

# **ANALYSIS OF METHODOLOGICAL ASPECTS AND CURRENT ASSETS OF COMMERCIAL BANKS**

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## **INTRODUCTION**

The third direction of the "Development Strategy", aimed at the development and liberalization of the economy, is to deepen the reform of the banking system and ensure stability, increase the level of capitalization and deposit base of banks, strengthen their financial stability and reliability, promising investment projects and small businesses and private entrepreneurship, including further expansion of lending [1].

This increases the investment attractiveness of commercial banks, the level of capitalization and liquidity of banks and ultimately provides a solid foundation for their financial stability, improvement of key indicators and compliance with international requirements. The implementation of these large-scale reforms is directly related to the improvement of the asset management strategy of commercial banks.

There are a number of problems associated with managing operations with the bank's assets, increasing their efficiency, as well as not receiving the expected income due to problem loans. Therefore, in the process of managing operations with assets of commercial banks, it is necessary to develop management strategies with a deep analysis of theoretical aspects.

## **METHODOLOGY**

In this article, the methods of horizontal analysis together with statistical analysis and vertical analysis were used in the analysis of the bank's balance sheet assets.

### **Research**

To do this, it is necessary to analyze the most profitable operations and manage them taking into account the risk level and liquidity levels of these operations. It is necessary to find ways to manage not only profitable, but also highly liquid, but non-profitable transactions. Because active operations do not repeat each other, and therefore each of them should be approached differently.

Banks make a small contribution to the growth of gross domestic product, but have a significant impact on labor productivity and economic growth. Also, some researchers claim [2,3,4,5] that the banking sector can be considered as a good predictor of future growth. Even the share of total assets of commercial banks in GDP means that the asset management mechanism must be externalized.

If we pay attention to the data of the last 10 years, the growth of total assets of banks is proportional to the growth of GDP in our country (see Table. As can be seen from the table above, the share of banking assets in GDP has been increasing in recent years. We see that bank assets in 2021 increased 5 times compared to 2017, and GDP increased 2.5 times.

At the same time, we see that the share of commercial banks' assets in GDP is increasing in the period 2017-2021, but in order to overcome the still unresolved problems, it is necessary to improve the structure of commercial banks' assets, adapt the assessment of the banking system according to international standards and attract customers through the introduction of modern banking operations[6].

Table 2 Trends in total for commercial banks of the Republic of Uzbekistan dynamics of asset changes in relation to GDP[7]

Indicators	2017 y.	2018 y	2019 y	2020 y	2021y
GDP billion soums	302 536,8	407 514,5	511 838,1	602 193,0	734 587,7
Bank assets	166631,8	214 419,6	301 655,4	350 474,0	427 370,5

In this regard, the management bodies of the bank, that is, the general meeting of shareholders, the Board of the bank and the management board of the bank are of great importance in managing the foreign economic mechanism of commercial banks when managing active operations. In particular, in this Regulation, the Bank's Board creates a committee on asset management and liabilities related to asset management; credit policy includes the internal process of credit and credit review; dividend payment policy; investment policy; It is indicated that it is necessary to develop an issue policy.

In addition, the planning and budgeting of profits related to banking activities is carried out by the Bank's Board; capital planning; internal accounting control system; control over compliance with applicable regulations (compliance with banking programs and the activities of the regulations and rules of the Central Bank); internal audit program; external audit program; additional policies should be developed, such as transactions with foreign currency.

In this regard, the main task of properly externalizing the mechanism for managing active operations in commercial banks is assigned to the bank's management, that is, to the executive body. In turn, each committee must submit reports to the executive body, analyze them and take prompt measures in case of possible losses.

The bank's loan portfolio is a set of loans classified by any indicator or quality based on credit risks. Optimization of the loan portfolio is the basis of the bank's effective activities and its credit and investment policy. High-quality and profitable placement of free resources will have a positive impact on the financial condition of banks.

The change in the share of overdue loans in the total volume of loans issued by commercial banks is one of the main indicators characterizing the effectiveness of credit policy.

Non-performing loans are the result of the financial crisis. However, in many countries there is a class of borrowers who are called bad borrowers, because such borrowers, even if they have the opportunity to repay the loan, do not want to repay it. Financial risks arise unexpectedly, but develop regularly.

Credit inspectors are the first line of defense against possible losses. They should be able to perceive and analyze the first signs of emerging danger and be able to resist it. In order to avoid problem loans, the employee of the credit department should pay attention to the following factors:

1. The client must carefully study the application.
2. Study and analysis of the documents submitted by the client, the list of necessary documents and mandatory documents attached to the loan application (borrower's accounting report, loan agreement, pledge agreement, surety agreements and sureties).
3. The opportunity to study and evaluate the financial situation of the client on the basis of the documents provided by the client.
4. Correct assessment of the collateral provided by the client.
5. Proper maintenance of credit documents.

6. Identification of those responsible for credit work and assigning responsibility to each inspector for their work.

7. Prevention of the risk of possible losses through the implementation of permanent credit control.

Credit analysis is important at all stages of the credit relationship between the borrower and the lender, requiring a detailed study in terms of the impact of the quantity and quality characteristics of the borrower on the creditworthiness class, credit quality and credit risk. At the current stage of market relations, credit analysis is of particular importance as a separate, independent phase of comprehensive economic analysis[8].

The system of working with problem loans in commercial banks is a very complex system, and one of the factors seriously affecting its work is the human factor. In order to avoid such situations, the bank's employees conduct external checks, which periodically, independently and objectively check loans for signs of problem loans that are hidden or ignored. The work carried out by regulatory and supervisory authorities helps to identify problem loans that have not been paid attention to.

Under such free competition, banks should have a clear idea of the creditworthiness of the borrowers. To achieve this goal, commercial banks are developing their own methodology for determining creditworthiness [9].

In the process of effective credit risk management, the bank's internal control system acts as the first system for identifying problem loans. 82.09 percent of the shares of the bank "Uzsanoatkurilishbank" belong to the Fund for Reconstruction and Development of the Republic of Uzbekistan, and 13.06 percent - to the Ministry of Finance of the Republic of Uzbekistan. However, full privatization is planned until 2025. We see that the share of individuals does not reach 1 percent.

Table 2 Indicators of the bank "Uzsanoatkurilishbank"[10]

Indicators	1 january 2019	1 january 2020	1 january 2021	1 january 2022
Total assets (billion soums)	31 026,1	35 846,12	49 044,60	56 511,30
Loans and advances to customers (net)	28 020,63	30 039,79	39 898,10	43 147,80
Customer accounts	5 129,18	9 123,97	11 359,20	12 583,70
Borrowed funds	21 756,16	16 803,21	24 6933,40	29 478,50
Total capital	3 203,47	6 320,57	6 704,00	7 700,90
Profit for the period	219,396	604,47	798,20	998,20
CIR	65,10%	44,57%	36,85%	29,60%
Net interest margin	2,78%	3,99%	4,70%	4,60%
RDE	7,70%	12,69%	12,10%	13,80%
CAR	13,50%	23,00%	17,00%	15,80%
Number of branches	45	45	45	44
Number of employees	3 584	3 902	4 052	3 841

From this table, we can see that the share of total assets has increased by 182% over 4 years, and the amount of debt has also increased by 135%. We can determine that the profit for the period increased by 778,804 billion. sum in 2020 compared to 2018, which is an increase of 4 times. If we look at the

financial statements of Uzsanoatkurilishbank JSC, we can analyze the structure of assets and liabilities and get the following idea.

**Table 3 Composition of balance sheet assets of AKJ "Uzsanoatkurilishbank"**

Balance sheet	at the end of 2020		at the end of 2021		Change	
	Change in amount, thousand soums	Change %	Change in amount, thousand soums	Change %	Change in amount, thousand soums	Change %
Assets						
Cash and cash equivalents	5601,186	11,59	8,196,652	14,7	2595,466	3,12
Funds in other banks	1859,192	3,85	1956,303	3,5	97,111	- 0,34
Loans and advances to customers	38959,958	80,62	42537,051	76,3	3577,093	- 4,30
Amortized loans and advances	540,222	1,12	1067,512	1,9	527,29	0,80
Investment securities carried at amortised cost	38,024	0,08	48,136	0,1	10,112	0,01
Financial assets measured at fair value through other comprehensive income	993	2,05	29726	53,3	28733	51,28
Investments in joint ventures		0,00			0,00	
Fixed assets and tangible assets	747,232	1,55	1276,363	2,3	529,131	0,74
Deferred tax assets	167,617	0,35	202,125	0,4	34,508	0,02
Insurance assets	5,544	0,01	12,964	0,0	7,42	0,01
Other assets	356,482	0,74	376,520	0,7	20,038	-0,06
Non-current assets held for sale	27,355	0,06	48,602	0,1	21,247	0,03
Total	48323,845	100,00	55731,916	100,0	7408,071	0

## CONCLUSIONS

1. As can be seen from the table, we see that the bank's income-generating assets have increased over the following years, which means that we see that the bank's assets are placed correctly. As part of the bank's assets, loans to customers at the end of 2020 amounted to 80.62 percent, at the end of 2021 - 76.3 percent. We see that it has increased to 4 percent. The bank's liabilities include customer funds, other bank funds and authorized capital, retained earnings. Now, if we pay attention to the bank's liabilities, we will see this in the table below. If in 2019 the total amount of equity liabilities is 9.60%, then we see that by the end of 2020 this indicator will decrease by 1.28%, this year this amount has remained unchanged, and we clarified that this is due to a positive change in retained earnings. The main share consists of funds received from customers.

2. Studying the opinion of management scientists, we believe that "Management is a complex implementation of economic, social and psychological factors to achieve a certain goal, to achieve

results using methods, principles, laws and tools." Effective governance can be achieved through the law of effective governance.

3. Strategic planning of the bank's activities is a long-term plan aimed at forming the object in question in the desired economic situation, but "foreseeable" in the future and a significant change in the qualitative characteristics of its development, as well as a certain planned activity with irreversible and long-term results is a type of

4. Active operations – as mentioned above, this is the effective use of cash and borrowed funds by the bank in order to make a profit. This is achieved by a systematic analysis of the market situation, the current state of the bank, making the necessary changes in the movement and composition of the bank's assets.

5. 82.09 percent of the shares of the bank "Uzsanoatkurilishbank" belong to the Fund for Reconstruction and Development of the Republic of Uzbekistan, and 13.06 percent - to the Ministry of Finance of the Republic of Uzbekistan. However, full privatization is planned until 2025. We see that the share of individuals does not reach 1 percent.

6. It is important to note that the share of total assets has increased by 182% over 4 years, and the amount of debt has also increased by 135%. If the profit for the period increased by 778,804 billion sum in 2021 compared to 2017, it can be determined that it has increased 4 times.

7. Loans issued to customers as part of the bank's assets at the end of 2020 amounted to 80.62 percent, at the end of 2021 - 76.3 percent. We see that it has increased to 4 percent. The bank's liabilities include customer funds, other bank funds and authorized capital, retained earnings.

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