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OVERDRAFT AND DEVELOPMENT LOANS FOR BUSINESS ENTITIES: THEORETICAL AND PRACTICAL ANALYSIS AS FINANCIAL INSTRUMENTS

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Abstract. This scientific article analyzes the economic essence and practical application of overdraft and development loans for business entities, as well as their role within the banking system of Uzbekistan. Overdraft facilities are considered as a short-term liquidity management tool, while development loans are examined as long-term financing instruments for investment and economic expansion. The study is based on the regulatory framework of the Republic of Uzbekistan, data from the Central Bank, and relevant economic literature. The research highlights the impact of these credit instruments on financial stability, economic growth, and the efficient functioning of business entities.

Keywords: overdraft, development loan, business entities, liquidity, investment, banking system, credit policy, Central Bank, financial stability, economic growth.

Annotatsiya. Ushbu ilmiy maqolada xo‘jalik subyektlari uchun overdraft va rivojlantirish kreditlarining iqtisodiy mohiyati, ularning amaliy qo‘llanilishi hamda O‘zbekiston bank tizimidagi o‘rni tahlil qilingan. Overdraft kreditlari qisqa muddatli likvidlikni ta’minlash vositasi sifatida, rivojlantirish kreditlari esa uzoq muddatli investitsion jarayonlarni moliyalashtirish instrumenti sifatida ko‘rib chiqilgan. Tadqiqotda O‘zbekiston Respublikasining normativ-huquqiy bazasi, Markaziy bank ma’lumotlari va iqtisodiy adabiyotlar asosida kreditlash mexanizmlarining samaradorligi yoritilgan. Shuningdek, ushbu kredit turlarining iqtisodiy o‘sish, moliyaviy barqarorlik va xo‘jalik subyektlari faoliyatiga ta’siri ilmiy jihatdan asoslab berilgan.

Kalit so‘zlar: overdraft, rivojlantirish krediti, xo‘jalik subyektlari, likvidlik, investitsiya, bank tizimi, kredit siyosati, Markaziy bank, moliyaviy barqarorlik, iqtisodiy o‘sish.

Аннотация. В данной научной статье анализируются экономическая сущность и практическое применение овердрафта и кредитов на развитие для хозяйствующих субъектов, а также их роль в банковской системе Узбекистана. Овердрафт рассматривается как инструмент краткосрочного управления ликвидностью, а кредиты на развитие — как долгосрочные инвестиционные финансовые ресурсы. Исследование основано на нормативно-правовой базе Республики Узбекистан, данных Центрального банка и экономической литературе. В работе раскрывается влияние данных кредитных инструментов на финансовую устойчивость, экономический рост и деятельность хозяйствующих субъектов.

Ключевые слова: овердрафт, кредит на развитие, хозяйствующие субъекты, ликвидность, инвестиции, банковская система, кредитная политика, Центральный банк, финансовая устойчивость, экономический рост.

INTRODUCTION

In a modern market economy, ensuring the sustainable operation and competitiveness of economic entities is directly related to the effective use of financial resources. Bank loans are an important financial instrument for the continuous continuation of production processes of enterprises and organizations, the fulfillment of short-term payment obligations, and the implementation of long-term investment projects. In this regard, overdraft and development loans are of particular importance in the financial management of economic entities. The overdraft lending mechanism allows enterprises to make payments even when there are insufficient funds in the account, and serves to quickly solve short-term liquidity problems. This instrument is especially important for enterprises with high turnover of working capital and is an

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effective tool for preventing financial disruptions. At the same time, development loans are manifested as a long-term investment resource aimed at expanding production capacity, modernizing fixed capital, and financing innovative processes in the real sector of the economy.

In the Republic of Uzbekistan, large-scale measures are being implemented to reform the banking system, liberalize the financial services market and increase the efficiency of the use of credit resources. The Law "On Banks and Banking Activities", regulatory legal acts adopted by the Central Bank, and state investment programs constitute the legal basis for these processes. These documents, while ensuring the stable functioning of the bank lending system, serve to expand the possibilities of economic entities to use financial resources. At the same time, the issues of the level of use of overdraft and development loans in practice, their economic efficiency, and the adequacy of credit risk management mechanisms remain relevant. Interest rates, collateral requirements, term structure and distribution mechanisms of credit resources have a significant impact on the financial decisions of economic entities. Therefore, a deep scientific analysis of the theoretical foundations and practical application of these financial instruments is important.

The purpose of this article is to reveal the economic essence of overdraft and development loans for business entities, analyze their differences and similarities, as well as assess the effectiveness of their application in the conditions of the banking system of Uzbekistan. On this basis, scientific and practical conclusions are developed on the improvement of lending mechanisms.

MAIN PART

The bank credit system has been formed as one of the main economic instruments in ensuring the financial stability of business entities, within which overdraft and development loans are functionally complementary mechanisms. In a market economy, the constant fluctuations in the cash flows of enterprises and temporary imbalances between income and expenses increase the need for short-term financial resources. From this point of view, overdraft loans occupy an important place in the economic system as a means of operational liquidity management. The overdraft lending practice is interpreted as a "negative balance" mechanism that allows making payments even when there are insufficient funds in the current account of the enterprise. In Uzbek banking practice, this instrument is mainly used for corporate clients and entities linked to payroll projects. In accordance with the procedures established by the Central Bank, overdraft loans are limited based on the average cash flow, credit history and financial condition of the client. This serves to reduce credit risks and maintain bank liquidity.

According to statistics, in recent years, the share of overdrafts in the structure of short-term loans issued by commercial banks has been showing a relatively increasing trend. According to the analysis of the Central Bank of the Republic of Uzbekistan, a significant part of the loan portfolio in the banking system is directed to financing working capital, which indicates a high demand for operational liquidity in the economy. Seasonal fluctuations in cash flows, especially in small and medium-sized businesses, increase the need for overdraft services. The economic efficiency of overdraft loans is determined by their flexibility. The fact that interest is charged only on the funds used creates relatively favorable financial conditions for enterprises. However, in Uzbek banking practice, high interest rates on this instrument increase the financial burden for some economic entities. As emphasized in the economic literature of Uzbekistan, in particular by economists, overdraft loans are a short-term solution and are not sufficient to ensure strategic investment development.

Development loans, by their economic content, are aimed at financing long-term investment processes and play a decisive role in the expansion and modernization of fixed capital. These loans serve to increase production capacity, ensure technological innovation, and increase labor productivity. In the Republic of Uzbekistan, investment loans are supported as one of the important directions of state economic policy, since they directly affect the development of the real sector. As noted in the literature, the economic efficiency of development loans is explained

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by their multiplicative effect. That is, an investment loan allocated to an enterprise not only increases the production volume of this enterprise, but also has a positive effect on the supply chain, service sector, and labor market dependent on it. In this regard, this type of loan is considered one of the sustainable sources of economic growth.

According to the Central Bank of the Republic of Uzbekistan and the Agency for Statistics, in recent years the share of investment loans in the total loan portfolio has shown a steady growth trend, which is directly related to the state's industrialization and regional development policy. In particular, these loans serve as the main financial source for the development of industrial zones, modernization of agriculture and financing of infrastructure projects. The main economic advantage of development loans is their long-term and relatively low interest rates. However, in practice, collateral requirements and the complexity of the loan processing process remain a limiting factor for some small businesses. Studies conducted by Uzbek economists emphasize that this problem reduces the inclusiveness of credit resources. A comparative analysis of overdrafts and development loans shows that they are fundamentally different in terms of economic function. While overdrafts serve to provide short-term liquidity, development loans support long-term economic growth and capital formation. At the same time, both instruments play an important role in managing the liquidity of the banking system and regulating cash flows in the economy. Digital transformation processes in the banking system of Uzbekistan are also significantly affecting the effectiveness of these types of loans. The introduction of credit scoring systems, the development of remote banking services, and automated risk assessment mechanisms are accelerating the loan allocation process and reducing the human factor. This, especially in overdraft loans, expands the possibilities for rapid decision-making.

In general, in the financial activities of economic entities, overdrafts and development loans operate as a mutually integrated system. The first instrument ensures operational financial stability, while the second supports strategic economic development. Therefore, it is appropriate to analyze them not in isolation, but as components of a single financial ecosystem.

CONCLUSION

In the activities of economic entities, overdrafts and development loans are important complementary financial instruments of the modern banking system. Although their economic content and functional areas are different, both play an important role in ensuring the financial stability of enterprises and maintaining the continuity of economic processes. Overdrafts serve to solve short-term liquidity problems and provide economic entities with operational financial flexibility. This instrument allows you to eliminate temporary disruptions in the daily cash flows of enterprises and helps maintain settlement discipline. At the same time, its relatively high interest rates and short-term nature make it suitable only for meeting current financial needs.

Development loans, on the other hand, are aimed at financing long-term investment processes in the real sector of the economy and are of strategic importance in expanding production capacities, technological modernization and ensuring economic growth. These loans have a multiplier effect on the sustainable development of the national economy and create the basis for the creation of new jobs. The regulatory and legal framework regulating the bank lending system in the Republic of Uzbekistan serves to ensure the effective functioning of these instruments. At the same time, in practice, there is a need to increase the efficiency of the use of credit resources, optimize interest rates, simplify the system of collateral requirements, and improve credit risk management mechanisms. In general, overdrafts and development loans, as interrelated elements of a single financial ecosystem for economic entities, play an important role in ensuring economic stability and development. Their effective management and optimal use are an important factor in increasing the competitiveness of the national economy and ensuring sustainable economic growth.

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