



INTERNATIONAL JOURNAL OF BUSINESS

MANAGEMENT AND ACCOUNTING

International Journal of Business, Management and Accounting

Volume 4, No.1, February 2024

Internet address: <http://www.ejournals.id/index.php/IJBMA/issue/archive>

E-mail: info@ejournals.id

Published by ejournals PVT LTD

Issued Bimonthly

DOI prefix: 10.52325

Potsdamer Straße 170, 10784 Berlin

Requirements for the authors.

The manuscript authors must provide reliable results of the work done, as well as an objective judgment on the significance of the study. The data underlying the work should be presented accurately, without errors. The work should contain enough details and bibliographic references for possible reproduction. False or knowingly erroneous statements are perceived as unethical behavior and unacceptable.

Authors should make sure that the original work is submitted and, if other authors' works or claims are used, provide appropriate bibliographic references or citations. Plagiarism can exist in many forms - from representing someone else's work as copyright to copying or paraphrasing significant parts of another's work without attribution, as well as claiming one's rights to the results of another's research. Plagiarism in all forms constitutes unethical acts and is unacceptable. Responsibility for plagiarism is entirely on the shoulders of the authors.

Significant errors in published works. If the author detects significant errors or inaccuracies in the publication, the author must inform the editor of the journal or the publisher about this and interact with them in order to remove the publication as soon as possible or correct errors. If the editor or publisher has received information from a third party that the publication contains significant errors, the author must withdraw the work or correct the errors as soon as possible.

OPEN ACCESS

Copyright © 2024 by ejournals PVT LTD

www.ejournals.id
Info@ejournals.id

2

CHIEF EDITOR

Serikuly Zhandos

PhD, Associate Professor, RWTH Aachen University, *Aachen, Germany*

EDITORIAL BOARD

T. Pfeiffer

University of Vienna, Austria

C. Dambrin

ESCP Business School, France

R. Chenhall

Monash University, Australia

A. Davila

University of Navarra, Spain

N. Dai

*University of International Business
and Economics, China*

WAYS OF EFFECTIVE USE OF BANK LOANS TO ENSURE EMPLOYMENT OF THE POPULATION

Sodikov Sardorbek Rozikjon ugli

Graduate student of the Banking and Finance Academy of the
Republic of Uzbekistan

Abstract: This article examines the effective utilization of bank loans as a means of ensuring household financial stability. Access to affordable credit plays a crucial role in empowering individuals and families to manage their finances, address immediate needs, and invest in long-term goals. However, the successful utilization of bank loans requires careful planning, responsible borrowing, and strategic decision-making.

The paper begins by discussing the importance of household financial stability in promoting overall economic well-being and social cohesion. It highlights the role of bank loans in providing households with access to funds for various purposes, including education, healthcare, housing, and entrepreneurship.

Keywords: Bank loans, population employment, job creation, economic development, entrepreneurship support, targeted lending programs, inclusive financing, monitoring and evaluation, public-private partnerships, financial inclusion, access to finance

Introduction:

Access to financial services is fundamental for fostering economic development and promoting social inclusion within a society. However, a significant portion of the global population, particularly in developing countries, remains unbanked or underbanked, lacking access to basic banking products and services. This financial exclusion perpetuates poverty, hinders entrepreneurship, and limits opportunities for socioeconomic advancement.

In recent years, there has been growing recognition of the role that banks can play in addressing financial exclusion and promoting financial inclusion. One key mechanism through which banks can contribute to financial inclusion is by extending credit to underserved populations, including individuals and small businesses with limited access to traditional financial institutions.

This article explores the importance of effectively utilizing bank loans as a means of ensuring financial inclusion and enhancing the overall well-being of communities. It examines various strategies and best practices for maximizing the impact of bank loans on improving access to finance, empowering individuals, and stimulating economic growth.

By analyzing successful initiatives and case studies from around the world, this article aims to provide insights into the potential benefits and challenges of leveraging bank loans for financial inclusion. It will delve into topics such as targeted lending programs, entrepreneurship support, inclusive financing mechanisms, and the role of technology in expanding access to credit.

Overall, the effective utilization of bank loans has the potential to significantly contribute to addressing financial exclusion, reducing poverty, and promoting inclusive economic development. Through innovative approaches and collaborative efforts, banks can play a vital role in expanding access to finance and empowering individuals and communities to achieve their full economic potential.

Literature Review:

Bank loans play a crucial role in stimulating economic growth and fostering employment opportunities within societies. This literature review aims to explore existing research and scholarly works on the effective utilization of bank loans for ensuring population employment. By synthesizing key findings and insights from various studies, this review seeks to identify strategies and best practices for maximizing the impact of bank credit on job creation.

Numerous studies have highlighted the importance of SMEs in job creation and economic development (Beck et al., 2010; Ayyagari et al., 2011). Access to finance is consistently cited as a critical factor influencing SME growth and employment generation (Beck et al., 2008). Research suggests that banks are the primary source of external financing for SMEs, and tailored lending programs can significantly impact SME expansion and job creation (Beck et al., 2014).

Infrastructure development projects, such as transportation, energy, and telecommunications, have the potential to create significant employment opportunities (Estache et al., 2017). Banks play a crucial role in financing infrastructure projects through project finance, loans, and bonds (Bhattacharya et al., 2013). Research suggests that infrastructure investments can have multiplier effects on employment, stimulating demand for labor and fostering economic growth (Guasch et al., 2013).

During the research of foreign economists Lumini?a Cernenco, Marilena Pieleanu Lazarenco, "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".

According to L.V.Tatarinova, "The distinguishing feature of retail banking business from corporate business is the establishment of individual, personal relationships and the implementation of the concept of "client-manager".

Professor F. Kholmamatov in his research "suggested to increase the level of diversification of the credit portfolio of commercial banks by increasing the amount of retail loans to individuals." The author focuses on retail loans, which are the most basic of retail services, and suggested to increase the level of the bank's overall loan portfolio by increasing retail loans. This proposal is extremely appropriate and serves to increase the diversification of the bank's loan portfolio, increase the bank's income, and reduce credit and market risks in banks. (Kholmamatov et al., 2023)

Economist I.Qulliev noted the following conclusions on the efficiency of retail loans: "Assessing the efficiency of lending by banks is a process of systematic analysis of the loan portfolio in order to improve the quality of loans, ensure high income and identify directions for improving lending." (Qulliev et al., 2023)

In summary, the literature underscores the multifaceted role of bank loans in promoting employment and economic development. By supporting SMEs, entrepreneurship, infrastructure development, workforce training, and inclusive finance, banks can contribute to job creation, poverty reduction, and sustainable growth. However, further research is needed to evaluate the effectiveness of different financing models and policy interventions in maximizing the impact of bank loans on employment generation and population welfare.

Research methodology. Grouping, comparative and economic analysis, induction and deduction, economic-statistical methods, expert assessment, economic-mathematical

modeling and forecasting methods are widely used in this article.

Analyzes and results

Retail credit products are allocated on the basis of the loan agreement in accordance with the principles of repayment, repayment and maturity. The principle of security is determined by the Head Office Committee in the retail credit product passport. The type, term, amount, interest, benefits and other terms of allocation of retail credit products are determined by the Head Office Committee and approved in the form of a Retail Credit Product Passport.

Retail credit products are allocated to borrowers with a stable income sufficient to meet monetary obligations under the contract for the terms specified in the contract. It is prohibited to allocate new retail credit products to individuals in the presence of unextinguished overdue debt on previously received loans (debts). Retail credit products are issued in the national currency of the Republic of Uzbekistan.

Table 1

The share of commercial banks' credit investments by sectors , in percent

	01.01.2019	01.01.2020	01.01.2021	01.01.2022	01.01.2023
Industry	39.80	35.7	36.9	36.0	32.5
Village economy	5.60	8.1	10.1	10.7	10.8
Construction field	3.50	2.8	2.7	2.8	2.7
Trade and common service	6.40	6.8	7.2	8.4	7.4
Transport and communication	12.50	11.1	9.6	8.8	7.6
Material and technical support development	1.60	1.6	1.4	1.2	1.0
Housing communal service	1.10	1.2	1.4	0.7	0.5
Physical persons	14, 6 0	18.9	19.8	21.3	25.9
Other fields	14, 9 0	13.7	10.9	10.0	11.7
Total loans	100.0	100.0	100.0	100.0	100.0

If we analyze the classification of the credit portfolio of commercial banks by sectors, then loans allocated to industry we can see that it takes the main share. However, its share decreased by 7.3 percentage points in the last 5 years and reached 32.5% by the beginning of 2023. We can evaluate this situation positively. In international practice, industry experts recommend that the maximum limit of loans to one branch be 25 percent. The banking system of our country is approaching this norm.

The share of loans granted to individuals in the total loan portfolio increased from 14.6% to 25.9% over the last 5 years can be explained by the increased interest of banks in transactions with individuals. In addition, it can be justified by the increase in the types and forms of loans granted by commercial banks to individuals, and retail credit products. This situation is positive for the banking system.

Table 2.

Dynamics of total loans allocated to the population in national currency in 2020-2022 , billion soums

Credit type	2020		2021		2022	
	billion soums	share	billion soums	share	billion soums	share
Mortgage loan	9 121.9	26.7	9 794.2	19.9	14 371.2	16.6
Consumption credit	7 578.2	22.2	9 666.6	19.6	21 577.4	24.9
Auto loan	5 586.8	16.4	8 497.6	17.2	19,599.7	22.6
Education credit	59.5	0.2	266.3	0.5	1 771.1	2.0
Microloan	5 836.2	17.1	9,950.8	20.2	16,696.1	19.3
Microcredit	3 672.7	10.8	6 865.6	13.9	9 160.6	10.6
Overdraft	1 309.7	3.8	2 575.3	5.2	1 849.4	2.1
Other	947.9	2.8	1 668.4	3.4	1 633.7	1.9
Total	34 112.9	100.0	49 284.8	100.0	86 659.3	100.0

The volume of retail lending allocated to the population by the commercial banks of our country is increasing year by year. In particular, in 2020 it was 28,466.6 billion soums, in 2021 it was 405,290.9 billion soums, and in 2022 it was 65,288.5 billion soums. This situation testifies to the development of interbank competition in the lending to individuals and retail credit market among commercial banks.

Mortgage loans, consumer loans and auto loans occupy the leading positions in allocated loans. The high percentage of these loans is justified by the high amount of these loans. Microloans issued by banks recorded a rapid growth rate in 2022. The main reason for the sharp increase in car loans is the increase in the volume of secondary car loans by banks. The share of education loans, microloans and overdrafts compared to other retail credit products is noticeably low and their situation is not stable.

Table 3.
Structure of retail loans allocated in 2022 , billion soums

2022 year	Mortgage loan	Consumption credit	Autoloan	Education credit	Microloan	Microcredit	Overdraft	Other
	14 371.2	21 577.4	19,599.7	1 771.1	16,696.1	9 160.6	1 849.4	1 633.7
January	683.9	617.6	605.9	7.9	738.9	51.2	181.6	50.7
February	1 069.8	879.2	853.2	16.3	1 209.6	304.9	187.9	67.8
March	1 075.7	1 447.7	1 414.3	24.6	1 263.9	777.8	216.1	91.2
April	1 311.3	1 533.0	1 503.0	20.8	1 185.7	1 041.3	211.4	144.6
May	1 066.5	1 310.5	1 289.0	13.0	1 046.9	867.7	178.4	199.6
June	1 324.0	1 692.2	1 669.8	8.8	1 190.6	1 009.1	166.1	168.9
July	1 096.3	1 714.2	1 694.8	5.8	1 382.3	652.8	152.1	131.0
August	1 503.8	2 032.0	1 993.9	14.4	1 927.9	1 155.5	155.2	170.7
September	1 211.2	2 303.2	1 821.3	459.6	1 731.6	782.1	124.4	158.9
October	1 172.4	2 666.0	2 014.5	620.7	1 726.8	886.1	104.6	158.0
November	1 206.3	2 895.8	2 522.4	340.1	1 693.9	871.2	88.6	152.4
December	1 650.2	2 486.0	2 217.6	239.0	1 597.8	760.9	83.1	140.0

In 2022, the volume of retail loans of the republican banking system has increased significantly compared to previous years. Mortgage loans, consumer and auto loans occupy the main place in retail loans. We can witness that education loans increased sharply mainly in September and October. The main reason for this is the beginning of studies in higher education institutions. In September compared to August, it increased by 31.8 times and amounted to 459.6 billion soums. The annual increase in the volume of this loan can be explained by the increase in the number of higher education institutions and the increase in quotas for admission. The amount of overdraft loans is not stable, it varies unevenly based on supply and demand.

All information about the borrower, including information about the risks of the borrower, is recorded in the personal file of the borrower. The information used by the credit organization in assessing the quality of the loan, together with the assessment of the borrower's financial condition, should be available to the management bodies, internal control units of the credit organization, auditors and bank supervisory authorities.

The next factor affecting the retail lending activity of banks is the interest rate level of loans. Interest rates on retail loans in banks are formed based on the bank's capabilities and demand and supply. When determining the interest rate, the bank develops and implements a reasonable interest rate, taking into account its margin. In this case, it is appropriate for the bank to analyze the factors affecting each retail credit product and their level of influence clearly, concisely and reasonably. Because the main income of banks is formed through the interest rate, a large part of the resources is directed to credit operations.

In the U.S. experience demonstrates the effectiveness of leveraging bank loans to ensure population welfare through various initiatives such as the Community Reinvestment

Act, Small Business Administration loans, Community Development Financial Institutions, workforce development financing, affordable housing finance, and financial education programs. By adopting a holistic approach to financial inclusion and economic empowerment, banks can play a pivotal role in improving the lives of individuals and communities across the country.

In Germany, effective utilization of bank loans for ensuring population welfare has been a cornerstone of economic policy and development strategies. The German experience offers valuable insights into various approaches and initiatives aimed at promoting financial inclusion, entrepreneurship, and job creation through access to bank credit. In summary, the German experience demonstrates the importance of effective utilization of bank loans in ensuring population welfare through initiatives such as SME support, public-private partnerships, vocational training, inclusive finance, and support for innovation. By leveraging these approaches, Germany has been able to foster economic growth, promote social inclusion, and create sustainable employment opportunities for its population.

Japan has a rich history of effectively utilizing bank loans to ensure population welfare and security. Throughout its economic development, Japan has implemented various strategies to promote access to finance and stimulate employment opportunities through bank credit.

One notable aspect of Japan's experience is its focus on supporting small and medium-sized enterprises (SMEs). Japanese banks have played a crucial role in providing financing to SMEs, which are considered the backbone of the economy. By offering tailored lending programs, preferential interest rates, and financial advisory services, banks in Japan have enabled SMEs to expand their operations, invest in technology, and create job opportunities.

Furthermore, Japan has prioritized infrastructure development as a means to boost economic growth and employment. Bank loans have been instrumental in financing large-scale infrastructure projects such as transportation networks, energy facilities, and urban development initiatives. These projects not only create jobs during the construction phase but also contribute to long-term employment through maintenance and operation activities.

China's rapid economic growth and urbanization have posed significant challenges in ensuring population welfare and security. This paper examines China's experience in effectively utilizing bank loans to address these challenges and promote inclusive economic development. By analyzing key initiatives and policy interventions, this study aims to provide insights into the strategies and best practices for leveraging bank credit to ensure population welfare. Overall, China's experience demonstrates the importance of effective utilization of bank loans in promoting population welfare and inclusive economic development. By implementing targeted lending programs, investing in infrastructure, promoting inclusive finance, and supporting social sectors such as education and healthcare, China has made significant strides in improving the well-being of its population and reducing poverty.

Summary and Recommendations:

Access to bank loans plays a crucial role in ensuring population welfare by stimulating economic activity, promoting entrepreneurship, and creating employment opportunities. This summary highlights key findings from the literature review and provides recommendations for maximizing the impact of bank loans on population welfare.

Key Findings:

1.Small and Medium Enterprises (SMEs) Financing: SMEs are significant contributors to job creation and economic growth. Access to finance is critical for SMEs to expand their operations and hire additional employees.

2.Entrepreneurship and Start-Up Support: Bank loans can empower entrepreneurs to start new ventures, innovate, and create jobs.Supporting entrepreneurship through access to finance and business support services is essential for fostering economic dynamism.

3.Infrastructure Financing: Investments in infrastructure projects, financed through bank loans, have the potential to generate employment opportunities and stimulate economic development. Infrastructure development contributes to long-term employment sustainability and improved living standards.

4.Workforce Development Initiatives: Investing in workforce development programs, supported by bank loans, enhances individuals' employability and reduces unemployment rates.Vocational training, apprenticeship programs, and job placement services are effective in bridging the skills gap and promoting workforce participation.

5.Inclusive Finance: Inclusive finance initiatives, including gender-inclusive lending programs and microfinance schemes, empower marginalized communities and promote social inclusion. Ensuring access to finance for underserved populations is essential for reducing poverty and promoting inclusive economic growth.

Recommendations:

1.Tailored Lending Programs: Banks should design specialized lending programs tailored to the needs of SMEs, entrepreneurs, and underserved communities. These programs should offer flexible terms, lower interest rates, and targeted support services.

2.Capacity Building: Banks should invest in capacity building initiatives to enhance financial literacy and entrepreneurship skills among the population.Providing training, mentorship, and technical assistance can help individuals make informed financial decisions and succeed in business.

3.Public-Private Partnerships: Collaboration between banks, government agencies, and other stakeholders is essential for maximizing the impact of bank loans on population welfare.Public-private partnerships can leverage resources, expertise, and networks to address complex socio-economic challenges.

4.Monitoring and Evaluation: Establishing robust monitoring and evaluation mechanisms is crucial for assessing the effectiveness of bank loan programs in promoting population welfare. Banks should track key performance indicators, measure outcomes, and adjust strategies accordingly.

5.Policy Support: Policymakers should create an enabling environment for bank lending by implementing supportive policies and regulations. Measures such as credit guarantees, interest rate subsidies, and tax incentives can incentivize banks to increase lending to priority sectors.

In conclusion, effective utilization of bank loans is essential for ensuring population welfare and promoting inclusive economic development. By implementing targeted lending programs, supporting entrepreneurship, investing in infrastructure, fostering workforce development, and promoting inclusive finance, banks can play a pivotal role in improving the lives of individuals and communities.

References:

- 1.Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2008). Financing patterns around the world: Are small firms different? *Journal of Financial Economics*, 89(3), 467-487.
- 2.Beck, T., Demirgüç-Kunt, A., Laeven, L., & Maksimovic, V. (2010). The determinants of financing obstacles. *Journal of International Money and Finance*, 29(8), 1709-1733.
- 3.Bhattacharya, S., & Ramamurti, R. (2013). Banking on infrastructure: Enhancing access to financing for India's infrastructure. Center for Emerging Markets, Northeastern University, Research Working Paper Series, No. 13-002.
- 4.Estache, A., Iimi, A., & Ruzzier, C. (2017). Finance and jobs: Evidence from developing countries. The World Bank.
- 5.Luminița Cernenco, Marilena Pieleanu Lazarencu Some hints on individual lending and different factors affecting.
- 6.Tatarinova L.V., Perfileva O.O. Retail banking business: its role and significance in the activities of a credit organization // *Baikal Research Journal*. 2017. No. 2. - P. 2.
- 7.Uralovich, K. S., Toshmamatovich, T. U., Kubayevich, K. F., Sapaev, I. B., Saylaubaevna, S. S., Beknazarova, Z. F., & Khurramov, A. (2023). A primary factor in sustainable development and environmental sustainability is environmental education. *Caspian Journal of Environmental Sciences*, 21(4), 965-975. DOI: 10.22124/CJES.2023.7155
- 8.8. Холмаматов, Ф. К. (2021). РЕСПУБЛИКАМИЗ БАНК ТИЗИМИДА МУАММОЛИ КРЕДИТЛАРНИНГ АМАЛИЙ ҲОЛАТИ ВА УЛАРНИ КАМАЙТИРИШ ЙЎЛЛАРИ. *Scientific progress*, 2(2), 488-495..
- 9.Kholmamatov, F., Khannaev, S., & Ruzimorotov, O. (2021). Assessment Of The Competitive Environment In The Bank Market Of Uzbekistan Through" Bun" Indicator. *Turkish Online Journal of Qualitative Inquiry*, 12(7).
- 10.Kubaevich, K. F., Abdullayevna, Q. Z., Axmadjanovna, S. G., & Makhmudovna, K. R. (2020). The modern state of crediting practices of commercial banks of the republic of Uzbekistan. *Journal of Critical Reviews*, 7(7), 387-390.
- 11.www.cbu.uz- Official website of the Central Bank of Uzbekistan