



## The Role of Bank Credit in a Market Economy

*Nozimov Eldor Anvarovich*

*Assistant of Samarkand Institute of Economics and Service, [eldornozimov@gmail.com](mailto:eldornozimov@gmail.com)*

*Ortiqov Baxtiyor Olim o`g`li*

*Student of Samarkand Institute of Economics and Service*

**Abstract:** This article reveals the essence and role of bank credit in the market economy of the Russian Federation at the present stage, also studied scientific approaches to determining the essence of the concept of "bank credit", and considered the main approaches to the significance of the role of bank credit. The purpose and main tasks of the bank's lending activities are outlined. Several functions of a bank loan in a market economy are also considered in detail.

**Keywords:** bank credit, credit activity, bank, functions, role, market economy.

In the economy of our country, the banking sector is one of the most dynamically developing. Banks act as financial intermediaries. They accumulate temporarily free monetary resources of some economic entities and transfer them for temporary use to other economic entities. In the banking services market, the main activities are deposit and credit operations.

Lending activity is one of the most important features that form the very concept of a bank. In the current conditions of the economic situation in Russia, bank lending is one of the main sources of profit for commercial banks.

The relevance of the study is due to the fact that bank lending is currently one of the main internal incentives for economic development.

Without the institution of lending, it is impossible to imagine modern economic, including financial, turnover.

Lending solves the problem of ensuring the movement of funds (other borrowed resources) from one entity to another, from one industry to another.

In other words, bank loans serve the system of redistribution of cash and other capital flows, predetermining the acceleration of the reproduction process.

A bank loan is a bank operation to provide funds to the borrower on the terms of payment, repayment, and urgency. In a broader sense, credit is a cost economic category, an integral element of commodity-money relations.

The concept of "bank credit" is defined by four main characteristics:

1. Return. Funds borrowed from the bank must be returned. Otherwise, the case will go to court.
2. Cost. You can't just ask a financial institution for a loan. You have to pay for the service.
3. Deadline. Borrowed funds must be returned within a certain period of time prescribed in the contract. The return is carried out exactly on schedule - this is convenient for everyone, because in this way the amount is divided into comfortable payments and repaid regularly at a measured pace.
4. Differentiation. The terms of the loan are set for a specific situation.

The main goal of the lending activity of any bank is to achieve commercial growth by strengthening and improving the reliability of the quality of the bank's loan portfolio.

Among the main tasks of credit activities is the creation of assets that provide a constant planned level of profitability; investing credit funds in economically promising, profitable projects; development and active introduction of new credit products; strengthening and increasing competitiveness in the market; improving the quality of services provided.

Now there is a group of banks that are developing specialized small business lending programs. Their loan products are almost identical, therefore, when choosing a bank, customers are primarily guided by the cost of the loan, the speed of its provision and approaches to collateral.

In a market economy, credit performs several important functions:

1. The distributive function of a loan consists in the transfer of monetary resources between economic entities on a repayable basis.
2. The emission functions of the loan. Commercial lending contributes to the emergence (imitation) of new funds. Banks quickly respond to the need for money emission, so they quickly increase the payment mass.

The Central Bank and the entire banking system issue money on a credit basis.

3. To ensure monitoring of compliance with the principles and conditions of lending by the subjects of loan agreements, the control function of the loan is performed. Thanks to this type of monitoring, compliance with the terms of the loan agreement, the creditworthiness of the borrower, and the forecast of risks before issuing a loan are checked.

Lending can also perform the following functions:

1. Accumulation function, involving the collection of assets, capital for a serious investment or a big purchase.
2. A reproductive function that allows you to use additional funds for the production cycle (purchase raw materials, process, sell goods or products, and pay off the proceeds), as well as its changes (in terms of quality, cost).
3. A stimulating function that allows you to organize the production process from scratch, without having your own assets.
4. Substitution function, i.e. creation on the basis of a loan of means of payment, the use of which has the effect of saving distribution costs.
5. Growth of capital concentration. Bank lending allows you to concentrate capital in the shortest possible time frame with minimal cost.
6. Servicing the turnover - the process of movement of goods is accelerated and simplified due to the widespread use of bills of exchange, checks, credit cards, etc.
7. Contributing to the acceleration of scientific and technological progress - the implementation of a large number of innovative projects in less time, including those that require significant financial costs.

The objective need for bank lending is due to the peculiarities of the circulation of capital, which are: the constant formation of cash reserves; different duration of the turnover of funds in the economy; close interweaving of cash and non-cash turnover; segregation of funds within economic entities.

In the process of circulation, funds in some economic units are released, while others have a need for their use.

The need for lending is also due to the commercial organization of management in market conditions, when each enterprise in the conditions of capital circulation has an additional need for funds. With the help of the credit mechanism, enterprises receive the funds they need for normal operation.

Thus, a bank loan is of great importance in the development of economic relations between industries and regions, in increasing the efficiency of production, in creating and using income and profits. Credit is able to have an active impact on the volume and structure of the money supply, payment turnover and velocity of money. Credit stimulates the development of productive forces, accelerates the formation of sources of capital to expand reproduction based on the achievements of scientific and technological progress

## REFERENCE

1. Guliyev R.Ch. Credit and its role in the economy // Electronic scientific journal "Economy Vector". - 2020. - No. 11. - [Electronic resource]. - Access mode: <https://www.elibrary.ru/item.asp?id=44448261> (date of access: 05/20/2022).
2. Credit relations in the modern economy: monograph / teams of authors; ed. prof. O.I. Lavrushin and prof. E.V. Travkina. – M.: KNORUS, 2020. – 354 p.
3. Plotnikova E.Yu. Credit and its role in market relations // Modern scientific research and innovation. - 2021. - No. 1. - [Electronic resource]. - Access mode: <https://web.snauka.ru/issues/2021/01/94287> (date of access: 05/20/2022).
4. Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025". [www.lex.uz](http://www.lex.uz).
5. Nozimov, E. A., & Kholmirezayev, E. B. (2022). MAIN PROBLEMS OF THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN. *Miasto Przyszłości*, 24, 143-145.
6. <https://review.uz/oz/post/diqamli-iktisodiyot-mamlakatimiz-taraqqiyoti-garovidir>
7. Anvarovich, N. E. (2022). Problems of Growth in Investment Activity of Banks of Uzbekistan. *EUROPEAN JOURNAL OF INNOVATION IN NONFORMAL EDUCATION*, 2(2), 349-352.
8. Nozimov, E. A. (2022). DEVELOPMENT OF BLOCKCHAIN TECHNOLOGIES IN COMMERCIAL BANKS. In *European research forum* (pp. 67-71).
9. Anvarovich, N. E. (2021). Evolutionary Development of Distance Banking Services in the Digital Economy. *International Journal on Economics, Finance and Sustainable Development*, 3(3), 78-84.