

Analysis Of Factors Affecting The Development Of Commercial Bank Assets: In Case Uzbekistan

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Abstract— This article examines the development trends of assets of commercial banks in Uzbekistan. The author analyzed the formation and development of asset performance indicators in commercial banks, identified the main factors influencing the efficiency of commercial banks in the country, and the results of the research.

Index Terms— banking, credit system, bank asset efficiency, factors, credit, assets, factors.

1 INTRODUCTION

The Strategy of actions for development of the Republic of Uzbekistan in 2017-2021 is one of the priority directions of implementation of measures aimed at further development of the banking system, including commercial banks and improvement of banking services. [1]

In the conditions of intense competition in the national and global financial markets, a comprehensive study of changes in the activities of banks requires making managerial decisions based on sound analytical data. In this case, managers are required to make a comprehensive assessment of trends in each area of banking. The evaluation process is based on performance indicators that are divided into different groups.

In our opinion, there are a number of important aspects in studying the formation and development of asset performance indicators in commercial banks and their generalization.

2 LITERATURE REVIEW

As a result of our research, a number of economists of the Republic have expressed their views on the problems of ensuring the efficiency of bank assets. In particular, Sh.Abdullaeva, Umarova ZS on the development of banks' credit system and policies to improve the efficiency of bank assets in the country. [3], Mukhamedzhanov K.A. [4], Saidov D.A. [5], Pulatov D.K., Tuhtabaev U.A., Kulliev I.A., Jiyanova N.E., Elmuradov M.H., Tuxsanov H.A. [6], Bobakulov T.I. [7], Maksumov E.M. [8], Rustamova A.B. [9], Alikoriev O.F., Mustafoev Z.K., Mirzamaydinov B.K., Abdurakhmanova M.M. have done research on the development of banking services related to the bank's active operations.

Scientific and practical aspects of enhancing the efficiency of commercial banks' assets by foreign economists Roger Nagle [10], N. Yin [11], K. Ombaba [12], A.Khalid [13], J.Michael [14] and others have been proposed to classify bank assets by function, liquidity, risk level, placement time and subject.

However, it should be noted that there is no uniform scientific and methodological approach to the factors of increasing

the efficiency of commercial banks' assets. The study of these issues in the context of the diversification of the national economy, the development of scientific and methodological and practical proposals and recommendations have helped to choose the theme.

3 RESEARCH METHODOLOGY

In a competitive environment, the main strategic goal of any commercial bank is to maximize profits, and the effectiveness of asset operations is determined by how much profit the asset earns.

According to I.A. Ketova, "... active practices stimulate profitability as the main instrument of allocation of bank resources and maintain the bank's liquidity". [15]

However, in our opinion, it is important to pay attention to the relationship between the profitability and liquidity of bank assets. As the level of liquidity of the Bank's assets increases, the risk level decreases and, accordingly, the profitability rate decreases. In turn, proper asset management requires controlling the liquidity risk. In this context, we believe that AI Kopytova's statement that "... a successful banking operation will be linked to three factors: high profitability, liquidity and solvency". [16]

4 ANALYSIS AND DISCUSSION OF RESULTS

With the development of market relations in our country, commercial banks based on various forms of ownership have been formed and increased. Most commercial banks are joint-stock banks. Their charter capital is made up of founders. Such commercial banks issue shares and founders make up a large shareholder.

Most of the authorized capital of state-owned commercial banks will be allocated from the state budget. The bulk of the charter capital of private banks is owned by the private person who created this bank. This is especially important when a number of priority expenses are incurred during the initial stage of banking. In the subsequent stages, the bank's own capital will play an important role in expanding its banking operations. Various reserves are created at the expense of the Bank's own capital. While the source of the financial resources needed to expand the scope of banking operations abroad is bank profits, sometimes large structural actions (ex-

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pansion, merger, etc.) are carried out through the issuance of new shares and long-term loans.

Commercial banks' own capital exceeds 10823961 mln. soums. This is a positive case for commercial banks. The amount of private capital of commercial banks is not legally limited, but the minimum amount is set to ensure the sustainability of banks.

Growth of bank capital leads banks to act as the leading subject of market economy.

In all countries of the world, the Central Bank sets the minimum authorized capital to increase banks' liquidity and strengthen their credibility among their clients.(table 1)

Table 1 Correlation of authorized capital of commercial banks of the Republic to own funds [17]

| № | Indicators | Years | | |
|---|--|---------|---------|----------|
| | | 2012 | 2016 | 2017 |
| 1 | Banks' authorized capital, bln. UZS | 2038,91 | 4007,90 | 10427,30 |
| 2 | Banks' own funds, bln. UZS | 3091,54 | 7064,00 | 15869,50 |
| 3 | Ratio of charter capital to banks' own funds,% | 65,95% | 56,73% | 65,71% |

As can be seen from the data in Table 2 above, the ratio of the authorized capital of commercial banks to their own funds has shown a downward trend in recent years. After 2012, this figure tended to decline. The volume of authorized capital and own funds of commercial banks has increased over the years. It is a positive fact that charter capital has a high share of total capital. This is because the authorized capital is a source of financing with a high level of stability. In international banking practice, a positive change in the share of the authorized capital in the bank's balance sheet is a key factor determining the bank's solvency.

According to the Decree of the President of the Republic of Uzbekistan No. PP-2344 dated May 6, 2015, the Basel Committee on Banking Supervision provides new standards and recommendations, including new requirements for commercial banks, including new capital adequacy and liquidity ratios (Basel III standards).) is developed. In addition, it is recognized that the Central Bank of the Republic of Uzbekistan will ensure the gradual implementation of standards and recommendations of the

Basel Committee on Banking Supervision (Basel III standards) for 2015-2019. In order to ensure financial stability and liquidity of commercial banks in the context of liberalization of foreign exchange policy and to meet the growing needs of the economy in accordance with relevant decisions of the President of the Republic of Uzbekistan, the Government allocated 670 million US dollars. US dollars were directed.(table 2)

Table 2 Composition and dynamics of total capital of commercial banks of the republic (billion UZS) [18]

| Indicators | Banks with state share | | | Banks with no state share capital | | | Overall | | |
|-------------------|------------------------|---------|-------|-----------------------------------|---------|-------|---------|---------|-------|
| | 2016 y. | 2017 y. | in % | 2016 y. | 2017 y. | in % | 2016 y. | 2017 y. | in % |
| Total capital | 6 573 | 16 672 | 253,6 | 2 408 | 4 005 | 166,3 | 8 981 | 20 676 | 230,2 |
| Charter capital | 4 616 | 14 195 | 307,5 | 1 189 | 2 111 | 177,5 | 5 805 | 16 307 | 280,9 |
| Reserve capital | 12 | 14 | 116,7 | 29 | 54 | 186,2 | 41 | 68 | 165,9 |
| Retained earnings | 1 062 | 1 269 | 119,5 | 406 | 524 | 129,1 | 1 468 | 1 793 | 122,1 |

In addition, the total capital of commercial banks, with no state share in the reporting year, amounted to 1.6 trillion. soums, of which 1 trillion. were formed by placement of additional shares and debt securities. As a result, the aggregate capital of banks in 2016 increased by 130.2%. This is certainly a positive development for the banking system (Table 2).

With the development of market relations in our country, commercial banks based on various forms of ownership have been formed and increased. Most commercial banks are joint-stock banks. Their charter capital is made up of founders. Such commercial banks issue shares and founders make up a large shareholder. Most of the authorized capital of state-owned commercial banks will be allocated from the state budget. The bulk of the charter capital of private banks is owned by the private person who created this bank.

The Decree of the President of the Republic of Uzbekistan dated September 12, 2017 No PP-3270 "On measures to further develop and enhance the stability of the banking system of the Republic" as of October 1, 2017, as a key priority to ensure the stability of the banking system. 100 billion for commercial banks soms [2]. Commercial banks operating in the country are tasked to ensure the minimum authorized capital by January 1, 2019, to the level of established minimum requirements.

However, not all commercial banks are currently able to fully establish the minimum authorized capital.

The analysis shows that the high influence of internal (microeconomic) and external (macroeconomic) factors on lending capacity of commercial banks will lead to significant changes in banking activity. Particularly, changes in the process of parallel development of the banking system with the economic sectors have a significant impact on the bank's lending capacity.

Internal (microeconomic) factors determine the priority of credit capacity building. These include the level of bank management, interest rate and tariff policy requirements, the number of corporate clients, the sustainability of resources, and the quality of the loan portfolio.

External (macroeconomic) factors reflect limited aspects of bank management. External factors include economic situation and changes in the legal framework, changes in the activities of the bank's clients, and structural shifts in the financial market. Optimization of the impact of factors on the credit potential of banks requires improvement of mechanisms of risk control related to the shortage of credit resources.

In a competitive environment, such processes as increasing the banking system's share of GDP and increasing demand for credit resources require a particular approach to addressing a number of credit-related problems.

An example of this is an example of the Central Bank's refinancing rate (Figure 1)

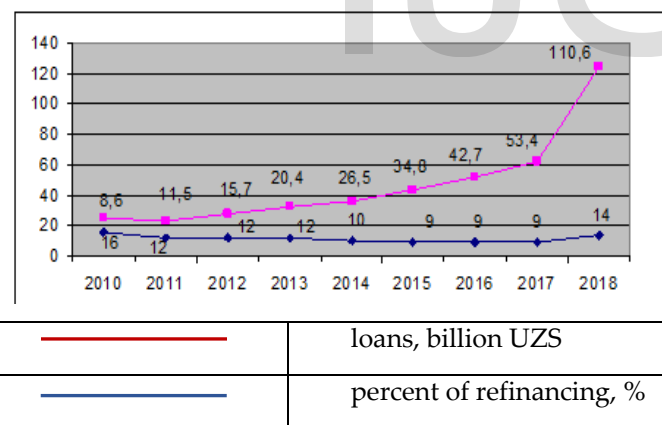


Figure 1. Dynamics of the relationship between changes in the volume of loans and refinancing rates issued by banks in Uzbekistan

The first group of problems is the incompatibility of the banking system with modern requirements for the development of sustainable sources of credit potential. Attracting long-term deposits as "long-term liabilities", and finding new groups of sources of funding are important.

Problems of the second group are related to the improvement of integrated indicators and methods of proper assessment of the credit quality of banks.

Third Group Problems. In this case, the key issue is

to maintain the imbalance between bank assets and liabilities at minimum risk.

As can be seen from the figure, reducing the refinancing rate from 16% to 12% since 2010 provided a moderate increase in the volume of loans.

Gradual reduction of the refinancing rate will reduce the cost of commercial banks' loans, thus redirecting their businesses to investment assets.

Refinancing rate as a key indicator of the money market is one of the key factors affecting the interest rate on loans in the economy. Refinancing rate is widely used to control interest rates in the money market and to stimulate economic growth. International experience shows that in both developed and developing countries, refinancing rates are actively used as an important regulatory instrument to enhance the investment potential of the national economy in order to mitigate the negative effects of the recent financial and economic crisis.

The central bank forms a "corridor of interest" controlled by commercial banks by pursuing a policy of "cheap money" and "expensive money".

The Central Bank's monetary policy plays a special role in regulating the volume of commercial banks' active operations. At the same time, mechanisms of money supply regulation in the economy, such as "cheap money policy", "expensive money policy", influence the volume of lending by commercial banks.

The "cheap money policy" was originally created by American economist Jim Keynes's proposal to encourage low-interest bank loans by reducing the Central Bank's discount rate. At the same time, it was envisaged to allow large companies to finance their investment costs as a result of the high use of bank loans, thus increasing production and creating new jobs in the economy.

In response to the negative effects of the global financial crisis of 2008, the central banks of the USA, Japan and Europe also used "cheap money policy", based on the use of "zero" interest rates.

The "monetary policy" is implemented by the Central Bank by means of restricting the money supply in the context of high inflation rates in the economy and increasing imbalances. At the same time, it will be aimed at increasing the interest rates on loans by commercial banks and thereby curbing inflation.

The degree of diversification of assets. Bank asset diversification also has a significant impact on asset management. In particular, the diversification of asset management in commercial banks will further reduce the risk of bank assets; improvement of income structure through the expansion of services for transactions with foreign currency and plastic cards; implementation of new types and types of lending acceptable to the bank; as well as ensuring that the bank's assets are placed in maximum profitable assets.

The concentration of assets is a specific macroeconomic indicator and represents the concentration of bank assets in the analysis process in geographical regions, large banks or debtors. Concentration of assets also occurs when the

principles of asset portfolio diversification are adhered to. For example, as of 01.01.2018, the largest concentration of assets in the banks of the Republic was correspondingly: National Bank of Foreign Economic Activity - 24.59%, Asaka Bank - 12.43%, Uzpromstroybank - 12.43%, Ipoteka Bank - 6.84%, JSCB "Qishloq Qurilish Bank" - 6.44%, the total loan portfolio - 24.73%, JSCB "Uzpromstroybank" - 16.26%, JSCB "Asaka Bank" - 10.1%, JSCB "Qishloq Qurilish Bank" - 8.98%, Ipoteka Bank - 8.78%.

The return on assets represents the effective management of assets in commercial banks. This indicator can also be used to analyze the share of net profit per share of assets.

4 Conclusions

In conclusion, the timely and proper assessment of the impact of factors in commercial banks is an important guarantee of asset efficiency. The key issue is to maintain the imbalance between bank assets and liabilities at minimum risk.

In this regard, the degree of diversification of bank assets also has a significant impact on effective asset management. In particular, the diversification of asset management in commercial banks will further reduce the risk of bank assets; improvement of income structure through the expansion of services for transactions with foreign currency and plastic cards; implementation of new types and types of lending acceptable to the bank; as well as ensuring that the bank's assets are placed in maximum profitable assets.

The next factor is the concentration of assets, which is a specific macroeconomic indicator and represents the concentration of bank assets in geographical areas, large banks or debtors in the analysis. The next factor is the profitability of the assets and represents the effective management of assets in commercial banks. This indicator can also be used to analyze the share of net profit per share of assets.

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