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## MAIN DIRECTIONS OF BANK LOANS IN CREDIT MARKET

*Financial analysis in credit market and commercial banks, which have been an important factor of economy and human life and activity currently, study of financial-economic results of activity of a bank, determination of main directions of development of the bank and main factors of financial business processes, determination of purpose-oriented special knowledge and growth rates, etc.*

*Different economic sources, internet materials have been applied as a theoretical and methodological basis. As systematization of loans in bank lending system is a theme of the research, methods such as analysis, induction and deduction have been used.*

*Main scientific innovation that has been put forward:*

*In this field, one of the most important issues is, certainly, organization of organization system of information issues, which have the most significant role in determining and implementation of successful demand and supply of bank loans in credit market and main directions of bank loans in credit market.*

*Results of the research:*

*Finding perspective improvement ways of commercial banks*

*Development of credit system, directly improved by banks, significantly positively effects progress of country economy*

*Information tools and technology play the most important role in improving credit market now.*

*Key words: credit market, commercial banks, loan, bank loans, etc.*

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## ОСНОВНІ НАПРЯМКИ БАНКІВСЬКОГО КРЕДИТУ НА КРЕДИТНОМУ РИНКУ

*Фінансовий аналіз кредитного ринку та комерційних банків, які є важливим фактором економіки та життя і діяльності людини в даний час, дослідження фінансово-економічних результатів діяльності банку, визначення основних напрямів розвитку банку та основні фактори фінансових бізнес-процесів, визначення цільових спеціальних знань і темпів зростання тощо.*

*В якості теоретико-методологічної основи використано різні економічні джерела, матеріали Інтернету. Оскільки систематизація кредитів у системі банківського кредитування є темою дослідження, були використані такі методи, як аналіз, індукція та дедукція.*

*Основна наукова інновація, яка була висунута:*

*У цій сфері одним із найважливіших питань є, безумовно, організація системи організації інформаційних питань, які відіграють найважливішу роль у визначенні та реалізації успішного попиту та пропозиції банківських кредитів на кредитному ринку та основних напрямків банківського кредитування в кредитний ринок.*

*Результати дослідження:*

*- Пошук перспективних шляхів вдосконалення комерційних банків*

*- Розвиток кредитної системи, яка безпосередньо вдосконалюється банками, суттєво позитивно впливає на розвиток економіки країни*

*- Найважливішу роль у вдосконаленні кредитного ринку зараз відіграють інформаційні засоби та технології.*

*Ключові слова: кредитний ринок, комерційні банки, кредит, банківські кредити та ін.*

### Introduction

Bank loans, which have a paramount place in credit market, have a leading role in provision of economic development of any country and its continuation. Transfer of a significant amount in Azerbaijan can be accepted as a major economic development way as it is almost in each country.

Being the most important part of economic system now, development, organization, consumption, and investment expenditures of agriculture, firms, and large and small entrepreneurship are implemented with enough high figures. Banks support financing these expenditures by providing loans. That's why bank loans are significant part of economic mechanism. It should also been taken into consideration that having an efficient credit market has a vital importance for development of country economy.

### Essence of concept of bank loans

“Bank loan – is money lent in a certain amount with conditions of repayment, payment for a certain period of time (with a right of extension of period) and with interests (commission rights, with or without of provision in accordance with a signed agreement.

The concept of loan also contains any obligation, guarantee, insurance, and debt undertaken regarding providing money supply with these conditions, purchase of assets with discount or interests and other rights related to demanding repayment of amount provided in any form in accordance with the agreement.”

The most important factors in activity of banks our application of numerous issues, perspective ways of serving to development of bank from day-to-day, increasing activity of customer satisfaction, etc. Specially, taking into consideration the role of commercial banks in bank credit system and credit market, importance of investigation, analysis of perspective development methods here attracts more attention.

Central Bank of Azerbaijan and Ministry of Finance always control implementation of prudential normative of collateral banks defined by state, accordance of these banks with laws, legal and financial normative of the Republic of Azerbaijan. State bodies pay attention to the following requirements while allowing activity of collateral banks:

- A requirement on minimum amount of bank capital
- A requirement on bank controllers
- Requirements on limitation and regulation of property rights of bank founders.

It should also be taken into consideration that investigation of importance of role of banks and credit system, developed by them, in improvement of state, its general economy is, in fact, one of the most important tasks ahead. So analysis and discussion of theme of development perspectives of activity of banks in credit market, main directions of bank loans in credit markets have become one of the significant tasks.

### **Role of information technology in banking and credit system**

Provision of analysis of financial activity of bank from information point of view is a system of gathering information from external and internal information sources necessary for financial analysis. Certainly, one of the most significant factors is correctly gathering of information in credit markets in organized form and use of them in expansion and development of perspective directions in credit system of banks. Increase of role of information system in gathering the information may be based on activity of internal and external information system.

One of the important innovations, applied in namely this direction, is conduction of surveys in information basis in electronic form.

“Central Bank of Azerbaijan continues active informing and awareness works of public, as well as leading target groups through communication channels in the direction of increasing economic analysis opportunities and forming economic expectations in accordance with its strategical communication mission. Only space this statistic and analytic reports over use Valentine's results of research and surveys are presented to broad auditorium periodically. On this basis, statistic and analytic reports, overviews, bulletins, results of research and surveys are presented to a broad audience periodically.

In this regard, conduction of survey about lending activity of banking sector has been started by Central Bank from the first quarter of 2022 (4).

Main purpose of the conducted survey is assessment of risks for financial stability, determination of warming and shrinkage trends in credit market. The survey contains assessment of demand and supply factors on business, consumption and mortgage lending, as well as, definition and evaluation of risks, faced by banks. Survey results are a source of new information about activity in credit market and play a role of analysis and forecasting tool.

According to the results of the survey, softening lending policy of banks of the Q1 of the cured year and increase of demand to all types of loans are observed. Continuation of these trends in the Q2 is also forecasted by the banks.

Lending policy has been softened in comparison with consumption and mortgage loans. However softening of business loans is mainly related to micro-entrepreneurship objects. Changes in lending policy of the sector are kept in the focus of attention by the Central Bank and relevant prudential policy is determined.

External information system can contain information gathered about situation of the market, in which the bank is acting, as well as rivals, customers, investors, and other market participants.

Following can be an example for main external information sources:

- Media (newspaper, magazine, TV, radio);
- Annual reports, published by banks every year;
- Production statistical data;
- Statistical data of consumption;
- Information obtained through a direct meeting with bank customers
- Exchange of information with employees of other banks.

The role of external data in further systematization of bank loans, improvement of service to population and main development direction of lending system in credit market is more.

Two main sources can be included in internal data gathering system:

- System of gathering current business data
- Operative information about financial situation of bank

Internal information sources include following:

- Accounting information;
- Statistic report information;

- Information of assessment of customer credit;
- Reports of aerial or regional departments;
- Acts of different audit and inspections.

A main document assessing the general financial situation of banks in credit market is a report about financial station of bank. Management of Central Bank and banks, opportunities of different legal and physical entities are widely used on media during analysis of these documents. Successful completion of priority tasks and provision, investments of bank loans in credit markets also depends on such reports in particular degree.

Financial reports, prepared in systematized form allow bank managers to get information which is necessary for acceptance of management decisions immediately in credit system like other activities of the bank. In general, the work of analytical analysis of the bank can be conducted on the following directions:

- Analysis of bank balance and other financial accounting documents;
- Analysis of accounting and report situation in bank;
- Analysis of execution situation of different agreements and foundation documents.

Analysis of bank in this way and balance, appeared as a result of report, are main sources of information for its financial analysis and main document comprehensively demonstrating situation of the bank, lending system. Analysis of bank balance allows determination of liquidity of its assets, profitability, and risks, which can occur while transaction of different banking operations. With help of information, obtained from accounting balance, it's possible to define own and borrowed funds of bank and placement of funds during a certain period of time.

There is no single financial analysis methodology, determined as a financial analysis in all countries in modern banking practice and science, especially there are not thoughts in lending issues in completed form. That's why general analyses method of bank balance hasn't been formed.

There are researches in scientific literature investigating micro and macro variables which determine both impact of loans economy and loan volume.

It's clear that loans plays an important role in banking system in condition of market economy. Many cash transactions and payments are conducted by institutions organizations and people through it, as well as temporary budgeting tools and incomes into an active capital, many different lending, insurance, broker, investment and others are implemented.

After production, lending system attracts attention with its being regular and large. It increases volume of fundraising for times, provides flow of funds from one sector to another one and creates conditions for increase of efficiency of production in this way. Role and meaning of lending system can be characterized with several perspective indicators: Issues such as total volume of credit funds, share of bank loans in forming main and turnover capital of institutions and organizations, total turnover etc. are indicators of main functions of lending in banking system.

Successful lending relations appear when lending system implements its functions. Concept of lending relations is determined with economic relations between lending organizations and different objects on basis of repayment and payment terms for gathering and redistribution of free funds for a certain period of time.

However concept of lending relations isn't limited with only gathering of money capital and temporary use of it by legal and physical entities. Mass of additional financial tools, in other words monetary turnover of reproduction, considered for production day, is font in lending process.

Flow of large payment turnover passes through credit system which completes concept of lending relations among payers and credit organizations and credit organizations and borrowers.

Lending system regulates money turnover in the country, delivers different services to legal and physical entities, lending economic relations appear as a result.

Lending relations have 2 different features, which are equally necessary for agricultural objects, and lending system institutions. Keeping money in lending organizations is a lending resource.

During activity of economic category of loan lending relations are realized in the form of money. Lending form describes view of lending relations. Form and concept of lending relations are in a dialectical unity. Form of lending relations should be in accordance with their concept and give impetus to their development. Change of production relations can cause change of concept and form of lending relations.

Certainly, involvement of lending activity in investment in more efficient and perspective form can be accepted as an obligation of both sides - lender and borrower. Creditor is a side of lending agreement, which suggests loan. A certain amount of funds is required for realization of the process. The fund can belong to creditor himself or can be borrowed from another one. Main lender suggesting money now is banks.

The banking system gathers temporary free funds of certain enterprises, organizations, departments, as well as individuals and offers them to borrowers in the form of loans for temporary use. At the same time, not only the borrower of the loan received from the bank, but also the latter, that is, the borrower, is obliged to return the borrowed funds to the owner. Meanwhile, a bank can be a lender in one case, but a borrower in another.

Borrower is one side of lending relations, is a lender and a side which should repay his debt. The borrowers are those who need additional funds temporarily. In accordance with modern requirements, borrower can be institutions, entrepreneurs, people, states, and banks. However, the borrower is not owner of the borrowed amount, uses it in fields of production and turnover relevant to his consideration. Borrower depends of the lender in credit

transaction, while lender puts forward his requirements. However, borrower and lender are fully legal parts of lending relations.

A creditor can also be a debtor. In their interaction between the lender and the borrower, they show the nature of the unity of the opposition. As participants in the credit transaction, they are on opposite sides of it. Their interests are also different, the lender wants to give a loan at a higher interest rate, and the borrower also has an interest to get the cheapest possible loan and find additional funds.

Issues of forming certain principles in improvement, provision of perspective activity and main ways of bank loans in credit market, their development have also an important place. Lending principles reflects essence and services of credit, as well as requirements of objective economic factors in field of organization of lending relations. Process of lending, in other words, provision of bank loans, use and payment are conducted on basis of lending principles. Main terms of provision of banks loans are determined as followed in accordance with lending principles: definition and term of loan, efficiency of their interaction within the framework of the circulation of money.

The cost of credit activity is determined by important principles such as the stages of the credit process - documentation, receiving cash, repayment, i.e. periodic, purposeful nature of payment. The principle of loan repayment is characterized by the need for the borrower to return the loan to the lender on time after using the loan.

With a high loan repayment capacity, both the lender and the borrower are motivated to repay the loan on time and get income from it. The principle of loan operability indicates that the borrower must repay the loan not at any convenient time, but at the time specified in the loan agreement.

Moreover, objective character of credit is one of significant points in determination of priority opportunities of bank loans. Thus, objectiveness means a necessity of use of the funds, received from lender, in accordance with its definition. Different principles, which play a role in main directions of development of credit activity, are related to one another and their acting at the same time can determine meaning of the loan. If one of the above-mentioned principles is violated, then the lending activity will lose its accredited value, specific features of loan will also be lost as a free economic category.

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