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## **The Effect of Improving the Financial Management Mechanism of Commercial Banks on the Development of the Lending System**

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### **ABSTRACT**

*The article examines the processes related to the impact of improving the financial management mechanism of commercial banks on the development of the lending system.*

### **KEYWORDS**

*Financial Management Mechanism, Financial Reporting, Credit Relations, Problem Loans.*

### **INTRODUCTION**

In bank-customer-credit relations, the problem that negatively affects the healthy operation of the bank and threatens the interests of bank shareholders, creditors, as well as customers, is a problem that is considered a "sore" area of any banking institution, that is, due to the non-fulfillment of the debtor's obligations, the repayment period has passed in banks. is the occurrence of loans and excess interest. Such loans are also referred to as non-performing loans. Well, although the rules governing bank-client-credit relations are determined based on the requirements and rules of the current law and normative document, and the credit relations are determined based on the main principles of lending, i.e. solvency, security, term, purposefulness, and finally repayment principles, what are the losses from credit practices in the activity of banks? in the situation and as a result of what factors? To determine this, it is important to determine the influence of the movement of the main calculated factors in the occurrence of problem loans. Rather than looking for a positive solution to problem loans, it is more effective to take measures to eliminate the negative effects of the factors that create problem loans.

The presence of uncollected loan funds and accrued interest in banks can be assessed as the result of the following circumstances:

- Lack of skills and experience of the bank employee to correctly and truthfully analyze the financial statements of the borrower's business entity.

This is undoubtedly one of the main factors that lead to problem loans and non-payment of loan funds on time. Because the loan collection prepared by a bank employee who does not have practical experience with business entities always requires additional control. But as a result of the large number of services in banks and, most importantly, the lack of mentors who coach employees who do not have practical experience in working with economic entities, the financial condition of loans based on the conclusion of qualified and inexperienced employees leads to the granting of loans to insolvent enterprises.

- The bank's credit committees work only for formality, and also look coldly at their authorized and responsible task.

The negative impact of the bank's credit committee's work only for the sake of formality on credit practices. It is the "Bank Credit Committee" that plays a decisive role in the lending process. According to the minutes of the meeting of the Monetary Commission of the Republic of Uzbekistan dated July 10, 1995 numbered 12-10-76, the requirements of the Regulation "On the Credit Committee" prepared by the Central Bank of the Republic of Uzbekistan are currently being met by commercial bank credit committees only for formalities. According to the requirements of this Regulation, credit committees make decisions only after a full analysis of the documents in the loan collection submitted to the committee by the credit supervisor, and even when a decision is made, a decision to grant a loan is made only after a hundred percent vote.

- Absence of a unanimous conclusion in bank-client-credit relations.

Another negative reason for the emergence of problem loans in banking institutions is the lack of unanimity in the relationship between "lender" and "borrower". In order not only to maintain their position in the interbank competition, but also to take a place among the leading banks, as well as to take care of customers, banking institutions are introducing the procedure of providing services to them almost around the clock. As a result, it is difficult for bank employees, who are busy with customer assignments all day, to devote time to analyze the economic activities of customers. This causes the bank to have no idea about the economic processes taking place in the economic activity of the client. Both in the process of issuing a loan and in the process of using credit funds, banks should focus on analyzing and analyzing the business plan drawn up by the debtor. But business plans are treated as an official document required by both lenders and borrowers for loan applications.

- Structure of contracts regulating bank-client-credit relations from the point of view of legal and economic literacy.

As a result of lack of knowledge of their rights, there are also contracts that reflect cases of violation of the rights of small businesses, farmers and private entrepreneurs in cases where they conflict with the interests of one of the parties. It is in this way that the construction of credit agreements shows its negative impact for the bank in the conflicts that arise as a result of credit practices between the bank and the client.

- Inadequate monitoring of the debtor.

Continuous monitoring by commercial banks during the entire period of credit use, i.e. financial economic activity of the debtor, his performance of product delivery obligations in accordance with concluded contracts, production volumes, non-production costs and losses, transaction costs, profit, availability dynamics of own working capital, although it is determined to analyze the state of stock reserves, the circulation of working capital in comparison with the indicators of the business plan, these requirements are almost not fulfilled by the banks, which creates the risk of problematic loans.

No matter how well the requirements of the current law, established to ensure the proper

execution of the obligation, are perfectly structured, difficult situations in the positive solution of the emerging problems arise mainly in the process of using surety and collateral methods of ensuring the execution of the obligation based on the solidary or subsidiary responsibility of third parties.

Finding solutions to enforcement problems and proposals for changes to existing legal requirements can only be effective as a result of economic and legal analysis. For this, bank employees should increase their legal and economic knowledge and experience, as well as conduct scientific research, in order to eliminate the effects of factors that cause problem loans.

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