

WAYS TO ENSURE INVESTMENT ATTRACTIVENESS OF COMMERCIAL BANKS OF UZBEKISTAN ON THE BASIS OF FOREIGN EXPERIENCE

Ibodullaev Shokhboz

Phd researcher, Tashkent State University of Economics

Tashkent, Uzbekistan e-mail: sh_ibodullayev@mail.ru

Abstract: The Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025 notes that ensuring the financial stability of the banking system by improving the quality of the loan portfolio and managing risks, improving corporate governance and attracting managers with international practical experience are priority areas for reforming the national banking system (1, p. .2). However, the low quality of the loan portfolio of domestic banks of the republic, the relatively high level of banking risks hinder the provision of investment attractiveness of commercial banks. And, this necessitates the identification of urgent problems related to ensuring investment attractiveness and the development of scientific proposals aimed at solving these problems.

Keywords: commercial bank, investment attractiveness, asset, capital, security, income, net profit, profitability. Введение

Ensuring the investment attractiveness of commercial banks is one of the urgent issues of transformation of the banking system of the Republic of Uzbekistan. This is explained by the fact that ensuring the investment attractiveness of commercial banks is a prerequisite for ensuring their liquidity and financial stability.

Currently, there are certain problems associated with ensuring the investment attractiveness of banks in Uzbekistan. In particular, due to the high level of inflation and the devaluation of the national currency, the cost of investments in securities of commercial banks issued in the national currency decreases. In addition, the return on assets (ROA) of state-owned banks is relatively low.

The need to develop scientific proposals aimed at solving problems related to ensuring the investment attractiveness of commercial banks determines the relevance of this scientific study.

Literature review

According to F. Betz, when investing funds, various issues arise related to ensuring profitability, mechanisms for providing liquidity, methods of transferring funds and assessing the solvency of the borrower (2, p. 230).

E. Kollegova, A. Kravchenko argues that in order to ensure the investment attractiveness of commercial banks, their investment activities should be based on the following principles:

- compliance with the strategic goals of the bank's activities, orientation to the needs of the market;
- creation of products and services that can facilitate the bank's access to cheap and sustainable sources of resources in the market;
- correspondence in terms of sources of formation of resources and directions of their use;

- diversification of sources of banking resources, which will increase the stability of the bank's resource base as a whole;
- taking into account external and internal factors of the bank's environment, minimizing the impact of banking risks;
- organizing the work of the bank's branch network to attract resources;
- use of a modern technical base, computer equipment and technologies for the economic justification of decisions (3, pp. 378-380).

According to E. Trigub, investment attractiveness allows a potential investor, based on an analysis of the financial and economic indicators of a credit institution, to assess the feasibility of investing. At the same time, a commercial bank needs to have such indicators of economic activity in order to arouse the interest of a real investor in making an investment (4, p. 109).

According to V. Usoskin, capital is an expensive source of financing for the activities of commercial banks. Therefore, an increase in the level of capitalization of banks can adversely affect their financial condition (5, p. 97).

According to J. Sinki, when securitization became widespread and secondary markets formed, generating liquidity by selling bank assets became an easy task (6, p. 648).

According to H. Markowitz's portfolio theory, short positions on instruments cannot be in a portfolio, i.e. the speculative component in it is completely absent. In addition, the return on a portfolio cannot exceed the maximum return on its constituent instruments. A well-designed portfolio should be balanced in terms of return and risk in such a way as to ideally strive for continuous growth, although some of its components may temporarily lose value (7, pp. 77-91).

Materials and methods

According to the current legislation, commercial banks of Uzbekistan have the right to carry out all types of operations with securities (investment, issue, trade and intermediary operations). Investment operations of the banks of the republic are carried out for two purposes: to generate income and to maintain the liquidity of the bank. And emission operations are carried out to attract resources.

The Central Bank of the Republic of Uzbekistan, in order to ensure the stability of the banking system of the country, controls the activities of commercial banks.

According to the Law on the Central Bank of the Republic of Uzbekistan, the Central Bank establishes acceptable prudential ratios for commercial banks, including systemically important banks and banking groups (8).

According to the Law of the Republic of Uzbekistan "On Banks and Banking Activities", banks are required to obtain prior permission from the Central Bank to purchase their own shares. The amount of own shares acquired by the bank cannot exceed ten percent of the authorized capital of the bank (9).

At the request of the Central Bank of Uzbekistan, the minimum capital adequacy requirement is:

- *for regulatory capital - 13.0%;

- *for Tier first capital – 11.0% (10).

Consideration

One of the indicators that determine the investment attractiveness of banking operations is their liquidity. In turn, the liquidity of banks evaluates their liquid assets in relation to gross assets.

Table 1

Level and dynamics of liquid assets of Bank of America (USA) (11)

Indicators	2018 y.	2019 y.	2020 y.	Change in 2020 compared to 2018
Liquid assets, billion USD	157,4	161,6	380,4	2,4 times
Share of liquid assets in total gross assets, %	6,9	6,6	13,5	6,6 п.п.

As can be seen from the data in Table 1, the amount of liquid assets of Bank of America in 2020 increased significantly compared to 2018. During this period, the share of liquid assets in the total volume of gross assets increased significantly.

Securities of the US Government occupy an important place in the structure of Bank of America's liquid assets. In 2020, the share of investments in US Government securities in the total assets of Bank of America was 10.8%.

US Government securities are highly liquid assets of US commercial banks. Therefore, they are actively used to ensure the current liquidity of banks.

Table 2

Liabilities and regulatory capital of Bank of America (12)

Indicators	2018 y.	2019 y.	2020 y.	Change in 2020 compared to 2018
Liabilities, billion dollars	2354	2434	2819	119,7 %
Regulatory capital, billion USD	265	264	272	102,6 %
Share of regulatory capital in the volume of liabilities, %	11,3	10,8	9,6	- 1,7 п.п.

As can be seen from the data in Table 2, in 2018-2020, the growth rate of Bank of America's regulatory capital lagged significantly behind the growth rate of liabilities. This is assessed as a negative phenomenon in terms of ensuring the investment attractiveness of the bank.

As can be seen from the data in Table 2, the share of regulatory capital in Bank of America's liabilities decreased in 2020 compared to 2018.

Table 3

The level of highly liquid assets and regulatory capital of Deutsche Bank a (Germany) (13)

Indicators	2018 y.	2019 y.	2020 y.
Share of highly liquid assets in gross assets, %	22,4	20,4	21,6
Share of regulatory capital in the volume of liabilities, %	5,6	5,8	4,9

The data in Table 3 show that in 2018-2020, highly liquid assets occupied a large share in Deutsche Bank's gross assets. However, in 2018-2020, there was a downward trend in regulatory capital in Deutsche Bank's total liabilities.

One of the main indicators characterizing the investment attractiveness of commercial banks is the profitability of the bank's assets.

Table 4

Return on assets in Uzsanotkurilishbank and Asaka Bank (14)

Indicators	2018 y.	2019 y.	2020 y.
Uzpromstroybank	0,8	2,0	0,7
Asakabank	2,0	1,6	1,8

As can be seen from the data in Table 4, in 2018-2020, the return on assets in Uzpromstroybank was low. In addition, in 2020, the value of this indicator decreased compared to 2018.

As can be seen from the data in Table 4, in 2020, the return on assets in Asakabank increased compared to 2019, but decreased compared to 2018.

Conclusion

In multinational banks, a relatively high and stable level of liquid assets in total assets plays an important role in ensuring investment attractiveness. At the same time, in the structure of liquid assets of transnational banks, a relatively large share is occupied by government securities.

In Deutsche Bank, in 2018-2020, highly liquid assets occupied a large share in total assets, however, in this period, there was a downward trend in regulatory capital in total liabilities.

In 2018-2020, the return on assets in Uzsanotkurilishbank was low and the value of this indicator decreased in 2020 compared to 2018. And in Asakabank, the return on assets in 2020 decreased compared to 2018.

In our opinion, in order to ensure the investment attractiveness of commercial banks in Uzbekistan on the basis of advanced foreign experience, it is necessary to take the following measures;

1. It is necessary to increase the share of liquid assets in the total assets of commercial banks by forming a stable level of investment in highly liquid securities due to stable balances of deposits in the volume of liquid assets; ensuring that the

growth rates of liquid assets and gross assets are consistent; increase in cash assets that generate income by reducing the share of transaction deposits in the total volume of deposits.

Currently, investment in securities occupies a very low share in the total assets of commercial banks in Uzbekistan. As of January 1, 2022, the share of all investments in securities in the total assets of commercial banks in Uzbekistan amounted to only 5.1% (15).

2. In order to ensure a stable level of regulatory capital in the volume of liabilities of commercial banks, it is necessary to:

- to increase the share of the entire fixed capital of the first level in the volume of regulatory capital by ensuring the investment attractiveness of newly issued ordinary shares of banks and increasing the reserve capital;

- to ensure that the growth rates of the regulatory capital and the liability of the bank's balance sheet are consistent by optimizing the structure of the liability;

- reduce the share of attracted international loans in the total volume of attracted resources.

In the context of a high level of devaluation of the national currency, there is a high growth rate of the cost of international loans in the national currency.

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