

**THE IMPORTANCE OF MORTGAGE LOANS AND SUBSIDIES IN DIGITAL ECONOMY**

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**ABSTRACT**

This article presents considerations for the study and implementation of the Decree of the President of the Republic of Uzbekistan "On measures to implement the program for providing housing to the population through mortgage loans based on market principles in 2023" (April 13, 2023). Citizens with the use of digital technologies are shown ways to implement the program of providing housing to the population through mortgage loans.

**Keywords:** mortgage, loan, subsidy, mortgage loans, economy, digital economy.

**Introduction**

The Decree "On Measures to Implement the Program for Providing the Population with Housing through Mortgage Loans Based on Market Conditions" was signed by the President of the Republic of Uzbekistan on April 13, 2023.

According to the decree, the modern and sustainable system of providing mortgage loans to individuals aims to improve housing conditions for families in need, facilitate the mobilization of financial resources in local and international capital markets, and subsequently revitalize mortgage lending.

The following changes have been introduced to the distribution of mortgage loans and subsidies:

- banks are now authorized to provide mortgage loans to individuals who do not have official income. The creditworthiness of these individuals will be determined based on their ability to cover expenses such as rent, utilities, and other costs reflected in their bank statements;
- banks have been given the right to set differentiated interest rates for loans based on the initial payment amount, preferential loan term, and other indicators. This allows citizens who make a larger initial payment to have access to cheaper loans;
- the validity period of the subsidy certificate has been reduced from 12 months to 4 months to expedite its utilization. If a citizen is unable to use the certificate within 4 months, they have the option to reapply for the subsidy;



- the Ministry of Economy and Industry and the Ministry of Finance have been granted the authority to immediately cancel incorrectly allocated subsidy certificates based on the decisions of International Commissions and halt payments;

**Special Benefits for Construction Organizations:**

- construction organizations are eligible to receive loans at a 14% interest rate for a period of up to 18 months for the construction of multi-apartment residential buildings.

- construction organizations involved in infrastructure projects are granted the right to obtain loans for each floor of the building under construction. This allows them to finance the construction of each floor separately. (Previously, it was only possible to obtain a loan and transfer the building to the next stage after the completion of the entire building.)

- banks continue the practice of refinancing their loans by the government. Under this scheme, citizens can obtain a loan from the bank at an interest rate of 24-26% to purchase an unfinished house, and they pay the installments at this interest rate until the completion of the house (within 1-2 years). After the completion, this loan is refinanced by the government and converted into an 18% mortgage loan.

- the system of guarantees and compensation payments to support entrepreneurial activities is expanded for construction companies. Compensation payments amount to 5 billion soums for each residential unit, and guarantees are provided for an amount not exceeding 2.5 billion soums.

- until January 1, 2025, the import of high-quality cement, as well as plywood, timber, and glass products, is exempted from customs duties.

Within the framework of the "New Uzbekistan" and other state programs, the continuation of the construction of multi-story residential buildings on vacant lands is proposed, aiming to reach a volume of 90,000 units in 2023. This includes the construction of 31,000 units in the "New Uzbekistan" complexes, 8,000 units in other state programs, and 51,000 units by private construction organizations;

- the expansion of "New Uzbekistan" complexes and the creation of 9 new complexes require changing the category of 140 agricultural land plots and transferring the responsibility for allocating 5 times the amount of new land to local authorities;

- the responsibility for constructing internal roads within the complexes is assigned to the Road Construction Authority;

- modern laboratories will be established in reinforced concrete plants, and a credit line of \$10 million will be allocated by the "Sanoat Qurilish Bank" JSC for this purpose;

- a Working Group consisting of representatives from the chambers of the Supreme Council, political parties, construction, justice, economy, and finance authorities is designated to develop the draft law on "Renovation";

- special projects are being developed to attract investor-developers for improving water, sanitation, electricity, gas, and road infrastructure in the regions. Additionally, measures are being taken to enhance seismic safety and construction supervision<sup>1</sup>.

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<sup>1</sup><https://cyberleninka.ru/article/n/o-zbekistonda-raqamli-iqtisodiyotni-rivojlantirish/viewer>



Digital economy plays a crucial role in the economic sector. It is not limited to a specific network or field but encompasses the integration of digital technologies in all areas. We can observe the implementation of innovative digital technologies not only in the banking system but also in public services. Digital economy is a modern stage of development, characterized by the dominance of intellectual labor and information assets. It represents a unique concept and can be considered as a society that uses information as its learning object.

In order to further develop the digital economy in our country, in accordance with the Presidential Decree No. PQ-4699 dated April 28, 2020, on measures to ensure the implementation of the "Measures for the Wide Implementation of the Digital Economy and E-Government" and the Resolution No. 409 of the Cabinet of Ministers dated June 25, 2020, on measures to establish the activities of certain organizations within the Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan, the "Center for Digital Economy Research" state institution has been established<sup>2</sup>.

### **Research Methodology**

Scientific abstraction, observation, comparison, and analysis.

### **Analysis of Literature on the Topic**

According to the views of many researchers, the emergence of the concept of "Digital Economy" can be traced back to the Massachusetts Institute of Technology (MIT) in the United States. In 1995, Nicholas Negroponte, who utilized the metaphor of converting physical atoms that constitute material substances into bits, which represent the reconfiguration of software-based entities, played a significant role in shaping this concept. Other experts argue that the term "Digital Economy" was first introduced by the Canadian scholar Don Tapscott, who used the term "Electronic Digital Community" when the book was translated into Russian in 1994. In his work, Tapscott described the characteristics of the digital economy, emphasizing the digitized representation of objects and the influence of information technologies on businesses and government systems. In general, management and the digital economy are defined as economic technologies based on the utilization of information and computers<sup>3</sup>.

Scientists have been analyzing the concept of "Digital Economy" over the years. The following works can be emphasized, as some parts of them resonate with our research: "Definition, Concept, and Measurement of Digital Economy" by B. Roman and X. Richard, and "Digital Economy as a Social-Economic Phenomenon" by M.A. Dologix. M.B. Kripunova, P.O. Litvin, and I.V. Golovinskaya examined the possibilities of digital education from a business perspective, highlighting the unique features of digital learning.

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<sup>2</sup> <https://ict.xabar.uz/uz/startap/yurtimiz-rivojlanishida-raqamli-iqtisodiyotning-orni>

<sup>3</sup> <https://elib.bsu.by/bitstream/123456789/242300/1/Goloventchik%20.pdf>



Additionally, O.A. Mironova wrote about the distinctive characteristics of digital interactions and the attitudes of economic agents towards digital learning<sup>4</sup>.

In Uzbekistan, R.H. Ayupov and G.R. Boltaboeva published the textbook "Fundamentals of Digital Economy," while S.S. Gulyamov and R.H. Ayupov released the educational manual "Digital Economy and Basics of E-commerce."

### **Materials and Methods**

A series of changes have been introduced to the distribution system of mortgage loans and subsidies. Today, on April 13, the President of the Republic of Uzbekistan signed a decree titled "Measures to Implement the Program for Providing the Population with Housing through Mortgage Loans Based on Market Conditions in 2023."

According to the decree, the aim is to establish a modern and sustainable system for providing mortgage loans to individuals, improve housing conditions for families in need, attract financial resources from local and international capital markets, and subsequently refinance their mortgage loans.

The following changes have been made to the system of mortgage loans and subsidies:

- banks are now authorized to allocate mortgage loans to individuals who do not have official income. The payment ability of these citizens will be determined based on their transaction history on bank cards, lease payments, utilities, and other expenses.
- banks have been granted the right to set initial down payment amounts, preferential terms, and other indicators for loans. This allows citizens who pay a larger initial down payment to have the opportunity to obtain loans at lower interest rates.
- the duration of the subsidy implementation period has been reduced from 12 months to 4 months to expedite the utilization of allocated funds. If a citizen does not use the subsidy within 4 months, they will have to submit a new application for the subsidy.
- the Ministry of Economy and Finance has been granted the authority to directly cancel erroneous subsidy certificates and suspend payments based on the conclusions of international commissions.

Please note that on April 5, 2023, during the meeting dedicated to the discussion of the mortgage program, it was announced that the funds to be returned from mortgages should be utilized as active resources in the balance sheets of Commercial Banks, through the issuance of mortgage-backed securities, allowing for an additional mobilization of 10 trillion Uzbekistani so'm. Furthermore, during the same meeting, it was reported that even those individuals whose official income was not sufficient as of May 1, would have the opportunity to obtain a mortgage loan<sup>5</sup>.

### **Analysis and Results**

Every technological advancement brings about new changes, ideas, and evolving systems that continuously reshape the development of a nation. In our Republic, the enhancement

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<sup>4</sup> <https://dspace.ncfu.ru/bitstream/20.500.12258/13995/1/209-223.pdf>

<sup>5</sup> <https://qalampir.uz/uz/news/ipoteka-kreditlari-va-subsidiyalarni-azhratish-tartibiga-uzgartirishlar-kiritildi-80811>



of the well-being of the people aligns with the progress of the country, with a focus on the advancement of digital economy and the widespread adoption of digital technologies. As emphasized by our President, "Shaping the digital economy requires significant resources and efforts, but it reduces human factors such as credit allocation and the allocation of subsidies." This task must be undertaken with diligence, sincerity, responsibility, and determination. The integration of documents and communications into digital tools in the public domain, the authorization of electronic signatures, and the facilitation of communication with the government through electronic platforms are all being implemented. Digitizing the banking sector, electronic commerce, and all other areas is a crucial and serious matter. It is essential that the digitization of all sectors continues unabated, and the transition to a digital economy is expedited, as it is the cornerstone of our country's development.

**Resources:**

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