GROUND AND PROCEDURE FOR MICROCREDIT OR MICRODEBTS IN THE REPUBLIC OF UZBEKISTAN

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Abstract: This article highlights the importance of small business and entrepreneurship in today’s market economy. Also, the legal framework for the development of small businesses and entrepreneurship, the ongoing reforms in the country in the sphere of small business and entrepreneurship and their financial support, the essence of their content, the latest changes in national legislation to regulate this area and The system of legal protection of small businesses and entrepreneurship is provided in accordance with national legislation.

Index terms: Businessmen, bank, Credit, Minibusiness, private property, state, family, economy, money, syllable, debt, physical person.

1. INTRODUCTION

One of the main objectives of large-scale reforms in the country is to raise the national economy to the highest level. It is well-known that the high economic growth will inevitably require the exclusion from the state monopoly of the property, as defined by the legislation, and the entrepreneurship in this system by providing greater freedom and opportunities for private property. Today many state-owned forms of ownership are privatized in accordance with the law. The scope of activities of private property is expanding in manufacturing, service and other areas of social life. This proves that the economic development of Uzbekistan focuses on private business. Consequently, entrepreneurial activity is in line with the fundamental laws of the market economy, such as supply and demand, competition and is a major factor in the economic development of each country. The role and importance of small business in the economy of the country is particularly important. As a result of increasing access of the population to financial resources, creation of favorable conditions for obtaining low-income population and small businesses and optimization of appropriate legal mechanisms, commercial banks in the regions of the republic as of January 1, 2019 will make 2 211.5 billion sums. preferential microcredits and microloans [1], [37]. Microcredit and microloans provided by microcredit organizations play a special role in financial support of small businesses. Micro-credit and micro-lending is a convenient tool for small businesses to provide certain types of activities by providing small and short-term financing. The Laws of the Republic of Uzbekistan “On Microcredit Organizations” of September 20, 2006, №53, and Law of the Republic of Uzbekistan “On Microfinance” of September 15, 2006 No. 50 stipulate the bases and procedures for microcredit and microlending.

In particular, in accordance with Article 10 of the Law of the Republic of Uzbekistan “On microfinance”, legal entities and individuals shall submit an application for microfinance services to the microfinance organization and other information on their activities and income [2], [15]. The order contains the following information:

for legal entity - full name, location (postal address), taxpayer identification number and bank details;
for physical person - his surname, name, patronymic, series and number of passport (or other document replacing passport), address of permanent residence, as well as individual taxpayer identification number and bank details;
amount, type, purpose of microfinance services, terms and object of rendering of such services;
type of activity and income of the customer.
The order is signed by the customer indicating the date of order.
The microfinance organization is required to review the application within three business days of receipt of the application and make a decision on the provision of microfinance services or justified refusal of microfinance services.

When an order is being reviewed by a microfinance organization, the following analyzes are made:
determination of the customer’s income sufficient;
non-inconsistency of the information specified in the order.

2. METHODS

Possibility of timely execution by the customer of obligations to microfinance organization. In case of a well-grounded refusal to provide microfinance services, the microfinance organization must notify the customer in writing. Microcredit and microcrediting principles and procedures are also specified in the Regulation “On microcrediting and microlending services” approved by the Resolution of the Cabinet of Ministers of May 6, 2006 № 78.

In particular, the provision of microcredits and micro-leasing services to business entities in accordance with paragraph 2 of this Regulation will create conditions for further development of private entrepreneurship, creation of new jobs through the development of individual labor activity,
family business and home-based work, in rural areas to ensure access to financial resources.

Microcredits by use [3], [2]:

- To form startup capital;
- Business development (expansion) and replenishment of working capital.

However, by the letter of the National Association of Microfinance Institutions of Uzbekistan № ID / 009 dated January 31, 2019, the State Tax Committee of the Republic of Uzbekistan has the following objections: Providing services in the field of broadcasting, and therefore it is wrong to evaluate the services they provide. According to experts, microcredit organizations are direct competitors of banks. But this is not always true. Consequently, microcredit organizations and banks operate in different segments of the financial market and cannot compete with each other. Microcredit organizations operate in a market-based debt segment that is not attractive to banks under certain factors. Such factors include high operating costs, lack of ability of the borrower to confirm their income, and low profitability, which does not allow the bank to become a customer. In addition, if the bank can provide the appropriate profitability in settlements with a population of more than 50,000 people, microcredit organizations may also operate in low-income areas. Microcredit organizations are involved in small-scale micro-lending and micro-lending activities. As a rule, microcredits and microloans are issued without collateral and the actual amount is less than the amount of a bank loan.

According to some experts, the basic principles of microcredit are:
- Loans are issued for a small amount and for a short period (up to 24 months);
- Use of “step by step” lending techniques;
- Credit becomes entrepreneurial;
- Regular communication between bank staff and the borrower;
- A simplified procedure for the review and control of applications;
- Use various methods of guaranteeing, including non-traditional methods of bank lending technology;
- Ensuring the commercial viability of the program by comparing the interest rates on microcredits to the mid-term price of bank loans, and in some cases higher than the average.

The difference between microcredit and microloans provided by microcredit organizations from loans and loans granted by banks is dependent on their amount. In the current legislation microcredit is provided in the amount not exceeding one thousand minimum wages, and in the amount not exceeding one hundred minimum wages (Articles 4-5 of the Law on Microfinance). In other words, the maximum amount of microcredits and microloans is clearly defined in the legislation, and the exact amount of loans provided by banks is not envisaged by the legislation. S. Yushankulov argues that debt has the following functions: 1) debt function of social protection. At the same time, the social protection function is implemented by providing economic assistance to the borrower by lending; 2) the purpose of the borrower in the performance of his business activity is to make a profit by receiving a certain interest in the amount of the money provided by the lender for a fixed period; 3) When a debt is a mutual partnership, the purpose of the lender is to do business rather than interest, and it is predicted that the lender will receive a share of the profits. Based on this view, it can be noted that the microcredit provided by microcredit organizations in this case mainly has two social and business functions. In the first case, microcredits are provided for consumer needs and consumer purposes, and in the second case, microcredits are granted to small businesses to carry out entrepreneurial activities.

In microcredit relations, a microcredit organization lends a loan to the borrower on terms and conditions of repayment of funds in the amount not exceeding the amount envisaged by the law for entrepreneurial activity.

3. RESULTS AND DISCUSSIONS

In our opinion, microcredit organizations offer favorable and favorable terms for micro-crediting and microcredit organizations, and the amount and duration of microcredit are provided through the most favorable lending technology.

According to paragraphs 3-4 of the Regulation, microcredit for the formation of start-up capital up to 18 months at the rate of 3% per annum [4], [1]:

- Up to 50 times the minimum wage - for businesses that do not have the status of a legal entity;
- Up to 100 times the minimum wage - for microfirms and dekhkan entities (with the status of a legal entity);
- up to 200 times the minimum wage - for farms.

Microcredits are issued to newly established small business entities within 6 months from the date of their state registration for a loan to form start-up capital. Microcredits to small business entities (micro firms, small enterprises, farms and farms) for business development (expansion) and replenishment of working capital at the rate of not more than 50% of the Central Bank refinancing rate up to 24 months in the amount equal to lotteries. It should be noted that the statute contains the purposes for which microcredit cannot be granted. According to clause 6 of the Regulation, microcredits pay off loans or any other debt previously received; to organize tobacco production and production of alcoholic beverages.

The procedure for issuing microloans is set out in Section II of the Regulations. These requirements and regulations also apply to micro-credit lending. Borrower submits the following documents to the bank to get a microcredit:

- application for microcredit;
- business plan, with the indication of cash flow forecast;
- documents related to the repayment of the microcredit, including the accounting and financial statements, filled in the manner prescribed by law.

At the same time, the procedure for issuing a microcredit is limited by the timeframe for the business plan to be submitted to the bank, which states that the business plan must be completed no later than 60 days before the application for microcredit.

Upon receipt of the credit documents and checking their completeness, the lender bank shall register the application in a special ledger, place the number in the notebook, sew it, seal it, and sign the head and chief accountant of the bank. The note must specify the name of the applicant, the date of application, the amount of microcredit requested, the purpose of obtaining the microcredit, and the type of
security. After registration of the application, the lender bank shall submit the package of documents to the credit committee of the bank institution for consideration not later than the next day [5], [1]. The Credit Committee, including on-site, examines the loan application and solvency of the borrower, as well as the adequacy of the microcredit objectives. Credit portfolio analysis is also based on an assessment of the borrower’s credit history and reputation. Credit history is evaluated by the bank based on available information about the borrower at the National Institute of Credit Information of the Central Bank. After reviewing the application, the Credit Committee makes a decision, which is approved by the head of the Credit Committee. Positive decisions on microcredit should be approved by at least two-thirds of the members of the credit committee [6]. On the basis of a positive decision of the Credit Committee, a loan agreement will be signed with the borrower.

4. CONCLUSION
At the same time, the credit information goes to the bank’s own credit database and the National Institute of Credit Information. In the event of a negative decision by the Credit Committee, the borrower shall be notified in writing of the reasons for refusal. The business entity has the right to appeal against the decision of the credit committee in the established procedure. The decision to extend the microcredit is made by the Credit Committee within 10 working days from the date of receipt of the credit application with the necessary documents to the bank. The bank has the right to return the documents for detailed processing within the specified period of time, with a clearly stated list of comments, provided that the business entity does not submit documents properly or if there are inaccurate or incorrect information. According to clauses 26-28 of the Regulation, microcredits can be issued in cash or in non-cash form. Microcredits are provided by opening a separate loan account with non-cash payment of payment orders for inventories, services and works or by cash disbursement through bank cash register. Loan account shall be opened within two working days from the date of credit agreement, unless otherwise stated in the loan agreement. The Bank calculates the amount of future principal and interest payments based on the loan amount and the interest rate in installments equal to the entire loan term. This procedure of issuance of microcredit requires full compliance by small businesses after applying to microcredit organization, and microcredit is provided after this registration. Microcredit organization of the Law of the Republic of Uzbekistan “On microcredit organizations”: to provide microfinance services on the condition that the borrower will meet the obligations under the contract or without such conditions; Reasonable rejection of microfinance services to the customer; to request from the customer documents necessary for fulfillment of microfinance and contractual obligations; require the borrower to fulfill its obligations ahead of time, in case the target microcredit has not been paid in time or is not used for a designated purpose; to provide consulting and information services; set the amount of penalty (fine, penalty) for non-fulfillment or improper fulfillment of obligations by microcredit organization borrowers; to raise funds for rendering microfinance services in accordance with this law. Although today the country has formed the bases and procedures for providing micro-credits and microloans, it is necessary for simplified and specific purposes for small businesses. Consequently, the procedures for securing and formalizing loans, issued by banks for a large amount of microcredits, can delay the timely introduction of expected funds by small businesses into entrepreneurial activity or result in microcredit rates being useless as a result of changes in market conditions.

REFERENCES: