

## THE ESSENCE AND FUNCTIONS OF A BANK LOAN

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**Annotation:** *This article discusses issues related to the essence and functions of credit, the history of its origin, lending principles, and forms of credit. The main functions and forms of credit are considered, and the concept of each of them is described in detail.*

**Keywords:** *bank, banking system, credit, money, transactions, central bank, commercial bank, payment system, depository, monetary system, monetary policy.*

### CONDUCTION

Nowadays, credit is a vital part of people's lives. Banks provide people and businesses with cash and other types of valuables to satisfy their needs and desires on an urgent basis, so many people skillfully use this opportunity. An increasing number of people and enterprises are using this measure to satisfy their demands and needs, which in turn actualizes the research topic. Credit is already an integral part of the economy of any country.

The degree of study. It is actively used both abroad and in the Republic of Uzbekistan. It is possible that in a few years this mechanism will be the main one in the economy. Degree of knowledge. Many foreign and domestic researchers have worked on the area of essence and function of bank credit, including: Kulikov N.I., Levshina M.A., Mikheeva I.E., Evtushenko E.V., Kalikin A.I., Rakhmatov T.S. and others.

### RESEARCH METHODOLOGY

Research methodology. This study was conducted using the methods of scientific abstraction, induction and synthesis.

Main part. The history of banking shows that 3,000 years ago, there were those who gave and those who borrowed, according to the existing orders and laws, the debtor who failed to repay his debt on time was forced to become a slave to the creditor. Even in the initial stage of human development, loans were issued and taken primarily for personal needs. For example, when a poor peasant borrowed grain from a more fortunate neighbor. 200 years later, the first credit organizations appeared in the Russian Empire. Thus, in 1754, by decree of Elizabeth Petrovna, the first credit banks were formed, which opened in St. Petersburg and Moscow. As economic progress progressed, lending increased exponentially. During the Renaissance, loans were already fully legalized. In the

16th century, the first commercial banks appeared in Europe - professional participants in the lending market.

In the modern understanding, the history of lending begins with the industrial revolution. It was then that full-fledged commercial banks with a developed branch network appeared instead of moneylenders. This change was associated with the rapid development of production and trade.

Credit "comes from Lat. Creditum - loan" is a financial and economic relationship between two parties, where one provides money, and the second promises to return it within a specified time frame. From the bank's point of view, lending is the receipt of money by the borrower on his terms, which are always specified in the agreement: dates and amount of monthly payments, i.e. interest.

Credit relationships represent a transfer of material or monetary assets in cash or other form.

Next, we will consider each of these principles in more detail. The intended use refers to what exactly you want to spend this amount of money on. This can be the purchase of real estate, a car, household goods, or payment for education, recreation, repairs, and medical services.

The principle of security - a loan can be secured fully, partially or not at all.

Repayment means that the loan must be returned to the person who issued it, i.e., monetary or other valuables are transferred for a time. Urgency means that a return date has been set in advance. As a rule, this is stipulated in the agreement between the lender and the borrower. For using the loan, interest is paid as specified in the agreement, which means it is paid.

Subjects of lending are legal entities or individuals who have material or other guarantees to carry out credit transactions. The object of lending is the thing for which the loan is issued and for the sake of which the loan transaction is concluded.

In the system of credit relations, there is such a concept as the functions of credit, so the functions of credit are a manifestation of the essence of credit, an expression of its social purpose. The functions of credit relate to the credit relationship as a whole, and not to the individual relationship between the borrower and the lender. The following three main functions are distinguished:

1. distribution;
2. emission;
3. control.

The distribution function is responsible for the redistribution of funds. That is, credit relationships help direct free monetary assets to those who currently need them most. The emission function is to increase the funds in circulation, as well as to replace cash. The control function is to monitor the activities of individuals and legal entities. The essence of this function is to coordinate the financial system so that economic entities can operate efficiently. In addition to the functions in the banking system, there are also forms of credit.

Forms of credit - differences in types of loans, consisting primarily in sources of financing. There are several forms of loans, such as: Banking form. These funds or resources are issued to individuals and legal entities, as well as individual entrepreneurs. In this case, the annual interest rate is set by the financial organization based on a specific proposal, internal policy and the key rate of the Central Bank.

Commercial form. They are also called commodity ones. Credit is provided by sellers to buyers (another company or individual entrepreneurs) in the form of a deferred payment for goods sold, or by buyers in the form of an advance payment for goods supplied. For example, an organization can receive all the goods at once, and pay for it in installments over a certain period of time. The interest rate in this case is not regulated by law; it is specified and agreed upon by the parties in the agreement.

State uniform. Financial relations between the state and a legal or natural person. For example, in order to take out a loan from citizens, the state can issue bonds (debt securities). An individual purchasing bonds receives interest. International loans to a state can be issued by the IMF (International Monetary Fund), a foreign government or a foreign financial institution.

International credit. It can be issued both to the borrowing state and to large companies within the framework of certain projects that are significant for the country. The main sources of financing are the governments of other countries, as well as international financial organizations, such as those included in the World Bank. Private sector lending. Most often, such loans are used to pay for durable goods. Sources of financing are credit organizations, but may also be commercial enterprises - sellers of goods or services.

Conclusion and suggestions. Based on the above, we can conclude that the topic of our research today is indeed very relevant. And during our research we made the following conclusions: credit is a loan provided by a lender (in this case a bank) to a borrower at a certain interest rate, as well as for a certain period of time for the use of money. The object of lending can be any product and almost all services. The borrower is any individual or legal entity or various types of organizational and legal forms.

□ the principles of lending are the following: intended use, security, urgency, payment, repayment. classification of loans is quite extensive. To begin with, loans can be divided into three large groups: government, banking and commercial. Also, on international and private sector lending.

□ credit has a direct impact on the state of the country's economy as a whole. It can have both a positive and negative impact on the economic growth of the country. But first of all, at the moment of development, credit performs the function of supporting the activities of all financial entities.

As a result of the study, it turned out that the banking sector today has undergone enormous development, which indeed affects the growth of the

economy. In addition to the development of the financial sector, lending opens up new opportunities for people, because, for example, the main purpose of lending is to improve the living well-being of the population.

According to economists, credit as an economic mechanism is currently not fully used, but according to forecasts, in the future it will occupy an even greater place in the lives of both the population and the state and have a significant impact on the country's economy.

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