

ORGANIZATIONAL AND LEGAL REGULATION OF INCREASING THE LEVEL OF CREDITWORTHINESS IN “UZMILLIYBANK” JSC**Jumaniyazov Quvanchbek Amatjonovich**

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Abstract: This article highlights the essence, existing opportunities, and issues of organizational and legal regulation aimed at improving the level of creditworthiness in “Uzmilliybank” Joint Stock Company.

Key words: Commercial bank, credit, creditworthiness, level of creditworthiness, regulation.

In commercial banks, increasing the level of creditworthiness is considered a priority issue. In this regard, appropriate organizational and legal measures are implemented within banks. In particular, credit limits prevent the concentration of most loans in a specific sector [1]. To eliminate this problem, it is necessary to establish an effective credit issuance process in the bank’s activities. Specifically, the most common type of lending in commercial banks is referred to as bank refinancing [2]. For this purpose, the bank’s operations must be thoroughly analyzed. During such analysis, it is essential to use the estimated values of external factors that are not directly related to the bank—such as minimum, maximum, and most probable indicators [3]. The main focus is placed on the value of credit. Depending on the material form of credit value, credits are classified into commodity, monetary, and mixed forms [4].

Based on the above, the level of creditworthiness in “Uzmilliybank” JSC is regulated through its charter and credit policy [5]. The Joint Stock Company “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” is considered a commercial organization that opens and maintains bank accounts, executes payments, attracts funds into deposits, issues loans, and carries out other financial operations in accordance with the laws on banks and banking activities of the Republic of Uzbekistan.

The Bank was established in accordance with the Decree of the President of the Republic of Uzbekistan No. PF-244 dated September 7, 1991, “On the Establishment of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan.”

According to the Presidential Resolution of the Republic of Uzbekistan No. PQ-4540 dated November 30, 2019, “On Measures for Reorganizing the National Bank for Foreign Economic Activity of the Republic of Uzbekistan into a Joint Stock Company” [6], the bank was reorganized through transformation into a joint stock company. The Bank is recognized as the legal successor of the former unitary enterprise “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” with respect to all its rights, obligations, and contracts, including international agreements.

The Bank operates in the form of a joint-stock company, is part of the banking system of the Republic of Uzbekistan, and conducts its activities in accordance with the Constitution and laws of the Republic of Uzbekistan, the resolutions of the chambers of the Oliy Majlis, decrees, resolutions, and orders of the President of the Republic of Uzbekistan, resolutions and orders of the Cabinet of Ministers of the Republic of Uzbekistan, other regulatory legal acts of the Republic of Uzbekistan, as well as this Charter.

The Bank prohibits any form of corruption or bribery, whether committed directly or through the involvement of third parties, in the course of its activities regulated by this policy. Compliance with anti-corruption measures in the lending process is the responsibility of every employee or official of the Bank, regardless of their position.

The main objectives of the credit policy of Uzmilliybank are as follows:
to ensure efficient and profitable lending activities;

to control credit risks and use tools to minimize them, including applying methods of diversification of collateral accepted for various types and categories of loans;

The National Bank of Uzbekistan maintains its liquidity at the established regulatory level.

In addition, the strategic directions of lending for the National Bank are as follows:

Creating new jobs, introducing advanced technologies, processing raw materials, substituting imports, modernizing and technologically re-equipping industrial enterprises, including food and other consumer goods producers, in order to expand the industrial and export potential of the regions of the Republic of Uzbekistan; promoting “green” financing and lending to projects in other sectors.

Financing the creation or reconstruction of transport and social infrastructure facilities, as well as energy supply facilities.

Providing small business and private entrepreneurship entities with borrowed funds to organize and conduct business activities, including supporting their efficient operation by allocating modular loans.

Supporting the development of entrepreneurial activities through the expansion of microcredit operations.

Providing the population with various types of credit products, including modular loan products, in real time using plastic cards.

Creating simplified and convenient mechanisms for entrepreneurs to select, support, and evaluate projects, including the establishment of regional branches of the “Project Factory” and “Entrepreneurship Support Centers” to finance investment projects.

Lending to the priority sectors of the economy.

The National Bank independently sets the conditions for the use of loans by borrowers based on market principles, taking into account the cost and relevance of available resources, the technical and economic indicators of financed projects, as well as seasonal factors and other objective circumstances to ensure cost recovery.

Furthermore, the main documents that regulate the organizational and legal procedures for improving creditworthiness in the “National Bank” JSC are classified into the following types (Table 1).

Table 1

The System of Documents Regulating the Procedures for Improving Creditworthiness in the “National Bank” JSC

Documents and Their Structure and Content			
Decisions and regulations of the Central Bank	Methodologies used in assessing the creditworthiness of clients	Programs aimed at improving clients’ financial literacy	Credit risk management and control system.
-Regulation on the Maximum Amount of Risk per Borrower: This document establishes the rules for limiting the volume of loans that banks can provide to a single client and for managing related risks. In 2024, amendments were introduced to this regulation, which help	-Credit History Verification System: A system that provides information about how clients have repaid their previous loans, which plays an important role in assessing their creditworthiness. -Criteria for Assessing Financial Condition: Determining a client’s creditworthiness by	“Every Family is an Entrepreneur” Program: Through this program, banks assist clients in obtaining loans, enhance their financial literacy, and improve their creditworthiness. -Training and Seminars on Financial Literacy Improvement:	-Internal Audit and Control System: Internal audit systems have been introduced by banks to manage and monitor credit risks, which helps to improve creditworthiness. -Risk Assessment and Monitoring System: By identifying, assessing, and monitoring credit

<p>to reduce credit risks. -Regulation on the Minimum Requirements for the Activities of Commercial Banks: This document defines the main requirements that banks must comply with during the lending process, including the criteria used to assess the creditworthiness of clients.</p>	<p>analyzing their income, financial obligations, and other financial indicators.</p>	<p>These events, organized by banks, provide clients with detailed information about the loan application process, conditions, and obligations.</p>	<p>risks, banks are able to enhance the quality of their loan portfolios.</p>
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Based on the above, improving the level of creditworthiness of clients at “O‘zmillybank” JSC plays an important role in enhancing the bank’s financial stability and the quality of its credit portfolio.

To ensure this, a number of important organizational and legal measures need to be taken:

1) Improvement of the legislative framework:

- Updating and improving the laws that define the conditions for lending and repayment, balancing the interests of clients and the bank;
- Establishing legal foundations for protecting clients’ financial information and developing credit history systems.

2) Regulation of credit policy:

- Standardizing the lending process within the bank and introducing unified criteria for evaluating credit projects;
- Defining legal procedures for the accurate and comprehensive assessment of clients’ financial condition.

3) System for monitoring and assessing clients’ credit history:

- Providing legal support for the activities of the national credit bureau and ensuring the effective use of its data;
- Introducing legal mechanisms to detect and prevent improper debt situations.

4) Ensuring financial transparency and disclosure of information:

- Regulating information exchange between banks and clients by introducing mandatory disclosure of loan terms and client obligations;
- Legally supporting initiatives aimed at improving clients’ financial literacy.

5) Legal regulation of temporary refinancing and restructuring of debts:

- Establishing legal mechanisms to enable refinancing of loans based on mutual agreement with clients in cases of indebtedness;
- Preventing bad debts and maintaining clients’ creditworthiness through such mechanisms.

6) Accountability and control mechanisms:

- Improving legislation to identify violations in the lending process and to establish responsibility;
- Creating legal foundations to strengthen internal control systems within banks.

In addition, the efforts made by banks to enhance clients’ creditworthiness within the institution are directed toward the following areas:

- Conducting more effective analysis and monitoring of credit risks;
- Providing financial consulting services to clients;
- Developing programs aimed at reducing indebtedness;

- Adapting loan terms and offering refinancing opportunities.

In conclusion, to ensure the improvement of clients' creditworthiness at "O'zmilliybank" JSC, it is necessary to enhance the legal framework, standardize the lending process, and ensure financial transparency.

At the same time, the efficient operation of the credit history bureau, availability of refinancing opportunities, and the legal support for clients' financial literacy training are also crucial.

All these measures contribute to reducing credit risks and improving the overall quality of the credit portfolio at "O'zmilliybank" JSC.

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