

Indonesia Problems of Population Banking of Commercial Banks

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Abstract

This The article examines the methods of assessing the loan portfolio of commercial banks in Uzbekistan and the analysis of its criteria, as well as improving its methodology by classifying the bank loan portfolio by form and type, and thus explores the development of the lending system.

Keywords: *commercial bank, credit, bank loan portfolio, credit risk, problem loans, liquidity.*

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In the current conditions of increasing globalization and transformation of the economy of the Republic of Uzbekistan, the implementation of active investment activities as a leading factor in the innovative development of the national economy is becoming a requirement of the times. It is known that loans from commercial banks play an important role in ensuring sustainable economic development as a source of funding for investment projects.

Because lending is a traditional type of banking activity, it is also the main operation that ensures the profitability and stability of most banks. How effectively a bank evaluates its loan portfolio will depend on its position in the market, and therefore the needs of customers and the demand for banking services.

As stated in the Address of the President of the Republic to the Oliy Majlis on the important role of bank loans, "we must learn to clearly use each loan. The time has come to work on this issue with seven measures, to cut once, and to think carefully about the consequences." [1]

Accordingly, further increasing the lending capacity of commercial banks also depends on the extent to which their loan portfolios are formed. The quality of the loan portfolio of commercial banks is determined by the effectiveness of bank management. It should be noted that in the economic literature, economists differ on the loan portfolio of commercial banks.

So, first of all, if we look at the concept of the word portfolio, A.B. Borisov interprets it as "the sum of economic, forms and types of financial activity, relevant documents, funds, orders, objects" [2]. At the same time, the total amount of loans issued by banks is also included in the concept of portfolio. In turn, practitioners understand the loan portfolio as a general set of loans to borrowers, including problem loans [3]. The approaches of Western European economists in determining the loan portfolio are based on international financial reporting standards, as well as the recommendations of the Basel II Agreement, which defines the loan portfolio as a "set of income assets" [4]. Or, the American economist D.M. Naton describes that the loan portfolio - this includes the classification of loans [5].

In this regard, according to the Uzbek economist Sh.Z. Abdullaeva, "the loan portfolio of banks is a set of bank requirements in the range of loans, classified according to certain criteria based on various credit risks" [6].

As can be seen from the above definitions, there is no single definition of the term 'loan portfolio' of a bank. As the bank builds its loan portfolio by providing loans to individuals and legal entities, we can conclude that the composition of this portfolio is different for its participants. Therefore, in our opinion, the loan portfolio of a commercial bank is the sum of loans provided to borrowers (individuals and legal entities) on the condition of maturity, payment and repayment. Accordingly, we can describe that the loan portfolio consists of several components and should be characterized not only by size but also by structure. In accordance with our definitions, this is reflected in the economic literature in the interpretation and discussion of the concept of a commercial bank's loan portfolio and its essence. In particular, O.I. Lavrushin and N.I. Valentseva distinguishes two aspects (categorical and practical), on the basis of which, in their opinion, it is necessary to study the essence of the loan portfolio [7]. The practical aspect is often used by various authors. Therefore, it is necessary to pay attention not only to the size of the bank's loan portfolio, but also to its quality structure.

A.M. According to Tavasiev, if a loan portfolio is "not just a list of loans, but a set based on certain criteria, then the loan portfolio will have its own characteristics in terms of the quality of loans and lending activities" [8].

Here, "quality" is a tentative indicator of the practical achievement of the goals of loan portfolio formation, and this is what G.V. According to Menyaylo, "it is a set of loans that meet the bank's requirements for lending" [9]. And this is a loan portfolio.

T.M. While researching the idea of creating a loan portfolio, Kosterina uses two criteria, noting that a loan portfolio is a "credit package" that is "categorized, managed, and integrated according to the level of risk and return" [10].

I.V. If Larionova in her research considered a single criterion of credit portfolio structure, namely credit risk, [11], O.I. Lavrushin, N.I. Valen tsev [7], M.Z. Sabirov [12] distinguishes three main criteria: risk (credit risk), profitability and liquidity.

In general, risk, profitability and liquidity are important features of any asset portfolio formed by the bank. Therefore, their content should be determined in relation to its loan portfolio.

The risk of the loan portfolio (as a set of loan requirements of the creditor-bank to the borrower) is primarily credit risk associated with the basic principles of the loan: maturity, repayment and non-compliance with the payment. The principles of credit are related to its economic nature and are opened by the movement of the return of temporary free value under the influence of the conflicting needs of the loan subjects (lender and borrower). The existence of credit is possible only if the vectors of the needs of the lender and the borrower intersect at certain intervals. The borrower covers the negative difference between the amount of available funds at its disposal and the amount of funds required to meet a particular temporary need through the loan. The lender uses the loan as a means of temporarily increasing the free value and protecting it from inflation (the principle of payment).

The movement of free value through the "lender-borrower" channel has a limited duration (the principle of urgency of the debt). This is due to the fact that the transferred value is released from the lender for a certain period (if the lender is a bank, the term is determined by the urgency of attracting resources). After this time, the value moves along the "borrower-lender" channel (payment principle). Failure of the borrower to pay the principal amount of the debt to the bank, interest, as well as other payments provided for in the contract (improper performance) leads to the impairment of the bank's credit requirements or loss of part of its value. The probability that the borrower will not meet its payment obligations indicates that there is a credit risk.

Therefore, taking into account the risks of the loan portfolio, it is possible to distinguish the risks directly related to its composition and structure (private risks), as well as the overall risks of the bank's portfolio. The division of the bank's portfolio into private and general risks is due to the nature of the bank's activities as a financial intermediary providing banking services and providing timely, repayable and repayable movement of money capital, in which financial claims and liabilities are formed in the balance sheet (bank portfolio). General risks (risk of paired objects or related assets and liabilities) arise throughout the bank's entire portfolio due to imbalances in terms, conditions, interest rates, exchange rates, etc. Common risks include currency, interest rate risks, and liquidity risks. Private risks are operational risks that are determined by the specific characteristics of the relevant banking products. Credit risk is one of the types of private risk.

Liquidity in the financial sector is a quality that “allows assets to be converted into cash quickly and easily” [8]. In addition to the loan portfolio, the assets included in it take the form of money at the time of full or partial fulfillment of the borrower's obligations ("borrower-creditor" channel) or as a result of the bank's debt management efforts (for example, selling the loan portfolio or part thereof, issuing debt securities refinancing the loan portfolio through). Thus, the liquidity of the loan portfolio depends on:

- the borrower's payment discipline or individual credit risk (the lower the probability of default, the higher the liquidity);
- the rate and schedule of cash flows through the "lender-borrower" channel (short-term loans are more liquid than long-term loans; installment loans are more liquid than one-time loans at the end of the term);
- actions of the creditor bank in relation to the loan portfolio (the bank's ability to quickly return the invested resources increases liquidity; a slight loss of value in the form of a discount is allowed).

In general, the profitability of a loan portfolio is determined by the average weighted interest rate calculated for the entire set of loans issued. The interest rate reflects the cost of using the loan for the lending bank, as well as the cost of the borrower's right to use the loan amount. The interest rate set by the bank depends on the cost of financing the loan product, the amount of credit risk, the term and purpose of the loan, the average market price of a similar loan program.

The total income of the portfolio includes not only interest income, but also payment and commission income, and in general, the calculation of profitability should be adjusted as follows:

- the amount of credit losses, ie the amount of credit claims that can not be repaid by the bank;
- the amount of additional costs required for the implementation of bank lending services;
- amount of administrative expenses.

The impact of many factors on the lender and the borrower leads to the need for constant analysis and adjustment using its past, current and forecast parameters. The required condition of the loan portfolio can be achieved by operatively influencing the individual elements (sub-portfolios) of a commercial bank, formed within certain areas of credit activity . From these positions , the loan portfolio is described in the economic literature as a “system consisting of a set of sub-portfolios” [13]; "a set of homogeneous groups of credit investments" [1 4] considered as

It can be concluded from the above research that the loan portfolio should be described as a dynamic system, which should have the necessary control features for operational management impact, the solution of which is risk, profitability and liquidity, taking into account constraints on the amount of risk capital. For a bank as a financial intermediary, the amount of its capital is one of the main indicators of its financial stability.

In this sense, any sub-portfolio formed within a loan portfolio is a form of existence with fundamental characteristics similar to its own. Materially, sub-portfolios are portfolio elements that can be divided into sub-portfolios consisting of segments that combine banking products . As a result, the loan portfolio is a system of sub-portfolios, multi- object , in which its elements interact with each other and are characterized by direct and inverse relationships with external systems. In turn, each sub-portfolio of the loan portfolio can be considered as a system.

It is recommended to use the type of banking activity as a classifier for the extended classification of the loan portfolio .

However, it is also possible to classify the bank loan portfolio by form and type . In this case, the bank's loan portfolio is classified according to its form, taking into account its risk-return ratio, and the loan portfolio is divided into income portfolio, risk portfolio and balanced portfolio. It should be noted that the bank's loan portfolio can be classified according to the composition of customers, ie loans to individuals, loans to legal entities, loans to banks. In addition, depending on the currency in which the loans are issued by the bank can be divided into a loan portfolio in soums and a loan portfolio in foreign currency. This allows currency risk to be taken into account. The division of the bank loan portfolio into such types is based on the risk, profitability of bank assets and for the bank's management allows management by liquidity level.

Table 1. Types of loans in the loan portfolio of Uzbek banks distribution on. billion soums

Name of indicators	01.12.2020y.	01.12.2021 y.	Growth,%
Total	270716	320813	18.5
Loans to individuals	54080	68125	26.0
Mortgage loans	27374	34408	25.7
Microloans	5930	9183	54.9
Consumer loans	12451	13141	5.5
Loans for business development	8325	11393	36.9
Loans to legal entities	216636	252688	16.6
Loans to legal entities that are not credit institutions	198975	233584	17.4
Leasing and factoring	1521	2422	59.2
Interbank loans	1769	1703	-3.7
Microcredits	10765	10421	-3.2
Syndication loans	3606	4558	26.4

According to Table 1, the balance of the loan portfolio of banks in Uzbekistan (the balance of loans to banks by legal entities and individuals) as of December 1, 2021 amounted to 320.8 trillion soums. soums (\$ 29.6 billion). During the year, this figure increased by 50 trillion soums or 18.5 percent .

The bulk of loans fell to legal entities - 252.6 trillion soums (78.7%). During the year, the volume of loans allocated to them increased by 16.6%.

The volume of loans issued to individuals amounted to 68.1 trillion soums . soums, which is 26 percent more than last year. Half of these funds are directed to mortgage lending - 34.4 trillion soums.

If we analyze the loan portfolio by territorial units of Uzbekistan, almost half of it - 48.8% (156.7 trillion soums) falls on the city of Tashkent . For 1 year, the volume of lending in the capital increased by 28.5 trillion soums compared to the previous year (+ 22.3%). In second place is Tashkent region , where the loan portfolio of banks amounted to 19.6 trillion . soums or 6.1% of the total portfolio.

For comparison, the share of Karakalpakstan in the total volume of loans amounted to only 2.6% (8.4 trillion soums) , which is 18.5 times less than in Tashkent . The data show that the share of Karakalpakstan and other regions (except Bukhara and Syrdarya regions) in the loan portfolio of

banks has a downward trend.

It should be noted that in the practice of commercial banks, the most common criteria for the loan portfolio were identified as the risk of lending activities and the "problem loans" of the loan portfolio.

In the current era of economic transformation, the importance of the "problem" criterion of the loan portfolio often comes first, as timely diagnosis of the "problem part" of the loan portfolio allows to reduce the number of overdue loans and bad loans, thereby preventing losses in the portfolio.

Table 2. Information on problem loans (NPL) of commercial banks of Uzbekistan as of July 1, 2021, in billion soums

Banks	Loan portfolio	Problem Loans (NPL)	Share of non-performing loans in total loans, %
Total	300459	16794	5.6
State-owned banks	261195	14718	5.6
Other owned banks	39265	2076	5.3

According to Table 2, in the analysis of the loan portfolio, the share of problem loans in the total portfolio as of July 1, 2021 amounted to 16.8 trillion. soums or 5.6% of the total loans. The analysis showed that 14.7 trillion soums of problem loans were disbursed. soums or 87.6% of the total share in the activities of state-owned banks. It can be concluded that in the practice of private banks, the bank has been very careful in lending to customers, and has done so with a good study of banking risks in lending.

Thus, banks need to study in depth several indicators related to lending in their business, namely, the nature of the loan, its security, the correct calculation of interest and timely receipt in the income accounts, repayment periods, and so on. Banks are implementing a number of advanced banking management methods, such as improving the quality of their assets and loan portfolios, timely identification of credit risks to improve banking risk, including credit risk management, application of modern information technology-based integrated risk management system are required.

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