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INCREASING THE ROLE OF BANK CREDIT IN ENSURING THE FINANCIAL STABILITY OF BUSINESS ENTITIES

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Abstract

This article examines the role of bank credit in ensuring the financial stability of business entities. In modern economic conditions, access to financial resources is one of the key factors determining the sustainable development and competitiveness of enterprises. Bank loans enable businesses to finance investment projects, replenish working capital, modernize production facilities, introduce innovative technologies, and expand their operations. At the same time, effective use of credit resources requires appropriate financial planning and risk management. The article identifies the main ways to increase the role of bank lending in strengthening the financial stability of business entities, including improving lending mechanisms, reducing the cost of credit resources, developing long-term financing, introducing modern digital technologies, and improving cooperation between banks and enterprises.

Keywords: Bank credit, financial stability, business entities, lending, investment, working capital, financial resources, credit risk, entrepreneurship.

Introduction

The development of entrepreneurship is an important factor in ensuring economic growth, creating new jobs, increasing production, and improving the competitiveness of the national economy. However, the sustainable development of business entities largely depends on their ability to obtain sufficient and affordable financial resources. In this regard, bank credit plays an important role as one of the main external sources of financing for enterprises.

Many business entities, particularly small and medium-sized enterprises, face difficulties in financing their current activities and investment projects using only their own funds. Bank lending provides an opportunity to overcome these financial constraints and maintain the continuity of business operations. Therefore, increasing the role of bank credit is an important condition for strengthening the financial stability of enterprises.

Main Part

Financial stability reflects the ability of a business entity to fulfill its financial obligations on time, maintain sufficient liquidity, efficiently use financial resources, and ensure sustainable development. Bank credit can contribute to financial stability by providing enterprises with additional resources for working capital and long-term investment.

One of the important directions for increasing the role of bank credit is **improving the accessibility of loans**. Banks should develop flexible lending products that correspond to the financial capabilities and specific needs of different business entities. Simplifying loan application procedures and reducing unnecessary administrative requirements can also improve access to financing.

Another important factor is **reducing the cost of credit resources**. High interest rates can increase the financial burden on enterprises and negatively affect their profitability and solvency. Therefore, the development of mechanisms that allow financially stable enterprises to obtain loans at more favorable interest rates can contribute to strengthening their financial position.

Long-term bank lending is also particularly important for the development of business entities. Investment projects often require significant financial resources and a long repayment period. Therefore, banks should increase the availability of long-term loans for modernization, technological renewal, expansion of production capacity, and introduction of innovative technologies.

The development of **digital banking technologies** can further increase the efficiency of lending. Digital platforms, automated credit scoring systems, and electronic document management can reduce the time required to process loan applications and improve the quality of credit decisions. At the same time, the use of modern technologies allows banks to better assess the financial condition and creditworthiness of borrowers.

An important direction is also the **improvement of risk assessment mechanisms**. Banks should assess not only the collateral provided by an enterprise but also its cash flows, profitability, business model, market position, and future development prospects. Such an approach can make lending more accessible to enterprises with limited collateral but stable financial performance.

Furthermore, strengthening cooperation between banks and business entities is essential. Banks can provide not only financial resources but also consulting services related to financial planning, investment management, and risk assessment. Such cooperation can help enterprises use borrowed funds more efficiently and reduce the probability of financial difficulties.

Ways to Increase the Role of Bank Credit

The following measures can contribute to increasing the role of bank credit in ensuring the financial stability of business entities:

1. Expanding the range of bank lending products for small and medium-sized enterprises.

2. Increasing the availability of long-term investment loans.
3. Reducing interest rates for financially stable and promising enterprises.
4. Simplifying and digitalizing the loan application and approval process.
5. Improving credit scoring and risk assessment systems.
6. Developing government guarantee mechanisms for enterprises with insufficient collateral.
7. Increasing financial literacy and financial management skills among entrepreneurs.
8. Strengthening cooperation between commercial banks and business entities.
9. Promoting the use of digital financial services.
10. Ensuring the targeted and efficient use of borrowed funds.

Conclusion

Bank credit is an important instrument for ensuring the financial stability and sustainable development of business entities. Effective access to credit resources enables enterprises to maintain working capital, finance investment projects, modernize production, introduce innovations, and expand their business activities.

Increasing the role of bank lending requires coordinated measures aimed at improving the accessibility and affordability of credit resources, developing long-term financing mechanisms, introducing digital technologies, improving risk assessment, and strengthening cooperation between banks and enterprises. The implementation of these measures can contribute to improving the financial stability of business entities and increasing their contribution to sustainable economic development.

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