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<https://doi.org/10.61796/jaide.v1i7.765>**FOREIGN MODELS OF STATE REGULATION OF THE CREDIT SERVICES MARKET**

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Abstract: The article discusses foreign models of state regulation of the credit services market. According to the author, the governments of foreign countries took an active part in maintaining the liquidity of credit organizations through capitalization and refinancing. Prominent examples of such regulation are the French, Singapore and Hong Kong models, which were based on a successful combination of high levels of state intervention with regulatory tactics.

Keywords: credit services market, state, regulation, models, credit organizations, capitalization, refinancing



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Introduction

Modern ideas about the nature of credit service activity and its role in the economy determine the institutional basis of credit market regulation. At the same time, each country has its own regulatory legislation and its own institutional model of the system of governing bodies. Its effective operation and successful development largely depends on which institutional model the state chooses to regulate the market of credit services, in particular, the banking crisis. Thus, banks act as a kind of transmission mechanism that implements decisions made by the government and affects the entire economy [1, p. 11].

As experience has shown, the regulatory practice used by the governments of developed countries has not justified itself, because recently the system of the modern global credit market has become more complicated

Methods

In this article, taking into account the fact that bank credit organizations are the main financial intermediaries and occupy the main place in our research, we will dwell on some features of banks and the banking system that determine the specific features of state regulation of credit services. Foreign models of state regulation of the credit services market were grouped, comparative analysis, and selective observation methods were used.

Logical and structural analysis, grouping and comparison methods were used as research methodology

ANALYSIS OF LITERATURE ON THE TOPIC. I. Myksasyuk advocates strict methods of state regulation of the economy before the introduction of economic dictatorship [2, pp. 43-45]. It is in such conditions, according to the scientist, that negative events and processes in the economic life of the state can be eliminated in a short time.

R. Werner is in favor of strict credit control and quantitative restrictions on bank loans by the central

bank, while ensuring transparency in the distribution of loans. According to him, excessive crediting of the economy causes the "anomaly of recurrence of banking crises" and correct regulation of the distribution of credit resources prevents banking crises or mitigates their consequences [3, p. 184]. The econometric analysis conducted by S.M. Lobozyanskaya showed that the banking sector with a higher share of loans to the private sector is larger in countries with good judicial protection of contractual relations [6, p. 15]. However, T.D. Statistical studies conducted by Simpson proved that strict restrictions do not reduce the probability of banking crises. In addition, a sample of data from fifty countries showed that only weak governments use strict regulatory methods [5, p. 20].

Result and Discussion

In the current stage of financial globalization, the competition of national supervisory institutions has increased significantly. The possibility of regulatory arbitrage, that is, the minimization of the costs of investors and other market participants related to certain norms of regulation of banking activity, directly affects the profitability of individual operations and the evaluation of the selected investment environment. Therefore, in order to strengthen national competitiveness, it is necessary to improve the quality of financial institutions [1, p. 56].

It is worth noting that for many years there have been intense debates not only about the necessity of state intervention in the credit sector, but also about the level of such intervention. Thus, some scientists support the decisive influence of the state in regulating the credit market, while others prefer its self-regulation through market mechanisms. There are many scientists and practicing bankers who believe that government regulation of the credit market is important, but even among them there is no unity on the level of influence of the government.

As we can see, it is necessary to find a balanced solution regarding the level of state regulation of the credit services market, which will eliminate the possibility of crisis events. A vivid example of such regulation is the French, Singapore, and Hong Kong models, which were based on a successful combination of high-level state intervention with regulatory tactics [1, p. 7-7]

Secondly, banking credit organizations are an effective means of state regulation of the credit market. This regulation is implemented centrally by the state, as well as at the level of the banks themselves, which are most rationally interested in terms of profitability and security, distribution of credit resources [4, p. 57].

However, world experience shows that the concept of "rational" may be different for each bank. If an inefficient institution has agents who benefit greatly from this institution during its operation, it will exist as long as it is profitable. A prime example of this is the inflated derivatives market. According to some estimates, the "bubble" that appeared in the process of managing the free market - the derivatives market exceeded the size of the real world economy in terms of money by at least 10 times. Thus, the development of inefficient institutions and the formation of a low-quality institutional environment can lead not only to a credit crisis, but also to economic collapse, both at the national and international levels [1, p. 57-57].

In his research, N.G.Karimov stated that "the first manifestations of the financial crisis in foreign countries led to the outflow of foreign bank capital from banking institutions, which endangered the liquidity of the latter and contributed to the decrease in credit growth. Therefore, state regulation of credit services is introduced in order to reduce systemic risk and ensure the stability of the banking system and the economy of the country as a whole" [6, p. 58].

The theory of banking includes two main models of banking activity regulation. A single model does not protect either depositors or creditors. In the second model, the funds of creditors and depositors are protected. Protective measures are implemented through discount services provided by the central bank, deposit insurance, provision of certain types of guarantees for deposits of individuals, etc. [7, pp. 21-22].

The advantages of the first model are that, firstly, market conditions force banks to carry out their activities more responsibly, limit bank risks and increase capital, and secondly, in case of bank insolvency, taxpayers bear the losses. If not, the losses are distributed between creditors and creditors.

The disadvantages of this system are that inexperienced depositors may lose their savings if they do not have information about the level of risk management in the selected bank, and this model can lead to mass withdrawal of funds from banks by depositors in time. not protected from putting. The second model does not have the indicated defects. In this model, all depositors can count on adequate support, mass withdrawals of deposits are less likely, and the payment system is better protected. At the same time, this model has its drawbacks. In such a model, there is a high risk of incorrect redistribution of funds, which leads to losses for taxpayers, which is the basis of all guarantees [8, p. 84].

Western countries adopted the second model of banking regulation, regardless of the important moral problems that arise in the process of protecting deposits and payment systems. In these countries, the problem of creating a system of regulation and control of banking activities, while maintaining the advantages of the system that limits the negative consequences of excessive risk, fraud, and inefficient distribution of funds, and ensures the stable operation of banks, has intensified.

In world practice, the above-mentioned models may change, as each country tries to create its own model that adequately develops and applies the means of state regulation of banking activities (legislation, powers of regulatory and supervisory bodies, etc.) does. Islamic banks are prohibited from lending on interest, so these institutions work on the principle of participating in the profits and losses of the borrower.

This approach to banking activity was created in the 60s and 70s. Until 2000 of the last century, there were more than 150 banks in 40 countries in the world, and their activities were based on Islamic traditions of monetary relations.

It should be said that banks that perform banking activities based on Islamic principles operate not only at the state level in Islamic countries (Iran, Pakistan, Sudan, Malaysia). They also operate in the banking systems of some non-Muslim countries, including Europe and America.

The existence of banking systems and banking activities based on Islamic traditions confirms the conclusion about the versatility of credit relations and activities of credit organizations.

It should be noted that state bodies regulating the market of credit services are formed depending on the institutional environment of market activity. Thus, the main subject of regulation of US credit services is the Federal Reserve System (FED); In Italy - the inter-ministerial committee on credit and savings, which is administratively related to the treasury; Great Britain, Canada, Australia, Germany and Poland all have a single financial regulator - a "mega-regulator".

In recent years, central banks of more than 20 countries, such as Belarus, Kazakhstan, and Russia, have been conducting research on bank lending conditions.

Governments of foreign countries took an active part in maintaining the liquidity of credit organizations by capitalizing and refinancing them. The UK experience is interesting in this regard. The UK government made a financial injection of 10 billion pounds in 2019. Also, the British government intended to provide state guarantees for assets in return for increased lending. Thus, the Royal Bank of Scotland in the amount of 325 billion pounds in exchange for government guarantees.

In Germany, a special fund for stabilization of the credit market was established, and its activity provided the possibility of guaranteeing and refinancing bank credit organizations. This fund was partially financed by the state and partially by private investors, which allowed to reduce the burden on taxpayers [7, p. 72].

The fight against problem loans takes away significant resources (financial, human, technical) from banks, which ultimately has a negative impact on the financial results of their activities. It is for this reason that the issues of managing problem assets of banks are on the agenda of the state control bodies of many countries of the world.

In order to solve problems related to problematic bank loans, they are being restructured. The analysis of the foreign experience of Russia, Hungary, Mexico, Argentina, Uruguay, Great Britain and the USA showed that the following measures are mainly used to restructure bank loans in crisis conditions:

- purchase of bad loans;
- reducing interest rates on loans;

extending the loan term;
reduction of the principal amount of the debt (debt write-off);
conversion of currency loans.

The practice of buying troubled assets and localizing them in a separate management company is widely used in foreign countries, in particular, Poland, Lithuania, Kazakhstan, and China. Spain, Finland, Sweden, USA and many other countries. Deposit insurance companies, central banks or asset management companies (AMCs) can act as such companies.

A centralized approach is justified in pulling troubled banks out of a systemic banking crisis, while a decentralized approach is justified in dealing with troubled assets of individual banks that are struggling to repay loans. The "bad" asset purchase program is accompanied by measures aimed at recapitalizing banks. Here, the experience of Argentina, Brazil and Sweden, which replaced the problematic assets of banks with the securities of the investment fund, deserves attention. Thanks to this operation, credit organizations had the opportunity not to accumulate large reserves for loans, thus freeing up billions of funds for lending.

It should be noted that an investment fund, unlike a bank, has more opportunities to collect debts, in addition, such an operation allows the restructuring of problematic loans to be extended for a longer period of time, thereby improving the current liquidity of the banking credit sector [5, 22–p.].

The state that buys problematic assets must take immediate measures to implement them in order to prevent further deterioration of their quality and reduce the burden on the budget. Lowering interest rates on bank loans is a priority direction of state support for business entities.

Conclusion

Based on the study of foreign models of crisis regulation of the credit services market, we can single out the most suitable ones, in particular:

a combination of a high level of state regulation with tactics of deregulation of the credit services market;

introduction of preferential lending regimes for goods and services of national producers, thus supporting consumer loans and, accordingly, the national producer;

establishment of a credit support stabilization fund, partially funded by the state and partially by private investors, which will reduce the burden of taxpayers and also serve to implement state preferential lending programs;

implementation of a policy of open cooperation between state regulatory bodies and consumers of credit services by informing about the state of the banking system, providing explanations about the behavior of the regulator, and having a tolerant attitude, which means that credit does not constitute an absolute prohibition of early withdrawal.

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