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FACTORS THAT ALLOW TO IMPROVE THE SERVICE OF THE STATE'S EXTERNAL DEBTS

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Annotation

This article presents the current state of the factors that make it possible to improve the service of public external debt in terms of the use of public external debt and its important sources.

Keywords: Public debt, external debt, domestic debt, payment, interest, credit, good governance, economic growth, domestic resource, capital, foreign capital, socio-economic, structural reforms, real project, financing, international finance, financial market, budget, deficit.

Introduction

In the present period, the problem of factors that allow to improve the service of the state's foreign debts is a general economic situation that has attracted the attention of economists, not only poor or developing countries, but also the governments of economically developed countries. This problem is especially serious in eliminating the consequences of the ongoing economic crisis. In the management of the state budget in each individual country, the issue of public external debt and its management is very important.

The formation of public debt and the process of its management can be considered as a set of very complex economic relations that arise in the process of production, in terms of the distribution, exchange and consumption of material, financial and intellectual resources placed between states and economic entities.

On August 20, 2021, the President of the Republic of Uzbekistan in his speech at an open dialogue meeting with entrepreneurs stated that the establishment of the Currency Risk Management Company and its branches in the regions under the Ministry of Finance, this company will convert funds raised by banks in foreign currency into soms and create conditions for granting loans in the domestic market only in national currency, pointed out that[1].

This, in turn, allows for the specialization of the relevant and relevant categories of foreign economic relations and the legal framework regulating foreign economic relations, thereby enabling the optimization of the state's foreign economic activity.

The process of integration of the country's economy with the world economy requires the integration of the development of the national economy with the civilization of the world economy. One of the main factors of economic development is the attraction of investments from countries with a high level of development to the country, and the second is the attraction of large-scale financial resources by the state to finance large and strategically important investments related to the creation of sectors necessary for the interests of society. External state loans based on state guarantees are also of special importance in attracting such financial resources.

Research Methodology

Comparative analysis and induction and deduction evaluation methods were used in this article. Using the comparative method, data and analysis of the factors enabling the improvement of the service of the state's foreign debts were made and scientific conclusions were given.

Research Results

At the moment, the main problem of the country is the improvement of the factors that allow to improve the service of the state's external debts, the effective use of the methods introduced in the practice of developed countries will have a positive effect on the improvement of the service of the state's external debts. At the same time, it serves to ensure the stability of state finances in the future by implementing and managing the economic efficiency of state debts in the priority areas of ensuring the economic development of the country and ensuring the stability of state finances.

Analyzes

State debt is essentially divided into two groups: internal and external debt [2] . State external debt is the debt of a certain country that arose as a result of obtaining loans from the governments of other foreign countries, international financial institutions (the International Monetary Fund, the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the Asian Development Bank) and the world's largest commercial banks. Servicing (repayment) of external debt is divided into its principal amount (principal) and interest amounts accrued to it.

Exceeding the norm of foreign debts has a negative impact on the development of the national economy. If payments on external debt exceed a significant part of the country's income from exports of goods and services, for example 20-25%, this situation will lower the country's credit rating. As a result, it becomes difficult to attract new debt funds from abroad. Accordingly, states regularly implement measures to regulate external debts.

In recent times, the "number one countries of the world", accustomed to consumption rather than production, have become accustomed to fearless borrowing and living off foreign investments. Its economic system resembles a financial pyramid. Because the country regularly needs new creditors and investors to pay its old debts and dividends. But nobody is worried about the fact that the country is sinking further and further into the mire of debt. According to experts, the country is so powerful that it can continue to borrow large amounts without problems.

The experience of international statesmanship shows that any success belongs to today and it serves today. Therefore, it is necessary not to be satisfied with yesterday's and today's achievements, not to slow down the pace of growth, to define new horizons of national development, to work while observing the meaning and essence of complex processes taking place in the world.

In the system of financial support of the state's activity in the direction of ensuring social economic development of the society, there is a special importance of state credit relations. Debts received by the state are of great importance in the regulation of the economy and development of production. Mainly, public debt fulfills two tasks: fiscal - to attract funds to the state treasury; promoting and regulating economic development. Currently, internal financial resources are being mobilized in our Republic mainly to finance the deficit. Therefore, in order to prevent the problem of deficit from causing the state to become indebted, it is necessary to develop programs for the health of the budget system.

For effective external debt management, it is essential to project debt service obligations in time, as well as to determine the outlook for the country's export earnings, domestic revenues and future sources of finance. As a result of monitoring the possibilities of prepayment or debt refinancing, it will be necessary to use the most favorable conditions for obtaining a new loan, to coordinate the loan terms with the income of the financed projects, to solve the problem of a decrease in export revenues or expected import costs. Considering foreign borrowing as a component of economic policy is the main problem of many countries. Countries that make decisions taking into account the current and future macroeconomic situation, implement social investment programs due to the effective distribution of government resources, and take measures to increase domestic funds may not have problems related to external debt. Excessive borrowing is likely to lead to deflation and a downturn in the economic picture.

Indebtedness has shown the importance of external debt management for many developing countries. Despite its relative novelty, this sector has become one of the government's main areas of work in ensuring the stability of economic development and restoring creditor confidence. Many countries and regions are struggling to overcome debt service challenges with varying degrees of success, so they feel the need for effective debt management methods in these countries.

Debt service is the total payment of debt obligations, including principal, interest, commissions and penalties.

Borrowing by the state consists of obtaining bonds and loans from individuals and legal entities, foreign countries, international financial organizations, on which the borrower or other borrowers become the government's debt obligations as a guarantor for the repayment of debts.

It is known that the public debt of Uzbekistan is expected to increase to 33.5 billion dollars in 2022. That is, the total public debt of Uzbekistan at the end of 2022 is forecast to be 33.5 billion dollars, or 45.2 percent of GDP.

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In 2021, the level of the total public debt was 28.2 billion dollars - 41.5% of GDP. This is slightly less than the 44.5 percent forecast last year as a result of the rapid recovery of the economy[3].

It should be noted that the total public debt, despite the increase in its amount, remains at a safe level for macroeconomic stability. As we know, in international practice, a public debt of 60% of GDP is safe for macroeconomic stability.

In practice, long-term debt is foreign debt with an initial or extended term that is repaid in more than 1 year. It is a liability to non-residents that is covered by foreign currency or services. Long-term debts constitute 3 types of obligations:

Public debt - external debt obligations of the public sector, including the government and government bodies, as well as autonomous state organizations, enterprises and other structures;

Non-guaranteed debt by the state is a guarantee of payment of external debt obligations of the private sector by a state organization in the country. Unguaranteed private debt - foreign debt obligations of the private sector that are not guaranteed by the government organization[4].

When attracting redit funds from foreign countries or foreign interstate international financial organizations to the country, it is possible to classify them according to their conditions, goals, form of giving, form of return and sources. External debts: divided into such types as short-term debts, long-term debts, debts to the International Monetary Fund. Foreign direct investment and official subsidies with the net flow of debt funds make up the total financial flows. Debt service is the total payment of debt (debt) obligations, including principal, interest, commissions and penalties.

If a country's exports grow at the same or faster rate than the real interest rate it pays on its foreign debt, there is no risk of a widening current account deficit. True, there are a number of factors that can change the situation. For example, a change in the real interest rate on debt can lead to a change in the coefficients. If the real interest rate increases over time, this will not change the amount of real debt or exports anyway. However, the payment of income on investments "overshoots" and the ratio of income paid to exports increases accordingly. If the trade balance does not change, the current account deficit will increase, and the rising real interest rate will increase the debt. And the real foreign debt grows more rapidly, which leads to an increase in the ratio of income payments to exports and debt to exports.

If the rate of real interest rate growth is higher than the growth of exports, the trade balance must be positive so that debt ratios do not cause the ratio of investment income to exports to grow exponentially.

An unsustainable increase in the real interest rate can lead to a situation where existing external debt payments (debt servicing) exceed debt servicing capacity. In addition, debt servicing capacity may be undermined by poor domestic policies that reduce inflows from foreign investment.

Finally, the increase in debt can be caused by slow economic growth in trading partner countries or a negative change in the terms of trade.

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Therefore, changing the relationship between the real interest rate, exports, debt and their growth is a very effective way to analyze the rapid changes in these coefficients and to assess the country's ability to service its external debt.

Undoubtedly, the analysis of all the relations under consideration gives a general picture of the state of the country's debt. Classification of external debt obligations is closely related to the concepts of debt obligation and its effective management. After deducting amortization for debt funds, net flows of debt resources remain in the distribution of credit. The debt service ratio is one of the main indicators showing the complexity of external debt. It refers to the percentage of debt service payments relative to a country's export earnings of goods and services. This shows that it usually reflects the external debt of the state and the guaranteed state.

The weight of external debt can increase due to the following reasons: decrease (decrease) in the volume of exports, higher interest rates, increase in the value of debt elements compared to the real situation at the level of speculation, etc. One of the reasons may be the weakness of the management policy in using foreign loans.

Conclusions and Suggestions

Below we make suggestions regarding the factors that allow for the improvement of external debt service.

1) Along with the impact of foreign investments on economic development, it is necessary to increase the export potential of the national economy. Because the necessary funds for debt amortization of external creditors and repayment of interest payments on debts will be returned at the expense of foreign exchange earnings as a result of exports. That is why it is necessary to take into account the level of investment absorption of economic sectors in the country, the level of growth of the country's GDP and the level of productivity of the national economy as a result of the planned structural reform.Макроиқтисодий барқарорликни сақлаб қолиш, хусусан, инфляция даражасини 2022 йилда 9 фоизгача, ўрта муддатда 5 фоизгача пасайтириш, давлат қарзини мўътадил даражада ушлаб туриш ҳамда давлат бюджети тақчиллигини келгуси йилда 3 фоиздан оширмаслик лозим.
2) Also, the investments should have a positive effect on increasing the foreign exchange reserves of the country in the future. Only in such conditions, it is necessary to create a financial source for financing the expenses related to additional debts in the country.
3) Receiving loans based on the guarantees of the country's government requires independent monitoring of the effective use of public debt. In the current situation, most of the Latin American countries have publicly informed their creditors that they are unable to repay their debts. The general characteristics of the economy of these countries were as follows: the debt value exceeds the income and export earnings, unfavorable conditions for borrowing and the lack of accurate information about the size and composition of external debts.

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4) If there was an effective management of the external debt, such shortcomings could not have arisen. In most countries, the lack of control and information on obtaining and guaranteeing external debt leads to the size of external debt. In other countries, the size of debts has increased due to the lack of an effective system of external debt management, even with a small, that is, partial repayment of external debts. The goal of the external debt management strategy is to obtain balance of payments stability and income from external financing without serious macroeconomic problems.

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