

## SOME ASPECTS OF COLLATERAL LENDING IN THE REPUBLIC OF UZBEKISTAN

Dildora Shukhratovna Mirdjalilova

Tashkent Institute of Architecture and Civil Engineering

PhD, Associate Professor, Tashkent, Uzbekistan

Inomjon Ortikbayevich Karimov

Tashkent Institute of Architecture and Civil Engineering Senior Lecturer of the

Department "Economics and Real Estate Management" Tashkent, Uzbekistan

### ABSTRACT

The article discusses the practice of assessing collateral for bank loans. The main recommendations on the results of the analysis of the state of the issue are given.

**Key words:** credit, valuation, bank, collateral, market, objects, analysis, method.

### INTRODUCTION

Improving the practice of lending on the basis of providing them with collateral is one of the main directions of the study. The study pays special attention to the issues of improving the financial stability of commercial banks. Determination of the reliability of the financial debt. Assessment of the degree of collateral risk during the loan repayment period.

Today, one of the main problems of collateral valuation in the banking system of Uzbekistan is the improvement of the practice of collateral valuation, improvement of the competitive environment of appraisal companies, fair assessment of credit collateral and timely sale of collateral when the loan is not repaid. The strategy of actions on the five priority areas of development of the Republic of Uzbekistan in 2017-2021 defines the tasks of "Deepening the reform and ensuring the stability of the banking system, the level of capitalization and deposit base of banks, strengthening their financial stability, expanding lending to innovative projects".

### RESULTS

As you know, three parties are involved in the process of assessing collateral for bank loans: the bank, the appraisal organization and the recipient of the loan. The recipient of the loan, in order to meet his financial needs, provides the bank with various property as collateral. It is this evaluation process that forms the basis for the relationship between the appraisal company, the bank and the recipient of the loan. Thus, the parties of the collateral mechanism. shown in Figure 1.

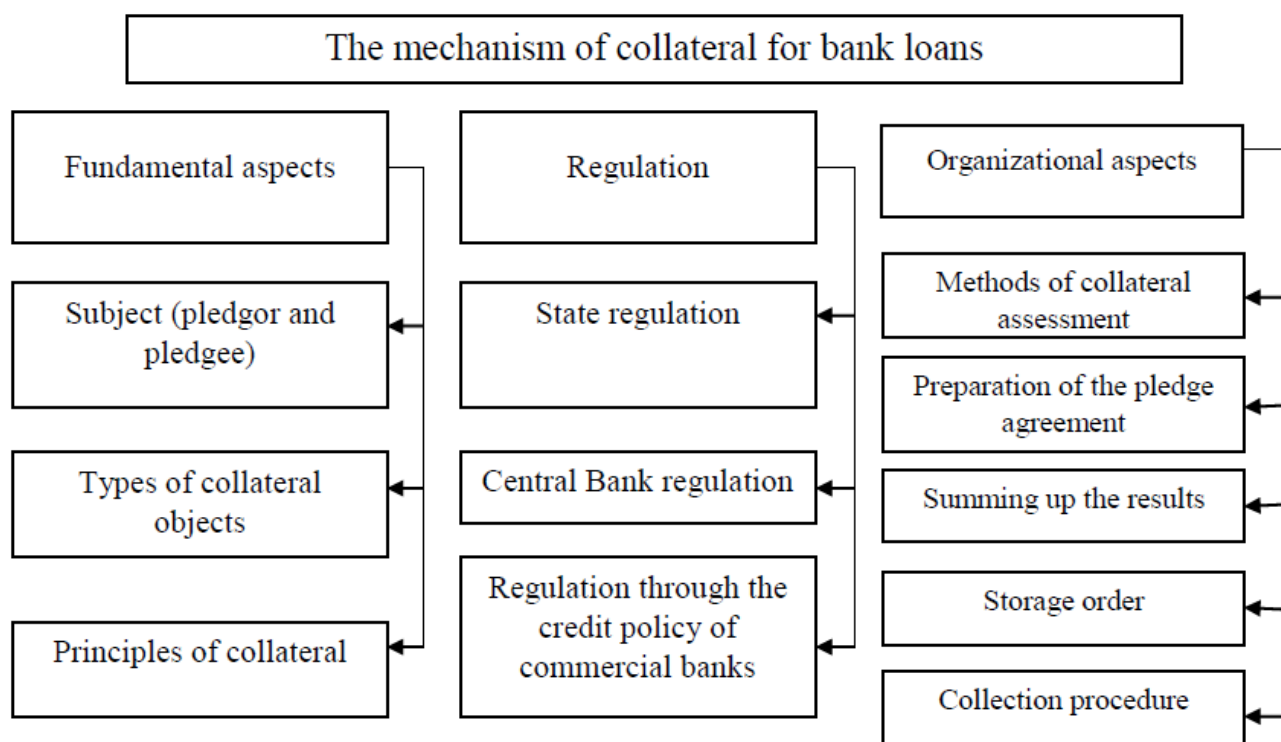


Fig.1. Peculiar aspects of the collateral mechanism.

In Uzbekistan, along with the development of market infrastructure, the path has been passed from the stage of formation of an evaluation institute to the degree of an independent structure. As a result, the study of the evaluation activities of the organization of appraisers of collateral for bank loans allowed us to establish the most effective system for organizing the process of collateral evaluation. The recommended organization of the evaluation process is attached in table 1.

**Stages of Organization of the Evaluation Process**

Table 1

Stages	Content of the stages	Ongoing actions
Stage 1	Coordination of technical aspects by the appraiser and authorized employee of the bank and the recipient of the loan.	The object of evaluation is determined, the volume of necessary information and the procedure for their formation, possible errors and limitations in the evaluation process, the timing of the evaluation are agreed.
Stage 2	Drafting a contract.	The contract can be bilateral or trilateral. In a tripartite agreement, the bank has the right to sign and receive an assessment report as a customer.
Stage 3	Current consultation.	The appraiser warns the authorized employee of the bank about the problems that may arise during the term of the loan on collateral, and also discusses some issues with him.
Stage 4	The appraiser provides the bank with a summary report.	After providing the bank with a summary report on the assessment of the object that is the collateral, the appraiser, if there are no claims, proceeds to prepare the report.
Stage 5	Provision to the customer.	The customer is provided with a report on the evaluation of the object

The analysis and the results of the study show that there are critical situations in the country associated with the bank's non-participation in the process of assessing collateral, as well as its

implementation in covering problem loans. As already noted, when evaluating collateral objects, three evaluation approaches are used with further coordination of the evaluation results. In this article, we skip the problems associated with the coordination of evaluation results.

The study of the progress and results of the evaluation of collateral objects by the above three approaches allowed us to establish the advantages and disadvantages of each approach and methods. The results of this analysis are shown in table 2.

**Approaches to assessing collateral for bank loans, usage, advantages and disadvantages.**

Table 2

Methods of determination	Terms of use	Advantages	Disadvantages
<b>Profitable approach</b>			
Income capitalization method	When receiving a single income	Serves to determine the true value of the collateral based on the opposing price. It is aimed at preventing losses on bank loans in the event of problem loans. Allows you to determine the ways of effective use of the collateral object. Serves to form an approach in relation to the collateral object as a source of income.	It is carried out on the basis of preliminary expert opinions and information of all future calculations. The possibility of problems associated with determining the true value of the collateral object. High probability of errors in cases of unfinished construction and non-profitability of the assessed object. The use of the yield method in conditions of inflation, when there is no expected efficiency, etc.
Method of discounting cash flows	Can be applied to all objects		
<b>Cost-based approach</b>			
Net value method	Reliable and reasonable balance sheet. Low inflation rate	It is possible to carry out an assessment based on the structural parts of the collateral object. Depreciation of collateral objects and the current state of technology are taken into account. The evaluation results are determined on the basis of financial calculations. The change in the value of the pledged object is influenced by the ways of their use.	The evaluation time does not take into account the market condition of the collateral object, it is carried out on the basis of evaluation documents. When determining the value of a collateral object, attention is not paid to losses associated with collateral risks. The income that the collateral object can bring is ignored. The current and prospective condition of the lender does not matter.
The bankruptcy method of value	Suspension of activities, sale of assets and fulfillment of obligations		
<b>Comparative approach</b>			
Capital market method	Information on similar objects should be sufficient	It is determined based on the analysis of the market value of similar collateral objects and their value. The value of collateral objects is determined based on the practice of current market trading. Takes into account the influence of industry factors on the value of stocks and bonds. It is considered a method that determines the real value of collateral objects in a developed market.	Does not take into account sharp changes in the value of assets in the calculations. Additions and changes to the analyzed data are possible. Does not take into account the prospective income of investors. In some cases, difficulties may arise due to the lack of a database of information.
The method of agreements			
The method of industry coefficients			

## CONCLUSION

Thus, the results of the study and analysis of the practice of assessing collateral objects on the example of various banks of the Republic of Uzbekistan allowed us to establish:

- The practical absence of valuing securities as collateral for obtaining a loan. Their absence in the collateral is explained by the high risk;
- In international practice, the laying of negotiable goods on bank loans is widely used. We believe it is necessary to develop such types of collateral. For example, lending to farms by commercial banks with an assessment of the collateral for the future harvest;
- It has been established that the cost of collateral for loans is influenced not only by the status of the appraisal organization, experience or knowledge of appraisers, but also by a number of factors such as the socio-economic situation of the country, financial policy, competitiveness of the economy and price stability in the market;
- It is necessary to take into account the principles related to the assessment of the market environment, the right of ownership and use of property when assessing the security of a bank loan;
- When crediting against the security of the products of the future crop of agricultural crops for private entrepreneurs, it is advisable to carry out step-by-step on the basis of the periodicity associated with obtaining a harvest with risk assessment by insurance companies.

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