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Abdurakhman Abdulahatovich Mirisaev

Tashkent Architecture and Civil Engineering Institute
PhD in Economics, Associate Professor, (TIACE),
"Economics and Real Estate Management" Department,
Tashkent, Republic of Uzbekistan,
abdurahmonm@mail.ru

Nozimbek Fakhridin ugli Soibov

Tashkent Architecture and Civil Engineering Institute
master, (TIACE), "Economics and Real Estate Management" Department,
Tashkent, Republic of Uzbekistan

MORTGAGE LENDING MARKET IN UZBEKISTAN

Abstract: This article analyzes the growth in demand for housing and the implementation of measures to provide the population with housing and provides an overview analysis of mortgage lending. Analogous systems of mortgage lending in neighboring countries are considered.

Key words: mortgage lending, refinancing, constant population growth, outstanding mortgage loan balance, portfolio by region, population density in regions.

Language: English

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Introduction

Today in Uzbekistan, the increase in demand for housing and the implementation of measures aimed at providing them with housing caused an increase in the volume of mortgage loans.

As of January 1, 2022, the balance of mortgage loans is 35.8 trillion. amounted to soums and increased by 26.8% (7.5 trillion soums) compared to the corresponding period of 2021, while mortgage loans allocated in this period increased by 7.4% or 671.8 billion soums compared to the corresponding period of the previous year. increased to 9.8 trillion soums. amounted to soums.

In 2021, the share of mortgage loans allocated for the purchase of houses built by IK "Qishloq qurilish invest" and "Uzshahar qurilish invest" IK in the total allocated mortgage loans was 21.7 percent (2,124.0 billion soums), compared to the corresponding period of the previous year decreased by 40.9 percent (3,148.7 billion soums), while the share of mortgage loans allocated within the framework of the "new order" (hereinafter referred to

as "new order") based on market principles of providing housing to the population during this period decreased from 19.1 percent (from 1,744.6 billion soums) to 49.5 percent (by 4,846.2 billion soums) increased.

Analysis of literature on the topic

This selected article is the Decree of the President of the Republic of Uzbekistan No. PF-5715 of May 13, 2019 "On additional measures for the development and expansion of the mortgage credit market" and the Decree of the President of the Republic of Uzbekistan of the Republic of Uzbekistan The basis is the decree of the President of November 28, 2019 on the construction of multi-apartment affordable housing based on Decree No. PF-5886 "On Additional Measures to Improve Mortgage Credit Mechanisms".

These foreign scientists in the field of mortgage credit contributed theoretical works (V. Bychkov, M. Gorsky, A. Elliot, A. Pomozev), analysis of price factors in the housing market, real estate (Z. Urumova,

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I. Gergiev, A. Pomozgov, Z. Kisiev, A. Milenkiy, A. Fokin and others) reflected in his scientific research.

In addition, a number of issues related to the management of the provision of housing to the population and the specific features of its mechanisms were researched by a number of our economists, and their work made a significant contribution to the development of the scientific-theoretical and methodological foundations of the development of management in Uzbekistan, taking into account the national characteristics, including: It is widely covered in the works of B. Khodiev, B. Berkinov (2010), I. Butikov (2001), D. Suyunov (2007), A. Khoshimov (2006), J. Fattakhova (2006).

Research methodology

Empirical research method was mainly used in the implementation of the research, that is, the issues of increasing the social well-being of the population based on housing construction were considered, the issues of crediting housing construction were mentioned in detail, and conclusions and proposals were developed regarding the improvement of the sector.

Analysis and results

The results of the research carried out in the course of the scientific research showed that there are a number of urgent problems in the improvement of mortgage lending practice in our country, which, in our opinion, are the main ones:

- Incompleteness of some legal bases of mortgage lending practice regarding property pledge and its sale by commercial banks.

The following can be added as the negative sides of the mortgage today: - the height of the interest rate. Average interest rates on national currency bank loans in Uzbekistan As of June 1, the annual average interest rate on all loans was 19.8 percent, and on May 1 it was 19.7 percent.

The rate of short-term loans increased to 19.5% (it was 19.1% in April), while the rate of long-term loans remained the same — 19.8% [10]. - the initial payment is 25%; - in addition, if the payer took a loan and failed to pay it, he will have to pay a considerable amount of fines; -mortgage forces many families to live economically; - not everyone can get a mortgage. Banks carefully study the situation of customers. These are the main disadvantages of this type of lending. But there is another aspect that is important - this is moral pressure, a sense of indebtedness.

Therefore, it is recommended to think carefully before taking such a step. It is necessary to further improve the legal base and infrastructure in order to develop mortgage credit in our republic, to reduce the financial risk of its participants and to facilitate the ownership of a house by citizens.

Providing a youth home to young families consists of three stages: the first stage is the

construction of the youth home, the second is the selection of candidates, and the third stage is the conclusion of an agreement between the selected young families and the bank and the contracting organization, that is, the stage of formalizing documents.

At the present time, the scientists of our republic are expressing their opinions about the feasibility of creating a two-tier system of mortgage lending. But the perfect vision of the two-tier lending system has not yet been developed.

In general, the two-tier mortgage lending system envisages the creation of a special fund for the refinancing of mortgage loans at the state level. The purpose of the fund is to create such a mortgage lending mechanism, which, on the one hand, allows the formation of mortgage loan interest rates at a level convenient for the population; secondly, it should allow attracting long-term resources to the mortgage lending process. The level of credit risk of banks is high due to the fact that most of the individuals receiving loans from the banks of our republic, that is, bank clients, do not have a credit history. In the conditions of the growing demand of the population for housing and the improvement of its living conditions, the demand of citizens to borrow long-term funds from the financial market for the purchase of housing on the basis of interest rates that satisfy them will increase.

The mortgage lending system of banks allows to satisfy this demand. There is a practice of mortgage loan insurance, but today it would be desirable to further improve it, that is, taking into account the type of client and their territorial location;

As can be seen from the international experience, the support of the state through legal and other influencing factors is of decisive importance in the development of mortgage credit.

Based on this, we believe that it is appropriate for the state bodies to support this system in the following forms:

- Granting local status to the mortgage lending system;

- Loss or reduction of the amount of financial burdens of system participants due to reduction of costs and other benefits to the structural structure;

- In order to create a competitive environment in the system, providing non-refundable subsidies for construction or housing purchase from the republican or local budgets;

- Adopting a special lending decision based on a guarantee (at the local level), in which the city government acts as a guarantor if the implemented project corresponds to the important directions of the city's development.

One of the main sources of attracting resources to the mortgage lending system is the issue of mortgage securities and their placement, that is, the securitization of the mortgage housing lending

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market. We hope that these, in turn, will serve as a basis for the full satisfaction of the population's demand for housing in the Russian Republic, and for the disappearance of certain differences between the city and the countryside.

Materials and Methods

The share of mortgage loans allocated by

commercial banks at the expense of JSC "Uzbekistan mortgage refinancing company" in total allocated mortgage loans reached 20% (1,956.8 billion soums). Also, the share of mortgage loans allocated for the purchase of housing from the secondary market in the total allocated mortgage loans increased to 25% (2,442.6 billion soums). (Table 1).¹

Table 1. Share of mortgage loans allocated for the purchase of housing

	2019 year	2020 year	2021 year
Dedicated mortgage loans, billion soums	7 977	9 122	9 794,1
- in the primary market	7 709	8 841	7 351,5
- in the secondary market	268	281	2 442,6
Mortgage loans allocated under the "new procedure", in billion soums	-	1 746	4 846,2
- For 1- and 2-room apartments	-	748	2 442,4
- For apartments with 3 or more rooms	-	998	2 083,8
- For private houses	-	-	320,0
Mortgage loans allocated at the expense of JSC "Company on refinancing mortgages in Uzbekistan" in billion soums	-	61,9	1 956,8
- for housing in the primary market	-	0,9	2,4
- housing on the secondary market	-	60,7	1 931,2
- for home renovation	-	0,3	23,2
The rest of the mortgage loans, in trillion. soums	01.01.2020 y.	01.01.2021 y.	01.01.2022 y.
	20,4	28,3	35,8

It should be noted that along with the growth in mortgage loans in 2021, as a result of structural changes, the demand for mortgage loans remains high, and this is primarily due to the following factors:

- growth rates of economic indicators (growth in GDP by 7.4%, GDP per capita by 5.3% and investment in fixed assets by 5.2% compared to the same period last year);
- constant population growth (as of January 1, 2022, the population was 35.2 million people, up 102.1 percent compared to the same period last year);
- an increase in the share of economic entities operating in the construction sector in the economic sector as a result of an increase in investment activity

in the republic;

- as a result of the introduction of a new procedure, commercial banks are provided with a stable source of resources for providing mortgage loans;

- simplification of mortgage loans provided to individuals-shareholders for the construction of private houses, for the purchase of housing from the secondary mortgage market.

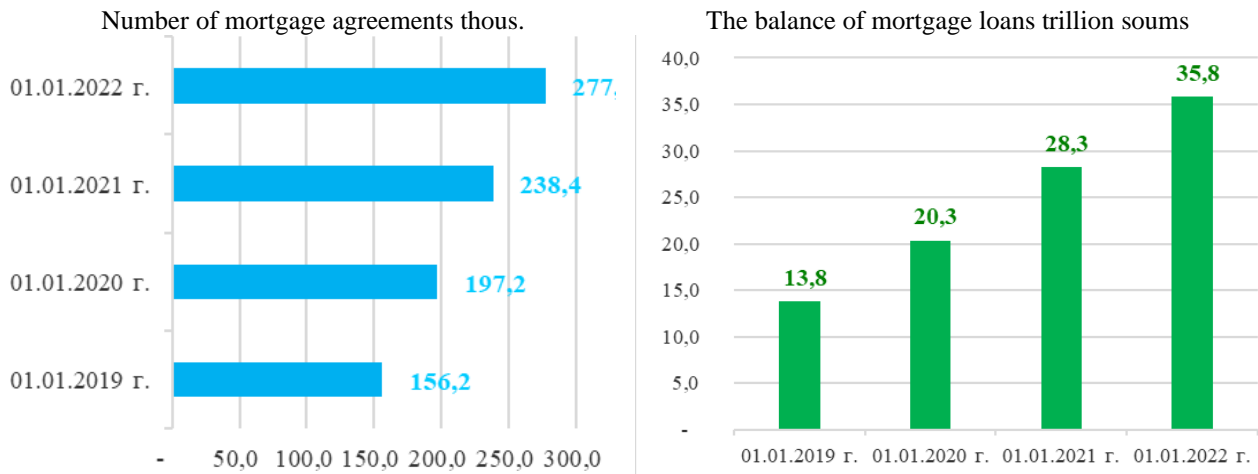
As a result of the above and a number of other factors, from 2018 to 2021, the balance of mortgage loans increased by 2.6 times (22.0 trillion soums), and the number of mortgage agreements increased by almost 1.8 times (121.0 thousand units). (Picture 1).

¹ <https://cbu.uz/upload/iblock/e4a/Obzor-ipotechnykh->

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Picture 1

From the balance of mortgage loans, as of January 1, 2022, the share of the total balance of outstanding mortgage loans amounted to 11.0% (35.8

trillion soums), an increase of 26.8% (7.5 trillion soums) compared to with the corresponding period last year. (Figure 2).

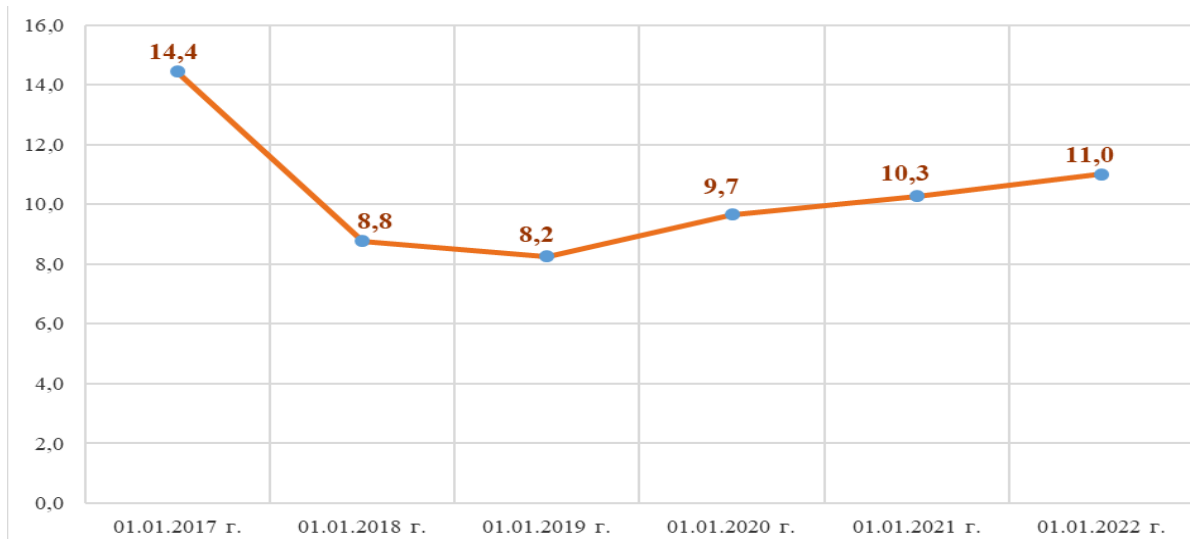


Figure 2. Share of outstanding mortgage loans in the total loan portfolio, in percent

In terms of regions, the balance of mortgage loans in the city of Tashkent is 8.3 trillion. soums (5% of the total loan balance), in Samarkand 3.2 trillion. soums (20%), in the Tashkent region 2.7

trillion. sum (14%), in the Fergana region 2.6 trillion. sum (19%), in Kashkadarya region 2.5 trillion. soums (20%). (Fig. 3-4).

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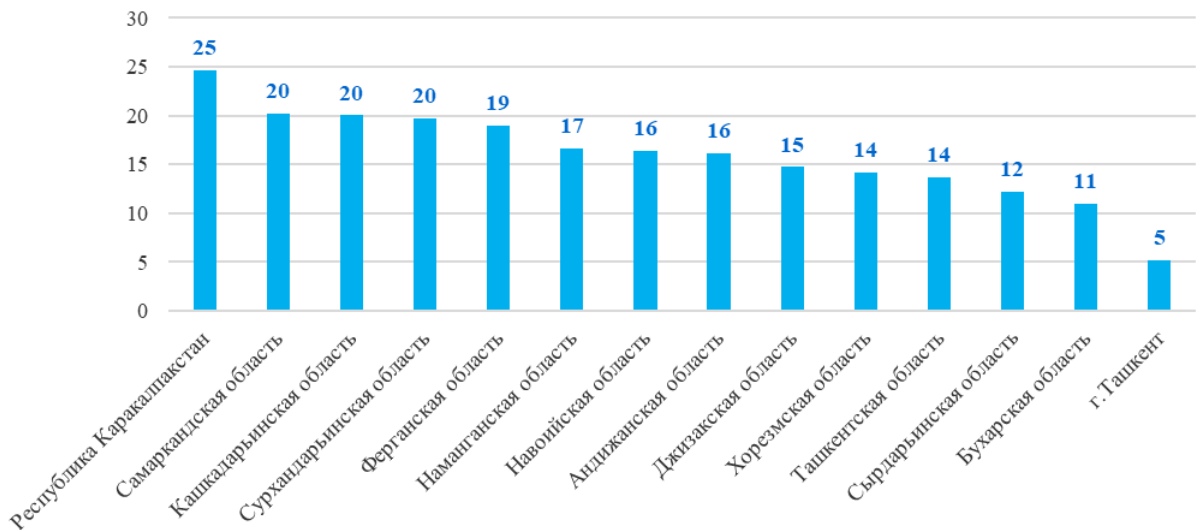


Figure 3. From the balance of mortgage loans, the share of outstanding mortgage loans in the total loan portfolio by region as of January 1, 2022, in percent

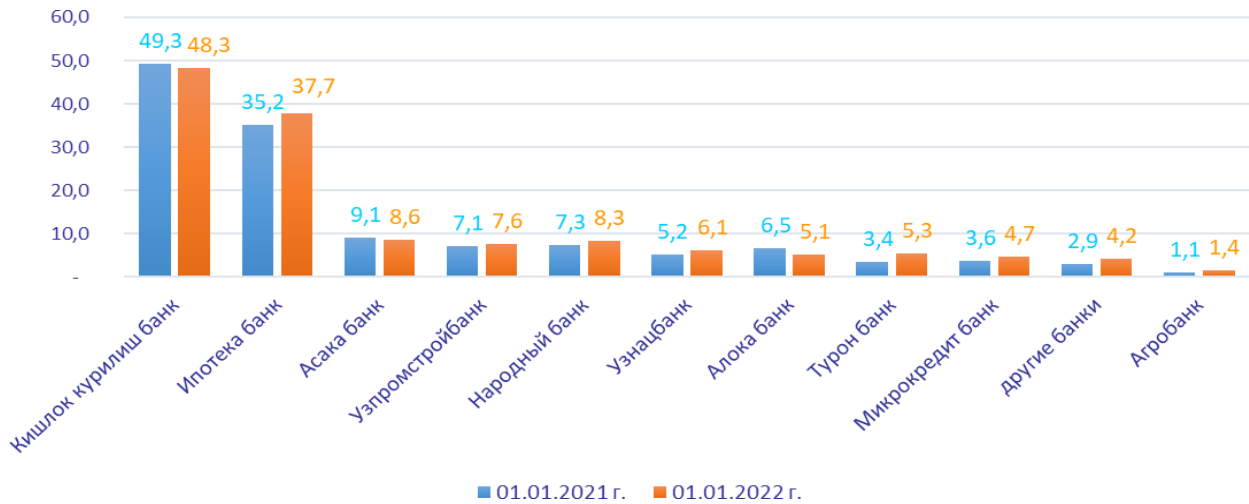


Figure 4. Share of mortgage loans in the total loan portfolio of commercial banks, in percent

Of the total balance of allocated mortgage loans, the share of the Mortgage Bank is 30.6% (10.9 trillion soums), Qishloq Qurilish Bank 23.6% (8.4 trillion soums), the National Bank 12.7% (4.5 trillion soums)., Asakabank 9.1% (3.2 trillion soums), Uzpromstroybank 9.1% (3.2 trillion soums), Xalq Bank 4.6% (1.6 trillion soums) and the share of other commercial banks 10.4 % (3.7 trillion UZS) (Figure 5).

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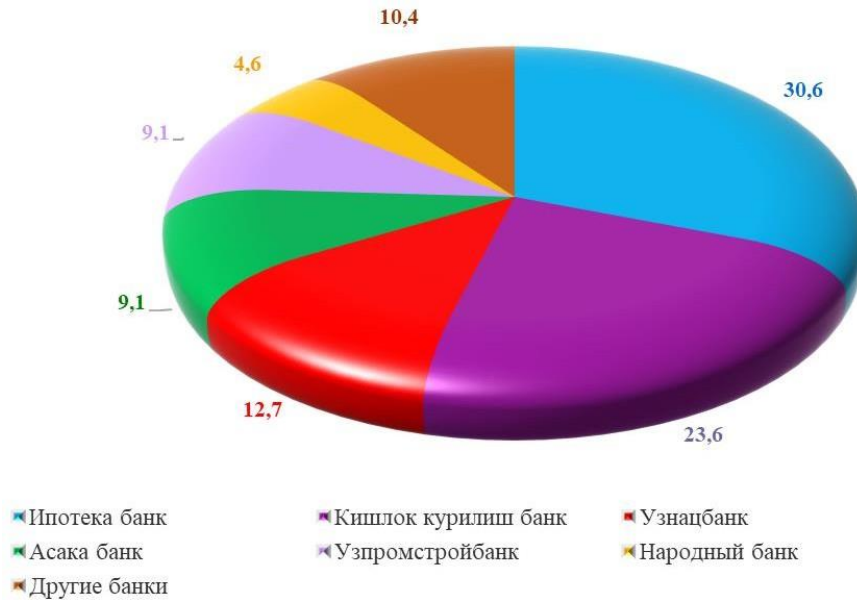
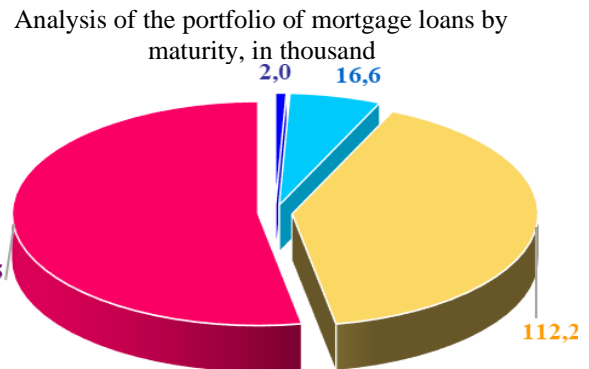
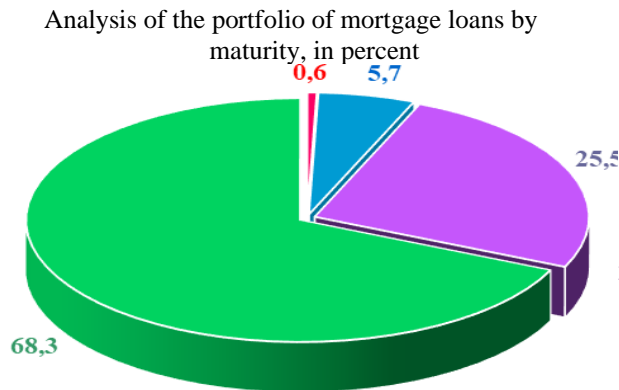


Figure 5. From the balance of mortgage loans, the share of commercial banks as of January 1, 2022, in percent

From the balance of mortgage loans (0.6% of the total outstanding mortgage loan balance), the share of loans for up to 7 years is 199.0 billion soums, up to 10 years - 2,037.7 billion soums (5.7%),

up to 15 years - 9,136.8 billion soums (25.5%), up to 20 years - 24,452.1 billion soums. (68.3%) (Figure 6).



■ до 7-и лет
 ■ до 10-и лет
 ■ до 15-и лет
 ■ до 20-и лет
 ■ до 7-и лет
 ■ до 10-и лет
 ■ до 15-и лет
 ■ до 20-и лет
 Up to 7 years Up to 16 years Up to 15 years Up to 20 Up to 7 years Up to 16 years Up to 15 years Up to 20 years

Figure 6.

In 2021, the share of mortgage loans in the total amount of loans issued to individuals (69.5 trillion soums) amounted to 51.6% (Figure 7).

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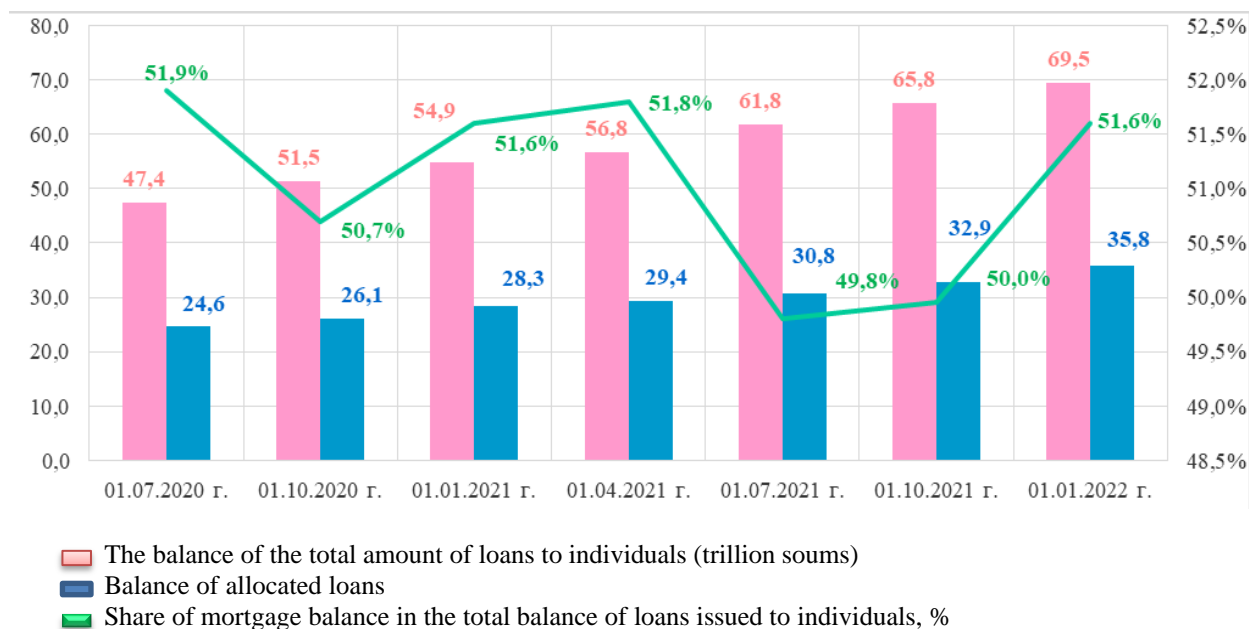


Figure 7

The ratio of the balance of mortgage loans to the total balance of loans allocated to individuals. The balance of mortgage loans to individuals increased by 26.6% (14.6 trillion soums) compared to the same period last year, and the balance of mortgage loans increased by 26.5% (7.5 trillion soums).

In addition, the ratio of mortgage loans to GDP in 2021 was relatively high in Tashkent city (2.2%), Surkhondarya region (2.4%), Fergana region (1.9%) and Syrdarya region (1.7%), low rates were recorded in Navoi (0.8%), Tashkent (0.8%) and Kashkadarya (1.0%) areas (Figure 8).

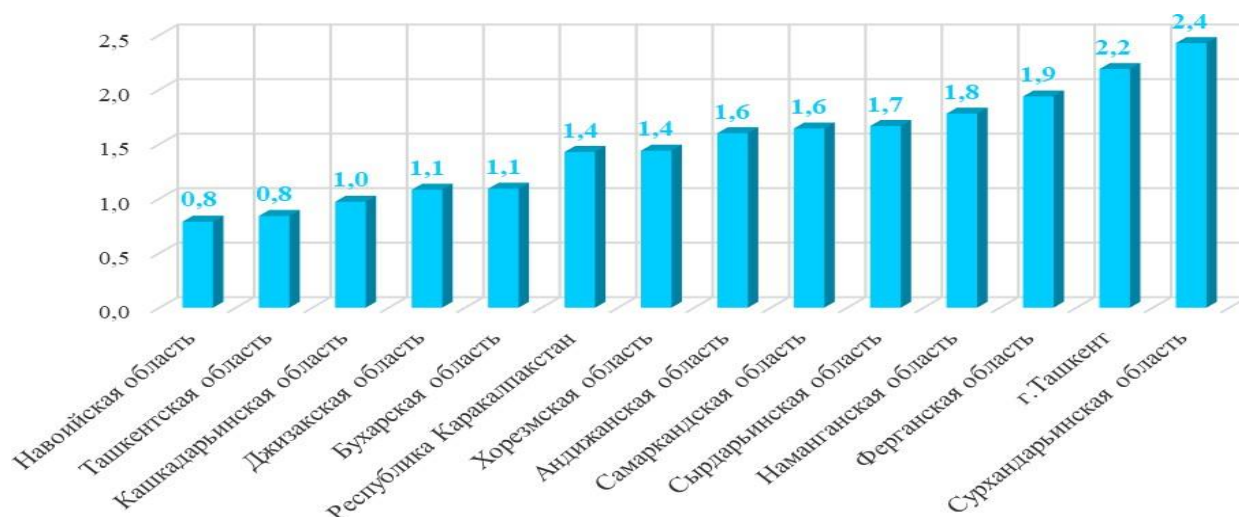


Figure 8. Share of outstanding mortgage loans and balances in GDP, in percent

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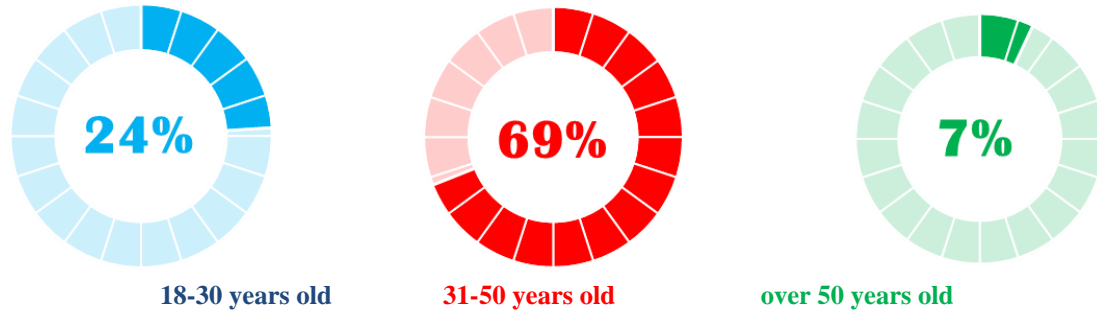


Figure 9. Classification of Mortgage Loan Clients Disbursed in 2021 by Age, Percentage

In addition, 46,229 people (78% of the total) received 7,351.5 billion soums for the purchase of housing in the primary market, and 13,341 citizens

(22%) received mortgage loans for the purchase of housing in the secondary market.

Table 2. The amount of monthly payments for the repayment of mortgage loans allocated on the terms effective in 2021

№	The value of the loan	Credit term	Annual interest rate on the loan	Payment method	Monthly payment
1	100 million soums	20 years	17 %	Annuity (in equal amounts each month)	1 466 801 soums
2	150 million soums				2 200 201 soums
3	200 million soums				2 933 601 soums
4	250 million soums				3 667 001 soums
5	300 million soums				4 400 402 soums
6	350 million soums				5 133 802 soums
7	400 million soums				5 867 202 soums

In terms of regions, the largest share of mortgage loans falls on the city of Tashkent (853.0 billion soums) and Samarkand region (682.3 billion soums), Fergana region (624.4 billion soums) and Andijan region (504.5 billion soums). (Figure 15).

In 2020-2021, according to the "new order",

commercial banks provided the population with mortgage loans in the amount of 6,593.2 billion soums. The largest share of issued mortgage loans falls on Ipotekabank (34.3%), Qishloqqurilishbank (24.1%), National Bank (11.6%), Xalq Bank (6.0%), 24% on other commercial banks.

Table 3. Comparative information on the state of mortgage loans in Uzbekistan and neighboring countries

	Uzbekistan	Russia	Kazakhstan	Kyrgyzstan
Refinancing rate, %	14	8,5	10,25	8 (30.11.2021 y.)
Average annual interest rate on a mortgage loan, %	17,5	7,7	8,4	12,8
Average mortgage loan term	17,1 years	20,9 years	9 years	9,8 years
Maximum mortgage loan term	20 years	30 years	25 years	25 years
Average mortgage loan amount \$	18 791 \$	45 50\$ (10/2021y.)	29 425 \$	*

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	2019y.	3,8	17,5	3	2,6
Share of mortgage portfolio in GDP, %	2020y.	4,9	9,4	5	3,8
	2021y.	5,3	10.5 (07/2021y.)	3,8 (08/2021y.)	2,89 (09/2021y.)
Average price of new buildings in the capital (1 sq.m.)		811 \$	3721 \$	912 \$	798 \$
The average price of houses on the secondary market in the capital (1 sq.m.)		740 \$	3546 \$	808 \$	770 \$

Source: based on analysis of official websites and economic research centers on macroeconomic analysis; Mortgage refinancing company of Uzbekistan.

Conclusion and suggestions

Taking into account the conditions that have arisen in Uzbekistan, we can make a proposal for the purpose of solving some of the problems that exist in the process of introducing and developing mortgage credit in the country.

They consist of the following:

1. Increasing initiative of universal commercial banks with free funds.

2. in cooperation with the state, to establish an agency that develops and implements the rules on mortgage bonds in connection with the secondary securities market, and creates a comprehensive system of mortgage credit through this agency;

3. using foreign experience, implementing a mortgage model based on the principle of collective credit based on the potential of the People's Bank of the Republic of Uzbekistan;

4. to develop a mechanism to encourage foreign banks to enter the mortgage credit market of our republic;

5. expanding the use of various forms of mortgage loans;

6. The necessity of the laws on "Mortgage", "Mortgage banks" is determined by bringing this process to a legal basis. We believe that the improvement of regulatory and legal documents on mortgages and, in addition, the development of the regulation on mortgage-backed securities is one of the urgent issues.

By observing and studying the dynamics of the social and political reforms carried out by the state and

the indicators of their implementation, the following conclusions can be reached:

- all the efforts made to provide the population with housing, like the state's reforms in every field, are aimed at serving human interests;

- all decrees, decisions and regulations adopted in this direction are logically and effectively developed to the extent that the program serves as a legal basis for the work to be carried out strategically;

- if we analyze the dynamics of the indicator of houses built to meet the housing needs of the population, we can see that in the last 4 years, the state has paid a very high level of attention to this area, using timely and effective mechanisms we will witness.

The increase in the volume of mortgage loans directly depends on the adequacy of the long-term resource base of banks. Because mortgage loans belong to the category of medium and long-term loans. In order to strengthen the resource provision of mortgage loans of the commercial banks of the Republic of Uzbekistan, firstly, by reducing the base rate of the Central Bank's mandatory reserve requirements and leaving the amount of the reserve requirement in the "Nostro" representative accounts of commercial banks, the ability of banks to pay interest on term deposits and liquidity should be increased; - In order to further improve the practice of mortgage lending by banks, first of all, it is necessary to put into circulation mortgage bonds whose payment is guaranteed by the government.

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