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MAIN DIRECTIONS OF CREDIT POLICY DURING THE COVID-19 PANDEMY

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Abstract. The study provides a comprehensive analysis of the credit policy pursued by the government during the Covid-19 pandemic and its results in order to support the population and businesses, to prevent large debts.

The study reccomend the following:

The interest rate and terms of loans not only affect the banking sector, but also directly affect the living standards and quality of life of the population. For this reason, it would be expedient to provide loans with simplified terms and conditions of repayment to support entrepreneurship in the country.

According to 2020 data, the interest rates of commercial banks in the country will be 24%. Under this decree, if a preferential interest rate of 16% was applied, the financial interest of individuals after October 1, 2020 would be avoided.

Keywords: pandemic, global change, commercial banks, credit, businesses, social protection, interest rates, legal entities and individuals.

Introduction

In 2020, the COVID-19 pandemic resulted in global changes in the global economy. According to the report on the state and prospects of the world economy, developed countries are expected to experience negative economic growth and their GDP will fall to 5 percent. These losses will only be partially offset in 2021, when the economy's average annual growth rate reaches 3.4 percent. The economies of developing countries are expected to shrink by 0.7% this year (according to the IMF, economic growth in Uzbekistan will be around 1.8% in 2020 and 7% in 2021). World trade will shrink by about 15 percent due to declining global demand and supply chain disruptions. The World Bank's report for Europe and Central Asia predicts that private consumption growth in Uzbekistan will be only 0.4% in 2020, compared to 5.4% in 2019. The growth of gross investment in fixed assets was 3.1% (33.8% in 2019), the growth of exports and imports in 2019 was 10.9% and 47.3%, respectively, and in 2020 exports were 1.2%. %, while imports are expected to grow by 3.2%. According to the report, the annual inflation rate in the country is expected to be 15.8%. It should be noted that the analysis of the growth of sectors and industries of the economy shows that in 2020 the growth of industrial production will be 1.6%, the growth of agricultural production will be 2.6% [1].

In order to reduce economic risks and protect various segments of the population during the pandemic, the Decree of the President of the Republic of Uzbekistan dated March 19, 2020 PF-5969 "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis" [2]. According to the decree, Uzbekistan will attract $ 1 billion in foreign debt. Despite the fact that the state provides social protection and comprehensive support to businesses, there has been a decline in incomes.

In a survey conducted by Gazeta.uz on April 2, 2020, more than 337,000 people took part, of which 36% answered "I do not have a fund", 28% - "up to 1-2 weeks." It was also around 4 percent of the population who responded that it would take 3-6 months. At the same time, more than 576,000 people took part in the survey conducted on April 14, 2020 through the portal Kun.uz. It is noteworthy that the results in it were not significantly different from the results in a survey conducted through another portal. In particular, 35% of respondents said “I don’t have a fund” and 7% said they would save up to 3 months [3].

The decline in income of individuals and legal entities was also reflected in loans. If we look at the crises in the economies of countries in the world economy, the most vulnerable during this crisis are lenders and borrowers. Including: as a result of the COVID-19 pandemic:

- As a result of declining incomes of the population and businesses, their solvency decreased and they could not pay interest on time;
- As a result of declining incomes, the demand for consumer loans has decreased, which means that the basic needs of the population have become the main direction of their income.

Level of study of the topic

Microcredits are one of the most effective tools in the fight against poverty. American economists Woodworth and G. Waller described microcredit as "the most innovative strategy for addressing global poverty." This tool allows people to be self-employed and improve their financial situation. On the one hand, small loans can be given to open your own business or pay for any service. In addition, microcredit is one of the most effective ways to overcome poverty, as it allows you to create jobs and provide social protection to the poor. On the other hand, microcredits can reduce the burden on social support programs for vulnerable groups, improve people's financial situation and strengthen the country's financial base. This is not only the view of American economists, but microcredit issues have also been studied by scientists in Germany and a number of other developing countries.

In particular, the following evidence can be found in the research of economists from the CIS countries. Salaev I.’s research shows that organizations that provide microcredit services abroad are commonly referred to as microcredit organizations. It is a type of financial intermediary. On the one hand, they collect funds for microfinance from various financial sources, and on the other hand, they provide the population with access to these sources and related services [5].

According to research Zabolotskaya V.V, microcredit is one of the new technologies of financing and serves the interests of small business [6].

Research methodology

Induction and deduction methods were used in the extensive coverage of the article. Analysis and synthesis methods were also used effectively during the study in order to effectively organize the research.

Analysis and results

During this period, the role of the state in regulating the relationship between the population and creditors is important. In particular, the state will have to cover the interest of loans to legal entities through subsidies or provide credit leave on legal grounds.

In accordance with the Presidential Decree "On additional measures to support the population, sectors of the economy and businesses during the coronavirus pandemic" in the Republic of Uzbekistan until October 1, 2020 [7] entrepreneurs operating in the Republic of Uzbekistan were provided with the following opportunities:

- The State Fund for Entrepreneurship Support guarantees the guarantee funds of the business entity receiving a loan to cover working capital, not more than 75% or not more than 10 billion soums;
- Entrepreneurs will be compensated for interest expenses on loans in the national currency at an interest rate not exceeding 1.75 times the base rate of the Central Bank to replenish working capital.
- Also, until October 1, 2020, commercial banks will provide credit holidays to legal entities and individuals and individual entrepreneurs who are experiencing difficulties during the pandemic. Credit leave is a delay in the payment of interest on a loan by a customer for some reason. Under this decree, no penalties or sanctions will be applied to overdue customers, but loan interest will continue to be calculated for this period [8]. Banks offering credit holidays to legal entities have said that interest on loans for the unpaid period will be divided into subsequent periods of the loan period. This situation may lead to a decrease in the income of legal entities even in the post-pandemic period.

The list of 22 banks that provide credit holidays to individuals under this Decree includes the following: Uzsanoatqurilishbank, Asaka Bank, Turonbank, Alokabank, Hamkorbank, Milliybank, Agrobank, Microcreditbank, ZiraatBank and others [9]. These 22 banks provide loans to 100 million people. All loans (except for overdraft, online microloans, court loans) for less than UZS were declared vacant [10]. It should be noted that these banks offer a grace period for late payment of interest on loans, they have not reduced interest rates on loans. Individuals will have to pay these interest in the amount added to the interest for other periods of the loan period.

The Central Bank has also developed a temporary regime for commercial banks to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy and to support the population, sectors and businesses during the pandemic. In order to reduce the negative impact of the sharp decline in cash flows of individuals and businesses as a result of the pandemic on the financial condition of banks, it was allowed not to transfer deferred loans to the "revised loan account", not to change the quality of loans to a worse category.

In addition, banks are allocating revolving loans for up to 9 months to replenish working capital in order to increase the business activity of businesses, to compensate for the interruptions in their cash flows.

Also, in order to simplify the lending process in banks, centralized and expeditious review of credit documents and reduce the human factor:

- The service of underwriters is being introduced in order to make decisions on the allocation of loans to the population and businesses;
- Allocation of retail loans to the population and businesses on a single basis only on the basis of modular loans;
- The list of offered credit products is posted on the official websites of banks;
- Opportunities for the population and businesses to obtain loans online [11].

Conclusions and reccomandetions

During the research, the author developed the following recommendations:

The interest rate and terms of loans not only affect the banking sector, but also directly affect the living standards and quality of life of the population. For this reason, it would be expedient to provide loans with simplified terms and conditions of repayment to support entrepreneurship in the country.

According to 2020 data, the interest rates of commercial banks in the country will be 24%. Under this decree, if a preferential interest rate of 16% was applied, the financial interest of individuals after October 1, 2020 would be avoided.

In addition, the development of financial assistance programs by the Export Promotion Fund for legal entities engaged in exports and with debt obligations (loans) would prevent the reduction of export opportunities of these legal entities and the country's export volume due to the pandemic.

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