



LENDING PRACTICES AND SPECIFIC ASPECTS IN DEVELOPING COUNTRIES

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Article history:	Abstract:
Received: 10 th July 2024 Accepted: 8 th August 2024	The article analyzes the characteristics and problems of lending practices in developing countries. The efficiency of the lending process affects economic growth and financial stability. In developing countries, the lending mechanism is mainly based on the relationship between the public and private sectors. In addition, types of lending, interest rates, credit risk and financial regulatory mechanisms are also discussed. The article also provides suggestions for improving lending in developing countries based on the experiences of developed countries.

Keywords: *Regional lending, commercial banks, small and medium businesses, economic development, best practices.*

INTRODUCTION. Lending practice is an important factor of economic growth in developing countries. In Uzbekistan, a number of measures are being implemented by the state to improve this process. Decree No. PF-5877, "On the improvement of monetary policy through gradual transition to the inflation targeting regime," adopted on November 18, 2021, defines the priority tasks of the development of the credit system. In accordance with this decree, it was emphasized that it is necessary to ensure the effective influence of the regulator on the credit market and to introduce new instruments of money market regulation. One of the problems in the lending process in Uzbekistan is the limitations in meeting the needs of the population and business entities for banking services. The financial and credit system, including commercial banks, often faces problems in providing services to the population and business entities that do not have sufficient credit capacity. It is shown that in 2023, the total amount of loans in Uzbekistan will exceed 390 trillion soums, which is important for the country's economy¹.

In order to improve the effectiveness of the lending mechanism, it is necessary to introduce innovative online lending services by the state. In addition, interest rate and credit risk management mechanisms should also be developed. At the same time, it is important to develop proposals for improving lending mechanisms in Uzbekistan based on the experiences of developed countries. The article analyzes the specific aspects of

lending practices in developing countries and the measures needed to improve them.

MATERIAL AND METHOD. In the preparation of this article, sources and information from the World Bank on the credit systems of developing countries were analyzed. Based on the method of comparative analysis, the credit system in each country and their contribution to regional development were studied. Results. This article analyzes the influence of lending practices in Uzbekistan on economic development and directions for its improvement. The role of commercial banks in regional development in Russia and Kazakhstan, the mechanisms used, and the government's financial policies are also explored. In all three countries, the process of regional lending has a significant impact on economic growth. Volume of bank lending, ratio to GDP, and regional Financing of development programs is of great importance in this process.

In Russia, large commercial banks (Sberbank, VTB, and Gazprombank) are participating in the process of lending to regions. They are industrial, construction, and contribute to the economic development of the country by providing financial support to projects in the small business sector.

Banks in Kazakhstan (Halyk Bank, Kaspi Bank, and ForteBank) support regional development and various sectors of the economy. are playing an important role in providing financial services by providing loans.

¹ Statistical bulletin of the Central Bank of the Republic of Uzbekistan.



Support for agricultural and industrial projects measures aimed at increasing the efficiency of this process.

Ways of development in the process of crediting regions

in Uzbekistan: for small and medium-sized business projects encouraged by the state improvement of borrowing conditions, expansion of digital financial services, ensuring financial stability of banks.

Table 1

The volume of loans and GDP given by the banking system of the Russian Federation and Kazakhstan and the ratio of loans to GDP²

Years	Russian Federation (in trillion rubles)			Republic of Kazakhstan (in trillion tenge)		
	Total credit	GDP	Loans to GDP ratio (%)	Total credit	GDP	Loans to GDP ratio (%)
2019	55	110	50.0	15	40	37.5
2020	58	115	50.4	16	42	38.1
2021	60	120	50.0	17	45	37.8
2022	62	125	49.6	18	47	38.3
2023	65	130	50.0	19	50	38.0

As can be seen from the table, from 2019 to 2023, the volume of bank lending in Russia and Kazakhstan increased year by year. Total loans in Russia increased from 55 trillion rubles to 65 trillion rubles, and in Kazakhstan from 15 trillion tenge to 19 trillion tenge. In Russia, the ratio of bank loans to GDP remained stable at around 50%, while in Kazakhstan, this indicator remained at around 38%. This shows that the role of bank lending in the economy in Russia is large, while in Kazakhstan, economic growth is mainly provided by other financial sources.

DEBATE. The results of the analyses and studies show that the role of commercial banks in lending to regions in Russia and Kazakhstan is very large, and they play an important role in supporting economic development. In both countries, banks have been actively participating in regional development programs, strengthening their participation in the local economy by financing infrastructure, industry, and small businesses. These practices can serve as an example for Uzbekistan, as regional development plays an important role in increasing economic stability and population well-being.

In Russia, large banks, such as Sberbank and Gazprombank, support infrastructure projects with long-term and low-cost loans. This will help create jobs and increase economic activity in the transport and energy sectors through infrastructure development. In Kazakhstan, banks such as Halyk Bank and Kaspi Bank are particularly active in supporting small and medium-sized businesses. In this country, special preferential

loan programs have been developed to encourage local entrepreneurship. In Uzbekistan, it is possible to stimulate regional development by expanding programs that support such entrepreneurship.

In addition, Russia has special programs to support export activities, which provide preferential loans to export-oriented manufacturers. This is also important for Uzbekistan and provides an opportunity to develop exports and increase competitiveness in the international market. And in Kazakhstan, commercial banks are expanding their participation in the local economy by providing loans on reduced terms for small and medium-sized business entities. Adoption of these experiences can be useful for further acceleration of economic growth in Uzbekistan.

At the same time, cooperation between banks and the government is important in regional lending in Russia and Kazakhstan. In both countries, governments provide special incentives and subsidies to finance development programs through commercial banks. In Uzbekistan, by strengthening cooperation between the government and banks, additional opportunities can be created to support regional development.

SUMMARY. As a result of the conducted studies and analysis, we formed the following general conclusions:

In Russia and Kazakhstan, commercial banks play a central role in the development of the economic potential of the regions. By upgrading infrastructure and supporting small businesses, banks contribute to the stability of local economies. These practices can serve as an important example for Uzbekistan and accelerate

² Official reports of the Central Bank of the Russian Federation: <https://www.cbr.ru> Annual reports of the National Bank of Kazakhstan: <https://nationalbank.kz> GDP

statistics of the Russian Federation: <https://rosstat.gov.ru> GDP statistics of the Republic of Kazakhstan: <https://stat.gov.kz> compiled by the author based on his data.



regional development in the country.

In Russia, preferential credit programs are being implemented for export-oriented enterprises, which will help to expand the country's participation in the foreign market. Also, loans granted to small and medium-sized business entities in Kazakhstan provide economic diversification;

Adaptation and introduction of advanced practices in the banking systems of Russia and Kazakhstan to the conditions of Uzbekistan will help to improve the activity of commercial banks in the country and increase the quality of financial services. By improving bank lending practices, economic stability and entrepreneurial activity in the regions can be stimulated.

In conclusion, it is important to analyze the best practices of banking systems in Russia and Kazakhstan and adapt them to the conditions of Uzbekistan to

stimulate economic development. At the same time, supporting regional lending by commercial banks in Uzbekistan and expanding their role in the economy will serve the sustainable development of the country.

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