

WAYS TO IMPROVE THE EFFICIENCY OF ASSETS OF A COMMERCIAL BANK

Eshmuratova Nilufar Zhurabayevna

Graduate student of the Academy of banking and finance.

<https://doi.org/10.5281/zenodo.10684527>

Abstract. *The banking sector plays an important role in the economy of any country. The functioning of the dynamically developing banking sector in our country reinforces the need to manage the efficiency of each particular commercial bank of the banking system as a whole. Commercial banks are an integral part of the modern monetary economy. They form one of the central links of the system of market structures. The development and improvement of the efficiency of banking activities is one of the foundations for the development of the economy of the state as a whole. The clear and competent activity of commercial banks determines the effectiveness of the functioning of both the banking system and the entire economy.*

Keywords: *banking sector, commercial bank, active and passive operations, bank efficiency, bank profit.*

ПУТИ ПОВЫШЕНИЯ ЭФФЕКТИВНОСТИ АКТИВОВ КОММЕРЧЕСКОГО БАНКА

Аннотация. *Банковский сектор играет важную роль в экономике любой страны. Функционирование динамично развивающегося банковского сектора в нашей стране усиливает необходимость управления эффективностью каждого конкретного коммерческого банка банковской системы в целом. Коммерческие банки являются неотъемлемой частью современной денежно-кредитной экономики. Они образуют одно из центральных звеньев системы рыночных структур. Развитие и повышение эффективности банковской деятельности является одной из основ развития экономики государства в целом. Четкая и грамотная деятельность коммерческих банков определяет эффективность функционирования как банковской системы, так и всей экономики.*

Ключевые слова: *банковский сектор, коммерческий банк, активные и пассивные операции, эффективность банка, прибыль банка.*

The effectiveness of banking activities has a significant impact on both the macro and microeconomic levels. Low efficiency of banking activities is usually accompanied by low rates of economic growth. It can be said that the effectiveness of banks is related to national welfare.

The activities of commercial banks are subject to multiple risks, underestimation of which can lead to disruptions and bankruptcy, damage to their customers and shareholders. These factors necessitate the formation and improvement of methods for analyzing the effectiveness of banks.

The analysis of the effectiveness of the bank's activities in modern conditions is the basis for making managerial decisions in the bank and establishing trusting relationships between banks and their customers. The creation of an effective mechanism for analyzing banking activities aimed at identifying, at the earliest possible stages, problems in the activities of a commercial bank is necessary for the financial and social stability of the country, the realization of the interests of the social groups involved in it, the level and quality of life of an individual. One of the most important strategic tasks, on the solution of which the socio-economic prosperity of the country depends, is the creation and support of a competitive banking system, which, on the one hand, serves as a

financial basis, on the other – an indicator of the effectiveness of management in all spheres of the economy. The issue of analyzing and evaluating the rational and effective activities of a commercial bank, as well as taking measures to improve it, remains insufficiently developed to date and therefore requires detailed study and development of a scientific concept and is especially relevant in a market economy. Thus, the chosen topic is relevant from the standpoint of practical application of efficiency analysis in the activities of banks.

Historically, banks originally arose as private commercial entities, elements of trade and market infrastructure. With the development of commodity production and the expansion of the sphere of monetary circulation, the role and sphere of activity of banks in the economy increased.

Currently, in all developed countries of the world, banks represent a powerful sector of the economy, being an active element of the market economy. In the modern market economy, the role of commercial banks is quite large, because Banks are a key link that feeds the national economy with additional monetary resources. By their location, banks are the closest to the business, its needs, and changing market conditions. According to the banking legislation of the Republic, a bank is a credit institution that has the right to attract funds from individuals and legal entities to deposit, place them on its own behalf and at its own expense on conditions of repayment, payment, urgency and carry out settlement operations on behalf of customers. In other words, a commercial bank is a business enterprise that provides services to its customers, i.e. depositors (creditors) and borrowers, making a profit due to the difference in interest received from borrowers and depositors for the funds provided. In addition, banks also carry out commission and intermediary, trust transactions, transactions with securities, credit cards, currency, leasing, factoring, insurance, brokerage services and others. Maximizing profit is the main goal of the functioning of commercial banks.

Banking is the activity of a monetary institution in the field of economic relations. Not only the development of the country's economy, but also the social atmosphere in society depends on the results of banks' activities. General economic and banking crises lead to significant losses, bankruptcy of enterprises and credit institutions, depreciation or loss of savings and deposits of citizens and, as a result, to tension in public relations, a decrease in the image of the bank as a socio-economic institution. That is why the activity of banks has a noticeable social connotation.

Commercial banks also perform such social functions as providing social budget programs through tax payments, creating jobs, preserving and multiplying the savings of the population, etc.

The functioning of the modern market is based on the operation of a well-organized banking system. The banking system is a set of different types of national banks and credit institutions operating within the framework of a common monetary mechanism. To date, banks are far ahead of other financial intermediaries in terms of assets and capital and regional coverage.

Banking systems are used to solve current and strategic tasks:

- ensuring economic growth;
- regulating inflation;
- regulating the balance of payments.

The result of the bank's activity is a banking product. Each product corresponds to a service, which is a set of actions, the process of creating a banking product. The bank's services include lending, organization of the settlement process, deposit services, etc. The service involves the

implementation of operations. The main signs of the quality of a banking product are liquidity, reliability, and profitability. It is possible to identify some of the leading areas of banking activity inherent in all banks, regardless of their nationality and the factor of their location, which include: active, passive and active–passive operations. Active operations are operations through which banks place the resources at their disposal to make a profit; operations to provide funds that vary in terms, size, types of users, credit resources, nature of collateral, and forms of money transfer.

These are short- and long-term loans, provision of consumer loans to the population, purchase of securities, leasing, factoring, innovative financing and lending, equity participation of bank funds in the economic activities of enterprises. Passive operations are operations to attract funds to banks and generate the resources of the latter. In a market economy, the process of forming bank liabilities, optimizing their structure and, in this regard, the quality of management of all sources of funds that form the resource potential of commercial banks is of particular importance.

Passive operations include: raising funds for settlement and current accounts of legal entities and individuals, opening urgent accounts of the population, enterprises and organizations, issuing securities, loans received from other banks, and so on. I.e. passive operations increase banking resources. Active–passive transactions are commission, intermediary transactions performed by the bank on behalf of customers for a fee. It is this group of banking operations that is called services. These are various settlement services related to the implementation of domestic and international settlements, trust transactions for the purchase and sale by the bank on behalf of clients of securities, precious metals, foreign currency, mediation in the placement of shares, bonds, accounting and consulting services to clients.

In a market economy, the tasks of substantiating management decisions, developing a development strategy, evaluating performance and monitoring the effectiveness of the use of financial and credit resources, as well as comprehensively identifying reserves for the sustainable development of commercial banks both at the level of an individual commercial bank and the Azerbaijani banking system as a whole, are becoming increasingly important. All of the above indicates a constant complication of banking activities and, consequently, an increase in the requirements for its management. In order to comply with prudential requirements, avoid banking risks, and ensure their sustainability, banks must develop and apply effective procedures for evaluating and managing their activities. An integral part of banking is risk. The characteristics confirming the riskiness of banks' activities are as follows: 19 • banks operate with large assets, issue and trade financial instruments with market value, the fall of which may affect the capital and solvency of the bank; • banks attract borrowed funds, which, in the presence of a low ratio of equity to total assets, in the event of force majeure, may lead to a loss of depositors' trust, a liquidity crisis and bankruptcy; • banks carry out trust management of assets owned by other persons, which may cause liability for breach of trust; • Banks have exclusive access to clearing and settlement systems for checks and money transfers, currency transactions, etc., are an integral part of national and international settlement systems, therefore, they can cause systemic risk. Thus, in the context of the rapid development of the financial services market observed in the global economy over the past decades, the problem of identity in assessing the effectiveness of banking activities on a transnational scale is of particular importance. The term "efficiency" is a multi-valued concept and, as a characteristic of an activity, reflects the relationship of the result as one of the "elements"

of an activity to all its other "elements", and each of the highlighted relations is a particular criterion of effectiveness. "Efficiency" reflects the relationship of various aspects of an activity: result and costs, result and goals, result and needs, result and values. The concept of "efficiency" in English corresponds to several terms that are interpreted in the financial literature as follows: • effectiveness – the ability to achieve previously defined goals (regardless of the price it was done); • efficiency – the optimal ratio of resources spent and results obtained (regardless of whether the goal was achieved); • effectuality – a combination of effectiveness and efficiency.

One of the indicators of the bank's performance is the profitability of its operations and its ability to maximize profits while maintaining the required level of risks. Profitability reflects the positive cumulative result of the bank's activities in the economic, financial and commercial spheres. The need to maximize profits from its own activities is dictated by the need to cover all costs of the bank, generate dividends for payment to shareholders, as well as the need to create an intrabank source of growth of the bank's equity capital. In addition, the profitable activity of the bank is an indicator of the success of its work and, therefore, can serve as an important factor in the formation of its reputation, which will not only help attract new shareholders, but also strengthen the trust of customers. The main thing in the process of organizing the activities of the bank and its structural divisions is to realize at least three of the most significant goals – to achieve high profitability, sufficient liquidity and security of the bank. High efficiency is most often estimated in relation to costs to profits, while the idea of cost savings dominates in the banking process. The lower the cost elements, the more tangible and positive the final results of the credit institution's activities are. At the same time, savings can be achieved not only by reducing certain previously known cost elements, but also by improving organizational structures and improving their productive activities. The assessment of the effectiveness of banking activities is most often carried out using the provision according to which the effectiveness of the bank is calculated based on the proximity of the values of the performance indicators of each bank (for example, costs, profits, etc.) to a certain, predetermined efficiency boundary. The following classification of the effectiveness of commercial banks is widely used:

The main criteria for the effectiveness of banking activities: 1) The stability of a commercial bank is the state of the bank in the existing market environment, which ensures the purposefulness of its development in the present and in the long term. Sustainability is a macroeconomic characteristic that qualitatively characterizes the process of financial stabilization of the economy under the influence of factors of the external and internal environment. Special attention is paid to ensuring the quality of assets and liabilities in the activities of a commercial bank. The quality of liabilities is determined by diversification, resistance to fluctuations in interest rates, the level of dependence on external sources, the financial return on deposits, etc. The quality of assets directly characterizes their liquidity, their profitability and riskiness, reflects the efficiency of the use of resources by a commercial bank, determines the solvency of the bank, and, consequently, its reliability. 2) Profitability of banking activities. It is difficult to overestimate the value of profit for the bank. Profit is the main indicator of the bank's performance. The difference between the income and expenses of a commercial bank is its gross profit. It is the gross profit indicator (i.e., excluding taxes and the distribution of residual profits) that characterizes the efficiency of a commercial bank. 3) Transparency of banking activities. The lack of necessary

information support and transparency in the activities of financial institutions significantly complicates the development of banking activities and affects its effectiveness. The lack of information about the activities of a financial institution creates distrust on the part of potential investors and customers, activates the outflow of depositors' funds, contributes to the development of shadow processes and destabilization of the banking sector as a whole. 4) Banking supervision and control carried out by state and other bodies. The organization of banking supervision and regulation is determined by a combination of factors: • monitoring of funds of enterprises placed in banks and the degree of dependence of banks on such sources of financing; • identification of assets of banks located in other states or in individual financial institutions, as well as determination of the reputation and control of such financial institutions; • countering the monopolization of financial capital and concentration of financial flows through certain banks, etc.

REFERENCES

1. Yuldasheva, S. (2024). TIJORAT BANKLARINING FAOLIYATINI ULARNING RAQOBATBARDOSHLIGINI OSHIRISH MAQSADIDA RIVOJLANTIRISHNING DOLZARB MASALALARI. *Iqtisodiy Taraqqiyot Va Tahlil*, 2(1), 186–194. <https://doi.org/10.60078/2992-877X-2024-vol2-iss1-pp186-194>
2. Abdulazizovich, Abduvakhidov Akmal, and Kamilova Sanobar Mirdjamolovna. "ISSUES OF BANKING SYSTEM DIGITALIZATION IN UZBEKISTAN." *World Bulletin of Management and Law* 11 (2022): 14-19.
3. Abdulazizovich, Abduvoxidov Akmal, and Obilov Mirkomil Rashidovich. "RAQAMLI IQTISODIYOT VA UNING MOLIVAVIY BOZORGA TA'SIRI." *International Journal of Contemporary Scientific and Technical Research* (2022): 71-75.