



POSSIBILITIES OF USING FOREIGN LENDING PRACTICES FOR PERSONS

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<p>Received: 30th March 2024</p> <p>Accepted: 4th May 2024</p>	<p>Based on the study of the theoretical and practical aspects of lending to individuals in foreign banking practice, their advanced and modern aspects were determined. As a result of the study, the use of a number of non-traditional forms of lending to individuals in foreign banking practice, as well as the requirements for lending and the specific features of the process of its implementation, were determined. Taking this into account, some proposals and recommendations were developed regarding the application of their positive and advanced aspects in the banking practice of Uzbekistan.</p>

Keywords: Bank, Credit, Consumer Credit, Overdraft, Electronic Credit, Interest Rate.

ENTER

In foreign banking practice, advanced and modern methods are used in credit relations with individuals and in processes such as its presentation and collection. Therefore, we believe that by studying the lending practices of commercial banks in developed countries, applying their positive aspects to the practice in Uzbekistan will bear fruit.

It is known that the main goal of market relations in Uzbekistan is based on the principle of social support. That is why the President of the Republic of Uzbekistan pays special attention to these issues. In particular, in the "Uzbekistan-2030" strategy, the task of "raising the volume of annual lending in the banking and financial system to 40 billion dollars and increasing the volume of bank deposits by four times" was set [1].

It should be noted that in the practice of international banking, as well as commercial banks in independent Commonwealth countries, the main attention is paid to individuals in lending. Because the world's population is turning to bank loans to improve their socio-economic conditions, to buy a proper house, a car, and even to get a higher education,. In this regard, this article examines the experiences and specific features of lending to individuals by credit organizations in developed countries and develops relevant recommendations and conclusions regarding the application of their positive experiences and skills in the practice of local credit organizations.

LITERATURE REVIEW

In foreign practice, economists have extensively

studied the theoretical aspects of lending to individuals. In particular, Luminița Cernenco and Marilena Pieleanu Lazarenco stated in their article that "the duration of loans to individuals, their issuance, and guarantee are carried out on the basis of the contract according to the creditor's internal procedures approved by the responsible authorities [2]." In the conditions of market relations, when any subjects enter into mutual relations, an important formal-legal document is a contract between them.

At the same time, according to Jean, Ying, and Salwa, under conditions of market principles, banks consider it risky to lend to those who agree to take a loan at a high interest rate because the borrower agrees to take a loan even at a high interest rate, which causes an increase in the risk of repaying the loan [3]. In fact, this idea finds its practical confirmation in the real sector because the process of repaying loans given by banks takes a lot of time and causes additional costs.

In their research, Orazio Attanasio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, and Heike Harmgart found evidence that lending to individuals is more likely to open family businesses in rural areas. In addition, they witnessed an increase in consumption among non-highly educated women in the villages that received loans from them [4]. However, scientists have neglected the second aspect of the issue of lending to individuals, that is, their actual performance and the provision of the loan.

Professor Sh.Z.Abdullaeva defines credit as follows: Credit is a set of economic relations arising from the borrowing and return of temporarily idle funds by the owner of the money or others for a certain period of



time, subject to payment [5]. Here, special attention should be paid to the second aspect of the issue of lending to individuals, that is, their actual performance and the provision of the given loan.

Professor F.Kholmamatov In his scientific research, justified the need to develop a loan repayment schedule based on the additional income remaining after deducting consumption expenses from their monthly income and lending within the framework of this schedule in order to eliminate existing problematic situations in the practice of lending to individuals [6]. In our view, even in such a case, the risk of non-payment of a loan to an individual remains, and the bank should not ignore this issue. For example, the pandemic that occurred in 2020 (COVID-19), the loss of an employee's job, i.e., a layoff, and the increase in the price of consumer goods are examples of this.

RESEARCH METHODOLOGY

The process of lending to individuals by the credit organizations of developed countries, the types of loans offered, the procedures and principles of lending were comparatively studied, and the methods and specific aspects of the regulation of the lending process were analyzed economically. Also, the article effectively used methods such as comparison, scientific-theoretical comparison, observation, comparative economic analysis, systematic approach, and logical approach

ANALYSIS AND RESULTS

The results of the study of the foreign experience of lending to individuals show that the main focus is on the financial ability and credit history of the individual applying for a loan from the bank.

The issue of determining the creditworthiness of an individual is also approached differently in different countries; that is, attention is paid to the existing socio-economic processes, the age of the individual, work experience, family status, and other similar aspects.

The main purpose of this activity in the process of lending to individuals in foreign practice is necessarily aimed at their return of the loan, and the types and level of risk associated with loans given to legal entities by commercial banks are fundamentally different from those of individuals. The difference is that banks have a high number of contracts for crediting individuals, and at the same time, the financial activity of individuals is evaluated by a number of factors.

Of course, this bank serves to make a decision about the maximum amount of credit that the client will be given and the loan payment that will be calculated for

him. After that, the bank determines the maximum amount of credit given to an individual based on the following equation:

$$K^{**} = \frac{\text{Credit/Maximum/Amount}}{\text{Customer/Income}}$$

In Germany, individuals who are recipients of a consumer loan can visit the bank directly or apply online through the platforms of banks or non-bank financial institutions. Of course, one of the important requirements for loan applicants is to be a resident of this country and have a registered address for permanent residence. Citizens of foreign countries can also get a loan on the basis of valid and legal documents for entry into the country and permanent residence.

In Germany, it is necessary for an individual who receives a loan to have an account number in banks because the principal amount of the loan granted by a bank or non-bank organization and the interest accrued to it are deducted from his account number every month in the terms and manner specified in the contract. German banks generally make a positive decision on the borrower's application, for which it is necessary to have the following documents:

certificate of salary from the workplace;
copies of documents confirming other sources of income;

reference from the tax inspectorate.

The main documents of an individual that encourage the bank to make a positive decision in obtaining a loan are the presentation of information about the stability of his financial situation, his high salary, and other available financial resources. In Germany, it is very difficult for individuals with a bad credit history to get a loan, and even if the bank decides to grant a loan, the percentage of this loan is high. In most cases, banks do not give loans at all, in which case individuals wait for their credit history to improve or try to get loans from non-banking private organizations or foreign banks.

For information, it can be said that housing in London is more expensive than in other cities around the world. For example, one square meter of houses in the city of London is around 19–20 thousand euros; real estate in the suburbs of London, that is, houses, can be found for 5–6 thousand euros per square meter. Therefore, various forms of mortgage programs are valid for residents of the country. In particular, the country has the following mortgage programs:

- if he/she has lived in the country for more than 3 years and has documents proving that he/she has the right of permanent or temporary residence, he/she can



get mortgage loans regardless of the amount of income;

In this case, more serious attention is paid to non-residents; they are subjected to full appropriate control; if they meet all the requirements and criteria, they are provided with mortgage loans in the amount of up to 60–70 percent of the value of the real estate they intend to purchase;

There is also a mixed mortgage program; in this case, the terms are determined within the framework of an individual, and the bank provides a loan of up to 60% of the housing intended by the borrower.

The maximum amount of loans offered by English banks is determined based on the income of the borrower from the bank; this amount is 4-5 times higher than the borrower's annual income. For example, if an individual's annual salary is 30,000 pounds on the salary certificate, the bank can give him a mortgage loan of around 120,000 pounds.

In the course of research, special mortgage brokers are operating in England and are engaged in the formalization of mortgage loans. They are conditionally divided into three groups: the white, gray, and black groups.

White-type mortgage brokers are officially registered and cooperate with certain banks on a regular basis. They provide all services, such as the collection of loan documents and loan approval.

Gray mortgage brokers are very popular; they are companies or persons with legal status and perform documentation, opening accounts, and other necessary services with any bank based on the request of individuals.

Black-group mortgage brokers can be informal companies or individuals. They promise fast and cheap mortgage consolidation and loan origination, but in many cases, they can be fraudulent. Funds paid to mortgage brokers are made from the borrower's account, and this amount can be added to the mortgage loan amount later.

SUMMARY

In conclusion, in the practice of banks in developed countries, lending to individuals has a lot of experience, and this process has been improving and simplifying for several years. Here are some of them:

- Banks rely on complex credit scoring models to assess the creditworthiness of individuals. These models analyze various factors, such as credit history, income, debt-to-income ratio, and employment status, to determine the risk associated with lending to a particular individual. Implementing robust credit scoring systems will help banks make informed lending decisions and reduce default risk.

- Most commercial banks offer financial counseling services to individuals before lending to them to help them effectively manage their finances and make informed borrowing decisions. As a result, providing access to educational materials, seminars, and one-on-one counseling sessions empowers borrowers to improve their financial literacy and make responsible borrowing choices.

- Banks often emphasize long-term relationships with their customers. This focus on building trust and loyalty allows banks to better understand the financial situation of their customers and tailor their loan offers to effectively meet their needs.

- Innovations in digital banking and financial technology (fintech) are widely used in lending to individuals. Many UK banks offer innovative lending products such as R&R lending, digital mortgages, and instant loans via mobile apps. These innovative solutions provide individuals with greater flexibility and convenience when borrowing money.

In short, advanced and modern methods of individuals are widely used in developed countries, and their introduction in local practice leads to further development of financial relations between banks and clients. In particular, banks pay more attention to organizing their activities on the basis of mutual trust and honesty.

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