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<https://doi.org/10.61796/ejcbt.v1i4.490>**THE SIGNIFICANCE OF FORMING THE PROFIT OF
COMMERCIAL BANKS IN THE DIGITAL ECONOMY****Usmanov P.Sh**assistant, Samarkand Institute of Economics and Service,
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Abstract: The article presents the content of commercial banks' profit in the digital economy, the importance of its formation, and the analysis of influencing factors. Conclusions and suggestions on increasing the profit of commercial banks are also given in the work...

Keywords: commercial banking, digital economy, digital banking, profit, net profit, income, cost.

This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license**Introduction**

Commercial banks are central to the financial market. It is through commercial banks that various financial services are provided to legal entities and residents. Therefore, it is important to build confidence in the banking system.

In his speeches, the President of our country emphasized the development of the banking system as one of the important issues. "We need to take drastic measures this year to develop the banking system... From 2020, a large-scale transformation program will be implemented in every bank. In this regard, increasing the capital, resource base and income of our banks will be in the center of our special attention" [1].

It is known that profit plays an important role in the market economy. Wherever financial relations are carried out in the activity of commercial banks, ideas about profit formation are put forward. The reason for every transaction in commercial banks is to make a profit.

Economist Sh.Abdullaeva states that the profit of commercial banks is the main indicator representing the final results of commercial banks [2]. If commercial banks have made a profit or ended their activity with a loss - the loss is the sum remaining after deducting expenses, taxes and fees from all their income for this reporting period (month, quarter, year).

The net profit of commercial banks this year is a relatively stable source of their capital. In our opinion, it is necessary to consider the issue of including the current year's net profit, which is currently included in the additional capital of commercial banks, in the main capital of commercial banks. Because the bank's net profit for the current year is stable financing, and it appears after all mandatory payments have been made.

In the digital economy, it is important to provide financial services of commercial banks. We must admit that the concept of "digital bank" has been introduced recently. Looking at the data, that the bank or its structural division is a digital bank that provides remote banking services using innovative banking technologies (without providing cash desk service)[3] it is said. It is through the digital bank that various digital banking services are provided.

The profitability of commercial banks also depends on digital banking and innovative online services provided through digital banking. It is known that the income of commercial banks is divided into interest and non-interest income[2]. Interest income includes credit operations, interest on deposits, income on securities, etc., while non-interest income includes income from investments, various innovative services of banks, currency operations and other income. All this is related to the provision of quality and modern services of commercial banks (digital bank).

M.M. Ahamed emphasized the interest-free income and said, "The more the bank's interest-free income is, the more risk-free the bank's profit is." [4] he said. Through this, the bank recognizes the increase in investment income and innovative services.

The expenses of commercial banks are divided into interest-bearing, non-interest-bearing and other expenses. In the context of the development of the digital economy, the correct calculation of costs allows for the accurate assessment of bank assets, as well as covering costs, achieving profit, and the correct distribution of income for shareholders. In the assessment of costs, it should be considered as the main factor in determining the interest rates of loans. In practice, it is observed that the main part of the bank's income is spent on interest expenses, covering losses on loans, paying taxes, and increasing the expected profit.

In the formation of the profit of commercial banks, there are the following characteristic signs of profit: commercial banks direct the attracted funds to the activities of economic entities and receive profit from them in the form of interest; in the process of production of bank products, the transaction costs of commercial banks are fully covered by interest. It should also be said that here the profit of a commercial bank is taken into account as the difference between the interest received and the transaction costs.

The main goal of any business venture is to make a profit and increase it. An important task of commercial banks is to know all the factors affecting profit and to rationally manage the process of its formation. Today, a number of digital banking services are implemented using advanced information technologies. Regardless of their location, banks provide services to customers at long distances through communication tools. Due to the progress in technological development, the effect of the geographical factor on the implementation of banking operations has decreased, and the volume of banking services is expanding.

The analysis shows that it is possible to observe that the financial result of commercial banks ends with a net profit. This can be seen in the case of Uzsanotkurilishbank ATB (Table 1)...

Dynamics of financial results of "Uzsanoatqurilishbank" ATB, mln. soum

t/r	Indicators	2015 year	2016 year	2019 year
1.	Interest income	415843	480947	2516104
2.	Interest expenses	243989	287119	1458728
3.	Net interest income	171854	193828	1057376
4.	Assessment of possible losses on loans and leases	75074	89164	781662
5.	Net interest income after deducting reserve valuation	96780	104665	261322
6.	Interest-free income	251846	291937	1422129
7.	Interest-free expenses	48570	51272	184668
8.	Operating expenses	217237	247143	658282
9.	Net profit (loss) before income (profit) tax	79465	90614	840501
10.	Income (profit) tax credit (expense)	17880	19352	135975
11.	Net profit for the period	61585	71262	704526

Source: "Uzsanoatqurilishbank" ADB financial reports for the corresponding years - <https://uzpsb.uz/uz/for-investors/horaklik-va-yillik-hisobotlar/>

During the analyzed period, the interest income of "Uzsanoatqurilishbank" ADB in 2015 was 415,843 mln. amounted to 2,516,104 million soums by 2019, that is, compared to 2017, it increased by 6 times in 2019 and showed a sharp growth trend. This is confirmed by the increase in the provision for possible losses on loans and leases related to the increase in the portfolio of loans issued by the bank.

In addition, if we look at the net profit of the bank, it can be seen that the net profit increased by 2019 compared to 2015 in the analyzed period. The main reason for such a change can be explained by the increase in income. From the data in the above table, it can be noted that operations related to interest income have a direct impact on the bank's net profit, that is, internal banking operations are also closely related to each other.

The fact that commercial banks are making a profit is realized at the expense of the loans given by them. By itself, the more loans you give, the more profit you can make. Documents on granting loans lag behind the processing of loans (in some cases, borrowers refuse to take loans). Therefore, it is important to fully digitize the process of issuing loans in the context of the digital economy. Digitization also requires a borrower (user) friendly interface (for example, the required type of service can be easily found). Due to the simplicity of the loan process in developed countries, it is possible to get loans in 1-2 hours.

It should be said that profit is the final financial result of any commercial organization, including a commercial bank. It is affected by various factors. These include:

1. composition of the loan portfolio;
2. amount of private capital;
3. change of foreign exchange rate;
4. change of taxation system;
5. volume of bank asset transactions;
6. amount of various interest, non-interest and other expenses, etc.

Taking into account the above factors, commercial banks should implement profit planning measures.

It is important to study the income and sources of commercial banks. Commercial banks should take measures to improve capital adequacy and liquidity, increase the bank's asset operations, expand the customer base, develop optimal tariffs for the customer and the bank, improve the management system and other areas in terms of income formation. It is also advisable to take measures to reduce non-performing assets. Today's bankers prefer innovative digital services. Therefore, it is necessary to search for new types of operations that bring income to the commercial bank.

The main goal of any commercial entity, including a commercial bank, is to make a profit and strengthen it. An important task of commercial banks is to know all the factors affecting profit and to rationally manage the process of its formation. Commercial banks should take measures to improve capital adequacy and liquidity, increase the bank's asset operations, expand the customer base, develop optimal tariffs for the customer and the bank, improve the management system and other areas in terms of income formation. It is also advisable to take measures to reduce non-performing assets.

In order to increase the profit of commercial banks in the digital economy, it is advisable to take the following measures: increase the efficiency of bank control by types of bank income; organization of new types of services in banks based on the principles of digital banking and increasing their attractiveness; in-depth study of the creditworthiness of customers, development of new assessment methods and, at the same time, taking measures to repay; to study the composition of interest and non-interest expenses, which affect the formation of profit, and to take appropriate measures, etc.

References

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