DETERMINATION OF THE BORROWER'S CREDIT RATING AND CREDIT MONITORING

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ABSTRACT--
In this state, actual problems related to the definition of credit ratings of borrowers and credit monitoring, as well as the most reliable and modern methods of borrowers' creditworthiness and scientific proposals developed for ix solutions.
KEYWORDS. *Business, credit, economy, finance, subject, rating, monitoring, banking, resource, segment, economy.*--

INTRODUCTION

All over the world, the concepts of "rating" and "rating" represent a powerful indicator of the economic efficiency of corporate business, a generally recognized and sought-after tool for ensuring a true market orientation of the national economy and the international capital market.

In the context of increasing negative economic factors, such as sharp fluctuations in financial markets and unpredictable consequences of financial and economic shocks, effective assessment by banks of the creditworthiness of borrowers becomes an important aspect of ensuring their financial stability. In particular, this issue is being considered at the state level in Uzbekistan. In his speech, the President of the Republic of Uzbekistan, Sh.M. Mirziyaev, paid special attention to the issues of granting loans by commercial banks and said, "Our main focus is on the wide implementation of digital technologies in the activities of banks. Banks are working on improving corporate governance, introducing information technologies, and increasing the focus of banking activities on customers.".[1]

This shows that only by using the most reliable and modern methods of assessing the creditworthiness of borrowers, banks will be able to grant any type of loan in compliance with all five principles, which in turn may directly or indirectly affect their financial stability. At the same time, there is growing interest in theoretical and practical study and review of the experience of international commercial banks in the field of studying and correct assessment of the borrower's creditworthiness. The practice of foreign commercial banks shows that they overcame various economic crises and bankruptcies as a result of inefficient use of borrower creditworthiness assessment methods.

THEMATIC LITERATURE ANALYSIS

Problems of comprehensive development of theoretical and practical issues that reveal all aspects of formation and implementation of credit monitoring in a commercial bank G. S. Panova, G. N. Beloglazova, O. I. Lavrushin, A. V. Articles by Tchaikovsky, I., Korshikova T.V., Sunduk A., Yurina Y., G.G. Ermolenko. Thus, G. S. According to Panova, the importance of monitoring the credit process is as follows: "The reasonable analysis of the loan and the process of its approval, together with the systematic monitoring of the condition of the loans, is a necessary element of the lending process.

Beloglazova G.N. provides credit monitoring as a systematic permanent bank control in the process of credit use, namely: credit quality; compliance with the terms of the loan agreement; the condition of the loan collateral, as a

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[1] *Decree of the President of the Republic of Uzbekistan dated May 12, 2020 "5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025".*

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result, ensures that it will be returned in accordance with the contractual profitability for banks. Lavrushin O.I. states that the purpose of credit monitoring is to control the quality of the credit portfolio, conduct an independent examination, and timely identify deviations from the accepted standards and goals of the bank's credit policy.

In our opinion, ensuring the effectiveness and reliability of credit operations requires commercial banks to organize continuous monitoring of all stages of the credit process. Credit monitoring begins immediately after the loan is granted. Credit monitoring as an element of the credit policy consists in observing the principles and conditions of lending between the subjects of credit relations.

MATERIALS AND METHODS
Methods such as abstract thinking, systematic approach, complex assessment were used in the research.

ANALYSIS AND RESULT
A credit score is an important tool for assessing a customer's ability to pay based on credit history information. This allows for an objective assessment of risks and the correct formulation of an offer for a specific client.

The credit rating is formed on the basis of historical information about the client's previous debt obligations to banks and is necessary to assess the creditworthiness of a potential borrower. Creditworthiness means the ability to repay the debt with interest within the terms specified in the contract.
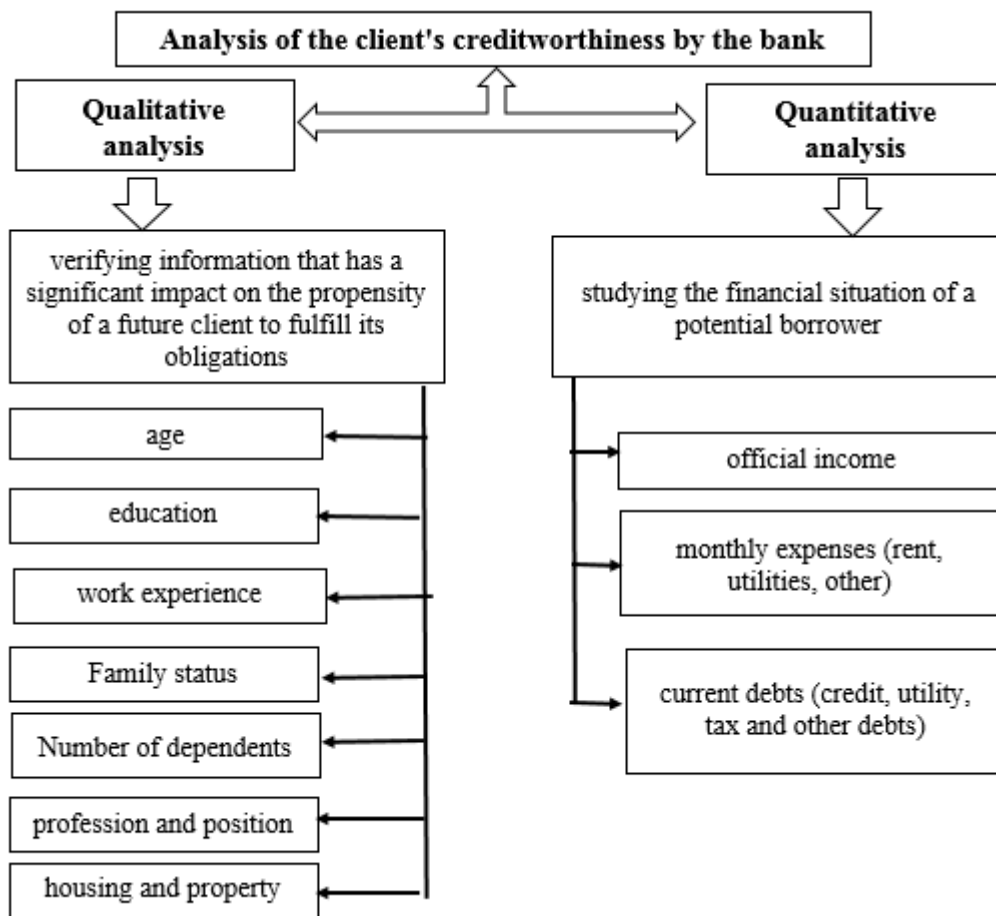

Figure 1. Analysis of the client's creditworthiness by the bank

The bank compares income and expenses to see the surplus that can be used to pay off the new loan. For a potential borrower, a formal source of income is more important than a partially formal or informal one.

The minimum required period of employment under the employment contract is 3 months. The minimum working period for entrepreneurs is usually at least 12 months. These are the minimum requirements. The longer the client works for a particular company under an employment contract or the longer he runs his own business, the more the bank trusts him. An advantage will also be the presence of higher education at a prestigious university, a high position in a large company, the absence of dependents, the presence of registered assets and savings. Clarification of this and other information is carried out on the basis of credit history data and a questionnaire that the potential borrower fills out at the bank branch or on the website.

Credit risk and its management is one of the subjects of scoring, a statistical method of assessing the creditworthiness of a potential customer. Scoring allows you to determine relatively precisely how close the borrower's profile is to the requirements set by the bank.

A score is a three-digit number, usually 0 to 100 or 1 to 999, that indicates the level of credit risk. Scores are calculated using information from credit reports, including payment history, amount owed, and length of credit history. High scores mean that the client demonstrates responsible credit behavior, which increases the likelihood of a positive decision on the loan application.

Credit scoring ranges vary depending on the scoring model used, but in general the following scoring scale is used:
- From 0 to 59 points — a low result with a high rate of loan rejection;
- from 60 to 80 points - an average result, which allows to secure financing under standard conditions or with additional conditions;
- From 80 to 100 points - this is a high score that allows you to get loan funds at a low interest rate.

There are many models for evaluating the borrower's creditworthiness, which differ from each other in the criteria for assigning points, selecting data for verification, and calculating the final score.

Based on the results of the analysis, it is recommended to allocate loans to business entities with "stable" and "good" final financial status. After the analysis and evaluation of the creditworthiness of the borrowing enterprise, the stages of evaluating the efficiency of the investment project and assessing the risks affecting the project are carried out.

    - It is advisable to use a number of measures to monitor credit and improve the efficiency of commercial banks.

Introduction of the credit risk management system is aimed at establishing an effective system of credit risk control; monitoring is carried out through the system of work reports, risk control of the entire credit portfolio and the internal (credit) audit system.

Use of credit scoring systems - allows to assess the possibility and probability of timely repayment of loan obligations by a certain borrower; helps determine the optimal combination of operational profitability and accompanying risk.

CONCLUSIONS AND SUGGESTIONS

In conclusion, it can be said that, firstly, one of the conditions for effective credit risk management is the improvement of creditworthiness assessment processes of the borrower, as well as the risk management system of commercial banks.

Secondly, in order to properly evaluate the creditworthiness, banks must introduce and use all the new possibilities of the digital economy.

Thirdly, the creation of special commissions to reduce overdue loans is very important to maintain and support the stability of the banking system.

Fourthly, given that our country has just started working with digital technologies and there are countries that have been using these technologies for decades, we can use the most popular methods of assessing their creditworthiness and introduce them into the practice of our local banks.

Thus, by supplementing the bank's existing methodology for assessing the creditworthiness of customers, the financial stability of enterprises is evaluated more thoroughly. Accordingly, it allows to obtain additional efficiency in the form of increasing the size of the loan portfolio and the net profit in the bank. Only a proper combination of formalized assessment of the borrower and qualitative assessment of factors that cannot be formalized helps to minimize the risks of banks in lending.

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