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Main Tendencies And Prospects Of Lending To Individuals

**Abdunazarov Shokhrux
Akrom ugli**

Senior Lecturer of Tashkent State University of Economics, PhD.
E-mail: shohrux_0507@mail.ru
ORCID: 0000-0002-1767-3709

ABSTRACT

In the article, the organizational aspects of lending to individuals and the practical situation of commercial banks in Uzbekistan are studied and researched. The study provides information on the forms, numbers, and dynamics of credit organizations. Also, the organization of the lending process of local commercial banks to individuals, types of loans, and dynamics of loans are analyzed, and some actual issues are identified. Taking this into account, some proposals and recommendations were developed in the future to improve the efficiency of commercial banks in lending to individuals.

Keywords:

Uzbekistan, bank, credit, mortgage, consumer credit, interest rate

Introduction

In a world where economic resources are limited and the needs of the population are continuously increasing, loans from commercial banks are emerging as an important financial lever. Because almost 90 percent of the world's population will not have the opportunity to finance the purchase of housing and other relatively high-value property used for a long time and the expenses related to education at the expense of their daily income. From this point of view, bank loans create an opportunity for the population to plan and implement their expenses from a medium- and long-term perspective and thereby serve as one of the important resources that serve to increase the well-being of the population.

In Uzbekistan, the process of lending to individuals by commercial banks has become significantly more active in recent years. In particular, 14.6 percent of the total loans granted by commercial banks as of January 1, 2019 corresponded to the share of loans granted to individuals, while this indicator was

31.5 percent as of January 1, 2024, or increased by 16.9 points during the analyzed period [1]. However, this level, in our opinion, is not enough because the population's income sources do not provide an opportunity to meet this demand in the conditions of increasing demand for daily consumer goods. In this regard, this article describes the ways of further developing commercial banks' practices of lending to individuals and making wider use of available opportunities.

Literature review

A number of economists and experts have conducted relevant research on the theoretical and some practical aspects of lending to individuals, and we will try to consider some of them. American economists Dolan E.J. and Campbell K.D., while paying attention to the purpose of the loan, describe it as "loans given to the population for the purchase of consumer goods for long-term use" [1]. A well-known economist, American professor Dj. Sinky, describes the credit given to the population as

"a loan allocated to an individual to pay for personal purchases or services" and explains its main reasons [2].

Russian economists have also carried out in-depth research on loans to individuals, their manifestations, and their characteristics. For example, Professor O.I. Lavrushin pays special attention to the mechanisms that make up this loan, saying that it "consists of a set of elements that ensure the rational use of credit resources, and it covers the principles, objects, subjects, and purpose of lending" [3]. Another Russian economist, Yu. Korobova, formulated a general definition of credit as "any type of credit given to the population, including loans for urgent needs, purchases of goods, mortgage loans, etc." [4].

Professors G.N. Beloglazova and L.P. Krolivetskaya's views on the process of lending to the population are significantly different from those of other economists. Services are loans given for purchase." Of course, this definition is quite controversial in our opinion because, according to them, loans given to individuals are given for "other needs not related to family and business activities." As you can see, this interpretation does not necessarily correspond to the situation in practice. Professor E.F. Zhukov and N. D. According to Eriashvili, "loans given by the bank for improving the living conditions of the population, buying expensive consumer goods, etc". This definition serves to more accurately express the economic nature of the loans received by individuals [5].

It should be noted that local economists have also carried out extensive scientific research on lending to individuals. For example, Professor Sh.Z.Abdullaeva said that "financial consumer credit is a loan given to the consumer by banks and other credit organizations in the form of funds to pay for purchased goods or services." What exactly the credit will be used for is overlooked [6].

In the textbook published by economists A.A. Omonov and T.M. Koraliev, loans received by individuals from credit organizations are described as "loans given to the population to purchase items necessary for living (house, car, television, refrigerator, furniture, etc.)". In our opinion, it can be noted that in this definition,

the entities that offer credit are neglected [7]. Economist Ch. B. Nazarov defined this type of credit as "retail bank loans are standardized bank loans provided to the population in order to satisfy their personal, family, and money needs that are not related to commerce." However, in our opinion, this loan is "retail." and "standardized." opinion expressed, it is reasonable to clarify these opinions [8].

The opinions of economists and specialists on the loan given to individuals and the relations that arise in the process of its provision, as well as on the object and subjects of the loan, are multifaceted. Although they are not similar in terms of form and appearance, the content and purpose are very close to each other.

Research methodology

The economic content, types, and principles of loans granted to individuals by commercial banks were analyzed. The article uses methods such as comparison, scientific-theoretical comparison, comparison of economic analysis, and logical approach.

Analysis and results

The globalization of the world economy and people's demand for daily consumption goods are increasing. Also, the fact that the basic population cannot meet their needs for housing, cars, and furniture with their monthly income will increase their demand for loans in the future. In particular, this may be caused by the following factors:

In the conditions of limited economic resources, the population's demand for daily goods and consumer goods is increasing. In all cases, without exception, the conflict of "needs and resources" increases the relevance of the following issues in society: In particular, do we need to produce *ima*? That is, the question of which product or service to give priority to and what should be produced more needs to find a clear and obvious solution. How much to produce? This is almost a question about the assortment of goods, and in solving it, the manufacturer again faces the problem of limited resources. Of course, these issues should also be effectively resolved on time.

The majority of the population, especially young

people, cannot afford housing and cars, even furniture, with their monthly income.

At the same time, the development of humanoid robots is the biggest reality in the history of

mankind, and in the next 20 years, they will begin to take over the jobs of people in many fields.

Table 1
Separated for individuals and legal entities loan balance and dynamics¹
(as of January 1, in billion soums)

Indicator name	2020 year.	2021 year.	2022 years.	2023 years.	2024 years.
Total credit balance	211 581	276 975	326 386	390049	471405
Of this, the balance of loans given to Islamic persons	39934	54 888	69 496	100949	148621
Mortgage loans	20326	28301	35946	46460	58177
Auto loan	5492	6181	7474	17081	36602
Microloan	3177	5737	7429	14651	24525
Consumer loans	4471	6056	7321	8154	12731
Loans for business development	6467	8613	11326	14603	16586

[1] www.cbu.uz—Information of the Central Bank of the Republic of Uzbekistan.

In recent years, we have witnessed a significant increase in the practice of lending to the population by commercial banks. In particular, the amount of loans allocated to individuals as of January 1, 2020–2024 under analysis is 39.9 trillion. 148.6 trillion soums. per soum, or during this period, the volume of loans granted to the population by commercial banks increased by 3.7 times. This is a 3.7-fold

increase in loans issued by commercial banks in the last five years and almost 11-fold since 2018. In Uzbekistan, not only commercial banks but also non-bank credit organizations are economically interested in the process of lending to individuals, which mainly offer short-term loans to individuals.

The following table contains information about credit organizations operating in Uzbekistan.

Table 2
Credit institutions in Uzbekistan and their affiliates²
(as of January 1, per piece)

Credit organizations	2020 year.	2021 year.	2022 years.	2023 years.	2024 years.
1. Credit organizations, total	147	160	177	199	205
including:					
Commercial banks, of which:	30	32	33	32	35
State-owned banks	13	13	12	12	10
Other banks	17	19	21	20	25
Non-bank credit organizations, of which:	117	128	144	167	170
Microcredit organizations	56	63	70	85	84
Pawn shops	61	64	73	81	85
Mortgage refinancing		1	1	1	1

¹ www.cbu.uz.- Information of the Central Bank of the Republic of Uzbekistan

² www.cbu.uz.-Information of the Central Bank of the Republic of Uzbekistan

organizations					
2. Branches of commercial banks, total	850	861	860	832	696
3. Banking service centers (service offices and mini-banks)	1 050	1 222	1 244	1 543	1 796
4. 24/7 branches	902	1 452	2 287	2 974	3 707

It can be seen from the table that the number of credit organizations in our country increased by 58 from 2020 to 2024. It is noteworthy that the number of commercial banks with a state share has decreased, while the number of other banks, namely private commercial banks, commercial banks with foreign capital participation, and joint-stock commercial banks, has increased.

In addition, the number of microcredit organizations, pawnshops, and mortgage refinancing organizations, which are considered non-bank credit organizations, had a tendency to increase during the analyzed period.

It is also worth noting that in recent years, in connection with the transition to a single MFO, commercial banks have turned branches into banking service centers (BSCs) in order to reduce operational costs, manipulate financial funds from the center, and improve the type and quality of banking services provided to the population and bank customers. This can be seen from the table, according to which commercial bank branches decreased from 850 to 696 in 2020–2024, or the number of commercial bank branches increased from 1050 to 1796 during this period.

Also, the weighted average interest rates offered by banks on time deposits in national currency were 20.2 percent for individuals and 15.1 percent for legal entities in December, creating a positive difference in relation to inflationary expectations, respectively. This, in turn, served to increase the volume of total time deposits in soums by 1.5 times last year and that of individuals by 1.7 times.

Summary

In general, it is expected that the demand for loans from the people of countries around the world, especially the population of Uzbekistan, will continue to increase in the future. The main reason for this is the ever-increasing needs of

the population, as well as the fact that their monthly income does not allow them to buy large equipment (housing, cars, furniture, etc.) necessary for living. Of course, the main burden of lending to individuals in Uzbekistan falls on commercial banks, and Gobank credit organizations are also actively involved in this process.

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