



CHALLENGES IN ENHANCING THE RESOURCE FOUNDATION OF COMMERCIAL BANKS THROUGH THE INTEGRATION OF BANKING SYSTEMS WITH THE REAL ECONOMY SECTOR

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Article history:	Abstract:
Received: 11 th November 2023 Accepted: 10 th December 2023 Published: 18 th January 2024	In this article, the integration of the banking system and the real sector of the economy as a factor in strengthening the resource base of commercial banks, the issues of proper and efficient management of financial resources among modern economic management structures in the conditions of the national economy of our country. The integration of the bank and the real sector is considered as a promising direction of development aimed at further diversification of the activities of enterprises in the real sector with large financial resources. The state of development and trends in the processes of economic integration of banks and the real sector of the economy are analyzed.

Keywords: integration, inflation, financial resource, joint-stock company, issuer, investor, real sector, banking system, competition, turnover, financial stability, credit, bond, deposit, savings, primary and secondary market, monetary policy, stock exchange, private property, corporate governance, capital market, financial institutions

1. INTRODUCTION.

Several financial organizations, such as the Central Banks of the developed countries of the world, the International Monetary Fund, and the Basel Committee, have defined a number of priority tasks regarding the formation and management of the resource base of banks, as well as the strengthening of their resource base.

In the practice of the World Bank, the resource base of the banking system is necessary for the stabilization of the current socio-economic situation and for making important strategic decisions about the future development of each country. Strengthening resources is important for many banks, because the composition and size of their resources directly expands the scope of the banks' asset operations and is the key to their future success in terms of profitability. During banking crises that have occurred in international practice, the bank's resource base is the most important factor in ensuring their stability.

The sources of commercial banks' financial resources, their capitalization levels, the issues of effective management of the resource base and its strengthening, issues related to increasing their capitalization level are gaining urgent importance.

The ultimate goal of the fundamental reforms in the banking and financial system of Uzbekistan is to strengthen the resource base of the banks of our republic, to increase the level of capitalization of banks, to expand the integrated interaction between the real sector of the economy, and to increase the trust of economic entities and the population in the banking system.

In our country, the strategy for reforming the banking system of the republic for 2020-2025 envisages gradual privatization of state shares in 6 banks. These reforms ultimately require further increasing the share of private banks and strengthening their resource base. In particular, "until 2025, the minimum amount of authorized capital of banks will be 500 billion. the issue of bringing up to soums" [1] and "tasks of deepening the reform of the banking system, increasing the deposit base, strengthening their financial stability and reliability" [2].

Decrees of the President of the Republic of Uzbekistan No. PF-5992 of May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025", No. PQ-3620 of March 23, 2018 "On additional measures to increase the popularity of banking services", serves to a certain extent in the implementation of the tasks defined in the decisions of July 3, 2018 PQ-3832 "On measures to develop the digital economy in the Republic of Uzbekistan" and other normative legal documents in this field.

Analysis of literature on the topic. Based on the analysis of various approaches of foreign and local scientists to strengthen the resource base of banks based on the integration of the banking system and the real sector of the economy, it can be noted that there is no single definition of the resource base in the economic literature.

According to many people, the banking system is a large system as an organizational structure, which is part of the country's economic system. The analysis of the development directions of the real sector of the economy through the banking system showed that banks capable of forming innovative products that meet the demand in the real sector will have additional competitive advantages and will have the opportunity to increase the capitalization of the banking business [3].

2. LITERATURE REVIEW.

In particular, U.D. Artykov considers "bank resources as a set of reserves and opportunities that can be used to implement banking activities within the framework of banking policy, consisting of the bank's own funds and borrowed funds, and which are the basis for the bank's income" [4].

It is appropriate to provide a broader explanation of the composition of funds equal to own funds in the views of the bank's resource base. In particular, according to the opinion of foreign economist O.I. Lavrushin, "in the effective organization of the resource base of commercial banks, the main emphasis is on equity and its optimal structural structure" [5].

According to E.F.Zhukov and N.D.Eriashvili, "the bank's resource base is largely determined by the possibilities and scope of asset operations that bring income for the bank. The stability of bank resources, their size and structure is the most important factor for the bank's reliability. The cost of the resources involved affects the size of the bank's profit" [6].

Also, according to T.M. Kosterina, "the bank's resources are a combination of its own funds and borrowed funds used for active operations. And the bank's resource base is the basis for the formation of its credit potential" [7]. Therefore, in our opinion, when defining the nature of bank resources, it is necessary to take into account not only the sources from which they are organized, but also to take into account that these funds are necessary and important for the bank's targeted activity and to achieve their effectiveness.

Another economist, L.P. Krolivetskaya, said, "special attention is paid to the formation of resources in the bank. As the reason for this, the size, stability, price, structure and other characteristics of the bank's resources determine what kind of active operations are carried out by the credit institution and what kind of financial result can be obtained as a result" [8].

Foreign economist Chris Barltrop "defined the resource base of banks and bank capital as a "valuable" source"[9].

Among the economists of our republic Sh. Abdullaeva and A. The Omonovs defined bank capital, which is considered the most important factor for the bank's reliability, the stability of bank resources, their size and structure, as follows: "The capital of commercial banks is a stable source and a unique means of protection that allows to compensate for unexpected losses in the operational process of the bank" [10].

According to Russian and Uzbek economists O.I.Lavrushin, U.O'.Azizov, T.M.Karaliev, "bank resources are the sum of the bank's own and borrowed resources, which are used in the implementation of asset operations. Bank resources are reflected in the passive part of the balance sheet of credit organizations" [11].

Economist V.M.Usoskin considers bank capital as an important and integral component of bank financial resources[12]. In our opinion, the authors focused here on the passive operations of the bank and divided it into two groups. In fact, we believe that it would be appropriate if the resource base of the bank was more widely covered.

Only banks with a solid resource base will be able to further strengthen customer confidence while ensuring their liquidity and financial stability. Therefore, in strengthening the resource base of banks, the main attention is paid to the sources of funds in the liabilities of the bank balance. First of all, it is necessary to study the composition of the bank's resource base.

The analysis of the literature, the results of conducting practical research and the results of studies show that commercial banks should use modern trends in increasing the level of capitalization, to put it simply, experiences that have given positive results abroad. In particular, it is effective to increase the level of capitalization of banks by increasing the amount of added capital in their own funds. Of course, supporting the definition given by the authors, we think that special attention should be paid to the resource base of the bank. So, on the basis of the analysis of different approaches of local and foreign scientists on the concept of "bank resource base", it can be noted that there is no single definition of the resource base in the economic literature, but the interpretations of scientists are similar. Taking into account the above, if we pay attention to the foreign experience of strengthening the resource base of banks, we can see that the practice of attracting deposits by the banks of developed countries is significantly developed in comparison with the commercial banks of our country.

3. RESEARCH METHOD.

To study the available scientific research on the issues of strengthening the resource base of commercial banks based on the integration of the banking system and the real sector of the economy, to compare the interrelationship between the banking system and the integration of the real sector of the economy, to study statistical data and compare and analyze economically, logical thinking, scientific abstraction, grouping of information, analysis and synthesis, induction and deduction methods are widely used.

4. ANALYSIS AND DISCUSSION OF RESULTS.

In international banking practice, commercial banks have various sources of capital and effectively use market instruments. As positive aspects of their experiences, the use of retained earnings, emission income and long-term subordinated liabilities in the commercial banks of our country becomes important.

One of the main tasks facing the commercial banks of our country is to consistently develop the deposit protection system based on the best international experience, to further increase the deposits of legal entities in national currency, as well as to attract additional resources to the banking system due to the entry of banks into the international capital markets.

Table 1. Bank interest rates on deposits in national currency [13]

Deposit type and term	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year
	in percent					
Average interest rates on term bank deposits for real sector enterprises	6,4	11,6	14,6	16,6	15,7	16,2
- 30 until the day	2,6	9,8	•	15,5	15,0	17,5
- 31 from to 90 days	4,4	11,7	9,5	15,4	15,6	13,1
- 91 from to 180 days	6,8	10,2	13,7	15,6	17,0	11,9
- 181 days to 365 days	6,5	11,1	14,5	16,8	16,0	15,5
- 1 more than a year	6,0	12,1	14,9	16,6	15,0	16,4

According to the results of the analysis carried out based on the data of this table, the interest rates paid to the time deposits of enterprises of the commercial banks of our republic had an increasing trend during 2017-2022. This has a positive effect on the process of attracting temporary free funds of enterprises to fixed deposit accounts. Therefore, in our opinion, commercial banks should ensure the stability of interest rates paid on time deposits. Deposit operations of commercial banks are one of the main areas of activity. Without deposit operations, banks cannot carry out asset operations that they carry out for the purpose of profit. The main goal of banks is to determine the prospects of achieving profit, that is, the income-generating asset is involved and accumulated in the activities related to the performance of operations. funds or deposits are important.

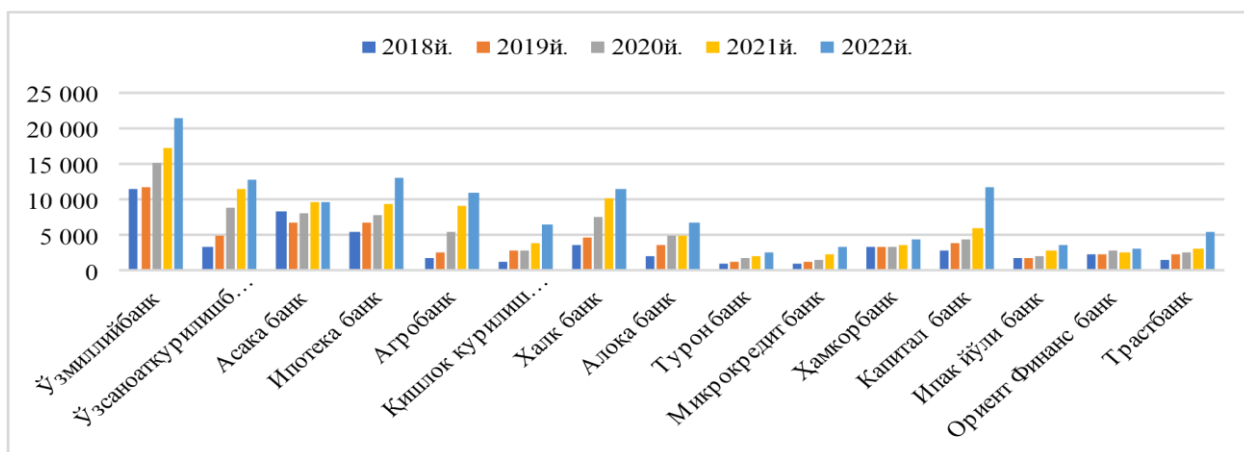


Figure 1. Amount of deposits of real sector enterprises (billion soums) [15]

Decrees and decisions related to the banking system issued by the government of our country are gaining importance in strengthening the confidence of real sector enterprises in the banking system and increasing the bank's resources. As a result, the total amount of deposits attracted by banks is growing year by year. That is, the total volume of deposits of real sector enterprises in commercial banks increased by 20.7% compared to 2019, and as of January 1, 2021, reached 114,747 billion. amounted to soums. One of the main tasks facing commercial banks is to increase the amount of savings and time deposits that are considered stable within the banking system and attract them for as long as possible. The ratio of deposits of commercial banks to GDP in 2019 was 17.8 percent, and it is set to reach 25-27 percent by 2025 [14].

Fundamental improvement of the quality of banking services provided to customers by commercial banks of the Republic of Uzbekistan, in particular, paying special attention to the introduction of new and attractive types of deposits that meet customer requirements, is reflected in a number of decrees and decisions related to the banking system.

In the current mandatory reserve policy of the Central Bank of the Republic of Uzbekistan, a mandatory reserve

rate is set at the level of 2% for term and savings deposits in national currency and at the level of 4% for demand deposits in national currency of legal entities attracted by commercial banks for a period of 1 to 2 years. In such conditions, the increase of the mandatory reserve rate for demand deposits by 2.0 percentage points will increase the interest of banks to attract funds to time and saving deposit accounts.

Commercial banks should increase the stable resource base by increasing the weight of time deposits in strengthening the resource base, regularly introduce new attractive types of deposits taking into account the requirements of economic entities for time bank deposits for real sector enterprises, time bank deposits for real sector enterprises in commercial banks facilitating the acceptance and timely return of savings and term deposits, as well as increasing the volume of long-term bonds and certificates of deposit, in-depth study of foreign experience in deposit operations and the application of its positive aspects in the banking system of our country will give positive results. By issuing securities, it allows real sector enterprises to enter large financial investments of commercial banks [16].

The integration between the bank and the real sector continuously implements promising development directions aimed at further diversification of the activities of real sector enterprises with large financial resources. Therefore, the integration between modern banking and the real sector occupies a significant place in the international trade turnover, and their trade turnover exceeds the volume of the gross domestic product of many countries of the world.

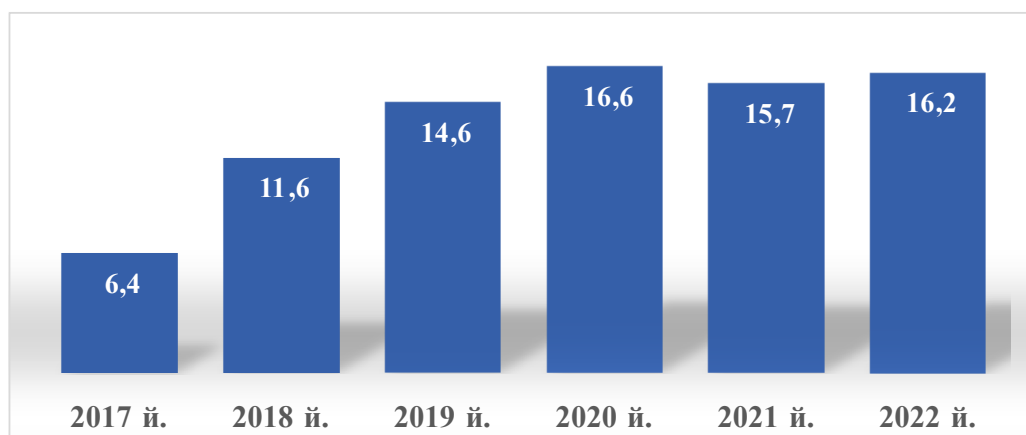


Figure 2. Average interest rates on term bank deposits for real sector enterprises [17]

It can be concluded from the data of Figure 2 that in 2017, the average interest rates on term bank deposits for real sector enterprises increased from 6.4 percent to 16.2 percent by 2022. In particular, on March 17, 2022, the Central Bank decided to raise the key rate by 3 percentage points to 17% per annum, and this process was maintained until June 9, 2022. The fact that it decreased by 16% during a short period of time, i.e., starting from June 10, 2022, also indicates that the timely application of important economic measures, the conditions of monetary and credit policy, which are necessary to ensure price stability in the economy, are changing for the better.

The regulator had kept the key rate at 14 percent since September 10, 2020. The Central Bank set the key rate as a single measure to support the economy in order to prevent the growth of devaluation and inflationary expectations, maintain the activity of accumulation in the national currency and ensure macroeconomic and financial stability in the country by mitigating the impact of external risks on the economy.

The resource base of banks is 89 trillion compared to 2018. increased to soums or 40.1 percentage points. In particular, the volume of long-term deposits in national currency increased by 1.8 times as part of the banking system's resources. The share of problem loans was 5.2 percent (16.9 trillion soums) at the end of 2021. As a result, the return rate of loans increased from 59 percent to 71 percent in 2021. In particular, the total amount of foreign currency purchased by economic entities increased by 1.4 times compared to 2020 and reached 21.5 billion. dollars, and the amount of foreign currency sold increased 17 times to 11.0 billion. amounted to dollars [19].

The issue of diversification of sources of funds and currency in the formation and strengthening of the resource base in commercial banks is one of the factors that directly affect the financial stability of banking activities, as well as the effectiveness of the interest channel of the monetary policy transmission mechanism of the Central Bank of the Republic of Uzbekistan, which requires the analysis of the dynamics of resource sources in the aggregate balance reaches [20]. We will try to analyze this based on the data presented below (Table 3).

Table 2. Strengthening the resource base of commercial banks through real sector networks [18]

№	Name of banks	2018 year		2019 year		2020 year		2021 year		2022 year	
		volume, in sum	in total relative share	volume, in sum	in total relative share	volume, in sum	in total relative share	volume, in sum	in total relative share	volume, in sum	in total relative share
Σ	TOTAL	59 579	100%	70 001	100%	91 009	100%	114 747	100%	148 350	100%

1.	Ozmilliybank	11 636	19,5%	11 741	16,8%	15 284	16,8%	17 194	15,0%	21 480	14,5%
2.	Uzsanoatkurilishbank	3 297	5,5%	4 833	6,9%	9 004	9,9%	11 437	10,0%	12 815	8,6%
3.	Asaka Bank	8 253	13,9%	6 770	9,7%	8 099	8,9%	9 705	8,5%	9 544	6,4%
4.	Ipoteka bank	5 506	9,2%	6 759	9,7%	7 787	8,6%	9 499	8,3%	13 066	8,8%
5.	Agrobank	1 795	3,0%	2 651	3,8%	5 454	6,0%	9 037	7,9%	11 102	7,5%
6.	Kishlok kurilish bank	1 297	2,2%	2 818	4,0%	2 932	3,2%	3 777	3,3%	6 622	4,5%
7.	Khalk bak	3 613	6,1%	4 739	6,8%	7 563	8,3%	10 174	8,9%	11 384	7,7%
8.	Aloka bank	1 940	3,3%	3 496	5,0%	4 864	5,3%	4 924	4,3%	6 720	4,5%
9.	Turon bank	904	1,5%	1 190	1,7%	1 653	1,8%	2 116	1,8%	2 524	1,7%
10.	Microcredit bank	1 022	1,7%	1 230	1,8%	1 392	1,5%	2 383	2,1%	3 243	2,2%
11.	Hamkor bank	3 287	5,5%	3 392	4,8%	3 260	3,6%	3 527	3,1%	4 312	2,9%
12.	Capital bank	2 842	4,8%	3 837	5,5%	4 497	4,9%	6 052	5,3%	11 754	7,9%
13.	Ipak yuli bank	1 717	2,9%	1 838	2,6%	2 036	2,2%	2 932	2,6%	3 706	2,5%
14.	Orient Finance Bank	2 255	3,8%	2 360	3,4%	2 734	3,0%	2 660	2,3%	3 086	2,1%
15.	Trastbank	1 482	2,5%	2 350	3,4%	2 652	2,9%	3 144	2,7%	5 456	3,7%
	Other banks	8732	14,6	9997	14,1	11783	13,1	16184	16,6	21 292	16,6

Table 3 presents information on the capital of commercial banks in Uzbekistan 2018-2022 as of January 1. A characteristic aspect of the size of the bank's capital is that during the analyzed period, its size had a growing tendency. For example, the private capital of banks will increase by 2.5 times in the next five years, that is, in 2022, compared to its size in 2018. At the same time, it should be noted that this indicator is not the limit, because the annual increase of GDP in the country leads to an increase in the volume of credit investments of commercial banks, which, in turn, requires an increase in their capitalization level.

Table 3. Information on the capital of commercial banks [21]

№	Name of banks	2018 year		2019 year		2020 year		2021 year		2022 year	
		volume in sum	against the total share, in %	volume in sum	against the total share, in %	volume in sum	against the total share, in %	volume in sum	against the total share, in %	volume in sum	against the total share, in %
	Total	20 676	100	26 679	100	51 031	100	58 351	100	71 832	100
1	Ozmilliybank	4 807	23,2	5 722	21,4	13 141	25,8	13 873	23,8	14 800	20,8
2	Uzsanoatkurilishbank	2 241	10,8	2 848	10,7	6 247	12,2	6 704	11,5	7 467	10,4
3	Asaka Bank	3 083	14,9	3 168	11,9	6 128	12,0	6 426	11,0	6 228	8,7
4	Ipoteka bank	1 258	6,1	1 611	6,0	3 730	7,3	4 274	7,3	5 281	7,4
5	Agrobank	1 374	6,6	2 214	8,3	4 627	9,1	5 371	9,2	8 982	12,5
6	Kishlok kurilish bank	1 168	5,7	1 235	4,6	1 446	2,8	2 414	4,1	2 641	3,7
7	Khalk bak	1 351	6,5	1 803	6,8	4 361	8,5	4 869	8,3	5 510	7,7
8	Aloka bank	398	1,9	1 162	4,4	1 396	2,7	1 569	2,7	1 697	2,4
9	Turon bank	369	1,8	892	3,3	1 091	2,1	1 210	2,1	1 856	2,6
10	Microcredit bank	546	2,6	665	2,5	1 625	3,2	1 738	3,0	3 635	5,1
11	Hamkor bank	573	2,8	763	2,9	1 138	2,2	1 478	2,5	1 919	2,7
12	Capital bank	339	1,6	489	1,8	653	1,3	867	1,5	1 635	2,3
13	Ipak yuli bank	366	1,8	513	1,9	728	1,4	1 191	2,0	1 581	2,2
14	Orient Finance Bank	474	2,3	649	2,4	878	1,7	1 125	1,9	1 353	1,9
15	Trastbank	220	1,1	318	1,2	518	1,0	628	1,1	1 222	1,7
	Other banks	2 109	10,2	2 627	9,8	3 208	6,3	4 615	7,9	5 796	8,1

As a result, stability of bank capital can be achieved.

As of March 1, 2022, the assets of the banking system of our republic are 436.8 trillion. soums (increase compared to March 1, 2021 - 19.3%), liabilities 365 trillion. soums (19% increase), loans 327.2 trillion. soums (16.8%

increase) and deposits of 148.4 trillion. amounted to soums (an increase of 31.2%) [22].

In particular, as of January 1, 2022, the assets of Uzmilliybank JSC amounted to 89.9 trillion soums, the loan portfolio amounted to 74.0 trillion soums, the equity capital amounted to 14.8 trillion soums, and the attracted deposits amounted to 22.1 trillion soums [23].

5. CONCLUSION AND SUGGESTIONS.

It is known from international and local banking practice that the primary means of ensuring the solvency and financial stability of commercial banks is to constantly increase their capitalization level. In turn, the strengthening of the capital base of commercial banks is carried out by effectively managing their capital, increasing its size and introducing modern methods. Based on the analysis of macroeconomic factors affecting the integration of the banking system and the real sector of the economy as a factor in strengthening the resource base of commercial banks, the following conclusions can be noted:

- The share of securities issued by the bank in the resource base of the banks of the Republic of Uzbekistan remains low. A large share of the resource base of banks in developed countries is accounted for by securities issued after deposits. The fact that commercial banks in our country do not carry out operations with securities when attracting resources at all indicates that the stable resource base of banks is weakening;

- the lack of a long-term strategic goal in the development of the deposit policy in commercial banks led to a change in the priorities for attracting deposits. On the one hand, this is considered positive from the point of view of adapting to the transformational processes taking place in the banking activity and its regulatory system, but on the other hand, it is necessary to recognize that it is a factor that increases the level of distrust of the customers in relation to the bank's deposit policy;

- the demand for long-term resources in commercial banks is very high, at the same time, the issue of reducing non-bank transactions to the necessary level is one of the urgent tasks, taking into account this, it is necessary to issue long-term mortgage securities of banks;

- the high level of special reserve in the main capital of commercial banks and the low share of assets at risk in the total assets make it possible to meet the requirements for regulatory capital and main capital at a high level;

- in the resource base of commercial banks, the amount of borrowed funds attracted from internal and external sources is increasing, as well as in the conditions of the devaluation of the national currency, the amount of deposits formed in foreign currencies in the deposit portfolio of banks is increasing;

- emission income and retained earnings play an important role in increasing the capital stability of commercial banks. Therefore, commercial banks of our country should pay special attention to increasing these resources.

The above-mentioned conclusions and proposals and recommendations have a positive effect on the processes of capitalization of commercial banks, and ultimately, the integration of the banking system and the real sector of the economy as a factor of strengthening the resource base of commercial banks and increasing the efficiency of their activities.

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