

FOREIGN EXPERIENCES IN IMPROVING THE EFFICIENCY OF INCOME AND COSTS OF COMMERCIAL BANKS

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Abstract: In this scientific article, the issues of increasing the efficiency of income and expenses in the activity of commercial banks are studied on the basis of foreign experiences. The author critically analyzed the factors affecting the financial stability and profitability of banks, studied modern financial management tools and cost optimization strategies used in developed countries.

The article analyzes the mechanisms developed in the practice of foreign banking to diversify sources of income, balance profits from active and inactive operations, reduce costs and increase operational efficiency through the effective use of digital technologies. In particular, fintech solutions, automated risk management systems, the use of outsourcing services, and the impact of electronic payment systems on revenues and expenses were studied separately.

The article also identifies how each country's institutional environment, regulatory policies, and structure of the banking system play a role in improving efficiency. The author, by analyzing foreign experience, developed practical recommendations for Uzbek commercial banks and proposed mechanisms for adapting them to the conditions of the national banking system. The results of this study serve as a scientific, theoretical and practical basis for banks to improve financial management, optimize their costs, expand sources of income, and increase overall efficiency.

Key words: bank income, bank expenses, assets, commercial banks, credit, foreign banks, asset risk level

Introduction

The increase in the amount of loans directed to the real sector by commercial banks in the world has a positive effect on strengthening their financial stability and increasing the volume of profits. A number of circumstances, such as the ongoing pandemic in the world, climate change, financial and economic instability, and an increase in the share of problem loans in the loan portfolio of banks, significantly reduce the ability of commercial banks to effectively use their assets. In particular, problem loans "in 2023, this level exceeded 10 percent in 12 countries of the world, with 63.51 percent in San Marino, 41 percent in Ukraine, 26.98 percent in Greece, and 10.09 percent in Kyrgyzstan." This situation requires research on the topic.

In the world, a number of criteria have been introduced to assess the efficiency and quality of banks' assets, and at the same time, attention is being paid to scientific research aimed at increasing the profitability of assets and capital in commercial banks, stress testing, and reducing risks associated with assets. In particular, positive results have been achieved in such areas as improving the quality of commercial banks' assets, increasing profitability, and diversifying the loan portfolio. However, in modern conditions, the specific features of commercial banks' ability to increase the efficiency of assets have not been sufficiently studied, all of which require extensive scientific research on issues related to the impact of financial instruments and unexpected risks in commercial banks.

Material and method

We can especially highlight the works of foreign scientists who conducted research on bank income and expenses, as well as the sources of their formation and accounting, as well as economists from the

CIS countries: L. Batrakova, G. Beloglazova, Yu. Veshkin, O. Efimova, E. Kozlova, G. Korobova, O. Lavrushina, D. Mc Noton, I. Peschanskaya, Ya. Sokolov, F. Steven, A. Sheremet. Also, the issues of accounting for income and expenses of commercial banks are covered in the works of Uzbek economists and practitioners F. Abduvakhidov, Y. Abdullaev, T. Koraliev, A. Vakhobov, K. Dzhuraev, A. Ibragimov, Y. Makhmudalieva, I. Murugova, K. Navruzova, S. Norkobilov, U. Ortikov, N. Rizaev, Z. A. Umarov.

Analysis and results

In foreign banks, the main attention is paid to increasing the share of risk assets in the structure of bank balance sheet assets. Since, although the risk assets of banks are associated with varying degrees of risk of loss for the bank, they provide the banks with the opportunity to receive high income. The bank's risk assets include short-term and long-term loans, investments in state and company securities, as well as factoring, trust, forfeiture, leasing and loan-rental operations.

In foreign banks, these assets are divided into different categories depending on the level of risk, it should be noted that the higher the risk level of bank assets, the higher the amount of income obtained from them. Different criteria are used to determine their effectiveness. The following figure shows the main criteria for determining the efficiency of assets of foreign countries.

As is known, the importance of attracted funds in the structure of commercial banks' resources is of great importance. It is important what part of the funds attracted by banks is invested in active operations, or rather, in risky assets. In international banking practice, if more than 75 percent of attracted term deposits are invested in loans, this indicates that the bank is pursuing an aggressive credit policy, if this indicator is below 65 percent, it means that the bank is pursuing a moderate credit policy.

One of the main active operations of banks is their investments in securities. Along with the level of profitability of securities, their liquidity level is also taken into account. If the share of government securities in the structure of a bank's investments in securities is high, this indicates that the financial condition and profitability of the bank are stable. Also, the diversification of investments in securities by terms gives an opportunity to evaluate the current financial situation of the bank, in which it is possible to evaluate the financial stability of issuers of securities made by the bank in terms of changes. In international banking practice, the classification of assets by sectors is considered one of the important indicators, and special attention is paid to this indicator when determining the effectiveness of assets. For this purpose, attention is paid to what share of the total loans goes to which sectors. Through these indicators, not only the efficiency of the bank's assets is evaluated, but also the credit policy in terms of risk, as well as the liquidity and profitability of the borrower's solvency.

Placement of the bank's risky assets by terms is also one of the factors that directly affect the efficiency of the assets. From this point of view, it is important what share of risky assets in foreign banks are placed in long-term assets and what part in short-term assets.

The results of analyzes and studies show that in the practice of foreign banks, determining the efficiency of bank assets is carried out at the micro level and at the macro level. Micro-level determination of bank asset performance is for the benefit of banks' shareholders, depositors and investors.

In the table below, we look at the level of return on assets of Industrial and Commercial Bank, which is China's largest commercial bank.

Table 1

Composition, share and dynamics of assets of the Industrial and Commercial Bank of China (as of January 1, share in interest account)

Balance items	2019	2020	2021	2022	2023
Loans (4.45%)	57,7	56,7	56,2	56,7	57,7
Investment (3.6%)	17	18	17,5	18	16,5
Demands on the Central Bank (1.55%)	12,4	12	11	13,4	10,2
Claims on other banks (3.12%)	7	6,5	7,4	5,1	7
Total earning assets	94,1	93,2	92,1	93,2	91,4
Total non-performing assets	7,2	8,3	9,5	8,1	10,2
Provision for possible losses	-1,3	-1,5	-1,6	-1,3	-1,6
Total assets	100	100	100	100	100

As can be seen from Table 1, we can say that the assets of the Industrial and Commercial Bank of China are very efficiently placed both in terms of income and liquidity. Since the average share of assets allocated to loans, which are considered risky assets, during the analyzed period was 57 percent, in addition, the average share of the bank's funds allocated to investments was 17.4 percent as of January 1, 2019-2023. This situation not only provides the bank with the opportunity to receive stable income, but also allows it to cover its high need for liquid funds, since highly liquid securities in the structure of investments can be easily converted into cash as a result of their rapid sale on the securities market. The table below provides information on the composition and share of assets of Sberbank, the largest bank in Russia, as of January 1, 2019-2023. It is worth noting that Sberbank of Russia is the largest bank in the country, 51% of which is state-owned. Its share in the country's banking services market as of January 1, 2023 is 31.9% in corporate loans, 42.6% in retail loans, and 45.2% in deposit attraction. The bank has more than 102.3 million individual and more than 3 million corporate clients.

It can be said that the bank's assets are very effectively placed in terms of generating income and liquidity, which, along with ensuring its financial sustainability, allows it to fully and uninterruptedly fulfill its obligations to customers.

As is known, when commercial banks provide consumer loans to the population, the average per capita wage of the population in the country is one of the important indicators. Because the sufficiency of the population's wages is taken into account when repaying loans received from banks as consumer loans. From this point of view, while the average salary in recent years was 703 USD in the Czech Republic, 601 USD in Poland, 520 USD in Hungary, 395 USD in Russia, and 250 USD in Kazakhstan, this indicator in Uzbekistan in 2023 amounted to 402.97 USD.

When assessing the importance of commercial bank loans in the development of the real sector in the country, the ratio of loans issued by banks or bank assets to GDP is considered. Of course, positive changes are taking place in our country in this regard, in particular, over the past five years, the volume of loans directed to the economy by the banking system relative to the country's GDP has increased from 47.8% in 2021 to 54% by 2023. In this regard, it is important to increase not only loans, but also the volume of total assets at risk. For example, in 2023, banks' risk assets exceeded the country's GDP by 4 times in Japan, 3.5 times in the USA, and 2.5 times in China. This shows that the issue of increasing the weight of assets of commercial banks in countries with economies in transition is an urgent task, and a number of works need to be done in this regard. In particular:

- strengthening the purchasing power of the national currency;
- ensuring the stability of the economy and increasing its competitiveness;
- increasing the effectiveness of the Central Bank's monetary policy;
- ensuring the level of monetization coefficient in the economy at the level of international standards;
- more fully implementing market mechanisms.

At the end of this paragraph, it can be noted that in international experience, the main emphasis on increasing the efficiency of commercial banks' assets is on increasing the volume of risk assets in the asset structure and improving their quality.

Conclusion

The results of the research showed that the approaches and innovative solutions used in international practice play an important role in increasing the efficiency of commercial banks' incomes and costs. The experience of countries with a developed banking system has been analyzed, and it has been proven that strategic approaches to ensure financial stability in banking activities, income diversification, cost planning and management are effective.

In particular, commercial banks of foreign countries are achieving minimization of operational costs through the wide implementation of digital technologies, automated analysis tools and intelligent management mechanisms. And in countries like South Korea and Malaysia, the focus is on expanding banking revenue streams through fintech solutions, remote service platforms, and competitive innovation.

At the same time, it was noted that in these countries, strategic reformatting of active and inactive operations, retraining of human resources, rational use of outsourcing services, and the introduction of integrated risk management systems are of great importance in optimizing bank costs. The analysis shows that for Uzbek commercial banks, it is necessary to adapt these foreign experiences to national realities. Implementation:

- development of integrated indicators of cost efficiency assessment;
- acceleration of digital transformation processes;
- diversification of products aimed at expanding sources of income

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