

Advantages of Developing Cashless Settlement

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Abstract: In the article have been identified the problems associated with improving the practice of using forms of cashless payments in the Republic of Uzbekistan and developed scientific proposals aimed at solving these problems.

Keywords: Payment order, check, documentary letter of credit, clean collection, documentary collection, liquidity, commercial bank, overdraft, security, priority of payments.

I. INTRODUCTION

In the "Strategy for further development of the Republic of Uzbekistan in 2017-2021", approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No 4947, the development of cashless payments is recognized as a necessary condition for ensuring stable macroeconomic growth [1]. not. Because there are current problems related to improving the practice of using cashless forms of payment in the Republic of Uzbekistan. In particular, in the practice of the republic, more than 90% of payments made through documented letters of credit are made through secured letters of credit. Moreover, in the banking practice of the country to date, there are no pure collection and documentary collection forms of cashless settlements. As a result, the possibility of increasing the volume of cashless payments is limited.

This article develops solutions to the problems associated with improving the practice of using cashless forms of payment.

II. LITERATURE REVIEW

Opinions on the content of the concept of cashless settlements in the economic literature differ significantly from each other. A.S.Neshitoy, E.F. In the works of Zhukov, VP Polyakov and a number of other economists it is understood that cashless payments are made by transferring money through bank accounts and on the basis of mutual waiver of claims. For example, according to E. Zhukov, "non-cash settlements are settlements that are carried out without the use of cash, by transferring money to the accounts of credit institutions and waiving mutual claims" [2].

In our opinion, this definition is specific to the practice of transition economies (Russia, Uzbekistan, Kazakhstan, Ukraine, etc.), where there is still a procedure for waiving mutual claims. In the practice of developed countries, however, there are no calculations based on the waiver of mutual demands and obligations. In countries with economies in transition, the amount of receivables and payables among businesses is high due to the low level of money supply in the economy. In such circumstances, the debtor-creditor is forced to use the method of mutual waiver of claims and obligations in order to reduce the amount of debt, reduce the indebtedness of business entities to the state budget. For example, in the Republic of Uzbekistan, as of January 1, 2018, the current level of monetization coefficient was 29.4% [3].

In the textbook "Banking", edited by Prof. OI Lavrushin, non-cash payments include the following three forms of payments:

- settlements made by writing on the accounts of payers and recipients of funds opened in credit institutions;
- settlements made by waiving mutual claims;
- settlements through the transfer of circulating payment instruments (bills, warrants, etc.) [4].

Contrary to the above definition of cashless settlements, O.I. According to Lavrushin's definition, settlements made through payment instruments are also included in non-cash settlements. In our opinion, the definition given by OI Lavrushin serves to fully disclose the content of cashless settlements. This is because, in this definition, first of all, the calculations based on the abandonment of mutual requirements inherent in the economic practice of the countries of transition economies are reflected; secondly, non-cash settlements made by writing to bank accounts are recognized; third, the existence of cashless settlements arising through payment instruments was emphasized. Two types of payment instruments, namely ordinary and transferable promissory notes, are widely used to make payments for goods and services. Characteristically, commercial bills can serve as a means of payment of money. Therefore, a non-cash payment can replace a certain portion of the cash involved in the turnover. There is a second side to the issue. The essence of this aspect is that transferable promissory notes have the ability to be circulated several times through the endorsement, which allows to sharply reduce the amount of receivables and payables between business entities. Hence, settlements made through the circulation of ordinary and transferable promissory notes are also included in non-cash settlements.

In our opinion, it is expedient to add some clarity to this definition, formulated by O.I. Lavrushin. That is, instead of "bank accounts of payers and recipients of money" should be replaced by "current accounts of payers and recipients of money in banks." This is because there are three main types of bank accounts of suppliers and payers: current deposit accounts, time deposit accounts, and savings deposit accounts. But payment documents are only credited to the current deposit account. Therefore, in our opinion, the current deposit account should be clearly stated in the definition.

The results of research conducted by J. Chanel-Reyno and E. Blua showed that well-established relationships of small businesses with large enterprises increase their access to cashless forms of payment [5].

According to E. Shodmonov, non-guarantee of payment is the main shortcoming inherent in payments through payment orders. The second drawback is that the risk of supplying substandard goods remains when the bulk of the goods are paid for [6].

According to H. Rahimova, the limited use of non-cash instruments in the economic turnover of the country, especially the underdevelopment of the practice of using credit instruments, slows down the payment process in the country's economy, leading to non-fulfillment of contractual obligations of business entities [7].

T.I. According to Bobakulov, the fact that the bulk of the population's payments are made in cash, the underdevelopment of payments by plastic cards and checks contributes to the high level of demand for cash. In countries where the system of cashless settlements, payment cards based on plastic cards and paid checks is not developed, a significant part of the turnover is carried out in cash. As a result, there is, firstly, a direct link between cash flow and economic activity in the country; second, the impact of cash circulation on the exchange rate of the national currency increases [8].

III. ANALYSIS AND RESULTS

Currently, four forms of cash are used in the economic practice of the Republic of Uzbekistan: payment request, payment order, documented letter of credit and collection.

Table – 1 Structure and dynamics of non-cash payments in the Republic of Uzbekistan [3]

Cashless payment forms	Years					In 2017 year to 2013 years, in %
	2013	2014	2015	2016	2017	
Payment request	0,12	0,26	0,18	0,16	0,16	0,04
Payment order	99,61	99,49	99,46	99,52	99,38	- 0,23
Documentary letter of credit	0,02	0,02	0,01	0,01	0,04	0,02
Collection	0,25	0,23	0,35	0,31	0,42	0,17
Payments - total	100,0	100,0	100,0	100,0	100,0	x

According to Table 1, the largest share in the total volume of non-cash payments made through non-cash forms of payment in the country is occupied by payments made through payment orders. This is a negative situation in terms of improving the practice of using cashless forms of payment. This is because payment orders are not guaranteed.

From the data in Table 1, it can be seen that the share of payments made through documented letters of credit in the total amount of cashless payments made through cashless settlement forms is very small. However, payment is fully guaranteed in documented letters of credit.

Also, in the total amount of non-cash payments, payments made through payment applications and collection forms occupy a very small share.

The payment request does not exist in the economic practice of developed countries. This is because, in the practice of these countries, goods sold with a deferred payment are considered to have been sold on credit. Interest is paid on goods sold on credit.

From the data of Table 1 it is clear that in the practice of the republic there is no development of cashless settlements through the form of collection.

Using the data in the figure below, we estimate the change in the amount of cashless settlements made through cashless settlement forms and memorial orders.

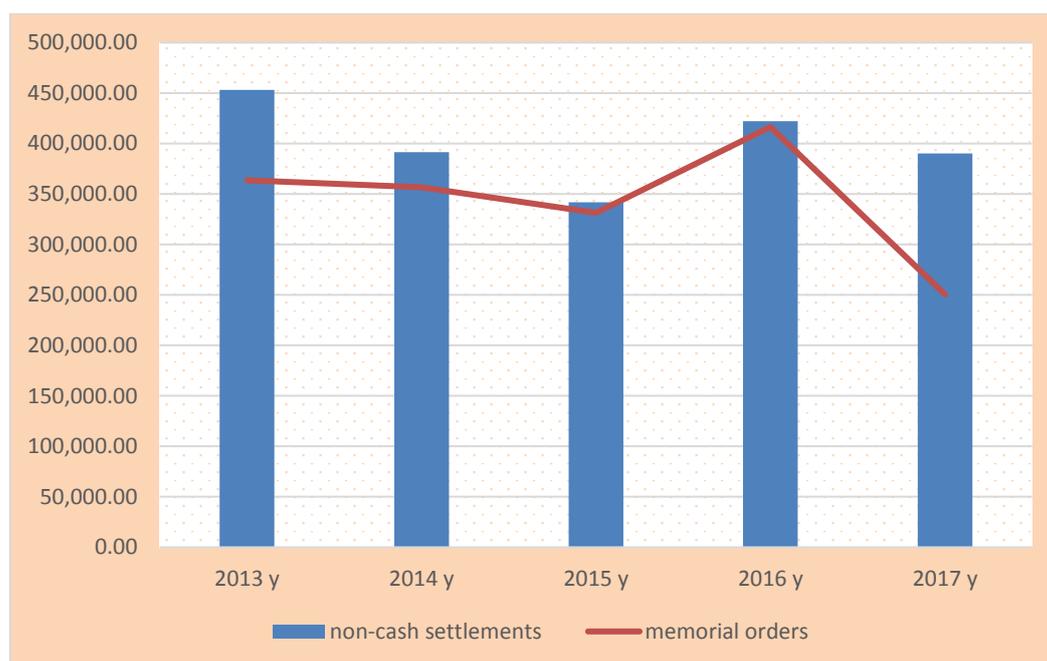


Figure 1. The amount of non-cash settlements in the Republic of Uzbekistan through non-cash forms of settlement and memorial orders, bln. sum [3]

It can be seen from the data in Figure 1 that in the practice of our republic the amount of payments made through memorial orders is relatively large. This indicates that the practice of using cashless payment forms has not been improved.

The form of payment request for non-cash settlements does not correspond to the nature of market economy relations. This is because the amounts of goods and services shipped without payment are paid through the payment request. In fact, goods sold without payment must be considered sold on credit and must be paid an additional fee of a certain percentage. Or a promissory note must be written on the amount of goods sold without payment. In the practice of the Republic, goods sold without payment are not considered sold on credit.

One of the current problems with the use of the payment request is the problem of timely collection on the basis of the act of reconciliation of payment. The essence of the problem is that some farms have purchased goods from private firms. The fact that many of these firms have closed down to collect payment is causing difficulties.

In the practice of our country, a targeted sequence of payments is used. In this sequence, the priority in the collection of payments is focused on the payment of debt to the State budget. At the same time, the collection of tax payments for subsequent periods has a negative impact on the cash flows of business entities.

One of the current problems in improving the practice of using cashless forms of payment is the existence of liquidity problems in some banks.

There is a problem in the structure of assets of commercial banks of the Republic of non-profit and low-yield assets, ie cash assets, buildings and structures.

In the banking practice of developed industrial countries, the first place in the structure of assets of commercial banks is occupied by loans, the second place by assets in the form of securities, and the third place by cash assets. Investments in securities are a post-loan asset according to the level of return. In addition, they play an important role in ensuring the liquidity of banks. For this reason, many foreign banks have a high level of return on assets.

Exceeding the current level of overdue loans above the norm accepted in international banking practice leads to a deterioration in the quality of the bank's loan portfolio, a decrease in the current liquidity and solvency of a commercial bank. Net profit is a part of the secondary capital of commercial banks of the Republic of Uzbekistan, so the decrease in net profit leads to a decrease in the capital of commercial banks. In turn, a decrease in the amount of bank capital means a decrease in its level of solvency.

In the practice of international banking, there is a lack of objects of the first category of collateral in the practice of the republic. For example, land is a first-category collateral. Thus, there is a problem of lack of highly liquid and reliable collateral in the banking and economic practice of the country. This, in turn, prevents banks from increasing the volume of credit operations. In the banking practice of developed foreign countries, securities transactions are the second main type of activity of banks after loans.

IV. CONCLUSIONS AND RECOMMENDATIONS

In our opinion, one of the main shortcomings in the mechanism of using non-cash forms of payment is the lack of check checks used in the banking practice of the Republic of Uzbekistan for settlements between enterprises. Because in international banking practice, check checks are an independent form of cashless settlements and have their own advantages. Hence, their absence in the country's payment practice indicates that cashless settlements are not being fully implemented.

Accounts receivable accelerate the sale of goods, the payment of which at the expense of loans from commercial banks plays an important role in solving the problem of insolvency in the economy.

In the practice of developed countries, bank check checks are widely used. One of the unique features of these checks is that they can be transferred to third parties through endorsement. As a result, it is possible to use order checks to reduce receivables and payables between business entities.

It is noteworthy that in developed countries, the amount of payment on checks is not deposited in a separate account. However, there is no problem of non-payment on checks in these countries. This is explained by the fact that a significant part of the checks are paid by loans from commercial banks. If the check does not have funds in the payer's current account at the time of receipt at the payer's bank, then the check is paid by the commercial bank from an overdraft or term loan account.

The share of secured letters of credit in the total volume of documented letters of credit opened by commercial banks of the country is high.

The results of the analysis performed in the second chapter of the study showed that 99% of the payments made through cashless payment forms accounted for the share of payments made through payment orders. This indicates that the practice of using non-cash forms of payment through letters of credit has not improved.

The results of the analysis show that the share of letters of credit opened by banks in the country in the volume of non-cash payments is very small. In addition, the bulk of the documented letters of credit correspond to the share of secured letters of credit. As a result, a certain part of the funds belonging to economic entities is withdrawn from their economic turnover.

Failure to deliver the goods on time will result in a decrease in the real value of the deposited funds. This takes into account changes in inflation and devaluation rates.

The use of unsecured and non-revocable forms of documented letters of credit will reduce the amount of non-payment between enterprises, allowing commercial banks to earn more.

It should be noted that in the economic and banking practice of our country there is no pure form of cashless settlements. The absence of this form is explained by the lack of circulation of commercial bills in the country.

In our opinion, in order to improve the practice of using cashless forms of payment in our country, it is necessary to implement the following measures:

1. It is necessary to increase the volume of unsecured documentary letters of credit operations for customers with stable cash flow.
2. It is necessary to increase the level of liquidity in the assets of commercial banks by increasing the share of investments in highly liquid securities and using the stable balance of demand deposits as a resource.
3. It is necessary to increase the amount of commission income of commercial banks and reduce the creditworthiness of customers by providing guarantees for the payment obligations of customers belonging to the first class in terms of creditworthiness.
4. In the case of a targeted sequence of payments, it is necessary to eliminate the risk of transformation, ensure normative levels of indicators characterizing credit risk and ensure a stable level of net interest spread in order to ensure the continuity of payments through commercial banks.

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