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CURRENT STATE OF THE FORMATION OF INCOME OF COMMERCIAL BANKS

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Abstract

This article deeply analyzes the mechanisms of commercial banks' income formation and their transformation processes in modern economic conditions. First of all, the traditional sources of bank income - interest and non-interest income, profit from investment activity and income from providing services - were analytically studied. In the context of current economic reforms, changes in the business models of banks, the impact of digital banking and fintech technologies on the revenue structure are highlighted.

The article analyzes real statistical data on the example of commercial banks of Uzbekistan based on a scientific-practical approach. The structural structure of income, the dynamics of their growth, the level of diversification of income sources, and factors affecting financial stability are studied. International experience and regulatory aspects are also analyzed, and proposals and recommendations are developed on problems and promising solutions in the national banking system.

Keywords: Financial result, loan portfolio, commercial banks, bank assets, diversification, bank income, bank expenses, financing.

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Introduction

A number of criteria have been introduced in the world to assess the efficiency and quality of banks' assets, while 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.

In Uzbekistan, the insufficient diversification of bank assets, the insufficient application of market mechanisms in the formation of interest rates on loans, the mismatch between the terms of long-term risky assets and attracted financial resources, the violation of transparency in the classification of problem assets and the allocation of reserves for possible losses, etc. have a negative impact on the efficiency of bank assets. In particular, the Strategy of Actions for the Development of the Republic of Uzbekistan for 2017-2021 sets out urgent tasks such as "deepening the reform of the banking system and ensuring its stability, increasing the level of capitalization and deposit base of banks, strengthening their financial stability and reliability", which require scientific research.

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 topic of accounting for income and expenses of commercial banks is covered in depth in the scientific research and books of Uzbek economists and

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practitioners F. Abduvakhidov, Y. Abdullaev, T. Koraliev, A. Vahabov, K. Dzhuraev, A. Ibragimov, Y. Makhmudalieva, I. Murugova, K. Navruzova, S. Norkobilov, U. Ortikov, N. Rizaev, Z. A. Umarov.

Analysis and results

In analyzing the financial results of commercial banks, the study of the volume and quality of their income occupies a central place, since they, in turn, are the main factor in the formation of profit for credit institutions. A decrease in income, as a rule, is an objective indicator of the inevitable financial difficulties of the bank. It is these circumstances that determine the importance of the analysis of total income in studying the financial results of banking activities.

The priority areas of analysis of bank income include: determining and assessing the volume and structure of income, studying the dynamics of income components, identifying the areas of activity and types of operations that bring the greatest income, assessing the level of income, determining the factors affecting the total amount of income, as well as income from certain types of operations, identifying reserves to increase income.

The financial indicators of banks are determined through a report on financial results, which reflects income and expenses, and also explains the results. The report reflecting the financial condition of the bank is also a report on financial results presented for the corresponding periods.

If we pay attention to the share of assets of commercial banks in the country's GDP, then during 2017-2021, there was almost no tendency for this indicator to grow steadily. This result is due to the fundamental reforms carried out by the government, including a number of Decrees and Resolutions issued by the President of the Republic of Uzbekistan and the Cabinet of Ministers, which create the basis for further increasing the role of banks in financial support of the real sector in our country.

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It can be seen that the share of accrued but uncollected interest on loans and leasing increased by 16 times, and the share of fixed assets by 2.5 times. The share of cash and funds in correspondent accounts in total assets decreased from 35.4% to 19.1%. The main reasons for this were the increase in accrued but uncollected interest in the bank's assets, an increase in fixed assets on the bank's balance sheet, and the emergence of liabilities under financial instruments.

Analyzing the data in Table 1 below, there were almost no changes in the diversification of Aloqabank's assets by maturity, excluding 2020. In 2020, the share of assets placed for a period of more than 1 year increased sharply, and taking this into account, assets decreased by 3 times before demand. Of course, this led to a decrease in the bank's liquidity. In the remaining years of the analyzed period, Asakabank implemented a unique tactic of diversifying assets by maturity.

Table 1 Analysis of JSC "Aloqabank" assets repayment terms, billion soums.

T/p	Indicators		2019	2020	2021	2022	2023
1.	Amount of total assets	amount	2 792	5 846	7 341	8 108	12 638
	from that						
1.1	Non-current assets pending demand	amount	943	683	1 249	1 332	3 258
		amount	34%	12%	17%	16%	26%
1.2	1-30 day return assets	amount	162	310	226	285	273
		share	6%	5%	3%	4%	2%
1.3	Assets that return between 31-180 days	amount	273	939	1 024	1 269	1 807
		share	10%	16%	14%	16%	14%
1.4	Assets that return 181-365 days	amount	338	501	979	1 251	1 724
		share	12%	9%	13%	15%	14%
1.5	Assets that return after 365 days	amount	1 076	3 413	3 863	3 971	5 576
		улуши	39%	58%	53%	49%	44%

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If we analyze the data in Table 1 above, if we look at the diversification of JSC "Aloqabank" assets according to the purpose of their return, then in 2020, 2021 and 2022 there was a sharp change in the share of assets placed for a period of more than 1 year. This was mainly due to the redirection of funds that were not yet available for collection to loans allocated for a period of more than 1 year. This situation, along with the possibility of the bank receiving high income due to cheap resources, led to an increase in the bank's liquidity and solvency indicators and an increase in high-risk assets.

The main tasks and areas of activity of JSC "Aloqabank" are:

- active lending of large investment projects in priority sectors of the economy by attracting foreign credit lines, resources from the international capital market, and funds from foreign investors;
- introduction of innovative financial products to improve the quality and efficiency of service provision;
- provide banking services to small businesses and private entrepreneurs, as well as financial advice and information support on issues of foreign economic activity;
- develop retail banking services to the population, including the introduction of new types of banking services using information and communication technologies;
- diversify sources of financing for banking activities, primarily through the mobilization of long-term funds in the national currency;
- develop products of the trade and export financing business and expand its geography, as well as support programs for the development of the republic's export potential, provide consulting services to exporters;

provide corporate clients with investment banking services, including the issuance and placement of securities in the domestic and foreign markets.

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Conclusion

To assess the quality of banking activities and their effectiveness, it is important to analyze profitability indicators, and their nature depends on income and expenses. Analysis of banking activities is useful for shareholders, creditors, customers, as well as the bank's board, managers and employees.

Analyzing the profitability indicators for 2021-2023, it can be said that in 2021 these indicators were at the normative level, but by 2022 a decrease was observed. At the same time, the share of problem loans in the loan portfolio of banks has increased. According to the Central Bank, as of January 1, 2022, the share of problem loans (NPL) of commercial banks in total loans amounted to 5.2%. This indicator increased by 148% compared to the corresponding period in 2020, or almost 2.5 times. This, in turn, leads to a decrease in net profit, a decrease in profitability indicators, and a decrease in investment flows. Therefore, loans should not become the main source of income for banks. In conclusion, effective management and regular analysis of the income and expenses of commercial banks allows to keep the profitability indicators of the bank at the normative level and increase the profitability level.

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