



Improving The Credit Mechanism To Increase The Competitiveness Of The National Economy

Bekmukhammad Omonovich Tursunov

Senior Lecturer, Tashkent Financial Institute, Uzbekistan

Hilola Amirullo Qizi Tokhtasheva

Student Of Tashkent Financial Institute, Uzbekistan

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ABSTRACT

The article examines the credit mechanism of increasing the competitiveness of the national economy and areas for improving its efficiency. The impact of increasing the credit activity of economic entities on the competitiveness of sectors of the national economy was assessed. A systematic description of the existing shortcomings and problematic processes in this regard is provided. Scientific proposals and practical recommendations for overcoming problematic processes in the systematic organization of increasing the competitiveness of the national economy have been formed.

KEYWORDS

Competitiveness, competitive chain, credit mechanism, industrial cooperation, market segment, financial security, credit diversification.

INTRODUCTION

Ensuring the competitiveness of the national economy requires the improvement of certain mechanisms to increase competitiveness, taking into account the opportunities and conditions available in the economy. The effective operation of this mechanism will

create a competitive chain based on the efficient use of local raw materials, ensuring profitability in the system of production and sales, improving the system of application of high innovative technologies in industrial enterprises.

Two main ones aimed at ensuring competitiveness in the world economy; diversification and innovative models are available. These two models are distinguished by the financing mechanism for the expansion of intersectoral industrial cooperation. In the innovative model, the efficiency of the productive forces is provided mainly through investments, while in the diversification model, bank loans are a priority. In the diversification model, the role of bank loans in financing radical structural reforms in sectors and industries of the economy is a priority.

The practical features of this model are also reflected in the economy of Uzbekistan. In particular, the President of the Republic of Uzbekistan Sh.M.Mirziyoev in his Address to the Oliy Majlis on December 29, 2020 commented on the complex measures taken in this direction: increased. In particular, the Anti-Crisis Fund has been established, and more than 16 trillion soums have been allocated from the budget for measures to combat the coronavirus and support the population and businesses. In addition, state-owned enterprises and more than 500,000 businesses and about 8 million citizens received practical assistance in tax benefits, loan extensions and financial support totaling 66 trillion soums.”[1]

The above number of cases necessitates the study of the scientific and theoretical basis of the process of improving the credit mechanism to increase the competitiveness of the national economy and reflects the relevance of the research topic.

LITERATURE REVIEW

Scientific research on improving the financial and credit mechanism to increase the competitiveness of the national economy is of particular importance in the research of S. Joseph. The main priority in the research process is represented by the integral relationship between the assets of the enterprise and loans in the systematic

organization of the activities of enterprises in industries [2]. Through the research of EA Ivanova, LV Shishikina studied aspects related to the role of bank loans in the financial support of corporate structures of industrial enterprises [3]. N. Govorova's research notes that the management of competitiveness in the market activities of the enterprise depends on the financial aspects, which are a key factor in giving a certain direction to economic activity and increasing efficiency [4]. The methodology of step-by-step evaluation of management decisions made in the field of financial justification of increasing the competitiveness of the national economy through M. Porter's research and encouraging corporate clients to use the potential of the market segment is of paramount importance. It is recognized that it is expedient to determine the profitability of credit products for retail customers, taking into account all the basic types of commission payments of this methodology [5]. According to J. Fagerberg's research, it is expedient to regulate the system of using bank loans in the implementation of technological modernization processes in the activities of industrial enterprises [6]. Through the research of Yu.S. Ezrokh, the process of determining the current profitability of lending to individuals by types of credit products and the profitability of credit products for individuals is assessed as a key tool for regulating the national economy through the financial system [7]. VFGaponenko, ZVMargiev through their research conclude that an important condition for ensuring the economic and financial security of the country is the formation of a modern system of financial and credit mechanisms [8]. According to N.V. Cherchenko's research, changes in the interest rates of commercial banks have a direct impact on the competitiveness of the country [9]. According to MT Yakhshieva's research, monetary policy is one of the main tools to ensure the competitiveness of the country's economy. It is also argued that increasing competitiveness can serve to justify rational

directions in the field of increasing competitiveness, ensuring the optimal ratio in the implementation of the credit mechanism [10]. According to OO Umarov's research, the creation and maximum use of competitive advantages of the country depends on the financial and credit mechanism that ensures the increase of its competitiveness. Therefore, measures aimed at improving the credit mechanism will provide the main directions and priorities of structural reform of the development process [11].

Based on the above research, the optimal ratio of development and implementation in the country depends on the credit policy of commercial banks. In particular, the situation in advanced scientific and technical conditions forms the optimal ratio to ensure a balance between supply and demand. In turn, this situation may provide an opportunity to increase the size of the domestic market. However, the study does not study a number of issues related to credit diversification, the role of credit policy in the development of industries, the development and implementation of credit and the evaluation of credit efficiency in the formation of new competitive products, which necessitates research.

ANALYSIS AND RESULTS

Monetarism has a special place in the conceptual approach to ensuring economic development. An important feature of this concept is reflected in the negative impact of inflation on the country's economy. In turn, there are some shortcomings in this concept, and the conditional parameter of inflation represents different indicators for each

economy. Also, the current level of inflation can serve to motivate the economy as well as its risk. For example, 2-3% inflation is normal for the economies of developed countries, or in developing or transition economies it is not possible to maintain this figure. In particular, the mismatch between production and consumption in these countries, the optimization of the employment system, a number of priorities aimed at improving the structural structure of production have a negative impact on the level of inflation. The only beneficial aspect of this process for the economies of developing and transition countries is the improvement of the employment system. As a result, the sectoral, regional, intellectual and property structure of employment in the country is gradually improving. In turn, the process of economic liberalization requires giving priority to the credit mechanism to increase the competitiveness of the national economy.

The priority given to the credit mechanism in the economy provides a basis for ensuring the optimal ratio between savings, consumption and investment. In an open economy, the rate of change in the assets of commercial banks is provided mainly by non-resident funds. As government loans are aimed at ensuring the consistency of structural reforms in the real sector of the economy, the total volume of government loans in commercial banks will decrease. The results of the theoretical analysis in this area are reflected in the structure of deposits of commercial banks of the Republic of Uzbekistan in 2014-2020 (Figure 1).

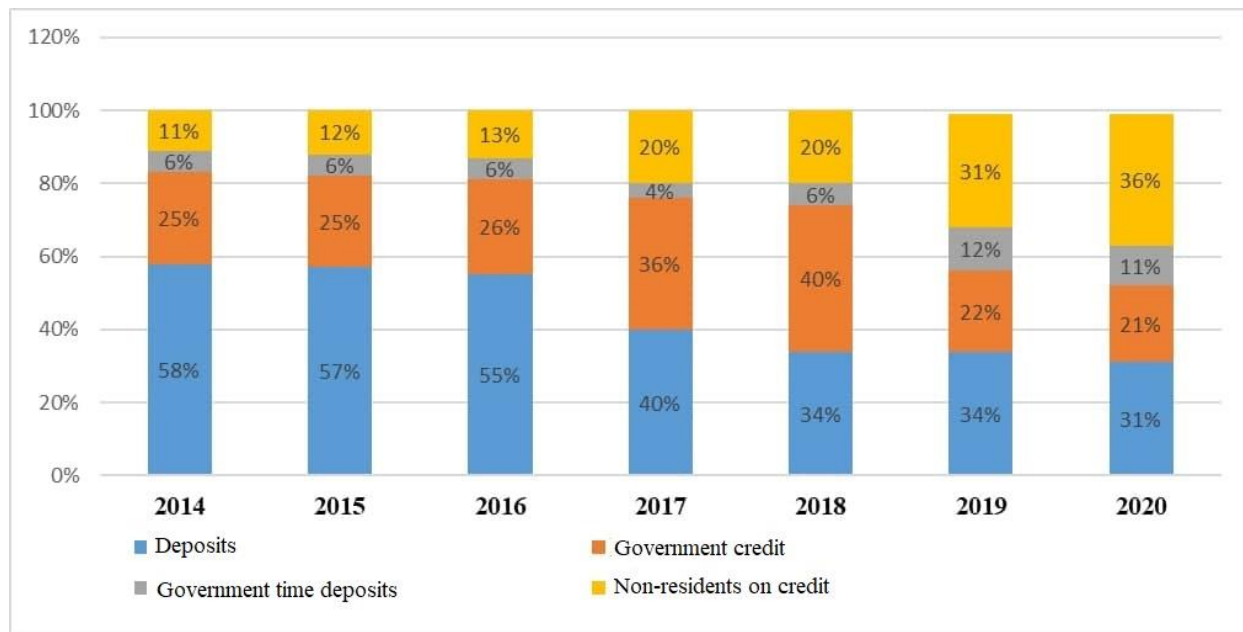


Figure 1. Structural structure of deposits in commercial banks of the Republic of Uzbekistan in 2014-2020 (in percent) [12].

According to the analysis of the structural structure of total investments in commercial banks of the Republic of Uzbekistan in 2014-2020, in 2014, the population's deposits accounted for 58% of the total capital investments in commercial banks. This year, government loans account for 25 percent, non-residents' loans for 11 percent, and government time deposits for 6 percent. In 2015-2016, the volume of time deposits of the population amounted to 57-55%. During this period, there was a relative change in the volume of government loans, government time deposits, loans of non-residents. In 2017-2020, the structure of deposits of the population decreased from 40% to 31% of total bank deposits. Also, the volume of

government loans decreased from 36% to 26% during this period. Government time deposits increased from 4% to 11% and non-residents' loans almost doubled.

The results of the analysis of the composition and profitability of time deposits in the national currency show that the average weighted interest rates also increase with the maturity of deposits. This, in turn, is explained by the high demand for long-term monetary resources. The yield curve on time deposits of the population in the IV quarter of 2019 increased by 2-2.5 percentage points higher than in the corresponding period of 2018 due to increased competition among banks to attract long-term deposits (Figure 2).

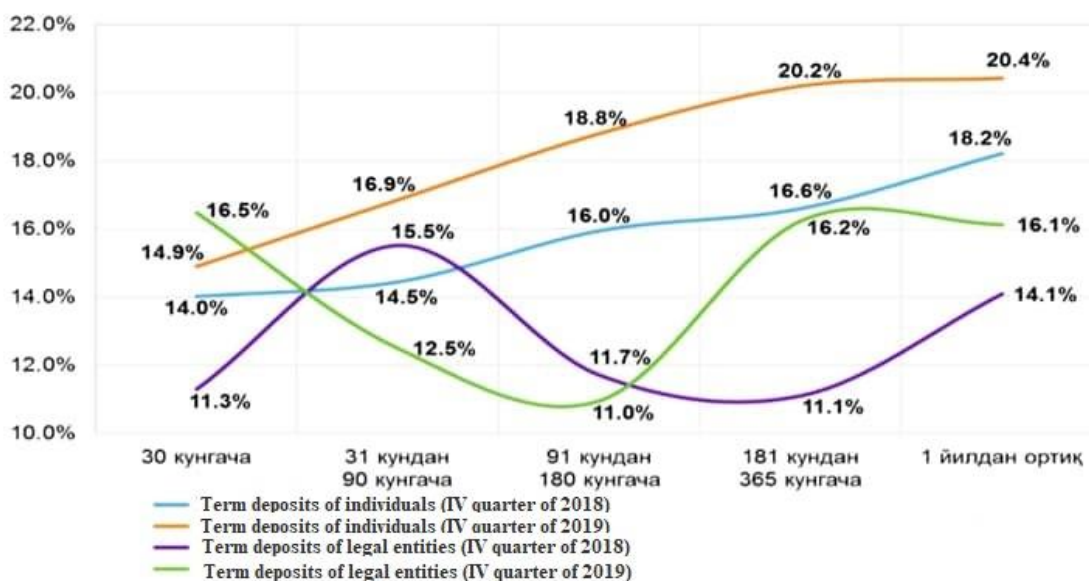


Figure 2. Yield curve on interest rates on time deposits (in percent) [12].

In turn, the growth of interest rates on deposits, on the one hand, reflects the high level of inflation expectations, on the other hand, the increased competition in the resource market in soums. In addition, the development of the retail lending segment and the high interest rates in this segment may also to some extent affect the growth of interest rates on deposits.

In most countries, one of the tools of monetary policy is widely used in the formation of the norms of mandatory reserve requirements for the liabilities of commercial banks. This tool of monetary policy is simple to apply and affects the level of solvency of commercial banks. Therefore, indirect methods of monetary policy are now widely used, especially in developing countries. In particular, this tool is used in Uzbekistan as the most effective tool.

In practice, this process affects the amount of money supply in the country and the lending capacity of commercial banks, as well as the solvency of commercial banks. As a result, banks will increase their required reserve ratio. As a result, the lending capacity of commercial banks decreases, which in turn reduces the

money supply in the country and, conversely, increases the lending capacity of banks when the required reserve rate is reduced.

CONCLUSIONS AND RECOMMENDATIONS

In a market economy, commercial banks, as founders, can actively participate in the activities of other business entities based on their membership fees (shares). As a result, in the face of inflation, the own capital of commercial banks will not be devalued. Therefore, they need to engage in founding activities in order to place their capital profitably and wisely. The amount of income received in this direction depends on the turnover of business entities and how effectively they use these funds. In accordance with world practice and the experience of the transition period, commercial banks are one of the sources of formation of funds, participating in the establishment of various commodity and stock exchanges, investment and insurance companies. In other words, these revenues can be channeled by commercial banks by placing part of their funds in the financial sector. This, in turn, is determined by the relatively high return on

investment in this sector of the economy. Or the main reason is that the rate of return on capital is always higher in this sector of the economy than in other sectors. It is concluded that the higher the level of profitability of businesses in this sector, the higher the interest dividends that they receive as a founder or shareholder of commercial banks.

In our opinion, in the process of improving the credit mechanism to increase the competitiveness of the national economy, it is expedient to do the following:

- Expansion of services provided by commercial banks to small businesses by offering them a package of preferential services, depending on the business results of entrepreneurs
- formation of the credit segment through comparative analysis of small and medium-sized businesses, taking into account macroeconomic instability and consumer demand, using the world experience of commercial banks and credit unions in lending to small and medium-sized businesses, traditionally focused on lending;
- increase the credit activity of real sector entities by ensuring the consistency between the interest rates on loans issued by commercial banks and the profitability of enterprises in sectors of the economy;
- In order to optimize the interest rates of commercial banks, increase the profits of commercial banks, reduce the refinancing rate of the Central Bank through the formation of a regime of optimal use of assets and liabilities, etc.

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