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Ways to Improve the Quality of Deposit Operations in Commercial Banks

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In our opinion, there are the following options for improving the quality of the loan portfolio of commercial banks in our republic:

To increase the volume of loans and investments in securities of commercial banks, it is necessary to reduce the balance of non-profitable monetary assets of banks in the volume of brutto assets and increase the current liquidity of commercial banks.

The analysis carried out in the course of our study showed that non-profitable assets in cash form occupy a relatively high balance in the total assets of commercial banks in our republic. This creates a negative impact on the financial stability of commercial banks. Since these assets are not income-generating assets: commercial banks do not receive commissions for both depositing and withdrawing cash; the central bank does not pay interest on the cash balance in the representative account of Nostro commercial banks in national currency.

In accordance with the current methodology of the Central Bank of the Republic of Uzbekistan for assessing the liquidity of banks, the current liquidity of commercial banks depends on the following factors:

- ✓ on the amount of liquid assets;
- ✓ of the amount of assets returned within the next 30 days;
- ✓ for the amount of transactional deposits;
- ✓ for the amount of obligations to be paid within the next 30 days.

According to our proposal, if we place non-profitable assets in the form of money into loans and liquid securities, then, firstly, the current liquidity level of commercial banks will increase. Because the volume of liquid assets and the amount of assets returned will increase in the next 30 days. Secondly, the level of return on assets increases, and, thirdly, the likelihood of an unbalanced liquidity problem decreases.

In accordance with the regulation "On requirements for the liquidity management of commercial banks", approved by the Resolution of the Central Bank of the Republic of Uzbekistan No. 19/14 dated July 22, 2015 (registered by the Ministry of Justice of the Republic of Uzbekistan on August 13, 2015, registration No. 2709), the Central Bank of the Republic of Uzbekistan lists the liquid assets of commercial banks below:

cash;

- pure cast gold;
- funds in bank accounts opened with the Central Bank of the Republic of Uzbekistan;
- funds in representative bank accounts opened with other banks;
- Securities of the Government and the Central Bank of the Republic of Uzbekistan;
- short-term (up to 30 days) interbank loans and deposits;
- securities issued by governments and central banks of low-risk countries, as well as other financial requirements for the governments and central banks of these countries; «Standard & Poor`s», «Fitch Ratings» and «Moody`s Investors Service» other ratings of companies, not lower than the investment rating level or recognized by the Central Bank of the Republic of Uzbekistan, have ratings equal to these levels of ratings of companies, are included in the lists of developed stock exchanges, securities of leading companies of low-risk countries.

In addition, the low balance of transactional deposits in the volume of brutto deposits also contributes to an increase in the bank's current liquidity. Since transactional deposits are one of the main factors that can be considered as affecting the current liquidity of banks.

The level of stability of transactional deposits is low, as they can be claimed at any time. Therefore, the Central Bank of the Republic of Uzbekistan has included transactional deposits in the methodology for calculating the current liquidity of commercial banks.

Unfortunately, there are no securities of foreign companies and banks on the balance sheet of commercial banks of the Republic of Uzbekistan. This makes it impossible to increase the current level of liquidity of banks at the expense of these securities.

Investments in securities of multinational corporations and multinational banks with high solvency ratings are highly liquid assets in international banking practice. Therefore, investments in them are considered one of the most important means of ensuring the liquidity of commercial banks.

Multinational corporations and multinational banks are assigned solvency ratings by international rating agencies (Mudis, standard & Poor's, Fitch Ratings).

When investing in securities of non-monetary assets, taking into account the probability of a decrease in the real value of investments, accompanied by the return on investments in securities, is of significant practical importance for commercial banks of our republic. This is due to the fact that the issue of reducing the probability of a decrease in the real value of investments in securities under the influence of financial risks has not yet been resolved.

To ensure proportionality between the profitability and riskiness of commercial bank loans, it is necessary to ensure that the growth rate of interest income on loans does not lag behind the growth rate of brutto loans, improve the system for assessing the creditworthiness of customers, and ensure the regulatory level of indicators characterizing credit risk.

To do this, it is necessary, firstly, to ensure that the growth rate of interest income on loans does not lag behind the growth rate of credit flows; secondly, it is necessary to ensure a regulatory level of deductions to reserves intended to compensate for loan losses.

The results of the analyses conducted in the second chapter of the study showed that in a number of large commercial banks of the Republic in 2014-2018 there was a tendency to decrease the profitability of loans, deductions to reserves intended to compensate for loan losses were higher than the standard level of this indicator. This has a negative impact on the quality of the loan portfolio of commercial banks.

The organization by the Ministry of Finance of the payment of problem debts for loans issued by commercial banks on the basis of a state guarantee within the framework of government programs

allows to increase the amount of interest income banks receive on loans, while reducing the amount of overdue loans.

It is impossible to finance government programs without the participation of commercial banks. However, each application must clearly indicate a resource that allows it to be repaid in the event that the loan issued by a commercial bank is not refunded. However, in many government programs implemented in the economy of the Republic of Uzbekistan, the source of repayment of overdue loans issued by commercial banks under this program is not specified. Thus, a large amount of overdue debt has arisen on loans issued under government programs, and it remains irrecoverable. This had a negative impact on the liquidity and financial stability of commercial banks. On top of that, the level of transformation risk in banks has also increased.

The current procedure for determining the creditworthiness of customers has not been improved. This is due to the following reasons:

- when assessing the creditworthiness of enterprises, only three financial coefficients are used (liquidity coefficient, compensation coefficient, autonomy coefficient);
- the current methodology does not allow determining the permissible limit level of an enterprise's ability to use a loan;
- the existing methodology does not allow you to assess the level of accounts payable of the enterprise where you want to get a loan.

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