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IMPROVEMENT OF COMMERCIAL BANKS' CAPITAL AND ITS ECONOMIC EVALUATION METHODS

ERGASHEV AXMADJON

Associate professor of Namangan Engineering-Construction Institute
E-mail: ahmadjon.ergashev@gmail.com

Abstract:

Objective. It consists in the development of a scientific proposal and practical recommendations aimed at improving the effective management and evaluation mechanisms of the capital of commercial banks. This article examines the capital of commercial banks and its economic evaluation methods, as well as factors affecting the capital of banks, the financial performance of commercial banks. criteria and indicators for assessing stability are presented.

Methods. The research methods were statistical, comparative analysis, induction and deduction methods.

Results. Analyzing the capital adequacy of commercial banks, substantiating scientific proposals and practical recommendations regarding the assessment and management of risks affecting banking activities is one of the urgent issues. In this article, proposals and recommendations for improving the national system of calculating bank capital and managing risks affecting it have been developed.

Conclusion. It is necessary to improve the methodology in accounting for the capital of commercial banks. It should be noted that such a methodology should not be in a strict form. That is, it is more effective to use a methodology that is able to respond quickly to market relations and macroeconomic changes. From this point of view, regardless of the level of risk, it is desirable to improve their management mechanisms.

Keywords: bank capital, bank risks, risk management, financial operations, assessment, collateral, banking system, collateral registry, solvency, credit provision, analysis.

Introduction. Today, in our Republic, one of the priorities in the activity of commercial banks is to attract people's free money to deposits and further expand the resource base on this basis. Especially in this regard, continuous improvement of the line of deposits offered by banks and optimization of conditions serve as an important basis for the attractiveness and popularization of deposits. It is known that commercial banks, like other economic entities, must be provided with sufficient money and other financial resources. This activity is based on the activities of commercial banks related to the attraction of temporarily free funds from legal entities and individuals on the basis of returnability, solvency and term conditions, that is, it is considered passive operations of commercial banks. The prospect of the development of the banking system at a "sustainable" level is primarily due to the rapid growth of the country's economy, as well as positive indicators of banks' profitability and the improvement of the quality of their assets, the stability of the level of liquidity, the growth of customer deposits, the government's significant financial resources directed to large banks are the main positive factors.

Methods. Statistical analysis methods, monographic observation, induction and deduction, abstract thinking, economic-mathematical modeling, expert and rating evaluation methods were widely used in the research process

Literature analysis. Overview of bank and bank capital, capital, bank capital and enterprises, general, conceptual basis of risk management in bank capital management, assessment of bank capital, issues of their effective management A. Smith, R. Kotter, E. Gill, E. Dolan. , D. Polfreman, J. Rivoire, M. Friedman, R. Portes, E. Reed, J. Sinki, R. Smith, F. Ford, I. Fisher, J. Clarke's scientific works. Local economists: T. Karaliev, F. Mirzaev, N. Jumaev, A. Omonov, Sh. Abdullaeva, O. Sattarov, M. Makhmudova, N. Karimov, A. Norov, M. Tojiev, D. Nafasov, N. Nurkhodjaeva, B.Akhadov, D.Toshpulatov, F.Nasriddinov, H.Otamurodov, F.Khasanov's scientific research directly and indirectly investigated the formation of bank capital

Results and discussion. State Tax Committee of the Republic of Uzbekistan, Ministry of Finance of the Republic of Uzbekistan, Central Bank of the Republic of Uzbekistan No. 3178, registered by the Ministry of Justice of the Republic of Uzbekistan on August 29, 2019 according to the decision "On approval of financial reporting forms submitted to tax authorities", the private capital of commercial banks consists of the following.

Table 1

Composition of private capital of commercial banks

Equity structure				
Row code	Account code	Indicator name	At the beginning of the reporting period	By the end of the reporting period
2000	30300	Capital charter		
2010	30600	Additional capital		
2020	30900	Reserve capital		
2030	31200	Retained earnings		
2040	Total private capital (sum of rows 2000-2030)			

The authorized capital of a commercial bank is the starting point for the organization of banking activities. The authorized capital is formed at the time of establishment of the banking activity at the expense of the share contributions of the founders of the commercial bank.

Additional capital of commercial banks is formed at the expense of the positive difference between the nominal and real values of the ordinary and preferred shares issued by the bank, as well as at the expense of the positive difference between the bank's purchase of its shares from shareholders and their resale.

The reserve capital of commercial banks is formed from the net profit left at the disposal of commercial banks after paying taxes and other mandatory payments at the end of the year to cover the costs of asset operations. At the end of the year, when a commercial bank makes a loss, the reserve capital serves as a source of payment for interest on bank bonds and preferred stock dividends, and for compensation of losses when the value of securities falls. The reserve capital of commercial banks is formed based on the decision of the bank's management board and based on the bank's accounting policy, at the expense of a certain amount of funds allocated from the net profit every year.

The capital of commercial banks performs the following functions:

— financing function;

— protection function;

— operational function in ensuring the stability of the bank's activity;

— regulatory function.

In world practice, there are many ways to analyze the adequacy of bank capital. The requirements of the Basel Committee on Banking Supervision are important in determining the capital adequacy of commercial banks. The Basel Committee develops the principles of banking supervision for the countries of the world, and in the regional banking supervision, the principles of bank activity and their supervision are developed, and the countries harmonize them with the standards of banking supervision based on their economic situation.

Basel III (approved in Seoul in November 2010), these regulations were supposed to be implemented in 2013-2018. As the main changes of Basel III compared to Basel II, prudential requirements for capital and prudential requirements for liquidity were included in the capital calculation of banks. A number of changes were made to Basel III regulations in 2019.

Basel III standards consist of three main parts:

- the first part describes the interrelationship of capital requirements with risks - "General approach aimed at increasing the stability of Basel III banks and the banking system [13][1]";

- the second part is dedicated to liquidity risk control in banks - "Basel III international approach to liquidity risk measurement, standards and monitoring [14][2]";

- and in the third part: "Banks of international system importance: Determination of the possibilities of recognition of losses and additional requirements for it".

A number of measures were implemented to increase the stability of the banking system, to strengthen the resource base of commercial banks and to create conditions for their growth, to stimulate the investment activity of banks, and during the years 2015-2019, the conditions of international standards of Basel III were phased. - stage was introduced.

[13] Basel Committee on Banking Supervision. Basel III: A global regulatory framework for more resilient banks and banking system. — Bank for International Settlements, December 2010. http://www.bis.org/publ/bcbs189.pdf.

[14] Basel Committee on Banking Supervision. Basel III: International framework for liquidity risk measurement, standards and monitoring. — Bank for International Settlements, December 2010. http://www.bis.org/publ/bcbs188.pdf

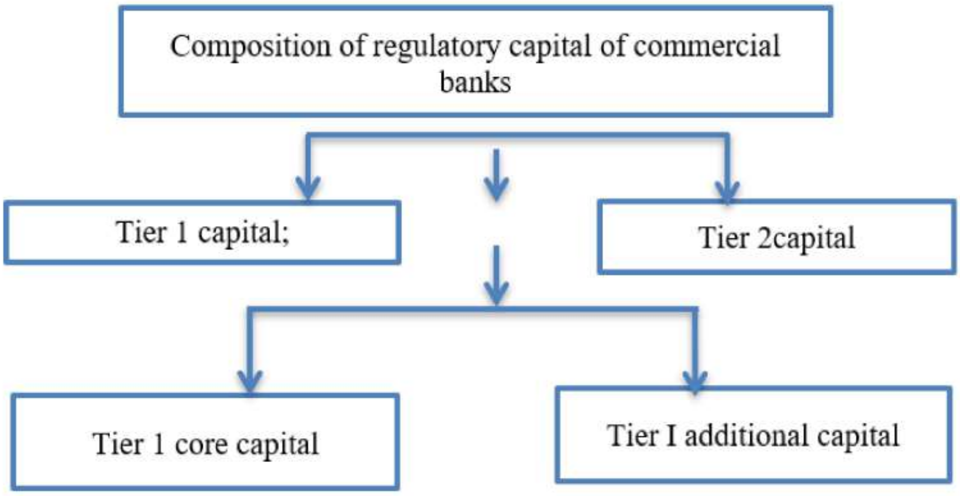

Figure 1. Components for determining the capital ratio of commercial banks

Regulatory capital is the bank's capital, which is determined by calculation for the purpose of regulating banking activities and calculating prudential regulations.

The purpose of analyzing the capital adequacy of commercial banks, ensuring its sufficiency, increasing the confidence of customers in banks, increasing the country's investment attractiveness and increasing resources by achieving a stable rating of international credit organizations.

Regulatory capital = Tier 1 capital (must not be less than 75% of regulatory capital) + Tier 2 capital

It should be noted that if the amount of Tier II capital exceeds one third of the amount of Tier I capital, the increased amount is not included in the regulatory capital.

Tier 1 capital = Tier 1 core capital (Tier 1 core capital should not be less than 60% of the bank's regulatory capital) + Tier 1 additional capital

According to the requirements of the existing legislation, the main capital structure of the first level consists of the following:

a) fully paid ordinary shares of the bank or instruments equivalent to ordinary shares when the bank is organized in a form other than a joint-stock company. Such shares or instruments must satisfy the following conditions:

–when the bank is liquidated, their claims are satisfied after all the bank's claims (claims of depositors and other creditors of the bank, subordinated debt, preferential shares, etc.);

–the owners have the right to receive the part of the assets remaining at the disposal of the bank after all requirements are satisfied upon liquidation of the bank, in accordance with their share;

–non-payment for an indefinite period and in cases other than liquidation of the bank, with the exception of cases of repurchase established by law;

–the bank does not act on its repurchase or cancellation upon issuance, and legal and contractual requirements do not have the features to cause such a situation;

–that it is not guaranteed and secured by the issuer or the persons related to it, and in the event of liquidation of the bank, its order of payment (subordination) has not been changed by any contract;

b) added capital of the bank - the amount paid above the nominal price of ordinary shares during the first placement;

c) undistributed profit (loss):

-capital reserves and other reserves formed at the expense of undistributed profits of previous years in the bank balance sheet (except for free property (30905) and the increased amount of the assessment value compared to the initial value of fixed assets and intangible assets (30908));

- remaining undistributed profit from previous years, except for the amount of unpaid dividends;

- unreimbursed losses of previous years and losses of the current year;

g) shares of minority shareholders in enterprises that merge into the bank balance sheet. This share arises when the accounts of subsidiaries are consolidated in the bank's financial statements and the bank's share is less than 100 percent of the capital of such enterprises.

d) devaluation reserve. This reserve is formed from funds set aside from retained earnings to cover the bank's obligations in the event of a significant devaluation of the national currency.

According to the requirements of the existing legislation, the structure of additional capital of level 1 consists of the following:

a) fully paid non-cumulative non-term preference shares. Such actions must satisfy the following conditions:

- not having a specific purchase date or conditions;

- not to be purchased at the will of the owner;

- in case of liquidation of the bank, the demands of bank depositors, creditors and subordinated debts will be satisfied after the fulfillment of their demands;

- these shares have not been placed as a guarantee and security for other assets by the issuer or its related persons;

- the possibility of not paying dividends in accordance with the decision of the general meeting of shareholders of the bank;

- non-payment of dividends for the previous period;

- the bank only with the prior permission of the Central Bank of the Republic of Uzbekistan and after exchanging the shares and the amount to be purchased for the same or a higher type of capital, or the amount of the bank's capital exceeds the minimum capital requirement that they can be purchased after showing that they are high;

b) added capital of the bank - the amount paid above their nominal price during the first placement of preferred shares;

v) Equivalent instruments issued by subsidiaries that meet the conditions for inclusion in Tier 1 additional capital and held by third parties, as well as shares of minority shareholders in enterprises that merge into the bank's consolidated balance sheet.

Tier 2 capital includes:a) joriy yildagi sof foydasi;

b) reserves created for standard loans (assets) in an amount not higher than 1.25% of the sum of assets taking into account risk after discounts;

c) mixed obligations (instruments with equity and debt capital characteristics) in an amount not exceeding one third of Tier I capital after deductions.

g) subordinated debt is a form of the bank's debt obligations, which after calculations for the purpose of determining the bank's capital, should not exceed one third of the I-level capital.

Recognition of subordinated debt as 2-tier capital of the bank is carried out in the following manner:

- in the period exceeding 5 years before the initial payment period - in full;

- for 5 years before the initial payment period:

in the 1st year - 80 percent of the subordinated debt balance;

in the 2nd year - 60 percent of the subordinated debt balance;

in the 3rd year - 40 percent of the subordinated debt balance;

in the 4th year - 20 percent of the subordinated debt balance;

in the 5th year - 0 .

d) the amount of 45 percent of the increased amount of the assessment value compared to the initial value of the assets.

Deductions from capital are deducted from Tier I capital before capital adequacy ratios are calculated.

The following are deducted from Tier 1 core capital:

- intangible assets, excluding bank software;
- the sum of all investments in the capital of unincorporated economic entities, including debt obligations that make up the capital of such economic entities;
- investments in the capital of other banks [15][3].

The adequacy of the bank's capital, that is, the amount of capital necessary for the efficient operation of the bank, taking into account the risks, and the minimum requirements set for it are calculated:

TAUS = The sum of on-balance sheet and off-balance sheet assets, taking into account the risk of deductions + (OT) + (BT)

In this case, TAUS is the total amount of risk-adjusted assets, OT is the sum of operational risks, BT is the sum of market risks.

OT = (100 / the minimum level of the specified K1) x (the average amount of the Bank's gross income for the last three years x 15%)

Gross income = (interest income - interest expense) + (non-interest income - non-interest expense)

If the gross income is zero or negative in any year, it should be excluded from the denominator and figure when calculating the average.

BT = (100 / minimum level of defined K1) x (Total amount of open currency positions x 10 percent)

When calculating the total amount of open currency positions, the largest absolute indicator of the sum of the total long or total short indicators of foreign currencies is taken.

The ratio of regulatory capital to the total amount of risk-adjusted assets should not be less than 13 percent. The ratio of regulatory capital K1 is calculated as follows:

K1 = RK / TAUS

The monad coefficient of level 1 capital is determined as follows:

Defined as K2 = Tier I capital/TAUS

The K2 coefficient should not be less than 0.10 (10.0%), taking into account that the capital conservation buffer is 3.0% of all assets, taking into account the risk, to be quality I-level capital.

The monad coefficient of Tier I fixed capital is determined as follows:

K3 = Tier I capital stock /TAUS

it should be determined in the case of the disease, and its minimum level should not be less than 0.08 (8.0 percent).

These capital adequacy requirements are determined based on the requirements and norms of the Basel Committee on International Banking Supervision. All commercial banks need to calculate capital adequacy, taking into account the risks affecting their activity.

The Basel Committee on International Banking Supervision determines capital adequacy requirements of commercial banks based on global economic changes and their impact on banking activities.

Conclusion and suggestions. The results of the analysis of the practice of managing the adequacy of total capital and core capital of commercial banks showed that the actual implementation of both capital adequacy coefficients was significantly higher than the regulatory amount set in all large commercial banks. The main reason for this is the relatively low level of the banks' assets at risk and the main capital is growing at the expense of

[15] Regulation AV No. 2693-6, dated 07.06.2015, "On requirements for capital adequacy of commercial banks"

unstable financial sources. As a solution to this problem, it is necessary to include the net profit of banks in the structure of the fixed capital, and it is also necessary to make fuller use of other available opportunities for forming the fixed capital at the expense of financially stable sources.

By increasing the volume of sales of ordinary shares of large commercial banks to enterprises belonging to the private sector, it is possible to reduce the share of the state in the authorized capital of banks. In this case, the activation of the participation of shareholders in bank management and the increase of their role creates the possibility of effective use of bank resources. It is necessary to further improve the quality indicators of bank capital management by increasing the responsibility of the members of the Bank Council. Formation of the capital of commercial banks at the expense of financially stable sources and achieving their effective placement will strengthen the financial condition of banks, further increase the confidence of the population in the banking system, and prepare a thorough ground for the development of the national economy.

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IMPROVING THE METHODOLOGY OF IDENTIFYING AND MANAGEMENT OF RISKS AFFECTING THE ACTIVITIES OF COMMERCIAL BANKS

SHERMATOV G’OFURJON

Associate professor of Namangan Engineering-Construction Institute
E-mail.: shermatov08101970@gmail.com

Abstract:

Objective. Improvement of risk management mechanisms in commercial banks is of particular importance. Because risks are characterized by different levels of risk depending on the type. In this article, the essence of the concept of banking risks, their causes, types, and the issues of its identification, prevention and minimization are explained theoretically and practically.

Methods. The research methods were statistical, comparative analysis, induction and deduction methods.

Results. The scale of entrepreneurship in our country is expanding, which leads to an increase in the share of services in commercial banks, but commercial banks always face financial or other types of losses as a result of various factors. It is especially important to improve mechanisms for managing risk factors affecting the stability of bank capital. In this article, a scientific proposal and practical recommendations have been developed to prevent risks affecting the capital of commercial banks and improve their management.

Conclusion. Sometimes the risks have a high level, and their level of risk can increase the amount of losses of commercial banks, sometimes there are small risks, which hardly affect the net profit and lead to the violation of the management mechanism. can come From this point of view, regardless of the level of risk, it is desirable to improve their management mechanisms.

Keywords: banking risks, risk monitoring, risk management, financial operations, assessment, collateral, banking system, collateral registry, solvency, credit provision, analysis.

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