

ADMINISTRATIVE METHODS OF REDUCING THE DEBT LOAD WITH THE PURPOSE
OF INCREASING THE STABILITY OF THE ECONOMIC SYSTEM

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The problem of increased debt burden in the economy in a recession. Types of lending, their impact on the growth of leverage. Methods of deleveraging in the economy.

Introduction. In April 2020 the International Monetary Fund prepared a report " WORLD ECONOMIC OUTLOOK ", one of the issues of which was the possibility of mitigating the impact of global financial shocks using macroprudential regulation. One of the important methods of macroprudential regulation in the economy is the process of reducing the share of borrowed funds in circulation also called deleverage. And despite the fact that the reduced debt load of the economy increases their stability against the financial recessions, the process of reducing the debt burden in the economy is a rather painful for elements of the economic system. The search for possible mitigation methods is the goal of this work.

Materials and methods. To find methods for mitigating deleveraging in the economy, the essence of the mechanism for the emergence of an excessive debt burden in the economy have been studied. The leverage ratio in an economy is the ratio of total debt to income. As long as the growth in own income exceeds the growth in total debt, such a debt burden, is considered feasible. In this case, a loan is only a more efficient way to redistribute resources in order to obtain more capital. To find the sources of a disproportionate increase in the level of total debt, various forms of lending have been considered, the most significant of which for us is a commercial loan. A distinctive feature of this type of lending is the transfer by the lender of the loan to the borrower through the transfer of various goods or services. This type of loan, or rather its short-term version, is often used by banks or other credit organizations in relation to individuals in order to finance the purchase of products, which cannot be a source of income to repay the loan.

Results and discussion. Restriction of commercial lending by administrative methods is not widespread in modern economic systems, primarily because it reduces the purchasing power of the population, which makes it possible to classify it as deflationary mechanisms. In addition, it should be noted that this mechanism is not a mechanism of deleveraging due to the almost complete insolvency of the population at the stage of reducing the debt burden, but is used for a smoother entry into the stage of deleverage. At the stage of deleveraging it shall be replaced by cost reduction. Similarly to other deflationary methods, it can be counterbalanced by an inflationary method such as issuing money. The very measures of administrative restrictions on commercial lending may include differentiation of refinancing rates for different types of loans, legislative restrictions on the issuance of short-term loans, legislative restrictions on the issuance of loans to borrowers with a high debt burden, as well as a complete ban on the issuance of loans of this type for a certain period.

Conclusion. Timely use of this type of administrative restrictions can have a positive effect on the economy and reduce the economic recession at the time of reducing the economic burden, however, untimely or too strong intervention can disrupt the continuity of the turnover of funds in the economy, especially if it does not have a full-fledged credit system and does not have the necessary administrative basis.

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