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ADVANTAGES OF CONSUMER CREDIT AND ITS ROLE IN IMPROVING THE WELFARE OF THE POPULATION

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Abstract. This article examines the economic content and essence of consumer credit, its advantages, and its role in improving the welfare of the population. The study highlights the contribution of consumer loans to expanding access to durable goods and services, stimulating consumer demand, and increasing economic activity. Furthermore, the advantages of consumer lending, its impact on living standards, and the key directions for improving the credit system are analyzed.

Keywords: consumer credit, credit system, population welfare, consumer demand, banking services, financial resources, living standards, credit market.

IntroductionOne of the fundamental principles of a market economy is the provision of social protection for the population, whereby the outcomes of all economic and social measures are aimed at improving the welfare and living standards of citizens. In this regard, consumer credit serves as an important financial instrument that enables individuals to satisfy their needs and improve their quality of life. By providing access to financial resources, consumer loans allow households to purchase goods and services without waiting to accumulate sufficient savings, thereby contributing to both individual well-being and overall economic development.

Consumer credit enables individuals to purchase goods and services necessary for their current consumption needs, particularly durable goods, by making installment payments over a period of several years. This mechanism allows consumers to enjoy the benefits of products and services immediately while spreading the financial burden over time.

In the Republic of Uzbekistan, the consumer needs of the population have long been financed through commercial banks, credit unions, and pawnshops. The adoption of the Law "On Consumer Credit" on May 6, 2006, and the Law "On Mortgage" on October 4, 2006, marked a new stage in the development of consumer lending in the country. The primary objective of these laws was to provide financial support aimed at expanding access to essential consumer goods and services for various segments of the population, including public sector employees, pensioners, young families, students, and others. Particular attention was given to relatively affordable consumer products and socially significant services such as education, healthcare, and other basic needs.

Consumer credit is granted to individuals who possess a stable source of income as a result of their economic activity. Consumer loans may be provided by financial institutions as well as by enterprises that manufacture consumer goods or organizations engaged in their sale. Consumer

credit is generally classified into two main types: financial consumer credit and commodity (goods-based) consumer credit.

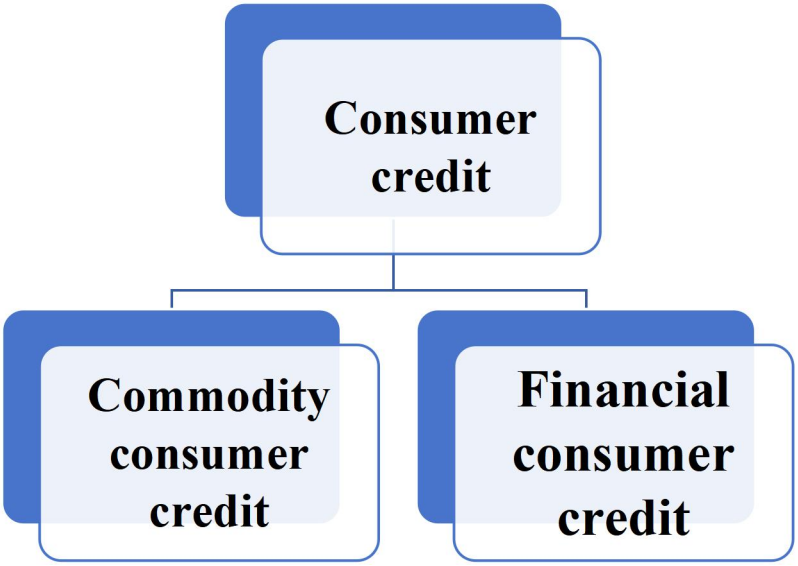


Figure 1. Types of Consumer Credit

The distinguishing feature of financial consumer credit is that it is provided in monetary form by banks and other credit institutions for the purchase of goods, works, and services. Therefore, banks and other credit organizations act as providers of financial consumer credit.

Commodity consumer credit is a type of credit granted to consumers through installment payments for purchased goods, completed works, or rendered services. This form of credit may be provided by manufacturers or sellers of consumer goods in the form of goods, as well as through the provision of services or the performance of specific works. In such cases, the credit agreement is concluded directly between the manufacturer, seller, or service provider and the individual consumer without the participation of banks. Consequently, goods are supplied and services are rendered on credit terms. Enterprises producing consumer goods or organizations engaged in their sale are considered providers of commodity consumer credit.

The legislation governing consumer credit consists of the Law on Consumer Credit and other relevant legal acts. If an international treaty of the Republic of Uzbekistan establishes rules that differ from those provided by the national legislation on consumer credit, the provisions of the international treaty shall prevail.

Consumer credit is defined as a loan granted to an individual (consumer) for the purpose of purchasing goods, works, or services to satisfy personal consumption needs.

Goods, works, and services intended for the personal consumption needs of an individual may serve as the object of consumer credit. However, real estate, as well as other property withdrawn from circulation or subject to restrictions in accordance with the law, cannot be considered objects of consumer credit.

The economic transformations taking place in our country in recent years have undoubtedly attracted the attention of every citizen. These achievements in economic development are the result of the consistent economic reforms implemented by the government.

The role of the national banking system in these economic accomplishments is invaluable. Commercial banks provide a wide range of banking services to the population, and one of the most important among them is consumer lending.

Compared to other types of credit, consumer credit offers several advantages:

- relatively small loan amounts;
- lower risk levels;
- simplified application and approval procedures;
- borrowers generally possess a stable source of income;
- reduction of cash circulation outside the banking system;
- effective satisfaction of consumer needs;
- acceleration of sales of manufacturers' products;
- increased public confidence in the banking sector.

On the one hand, consumer loans serve as an important mechanism for meeting the population's demand for material goods. On the other hand, they contribute to the expansion of sales for domestic producers of consumer goods, thereby supporting entrepreneurial activity and economic growth.

It is well known that many banking services offered by commercial banks are primarily designed for legal entities. In such circumstances, when individuals are often limited to deposit services and payment transactions, access to consumer credit enables customers to benefit from a broader range of banking services. This, in turn, strengthens public trust in banks and encourages consumers to make greater use of other financial services available within the banking system.

Another significant advantage of bank consumer loans is that they allow borrowers to purchase various consumer goods simultaneously according to their planned needs, rather than acquiring them one by one over an extended period. This increases convenience for consumers and improves their overall standard of living.

In the early years of our country's independence, one of the fundamental principles of the market economy was recognized as the social protection of the population, with all implemented measures aimed at improving the living standards of citizens. For this reason, in recent years, the President of the Republic has adopted a number of decrees and resolutions to further enhance these processes. These documents place particular emphasis on improving the standard of living of all segments of the population by meeting the growing demand for consumer goods and services.

Consumer credit enables individuals to purchase goods and services necessary for current consumption, especially durable goods, by paying for them in installments over several years. This mechanism allows consumers to satisfy their needs without the necessity of accumulating the full amount of money in advance.

It should be noted that consumer lending is not a new activity for banks operating in Uzbekistan. The financing of consumer needs has been carried out for many years by commercial banks, credit unions, and pawnshops. Although the demand for consumer credit and its volume have increased significantly in recent years, the issue of legally regulating consumer credit relations had not been fully resolved for a long time. The adoption of the Law of the Republic of Uzbekistan "On Consumer Credit" created an opportunity to fill this legal gap. It is particularly noteworthy that Uzbekistan was among the first countries in the Commonwealth of Independent States (CIS) to strengthen the legal foundations of consumer lending through the adoption of a dedicated law. This fact itself demonstrates the country's strong commitment to improving the living standards of its citizens.

The development of credit relations in the country is aimed at bringing the banking system closer to international banking standards, providing services that meet public demand, and improving the welfare of the population through lending. The adoption of the Law "On Consumer Credit" identified several key objectives in improving the mechanism of consumer lending:

- to establish a legal framework for credit relations in the field of consumer lending;
- to develop an effective practical mechanism for lending based on the level of development of market relations;
- to create opportunities for satisfying the consumer needs of all segments of the population and improving their standard of living;
- to enhance the activities of economic entities, especially local producers, related to the production of goods and the provision of services.

Thus, the development of consumer credit not only contributes to meeting the needs of the population but also supports domestic production, expands economic activity, and promotes the overall socio-economic development of the country.

The significance of this Law lies in the fact that expanding the scope of consumer lending to satisfy the needs of the population creates opportunities for addressing a number of socio-economic issues. By facilitating broader access to credit, the Law contributes not only to improving individual living conditions but also to promoting overall economic development.

In particular, the Law establishes a legal framework for meeting the population's needs not only for consumer goods but also for various services through the provision of credit. This approach supports the expansion of service offerings while simultaneously enabling consumers to access and benefit from such services more easily. As a result, consumer lending plays an important role in increasing the accessibility of essential services, enhancing the quality of life, and strengthening social welfare.

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