, the loan portfolio of banks is 509.7 trillion. If it reached Sums, the balance of problem loans is 21.5 trillion. It exceeded Sums, and its share in the total portfolio was 4.22%.

In particular, in August 2024, the total loan portfolio will reach 9.0 trillion soums, and the balance of problem loans will reach 710 billion soums. increased by 724 billion soums. The sharp increase in bad loans was mainly observed in Ipoteka-bank ATIB (+724 billion soums). The amount of NPL of the bank for the reporting period is 4.0 trillion. exceeded SOUMs and made up 11.4% of the total loan portfolio.

The loan portfolio of banks with a state share was 6.5 trillion in August. increased to soum. In particular, the loan portfolio of Uzsanoatqurilishbank, Agrobank, Xalq Bank, Mikrokreditbank, and Aloqa Bank has grown significantly. The amount of non-performing loans (NPL) in the loan portfolio is 187.0 billion. decreased to SOUM. Problem loans increased only in Asaka Bank (+63 billion soums), Mikrokreditbank (+13 billion soums), and Turonbank (+30 billion soums). In all other state-owned banks, a decrease in non-performing loans was observed in August. In particular, the largest decrease in NPL was at Agrobank (-77.6 billion soums), Xalq Bank (-70.9 billion soums), Uzsanoatqurilishbank (-60.0 billion soums), and Uzmilliybank (-37.0 billion soums). and Aloqa Bank (-34.1 billion soums). The total loan portfolio of banks not controlled by the state is 2.5 trillion per month. increased to soum. Relatively greater portfolio growth was observed in Kapitalbank, Hamkor Bank, Silk Road Bank, and Anor Bank. The amount of NPL in the loan portfolio is \$896 billion. increased to soum. Invest Finans Bank made the main contribution (-17.9 billion soums) to the decrease of problem loans. In this sector, Mortgage Bank (+724 billion soums), Capital Bank (+69.0 billion soums), Ziraat Bank (+40.0 billion soums), Trust Bank (+27 billion soums), Davr Bank (+24.0 billion soums), Hamkor Bank (+21.0 billion soums), and TBS Bank (+10.0 billion soums) growth of NPL was recorded.

In the conditions of the market economy, the need for credit is determined by the following factors:

- ensuring the economic interests of the parties involved in credit relations. In particular, if the creditor receives a profit from the loan account as interest payments, the borrower has the opportunity to generate a corresponding profit by ensuring the continuity of production;
- temporary free money in the economy is accumulated as loan capital and directed to appropriate purposes;
- and periodicity of the production cycle in the economy. In this case, temporary free funds appear in some sectors, while in others, additional financial resources are needed. This process is regulated by credit;
- the main part of the need for additional financial resources in the process of social reproduction is met through loans

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