CREDIT POLICY OF COMMERCIAL BANKS AND ITS FEATURES

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Abstract. This article analyzes the role of bank credit policy in banking, factors affecting bank credit policy, bank loan portfolio and its structure, analyzed and summarized the findings and recommendations for improving the credit policy of the banks.

Keywords: banks, bank credits, credit policy, deposits, bank liabilities, loan portfolio.

Modern commercial banks are universal credit organizations that provide their potential consumers with a diverse range of banking products, services and technologies. For the reasonable, rational and effective use of all elements of the credit mechanism by banks, an appropriate credit policy is developed. It largely depends on the successful operation of the entire bank as a whole and its future development.

In addition to the state as a whole, the modern financial and banking system of the Republic of Uzbekistan plays a paramount role in the development of the economy, which continues to show high performance[1]. At the same time, it is important to radically improve the commercial methods of commercial banks and strengthen their views on the banking system as a reliable institutional partner to further improve the quality of banking services and establish full-fledged partnerships with business entities.

The current stage of the development of the banking system is characterized by the transformation of the conditions for the functioning of commercial banks, caused by structural changes in the national economy, its integration into the world community. In their lending activities, commercial banks interact more actively with the immediate environment - an expanding and qualitatively changing circle of customers and partners. As the economic situation stabilizes, the profitability of speculative financial instruments decreases, and the creditworthiness of national companies and the population grows, there is an expansion of bank lending, introduction of new types of credit products, forms and methods of lending.

Positive changes are also taking place in the credit and investment activities of banks. In 2017 the total volume of credits, directed to the economy, increased by 110%. It is noteworthy that as of January 1, 2018, the share of commercial banks' loans in the total loan portfolio to the industry sector is 40.9%[2].

The credit policy is aimed at achieving the goals of the subject of this policy. Taking into account the generally accepted position that credit as an economic category is a combination of economic relations over the motion of the loaned value, credit policy can be defined as the art of managing relations over the motion of the loan value or the art of managing credit relations. Credit relations are an integral part of economic relations, therefore, credit policy, and this is beyond doubt, should be considered as part of the economic policy pursued in the interests of the entity. The degree of coverage of credit relations should distinguish the concept of credit policy in a broad categorical sense and in a narrow applied sense of the word. Credit policy in a broad categorical sense covers the management of credit relations in all their forms and varieties. The credit policy in the narrow sense is reduced to strategy and tactics in the field of crediting.

The credit policy of a commercial bank is based on real economic assumptions and sources of credit potential. For successful implementation, the bank needs to keep a record of all factors that affect the flow of inflows of credit facilities. In this regard, it is necessary to consider the main factors affecting the effectiveness of the bank's policy regarding the development of credit facilities.
Rational credit policy will improve the quality of loans. Therefore, the main objective of a lending policy is to alter elements such as governance, funding adequacy, risk level ranges, loan portfolio balance, and separation of liabilities.

Table 1. Factors identifying bank’s credit policy[3]

<table>
<thead>
<tr>
<th>Macroeconomic factors</th>
<th>General state of economy of the country; Central Bank<code>s monetary policy; Government</code>s financial policy.</th>
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<tbody>
<tr>
<td>Regional and network factor</td>
<td>Economic situation in the region and sector (belonging to the banking department); Client structure, their credit needs; Availability of competitive banks.</td>
</tr>
<tr>
<td>Bank`s internal factors</td>
<td>Size (quantity) of bank own capital (capital); Structure of passive; Experience and capability of bank staff</td>
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As factors contributing to the creation of a sound credit policy, we can consider:
- limit on the total amount of loans issued, defined as the ratio of the loan portfolio to the amount of deposits, capital or total assets;
- concentration of loans. Credit policy should stimulate the diversification of the loan portfolio and help to find a balance between maximum income and minimum risk;
- types of loans. All credit instruments with which the bank operates should be described in the credit policy. The choice of types of credit instruments should be based on the experience of employees of the credit department, the structure of bank deposits and the expected credit demand;
- maintaining the structure of the loan portfolio of the bank. Limitations on the percentage of loans granted to the commercial sector, real estate sector, individuals or other credit categories are common practice;
- terms of loans. Terms are determined by the credit policy, which should set a maximum period for each type of loans, and loans should be issued with a real repayment schedule. When planning maturities, the features of the expected source of repayment, the purpose of the loan and the useful life of the collateral are taken into account;
- credit pricing. Interest rates for various types of loans should be sufficient to cover the bank's costs of attracting resources, credit supervision, administration (including general overheads) and possible losses, as well as providing an acceptable profit margin. The rates should be periodically reviewed in accordance with changes in the value of costs or competitive factors, etc.

Also it is important to analyze data related to the loan portfolio of these banks. Below it can be seen the loan portfolio and asset dynamics.
The analysis shows that Sberbank’s loan portfolio constitutes 65% of the total assets, while the National Bank has a 50% average. Two-year dynamics, both have a tendency for the bank, and as of January 1, 2018, the National Bank's assets and loan portfolio have doubled the results of the previous year. At Sberbank, annual growth of 6-7% shows that index is much lower than those of National bank of Uzbekistan.

In the credit policy directions, the strategic issues, namely, the size and shape of loans, the relationship between short and long-term loans, and the process of analyzing financial information about procedures, loan portfolio and repayment of funds, it will be expedient to reflect the measures taken.

The commercial banks are able to offer the following suggestions and recommendations, particularly in analyzing the credit portfolio, in particular its credit policy:

It is necessary to pay special attention to strengthening the control of commercial banks, improving the quality of bank assets and loan portfolio.

The commercial banks should define the financial status of borrowers based on the developed methodological scoring-analysis.

The major focus of the commercial bank loan policy is to provide financial support to small business and private entrepreneurship as well as to expand the volume of long-term loans for investment purposes, initial capital formation.

It is necessary to implement technological scoring system and technologies of intellectual analysis in the field of loaning by commercial banks;

Implementation of various types of stress testing in order to be ready for expected and unexpected conditions.

Commercial banks, which have large size of lending potential can analyze and then enlarge its activity throughout the near and reliable investment and lending markets in the countries of Central Asia.

We believe that putting the proposals and recommendations we have developed into practice in commercial banks of our country will have a positive effect in near future.
References

1. *From the speech* of the President of the Republic of Uzbekistan on December 14, 2016, at the joint session of the Legislative Chamber and the Senate of the Oliy Majlis of the Republic of Uzbekistan.


КРЕДИТНАЯ ПОЛИТИКА КОММЕРЧЕСКИХ БАНКОВ И ЕЕ ОСОБЕННОСТИ

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**Аннотация.** В данной статье анализируется роль банковской кредитной политики в банковской деятельности, факторы, влияющие на банковскую кредитную политику, портфель банковских кредитов и ее структуру, анализируются и обобщаются выводы и рекомендации по улучшению кредитной политики банков.

**Ключевые слова:** банки, банковские кредиты, кредитная политика, депозиты, банковские обязательства, кредитный портфель.