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Article

The Necessity of Developing Funding Sources and Increasing Their Volume in Private Commercial Banks

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Abstract: This article examines the economic necessity of developing funding sources and increasing their volume in private commercial banks. The stability of the resource base is considered a key factor in expanding lending activities, ensuring liquidity, and strengthening financial sustainability. The study analyzes the role of deposits, bank capital, long-term liabilities, and other funding sources in banking operations. In addition, the paper substantiates ways to increase the volume of resources through the introduction of digital technologies, expansion of the customer base, and development of innovative banking services. As a result, practical recommendations are proposed to improve the efficiency and sustainability of the resource base of private commercial banks.

Keywords: private commercial banks, resource base, bank resources, deposits, bank capital, long-term liabilities, liquidity, financial stability, lending activity, banking transformation.

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1. Introduction

In a market economy, the stable operation of commercial banks is considered one of the key factors of a country's economic development. In particular, under the conditions of financial market globalization, liberalization of capital flows, and the widespread use of new financial instruments, the formation of a long-term resource base has become strategically important for banking activities. Long-term resources serve as a fundamental source for expanding banks' lending and investment activities, financing the real sector of the economy, and improving the quality of financial services provided to the population.[1]

In the Republic of Uzbekistan, large-scale reforms aimed at modernizing the financial and banking system are focused on strengthening the resource base of commercial banks, ensuring their stability, and enhancing their adaptability to changes in international financial markets. At the same time, several challenges remain in the formation of long-term resources within the national economy. These include the limited availability of low-cost and long-term financial resources, insufficient competition among commercial banks, and weak cooperation with international financial institutions, all of which continue to be pressing issues in this field.[2]

This situation necessitates the search for sustainable financing sources required for economic development and the development of effective mechanisms for their management. From this perspective, studying the issues related to the formation and strengthening of the long-term resource base of commercial banks is relevant not only from a theoretical standpoint but also from a practical perspective.[3]

The purpose of this article is to scientifically analyze the significance of the long-term resource base of commercial banks, identify its formation sources, and propose ways to improve its economic efficiency. The study examines the macroeconomic and microeconomic impacts of long-term

resources on banking activities and substantiates the necessity of resource diversification in the context of global financial market trends and the digital economy.[4]

In their seminal work "Banking and Liquidity Creation," Diamond and Dybvig emphasized that the long-term resource base of banks is a crucial factor in ensuring liquidity and strengthening financial stability [5]. According to their theory, long-term deposits provide a stable basis for lending activities and help mitigate financial market instability during periods of economic crisis.

Stiglitz while examining the qualitative composition of bank resources, argued that the formation of long-term financial sources plays a particularly important role in supporting the real sector of the economy [6]. According to him, reliance on short-term resources increases the risk of financial instability, whereas long-term bonds and loans from international financial institutions are essential instruments for maintaining banking stability.

In "The Economics of Money, Banking, and Financial Markets," Mishkin noted that the long-term resource base of banks not only expands lending opportunities but also contributes to the institutional development of financial markets [7]. He argued that long-term deposits and funds raised from capital markets enhance banks' competitiveness and stabilize their interest rate policies.

These scholars, in their studies on banking system stability, demonstrate that strengthening the long-term resource base reinforces the relationship between financial stability and economic growth. In their view, banks possessing a strong long-term resource base are more capable of overcoming economic crises and maintaining sustainable operations.

The dissertation research of D. Sultanmuratova provides a comprehensive analysis of issues related to strengthening the resource base of commercial banks in Uzbekistan [8]. According to the researcher, government guarantees, the national bond market, and pension fund resources should be considered important sources for the formation of long-term resources within the national banking system.

In his monograph, Sh. Saipnazarov examined issues related to enhancing the liquidity of bank resources and emphasized that attracting long-term resources expands banks' opportunities for risk diversification [9]. According to the author, strengthening the long-term resource base based on international best practices is a strategic factor in ensuring the financial stability of Uzbekistan's banking system.

2. Materials and Methods

The study examined the processes of forming the long-term resource base of commercial banks. The research covered the following aspects: the theoretical foundations of long-term resources; their sources of formation, including deposits, bonds, international loans, government guarantees, and bank capital; their macroeconomic and microeconomic impacts; comparative analysis of international practices; as well as the challenges existing in national banking practice and the possible ways to address them.[10]

3. Results and Discussion

Long-term resources play a crucial role in ensuring the stable operation of commercial banks and expanding their lending and investment capacities. These resources serve as an important source for financing banks' strategic development programs, supporting large-scale projects in the real sector of the economy, and improving the quality of financial services provided to the population. The formation of long-term resources is based on various sources, including long-term deposits, bond issuances, loans from international financial institutions, government-guaranteed resources, and banks' internal capital.[11]

The ongoing changes in global financial markets, the increasing volume of capital flows, and the diversification of financial instruments further enhance the need for commercial banks to diversify their funding sources. At the same time, in the context of Uzbekistan, the attraction of long-term resources is significantly influenced by the specific characteristics of the national economy, the stage of development of the banking system, and the reforms implemented by the government. Therefore, identifying sources of long-term resources and developing effective mechanisms for their formation are important not only from a theoretical perspective but also from a practical one.[12]

The primary objective of strengthening the long-term resource base of commercial banks is to attract temporarily idle funds within the economy into banks' term deposits and, through appropriate mechanisms, mobilize the resources of public and private pension funds, investment funds, and insurance companies. These funds can then be directed toward the development of the real sector of the economy.

The increasing globalization of the world economy and the intensifying competition among financial institutions necessitate the efficient utilization of available financial resources within society. A shortage of long-term financial resources in commercial banks not only negatively affects economic development but also leads to various social and economic risks.

From this perspective, it should be emphasized that achieving sustainable economic success in the digital economy is impossible without the formation of long-term financial resources. Therefore, the implementation of modern instruments for attracting long-term resources enables commercial banks to organize their activities more efficiently. However, in recent years, several pressing issues have emerged in this area. In our opinion, one of the main reasons is the insufficient level of research and analytical work devoted to strengthening the long-term resource base of commercial banks in both international and domestic banking practice.

Several objective and subjective factors contribute to this situation. The most significant of them include:

Until recently, commercial banks did not face significant challenges in attracting long-term resources, while low-cost and long-term financial funds were relatively abundant within the economy;

Competition among commercial banks for attracting long-term and inexpensive funding sources has not been sufficiently developed;

The demand of the real sector for long-term financing could be met through alternative sources of funding.[13]

At the same time, funds attracted through term deposits enabled commercial banks to establish a stable lending resource base and generate sustainable profits. Consequently, there was no strong incentive for banks to actively develop and strengthen their long-term resource base.

International banking practice demonstrates that the demand for long-term financial resources tends to increase significantly after financial and economic crises. In particular, by the 1970s, banks began to face serious challenges in maintaining liquidity and increasing profitability. These issues could no longer be resolved solely through efficient asset management or the allocation of funds to profitable activities. As a result, the need to expand and strengthen the long-term resource base of commercial banks became increasingly evident.

The factors determining the necessity of strengthening the long-term resource base of commercial banks are presented in the following figure-1.

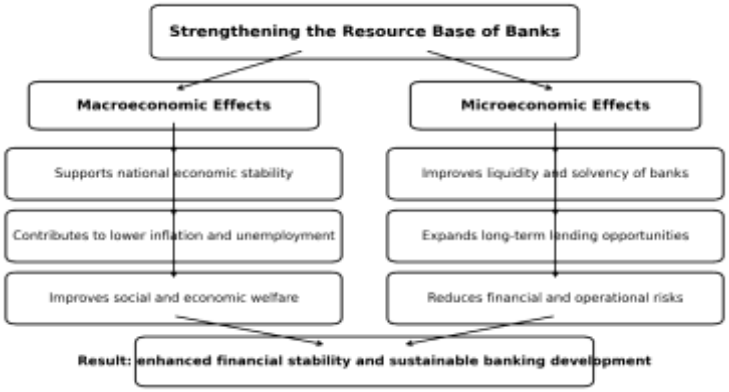


Figure 1. Factors Determining the Necessity of Strengthening the Long-Term Resource Base of Commercial Banks [13]

As can be seen from Figure 1, the issue of strengthening the resource base of commercial banks

is important not only for their internal operations but also for the stability and development of the entire economy. The impact of this process can be observed at two main levels: the macroeconomic and microeconomic levels.

First, a strong resource base contributes to the overall stability of the national economy. Banks that possess long-term and stable funding sources are able to provide continuous financing to the real sector of the economy. This ensures sustainable economic growth and supports the implementation of long-term investment projects.

Second, the resource capacity of banks plays a significant role in addressing important socio-economic objectives such as reducing inflation and unemployment. Financial resources allocated by banks to production, service, and infrastructure projects create new jobs and stimulate production growth, which in turn helps alleviate inflationary pressures.

Third, this process contributes to improving the socio-economic well-being of the population. Through sustainable lending opportunities, the living standards, income sources, and financial stability of households are strengthened.

At the microeconomic level, strengthening the resource base primarily enhances banks' solvency and liquidity. In other words, banks become more capable of meeting their obligations on time and returning customers' funds when required. Furthermore, the availability of sufficient resources expands lending opportunities, thereby improving financial support for enterprises and business entities. As a result, the banking system further strengthens its role as a key institution supporting investment activity within the economy.

Finally, a stronger resource base contributes to reducing banking risks. Banks that possess diversified and long-term funding sources are considerably more resilient to economic crises, fluctuations in interest rates, and foreign exchange risks.

With the introduction of market mechanisms in Uzbekistan, the centrally planned methods previously used for attracting bank resources have largely lost their significance. Consequently, the formation of a financially stable and low-cost resource base has become one of the primary objectives of commercial banks.

In strengthening their long-term resource base, commercial banks must also consider flexibility and develop the ability to adapt to changes that may arise in the process of economic relations. The capacity to respond quickly to such changes is an important factor enabling banks to strengthen their long-term resource base and maintain stable earnings.[14]

Another important aspect of strengthening the long-term resource base is segmentation and grouping. This approach is explained by the need to satisfy banks' resource requirements through specific sectors and areas of activity. It takes into account customer segmentation and the necessity of meeting demand for banking services.

At the same time, the strengthening of banks' long-term resource base is influenced by a number of factors, including the country's macroeconomic stability, the monetary policy of the Central Bank, inflation, and other socio-economic conditions. Therefore, consideration and analysis of these factors are essential for improving the efficiency of resource formation.

As market relations have developed in Uzbekistan, the attitudes of economic entities toward economic relations have also changed. The primary objective of economic agents operating within the economic system has become profit maximization. Given this reality, it is self-evident that the interests of economic entities cannot be ignored when strengthening the long-term resource base of banks.

Therefore, the commercial allocation and reallocation of resources play a particularly important role in organizing the strengthening of banks' long-term resource base, as they represent the outcome of all related financial processes.

It is noteworthy that the commercial organization of strengthening the long-term resource base is directly linked to the quality of banks' asset operations. Through these operations, banks generate income and carry out the allocation and redistribution of financial resources. Consequently, improving the quality and efficiency of asset operations serves as a key factor in ensuring the sustainable development of the long-term resource base of commercial banks.[15]

4. Conclusion

The findings of the study indicate that the formation of a long-term resource base in commercial banks is of critical importance for ensuring economic stability. Long-term funding sources expand banks' lending and investment capacities, accelerate the financing of the real sector of the economy, and strengthen the liquidity and financial stability of the banking system.

Comparative analysis revealed that the practice of diversifying long-term funding sources is widely implemented in developed countries, whereas in Uzbekistan the existing opportunities in this area have not yet been fully utilized. Therefore, strengthening the long-term resource base should be considered a strategic priority for commercial banks.

To enhance the efficiency and sustainability of the long-term resource base, the following measures are recommended:

Expanding the volume of long-term deposits through attractive deposit products and digital banking services;

Increasing the issuance of bank bonds and other debt securities in domestic and international capital markets;

Strengthening cooperation with international financial institutions to attract long-term credit resources;

Encouraging the participation of pension funds, insurance companies, and investment funds in financing banking activities;

Improving resource diversification mechanisms in order to reduce liquidity and funding risks;

Enhancing regulatory and institutional frameworks aimed at supporting the formation of stable long-term funding sources.

The implementation of these measures will contribute to improving the financial sustainability, competitiveness, and long-term development prospects of commercial banks, while also supporting sustainable economic growth.

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