



IMPROVING THE SIGNIFICANCE OF THE BANK BALANCE SHEET AND ITS ANALYSIS IN ASSESSING THE ACTIVITY OF COMMERCIAL BANKS

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Article history:	Abstract:
Received: 28 th June 2024 Accepted: 26 th July 2024	The bank's balance sheet is a comprehensive representation of the financial position of a commercial bank at a specific moment in time. It serves as a primary tool for assessing the activities of a commercial bank, enabling the evaluation of liquidity and financial stability.
Keywords: balance sheet, analysis, financial situation, liquidity, valuation	

INTRODUCTION

Commercial banks play a vital role in the development of a country's economy. Continuous analysis of commercial banks' activities is essential for their effective management and profitability. A key element in this analysis is the bank balance sheet, which provides critical insights into the bank's performance, internal control mechanisms, management structure, customer base, and income generation.

The primary objective of evaluating a commercial bank's activities is to enhance its efficiency and profitability. To achieve these goals, banks must ensure that all indicators are accurately and comprehensively reflected in their balance sheets, allowing for informed strategic decisions regarding future operations.

LITERATURE REVIEW

According to A.A. Omonov and T.M. Qoraliyev in "Accounting in Banks," the bank balance sheet consists of asset and liability components, reflecting economic equality. This balance sheet is prepared at the end of each working day based on initial accounting data, enabling control over the formation and allocation of bank resources, credit, cash transactions, and other operations.

Z. Umarov in "Accounting in Banks" states that the balance sheet is a crucial financial information system, providing insights into the bank's financial condition and liquidity. It forms the basis for calculating key financial ratios, such as liquidity, financial stability, and profitability. The balance sheet is recognized as a fundamental reporting tool, with all other financial reports structured around it.

In "Bank Control and Analysis," R. Kurbanov and A. Rakhimov emphasize that the main goal of bank control analysis is to enhance bank efficiency. They highlight the importance of daily balance reports, which allow for operational monitoring and continuous regulation of bank activities. Analyzing the bank's balance sheet is essential for assessing asset quality, liquidity, risk levels, and customer financial conditions.

In the current market economy, it is imperative for commercial banks to operate effectively, with their competitiveness reliant on identifying and analyzing past performance and mistakes. Economic analysis employs various methods, including grouping, comparison, connection, induction, deduction, synthesis, and correlation-regression techniques. The ultimate aim of analysis is to identify errors and shortcomings, develop corrective measures, and predict the future trajectory of the bank's operations.

Different types of analysis are recognized in the literature based on content and period. Comprehensive analysis examines all aspects of the bank's operations, while local analysis focuses on specific departments or activities. Thematic analysis scrutinizes particular processes within the bank. Periodic analysis can be classified into operational, current, and prospective types, with each serving a unique purpose in evaluating bank operations.

Ye. P. Zharkovskaya, in "Financial Analysis of Commercial Banks," points out that competitive position and market analysis relies on quantitative indicators (assets, deposits, equity, loans, income) and the types and structures of bank operations. Analyzing the bank's resource base, asset state, and liquidity allows for the development of effective banking policies and practices.

RESEARCH METHODOLOGY

Bank balance analysis involves evaluating various aspects, including:

- **Liquidity:** Assessing the bank's ability to meet current obligations.
- **Capital Strength:** Analyzing the level of the bank's own funds, as higher capital ratios generally indicate financial stability.

- **Assets and Liabilities:** Examining assets (loans, investments) and liabilities (deposits, borrowed funds) to estimate risk and returns.
 - **Credit Risk:** Evaluating the quality of the credit portfolio to identify problem assets.
 - **Resource Management Effectiveness:** Analyzing how effectively the bank utilizes its assets for profit and cost management.
 - **Market Risks:** Assessing the impact of economic and financial market changes on the balance sheet.
 - **Key Ratios:** Calculating important ratios, such as capital investments to assets and liabilities to equity.
 - A thorough analysis of the bank's balance sheet provides insights into its financial strength, potential risks, and opportunities for operational improvements.
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- To enhance the effectiveness of balance sheet analysis, the following strategies can be employed.
 - **Technology and Analytics:** Utilizing modern data analysis tools to improve accuracy and identify trends.
 - **Data Integration:** Combining data from diverse sources to present a comprehensive view of bank performance.
 - **Key Performance Indicators (KPIs):** Developing and monitoring essential performance metrics to identify potential issues and opportunities.
 - **Stress Testing:** Conducting scenarios to evaluate the bank's resilience to various economic conditions.
 - **Process Automation:** Implementing automated data collection and analysis systems to increase efficiency and reduce errors.
 - **Methodology Updates:** Regularly revising analysis methodologies to adapt to changes in the banking environment.
 - **Employee Training:** Providing training to equip staff with the skills necessary for in-depth balance sheet analysis.
 - **Cybersecurity Measures:** Enhancing data protection to safeguard bank information from cyber threats.

These initiatives will facilitate a more effective analysis of the bank's balance sheet and support informed decision-making.

CONCLUSION

The bank balance sheet is a critical tool for assessing the financial health and operational efficiency of commercial banks. By improving analysis methodologies and leveraging modern technologies, banks can enhance their performance, mitigate risks, and better navigate the complexities of the financial landscape.

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