

Significance of Financial Stability in Commercial Banks

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Abstract

This article describes the issues of financial stability of commercial banks and analyzes them on the basis of statistical data. The Strategy for Banking Reform in the Republic of Uzbekistan for 2020-2025 covers the main tasks of commercial banks, their role in the implementation of modern and quality banking services on the basis of tables and statistical analysis. It also provides conclusions and recommendations for further improving the financial stability of commercial banks.

Keywords and phrases: loan portfolio, liquidity, total capital, bank balance, deposit, bank asset, credit investments.

Introduction

Commercial banks are an important part of the banking system, the main part of credit resources are collected in these banks, and banks provide their services to legal entities and individuals. In the conditions of the market economy, the relationship of commercial banks with the subjects of market relations has expanded and deepened. In this case, the bank manages the movement of all funds. Financial stability of commercial banks ensures its successful operation in competitive conditions. If financial stability is carefully thought out and implemented on the basis of reliable calculations, the efficiency of banks' activity will increase even more.

The unique power of commercial banks lies in the fact that, in addition to their own funds, they deal with the funds entrusted to them by depositors and creditors, shareholders and customers, that is, with the general public. The process of transition of the Republic of Uzbekistan to a socially oriented market economy requires the implementation of deep changes in the banking system as a structural element of many important economic reforms and the creation of a whole mechanism of regulating the economy through monetary and credit facilities. [1]

At the same time, in order to ensure financial stability, commercial banks rely on the following basic principles and principles in performing their tasks:

- financial risk-the commercial bank implements a reasonable and appropriate banking risk-taking process that ensures that its assets are liquidated in the best possible way;



- trust, in which the bank seeks to secure the trust of a reliable and reputable financial institution;
- an individual approach, in which the bank employee deals with the client individually, fully meets his needs for banking services, and tries to make the most convenient way to settle the matter;
- offering reliable, convenient and high-quality banking services to customers, etc. [2]

In fact, we can understand the changes in the banking system as a clear indication of the 2020-2025 strategy for the reform of the Uzbek public banking system, which includes the following areas: [3]

- to increase the share of non-state bank assets in the total assets of the banking system from 15 percent to 60 percent by 2025;
- to increase the percentage of bank loans in the total amount of bank loans before the cash register from 28 percent to 70 percent by the end of 2025;
- By 2025, attracting at least three strategic investors with experience, knowledge and influence to the capital of at least three banks with a state share;
- to increase and manage the share of non-bank credit organizations in the total credit volume from 0.35 percent to 4 percent by 2025.

According to this Decree, the state shares in "Ipoteka Bank", "Uzsanoatqurilish Bank", "Asaka bank", "Aloqa bank", "Kishloq qurilish bank" and "Turon bank" will be transferred step by step with the support of international financial institutions. Banks will be institutionalized in the first stage of privatization, and a package of state shares will be created in the second stage. Accelerating the process of privatization of the banking system, which is being carried out, will determine the urgent directions of liberalization of banks by attracting internal and external investments, commercializing their activities, and most importantly, increasing their trust.

That is, in 2025, it is planned to increase the share of the military sector in the banking system of Uzbekistan from the current 18% to 60%, and as a result, it will create an opportunity to further increase competition among banks.

Analysis and Results:

We conclude with the following summary, which shows the financial stability of Banklap, i.e., in the last period of 2021, the increase in assets with a pick level increased by 21%, i.e. from 317 tpl to 383 tpl, and the total capital decreased by 14%, i.e. 66 tpl. The capital adequacy ratio decreased by 1.2 percent to 17.2 percent, which meets the minimum requirement. There are 33 banks in the Uzbek banking system, including 12 state-owned banks, as well as 15 private and 5 private banks. As of November 1, 2021, the bank's assets amounted to 39 mln dollars (419 tpln), 82 percent of the total. percent belongs to the state banklap. Banklap's liabilities reached 33 million dollars (352.6 tpln com), of which 40% is depositlap. The total capital of the Banklap is 6.2 mln USD (66 tpln com), of which 81% is the capital of the State Banklap. [4] In the banking system, it is necessary to rapidly increase the use of financial technology in the form of a modern chip solution, to ensure the safety of the bank at the appropriate level, as well as to reduce the influence of the incon factor in the production of financial services. The success



of commercial banks depends to a large extent on how well the services provided by them meet the financial needs of the client, on how high-quality and competitive they are. Commercial banks of the Republic of Uzbekistan are trying to take advantage of all the opportunities available to them, because the application of modern technologies allows customers to save time and money. Also, in the context of the introduction of quarantine restrictions and a decrease in the income of the population, the main task of the Central Bank of Uzbekistan is to maintain macroeconomic stability and the continuity of the entire banking system. That is, the central bank created conditions for extending the term of loans to the population and business entities, short-term and long-term instruments of monetary policy were introduced in order to neutralize the effect of extending the term of loans and reduce liquid resources.

Information on the balance of loans allocated to individuals and legal entities by types of loans mld.com (table 2) [4]

| Pointer name | 01.02.2021 | 01.02.2022 | Change, in percent |
|---|------------|------------|--------------------|
| Total credit balance | 277755 | 324139 | 16.7% |
| Credit balance allocated to individuals | 54707 | 69605 | 27.2% |
| Mortgage credits | 28656 | 36285 | 26.6% |
| Microcredit | 5285 | 9935 | 88.0% |
| Consumer credits | 11999 | 12315 | 2.6% |
| Credits allocated for business owners | 8768 | 11070 | 26.3% |
| Credit balance allocated to legal entities | 233047 | 254534 | 14.1% |
| Credit allocated to legal entities without credit organizations | 204489 | 236279 | 15.5% |
| Leasing and factoring | 2371 | 2267 | -4.4% |
| Bank loans | 1729 | 1467 | -15.2% |
| Microcredit | 10595 | 9970 | -5.9% |
| Syndicated credits | 3864 | 4551 | 17.8% |

This table 2 shows information about the balance of loans allocated to social and legal entities by types of loans, according to which the relative change of mortgage loans from February 01, 2022 to February 01, 2021 is equal to 16.7%, especially the increase in the level of demand for microloans of the population. and we can see that their volume has changed by 88% due to the fact that they are offered by banks in the most convenient way for individuals. We can see that



the lending of large investment projects by commercial banks of the same legal entities with other banks, that is, syndicated loans changed by 17.8% from February 1, 2022 to February 1, 2021. That is, it is an indication of the increasing level of lending by commercial banks with legal entities for the implementation of large investment projects. Also, as of November 1, 2021, the balance in the loan portfolio of banks⁷ was equal to 30 billion dollars. That is, an average increase of 14% was observed in the loan portfolio during only ten months, and the volume of loans given to individuals increased by 22%.

However, in 2021, the financial indicators of banks remained at a positive level. The top three most profitable banks by the end of 2021 included only Uzsanoatqurilishbank, Uzmilliybank and Ipoteka Bank with high state participation.

Conclusion and Suggestions

In conclusion, it can be said that it is the first time in the day banks by being shown financial of services popularity increase, of banks to regions come in to go expand and bar cha one in residential areas different kind of services to be shown provision is made in accordance with the requirements . To ensure high and stable growth and competitiveness of the economy of the Republic of Uzbekistan, the country's banking system and its important structural what's up has been commerce banks of activity stability positive results are being achieved by providing .

The fact that the majority of bank capital in our country belongs to the state is one of the most pressing problems in the banking system. In his bank account, he is being charged with a full salary, as well as with the quality of service. With the support of the Public Finance Institute, a long-term strategy for the development of the banking and financial system is being developed. Due to the influx of working and private capital into the banking system, the gradual reduction of the share of the state bank is increasing the possibility that it will serve to improve the competitive environment in the field, the activity of the commercial bank, and the quality and culture of the credit system. In general, the following are important factors in increasing the position of commercial banks in ensuring the stability of the banking system:

firstly: improvement of the camarali system of management and risk management in state-owned banks as a result of the high level of state intervention in the banking sector;

secondly: increasing the popularity of financial services, further increasing the penetration of banks in each region;

thirdly: attracting more managers with practical experience in the banking system;

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fifth: to further expand the attraction of internal and external investments in addition to the capital of banks;

In short, the financial stability of commercial banks will be further improved by implementing kpediting in commercial banks mainly in the capital market, reducing the closeness of the bank to the state private sector, modernizing the service in the bank, creating an effective



infrastructure and automating the bank's activities.

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