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Improving The Financial Security System Of Commercial Banks

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ABSTRACT

The article examines the nature of financial security of commercial banks, the methodological framework and conditions of its provision. Scientific proposals and practical recommendations on the areas of financial security of commercial banks have been formed through a systematic approach to the factors affecting the financial security of commercial banks.

KEYWORDS

Financial security, financial stability, financial resource, level of capitalization, investment potential.

INTRODUCTION

Structural reforms in the Uzbek economy require large investments. This, in turn, imposes a certain obligation on the banking system, which is the main branch of financing investment projects. Therefore, in our country, special attention is paid to ensuring the financial stability of banks and expanding

their investment opportunities. The investment potential of banks depends on the volume and quality of their financial resources. Due to the underdevelopment of the securities market in the country, banks are the main investment institution, which converts temporarily vacant financial

resources of the population and enterprises into investments. The capital of banks is a stable financial resource, and their financial stability and the volume of lending for investment purposes are inextricably linked to the level of capitalization. Because, according to the requirements of the International Basel Committee, the most important indicator of the financial stability of banks is the adequacy of capital.

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The source of resources of commercial banks are borrowed funds, which account for 70-80% of all bank resources. The highest share (more than 70%) of the attracted resources was deposit resources and the lowest share was non-deposit resources. Funds raised are resources that do not belong directly to the bank and serve as a source of active operations for a certain period of time. In the analysis of the Bank's borrowed resources, their structure is first studied by determining the share of each resource in the total resource resources, and then the effectiveness of the use of these funds is assessed. At the same time, one of the efficiency indicators is the ratio of the total amount of attracted funds to the amount of allocated loans.

A number of such cases demonstrate the urgency of conducting research aimed at improving the financial stability of banks on the basis of active operations of commercial banks, including lending standards and capital requirements.

Research on the development of the stock market as an alternative source of expanding the financial stability of commercial banks through financial services, the placement of free resources of enterprises, financial institutions and the population has a special place in P. Vodova's research [2]. Through his research, OI Lavrushin emphasizes the importance of deepening and sustaining the reform of the banking system, increasing the level of capitalization and deposit base of banks, strengthening their financial stability and reliability in the formation of a modern credit system [3]. EP Jarkovskaya's research focuses on the processes associated with strengthening the investment activity of commercial banks, aimed at organizing the production of competitive products on the basis of modern technology [4]. F.S. Mishkin's research focuses on the processes of expanding the resource base by attracting various deposits by commercial banks, issuing securities such as certificates of deposit, bonds [5]. AS Selishchev studies the system of discounts of the Central Bank by giving the right to issue commercial bills to enterprises of the real sector of the economy [6]. Through his research, AR Alaverdov recognizes the need for the formation and successful introduction of technologies that allow both corporate clients and small businesses to provide retail services to ensure the financial stability of commercial banks [7]. DJ Keynes examines the supply of resources in the national loan capital market and the possibility of influencing the average market level of loans by increasing the volume of term loans of the central bank to commercial banks [8].

EF Zhukova points out that the decline in the level of diversification of the loan portfolio of commercial banks is one of the main causes of credit risk [9]. P.S. Rose focuses on the level of reserve allocations, one of the important indicators characterizing the level of credit risk in the activities of commercial banks. He notes that it is expedient that the reserve

allocations for loan losses should not exceed the average amount of assets of a commercial bank [10]. AN Ivanov explains the low level of solvency of a significant part of customers of commercial banks, mainly due to the weakness of their cash flow. It concludes that the weakness of the cash flow is most evident through the absolute liquidity ratio of the customer [11]. EA Goryacheva, VF Minakov, MI Barabanova try to justify the fact that time deposits and savings in the deposit base of banks are financially stable sources. Therefore, time and savings deposits are noted to be the main means of reducing the non-bank turnover of cash and fulfilling the function of collateral for bank loans [12]. F.O. Dodiev, A.A. Abdusaidov, through their research, recommend the formation of a system of measures for the targeted use of foreign experience in ensuring the liquidity of commercial banks [13]. B.Shermukhamedov concludes that it is expedient to obtain unreasonable increase in interest rates by constantly monitoring the dynamics of changes in interest rates on deposits attracted by commercial banks [14].

The above research serves to argue that in reforming the development strategy of the banking system, banks are a factor in deepening and increasing the capitalization of the deposit base, strengthening their financial stability and reliability.

ANALYSIS AND RESULTS

Adoption of the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No PF-4947 "On the Strategy for further development of the Republic of Uzbekistan" identified priorities for development and liberalization of the economy in 2017-2021. This

strategy provides for the effective organization of public policy on further strengthening macroeconomic stability, maintaining economic growth and increasing its competitiveness [1]. Indeed, in the context of such liberalization of the economy of our country, the availability of a wide network of commercial banks, in turn, allows to provide quality banking services to customers, fully meet their banking needs and increase the competitive environment between commercial banks.

Today, economic processes in the commercial banks of the country, while having sufficient resources, provide for their high income. However, high returns, in turn, increase the risk level of operations conducted by banks. Because banks work mainly with resources attracted from abroad. They are therefore accountable to their shareholders on the one hand, and to customers who have entrusted their funds and used banking services on the other. The completeness of credit operations by commercial banks depends on the degree to which their credit policy is organized. An important aspect of the lending process is that each bank formulates its own credit policy, taking into account the political, economic and organizational aspects. It is also the basis of credit management. We know from banking practice that prudent credit policy leads to an increase in the quality of the bank's loan portfolio. Therefore, the formation of the loan portfolio should take into account the purpose of credit policy, the range of legal regulation, access to finance, the highest level of risk, the balance of the loan portfolio, maturity and asset structure. It is also advisable to act on the basic principles.

Table 1

**By the Basel Committee on Credit Risk Assessment
credit in the proposed “standardized approach” risk level**

Sovereign credit rating	From AAA to AA	From A + to A	From BBB + to BBB	From BB+ to B	B-to past	No rating
Credit risk level	20 %	50%	100	100	150	100

The data in Table 1 show that according to the standardized approach, the level of credit risk is directly related to the customer's sovereign credit rating. Only customers who did not have a credit rating were offered a credit risk level of 100%. This, of course, is debatable. This is because a certain proportion of customers who do not have a credit rating may actually be among the customers who have a rating below V.

The optimal credit policy of a commercial bank can be described as a policy that allows to cover costs and to a certain extent is profitable. Therefore, the main part of the bank's income is the income from bank lending operations. Proper organization of the bank's credit policy serves to reduce credit risk. In turn, the procedure for managing the bank's loan portfolio is determined by the bank's credit policy. At a time when various external and internal negative factors in the banking systems of many countries have increased credit and currency risks, worsened the financial condition of credit institutions and increased the volume of loans classified as problem in their loan portfolios, over the past years stable operation was ensured.

Another solution to the problem is to create a market for problem loans, which would allow banks to sell bonds on these loans. The causes of problem loans vary. However, in preventing their occurrence:

- 1) Development of a debt restructuring program;
- 2) Obtaining additional documents and guarantees;

- 3) Suspension or additional injection of additional funds;
- 4) Sale of collateral and other assets;
- 5) Demand payment under the guarantee;
- 6) Change of management;
- 7) Management work;
- 8) Approaches such as legal proceedings can also yield positive results. Problem loans usually occur when the borrower does not have enough funds to repay the loan. In most cases, this can also occur as a result of the client not wanting to repay the loan while having funds in the account. Employees of the credit department should immediately understand such situations and protect the bank from credit losses. They should also help develop ways out of these financial difficulties while maintaining the interests of the bank and the customer. That is, they need to be closely assisted and influenced from the moment the problem arises in the client's activities. To do this, the bank must always be aware of the activities of the client, collect and analyze the necessary information.

CONCLUSIONS AND RECOMMENDATIONS

The market of new financial services of banks in Uzbekistan is developing, the growing interbank competition, the development of information technology and the growing demand for banking services make it necessary to introduce new banking services on a large scale. Therefore, through the development of trust operations, commercial banks will have the opportunity to conduct

low-risk banking operations. This, in turn, will help increase the efficiency of commercial banks. At the same time, the factor-bank not only provides loans, but also provides accounting, sales, advertising, insurance services to the client, so that he can focus on production and sales. In general, by strengthening the role of banks as financial intermediaries in the economy, a system will be formed that will serve as a reliable partner of the population and businesses.

In our opinion, it is expedient to take the following measures to improve the system of financial security of commercial banks in Uzbekistan:

- Commercial banks of Uzbekistan to operate in the field of new financial services, ie intermediary operations, while maintaining the "pure" sphere of banking, which is traditionally understood;
- introduction of additional intermediary operations of commercial banks, introduction of banking services that will help to meet their needs on a large scale;
- to create opportunities for the diversification of assets of commercial banks and the allocation of sufficient financial resources for the development of new types of high-income banking services, including underwriting, trusts and other types of banking operations;
- expansion of intermediation operations, which leads to the universalization of banking activities and risk diversification, as the intermediation operations of banks to customers combine a number of traditional services;
- In the process of leasing operations of commercial banks, great emphasis should be placed on determining the creditworthiness of the client and reviewing the project submitted by him, the introduction of factoring services in commercial banks using a universal system of financial services, etc.

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