CREDIT FUNCTIONS, FORMS, AND TYPES

Xayitova Adiba Gofurovna
Independent researcher at the Supreme School of Judges under the Supreme Council of Judges of the Republic of Uzbekistan

ANNOTATION: This article provides various definitions regarding problematic loans. In some literature, a problematic loan refers to one where the bank has doubts about its object, subject, and collateral. In other sources, problematic loans are analyzed from a legal perspective, indicating cases where the borrower has missed one or more payments or where the collateral value has depreciated, leading the loan to be categorized as problematic.

Keywords: credit, bank, principle, loan, capital, debt, money, creditor, borrower, relationship, bank

The essence of credit becomes even more apparent in its functions. The functions of credit are presented differently and in varying numbers in various economic literature. While some economists claim that there are five functions of credit, others assert there are only two. Based on economists' views on credit functions, as well as the involvement of credit in commodity-money relations and socio-economic processes, the following functions can be outlined:

(a) redistribution,

(b) acceleration of circulation,

(c) issuance and cashing of money,

(d) accumulation and centralization of monetary capital.

Among the functions of credit, the redistribution function is considered one of the primary ones. Through this function, credit attracts the temporarily unused portions of the distributed incomes of individuals and legal entities into the relevant funds. The attracted funds are then redistributed to sectors of the economy that require additional resources. This function allows those with temporarily idle funds to earn additional income, enables creditors to earn interest from borrowers who need extra resources, and helps borrowers ensure the continuity of the production process by creating added value.

Thus, through the redistribution function of credit, loan capital is allocated among sectors of the economy on a repayment basis, ensuring the economic interests of the parties involved in credit relationships and serving to provide income for individuals who have redirected their temporarily idle funds to the creditor. The implementation of the redistribution function of credit is directly and indirectly influenced by the saving function of money. Classical and neoclassical school representatives have paid special attention to this issue. For instance, A. Marshall stated that "people may have the ability to buy but choose not to spend their money." This acknowledgment does not entirely refute Say's law. On the contrary, neoclassical economists concluded that Say's law holds under one condition—savings (S) must take the form of investment (I). They argued that equilibrium in the capital market is achieved through the stability of the interest rate. If the amount of savings (supply of capital) is less than the planned amount of investment, the interest rate will rise, reducing the demand for investments and increasing the supply relative to savings. The balance between savings and credit is regulated through the interest rate.

If classical school representatives considered the interest rate's influence on the volume of investment and savings as the primary factor, later economists emphasized the role of household incomes in determining the amount of savings. This process indirectly affects the redistribution function of credit. The function of credit to accelerate the circulation process directly influences the country's money circulation, money supply, and the velocity of money turnover. By attracting temporarily idle funds into relevant funds, this function injects them into the monetary circulation. It is known that maintaining a stable ratio between the money supply and commodity mass positively affects the stability of the national currency and its purchasing power.

In this process, credit satisfies the need for additional resources in the economy without increasing the total volume of the money supply. Typically, the granted loans are transferred from one account to another through financial institutions, positively impacting the velocity of money circulation.

With the emergence of credit, simple forms of credit money, such as bills of exchange, appeared. These bills have played a vital role as financial instruments in solving temporary cash flow issues of economic entities through credit relationships.

The function of issuing and cashing money is primarily implemented through the refinancing policy of the central bank. It is known that the central bank provides loans to commercial banks based on refinancing rates to regulate the money supply. The loans provided increase the money supply in the economy, while non-cash money issued by the central bank in the form of credit eventually becomes cash.

Through the function of accelerating the accumulation and centralization of monetary capital, credit contributes to the formation of large loan capital in relevant funds. This centralization of resources takes place in countries, regions, territories, and even companies where the financial and credit system is developed.

The full implementation of credit functions relies heavily on its principles. Credit operates according to the following principles:

- **Timeliness principle:** Loans are issued for a specific period as per the credit agreement. In the country's banking system, loans are categorized into short-term or long-term based on their duration.
- **Payment principle:** Creditors collect payments from borrowers in the form of interest for all loans issued.
- **Collateral principle:** All loans issued are associated with varying degrees of risk. To mitigate this risk, creditors require borrowers to provide collateral, typically in the form of pledged assets, insurance policies, or guarantees from third parties.
- **Repayment principle:** Loans provided temporarily must be fully repaid within the stipulated period.
- **Purpose principle:** Credit agreements specify the intended purpose for which the loan should be directed, ensuring the borrower uses the funds for the stated objective.

In conclusion, the full functioning of credit principles and functions is influenced by various factors, including the state of the national banking system, the socio-economic relations within the national economy, and the outcomes of the state's internal and external policies. Under market economy conditions, the effectiveness of these relations and policies is reflected in the functioning of credit principles and functions.

Forms and types of credit, their description: Forms and types of credit In the economic literature, economists and specialists have different opinions and interpretations about the types and forms of credit. For example, the Uzbek scientist, Professor Sh. Abdullayeva, although she did not express clear ideas about the forms of credit, emphasizes that its types are “short-term lending” and “long-term lending”, as well as Russian economists put forward different opinions about the forms of credit. Types of credit mainly provide an opportunity to understand its essence more clearly. At the same time, it is worth noting that it is advisable to study not only the types and forms of credit, but also the classification of credit separately. Credit can be traditionally classified according to a number of characteristics. In particular,

1. Credit is classified according to the category of debtor and creditor,
2. According to the term of the loan,
3. According to the forms of granting credit.

If we pay attention to the classification of credit in this way, then such a classification mainly occurs in the process of economic relations arising between credit subjects. Also, its remarkable feature is that it reflects material value, and in practice it reflects the circumstances associated with its provision. Based on the above and sources in economic literature, we can divide credit into the following forms;

a) commodity
b) money
c) mixed.

The commodity form of credit is considered its simplest form, and the initial relations related to credit developed precisely within this form. According to the existing economic literature, in the commodity form of credit, it was mainly provided in the form of a commodity, and the debtor returned the same amount of goods to the creditor in repayment of the loan. According to sources, this form of credit arose and developed during the period of ancient society, in ancient Rome. Even the jurists of that period put forward some ideas about the similarities and differences between the economic categories of "loan" and "credit". It is known that this issue is still a controversial issue among economists and experts. While one group of scientists claims that there are no significant differences between "loan" and "credit", the second group of scientists denies this. It is noteworthy that in Rome, the jurists of that period tried to explain the difference between "loan" and "credit" (debt) as follows. According to them, in a loan, the debtor, that is, the borrower of a loan in the form of a commodity, must present the same commodity or item that he received from the lender when repaying the loan. For example, if the debtor took a horse on loan, then this horse must be returned to him when repaying this loan. In credit, it is recognized that a loan taken in the form of a commodity can be repaid with a similar type of commodity. For example, a loan taken in the form of a commodity can be repaid with the same type and quantity of wheat or other products. In economic literature, one can also witness the diversity of opinions regarding the commodity aspects of credit.

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