

Topic 7. State credit

1. Economic contents, forms and features of the state credit.
2. Elements of the state credit.

Didactic purposes:

- *Definition of essence of concept «the state credit».*
- *Knowledge of the main forms of the state credit.*
- *Analysis of elements of the state credit.*

Keywords: state credit, state loans, par value, exchange rate, interest rate, savings banks.

1. Economic contents, forms and features of the state credit.

The state credit reflects the economic relations on distribution of temporarily free monetary resources of physical and legal entities in favour of public authorities for satisfaction of the general needs of society.

Forms of the state credit:

1. The state loans (are most widespread).
2. Attraction of free money by means of savings banks.

Main lines of the state credit:

- 1) The state loans have contract character.

At the conclusion of the bank contract in its conditions of receiving and credit repayment, and also, as a rule, necessary in this case material guarantee are specified.

At the conclusion of the contract on the state loans this guarantee is not provided.

- 2) Loans have returnable character.

- 3) Density of debt funds.

The developed countries are the main export centres of the capital, and developing countries - the main importers of the capital.

By means of distribution of the international credits gross domestic product distribution at the international level (usually through IMF) takes place.

2. Elements of the state credit.

At registration of a loan it is necessary to establish the following *technical elements which are necessary for legal registration of the credit*:

- 1) The loan name - it reflects its appointment when the state wants to draw attention to unusual character of a loan or to the purposes which are reached by means of this credit. Such loans belong to loans of national value, and it appoints the corresponding name.
- 2) Par value, real cost and exchange rate. For each loan the state issues various securities, bonds of a certain cost.

The sum which is specified in the contract on crediting, is called as par value and reflects the size of debt which the creditor should receive from the state. When the credit is repaid in time, specified in the contract, the state pays par value of this loan. If the creditor wants to receive the money before the expiration of contract term, he can sell obligations available for it at the exchange at real cost.

- 3) Maturity dates. There are short-term credits. They are used by the state when there is a discrepancy of time of obtaining the income and implementation of the budgetary expenses. Medium-term credits. To them the state addresses, when it is necessary to cover the budgetary deficiency or a large sum of investments. The long-term credits are provided for a covering of deficiency or financing of investments.

- 4) The interest rate happens the 2nd types: the credits with percentage (%) a rate and the credits with awards.

Percentage (%) the rate on the state loans is on the average equal to cost of the bank credit, and depends on terms of their repayment. It is how more credit term, so it is more and a profitability rate.