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Role of the Credit System in the Economy

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Annotation

One of the important components of the development of the country's economy is the increase in consumption by the population. The Credit Institute is a center for ensuring the solvency of different segments of the population. In addition, the growth of entrepreneurship in the country, the development of the industrial sector and nanotechnological production is also ensured by improving and strengthening production capacities, purchasing the latest equipment, creating new jobs for free qualified employees, which is ensured by attracting borrowed funds, i.e. through lending to legal entities and individuals.

Key words: credit system, credit relations, economic growth, stabilization of lending, banking services

Credit plays an important role in the economy, moreover, credit plays the role of a regulator of the economy, and therefore it is safe to say that the relevance of this topic does not cause any doubts.

Credits. Recently, we hear this word more and more often. Everyone and everyone in our world lives "on credit" someone to a greater extent, and someone to a lesser extent. Credit is one of the most important categories of economic science. His study is devoted to the works of the classics of Marxism, numerous works of Soviet and foreign economists. However, this topic is relevant, since credit relations in modern conditions have reached the greatest development.

Loan - funds provided by a bank or other credit institution (lender) under a loan agreement to the borrower on the terms of repayment and, as a rule, payment (in the form of interest for the use of the loan). The emergence of credit as a special form of value relations occurs when the value released from one economic entity for some time cannot enter a new reproductive cycle. Thanks to credit, it passes to another entity that has a temporary need for additional resources and continues to function within the framework of the reproductive process.

The circulation of industrial capital inevitably leads, on the one hand, to the emergence of a temporarily free monetary cycle of capital, and on the other hand, to the emergence of a temporary need for additional resources. To resolve this contradiction, the loan serves. On the surface of economic phenomena, credit acts as a temporary borrowing of things or money. With the help of credit, commodity and material values, various kinds of machines, mechanisms are purchased, goods with installments are bought by the population. The object of acquisition at the expense of credit are a variety of values.

One of the interpretations of the essence of the loan is its definition as a certain degree of confidence of the seller in the buyer, who in the future will necessarily make payments for the values



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received. This definition emphasizes the stable nature of the relationship between the seller and the buyer regarding the sale of goods, causing mutual trust of the host entities to each other.

The relevance of this topic lies in the fact that in modern conditions of the national economy, the popularity of credit is increasing quite quickly, and the dependence of the country's economy on lending is also increasing, especially during the period of development and stabilization in market relations. Credit relations are being introduced into almost all aspects of human activity and now it is quite difficult for the normal functioning of the country's economy without a developed credit system, both at the national level and at the interstate level.

The role of the credit system is characterized by the results of its activities for the international economy, a particular state, and a particular population, as well as the specific features of the methods used by which these results are achieved. As for the methods, they are largely determined by the repayment of the loan and, as a rule, by the paid provision of funds. This leads to more responsible actions of participants in credit relations and operations, and also strengthens their interest, encouraging them to act expediently, providing and using borrowed funds.

In practice, credit relations act as borrowing money or material resources for a certain period of time, with the condition of repayment, and, as a rule, with the payment of interest. From an economic point of view, credit is considered as an economic relationship associated with the movement of value. The subjects of credit relations are the lender and the borrower. A lender is a party to credit relations that has a sufficient amount of monetary or material resources and is able to provide these resources to the economic activities of the borrower for a certain period. The borrower is a party to the credit relationship that receives a loan, the main obligation of which is the return of monetary or material resources within the established period.

The essence of credit is manifested in its functions. In turn, the function of credit is a manifestation of its essence, an expression of the social purpose of credit. Through the use of credit functions, enterprises of various forms of ownership and society as a whole achieve production efficiency, acceleration of circulation and income growth. Figuring out the functions of credit is of great practical importance, since it allows you to use it most effectively. The loan performs the following three main functions:

Distributive - it consists in the distribution on a repayable basis of funds. It manifests itself in the accumulation of funds, as well as in their placement. Specifically, this function is manifested in the process of temporary provision of funds to enterprises and organizations to meet their needs for monetary resources. Enterprises are thus provided with the necessary working capital and resources for investment.

Emission - it consists in the creation of credit means of circulation and replacement of cash. It is manifested in the fact that in the process of lending, means of payment are created, i.e. in addition to money in cash form, money in non-cash form also enters the turnover. The effect of this function is also manifested when non-cash payments occur on the basis of cash substitution.

Control - it consists in monitoring the effectiveness of the activities of economic entities. The effect of this function is manifested in the fact that in the economy that received a loan, comprehensive control of the ruble is carried out. It is on the basis of credit relations that the monitoring of the activities of borrowers and lenders is built, the creditworthiness and solvency of enterprises are assessed. After all, any lender - a bank or an entrepreneur - through a loan by its



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methods controls the condition of the borrower, trying to ensure the timely repayment of the loan, to prevent untimely repayment of the debt.

The form of the loan characterizes the external manifestation and organization of credit relations and is determined by a number of features: the object of the loan transaction, the composition of the participants, the intended purpose, etc.

There are the following types of loan:

Bank credit is the movement of loan capital provided by banks for a fee for temporary use.

State credit reflects credit relations regarding the accumulation by the state of funds to finance public expenditures. Creditors are individuals and legal entities, the borrower is the state represented by its bodies.

A commercial loan characterizes a credit transaction between the enterprise - the seller and the buyer. The loan is provided in commodity form in the form of a deferral of payment when selling goods (services). In return, the buyer issues a promissory note with the obligation to make payment on time and pay interest.

Consumer credit reflects the economic relationship between the lender and the borrower over final consumption lending. A loan is issued to the population to meet its consumer needs.

A leasing loan is a relationship between legally independent persons regarding the leasing of fixed assets of production or other property for long-term use, as well as financing the acquisition of movable and immovable leased property.

A mortgage loan is a special type of economic relationship regarding the provision of long-term loans secured by real estate.

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