METHODS OF MANAGING THE FINANCIAL SITUATION OF BANKS

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Abstract: Today, it is an urgent problem to study the methods of managing the financial situation of our commercial banks and introduce innovations. The article focuses on the methods of managing the financial situation of commercial banks and gives conclusions.
Keywords: financial stability, financial condition, net income, non-interest income, operating expenses, regulatory capital, capital adequacy level

Introduction

After the independence of the Republic of Uzbekistan, a very important issue arose before our people, that is, in order to create their own prosperous perspective and to reach the level of developed countries, which direction of economic development to choose and to implement this direction in the territory of the Republic of Uzbekistan. .

Pursuant to the decree of the President of the Republic of Uzbekistan No. PF-5992 of 12.05.2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025", privatization of state banks and their sale to foreign investors has become one of the goals set for the banking system of our country . These decisions serve to increase the investment attractiveness of the bank, as well as its financial stability and giant size after the acquisition by large shareholders. But only such activities are not enough for financial stability. According to the 27th goal of the decree of the President of the Republic of Uzbekistan No. PF-60 dated 28.01.2022 "On the development strategy of Uzbekistan for 2020-2026", the share of banks owned by the private sector should reach 60% by 2026. This decision means that it is necessary to further increase investment attractiveness, and for this it is important to improve the financial condition of banks.

In order to improve the financial situation of commercial banks, the reforms carried out by the Central Bank, the relaxations created for commercial banks, that is, the soft policy, are of great importance. Banks of our country cannot be called financially stable. Just one example, the fact that the capital of Tenge Bank of Kazakhstan is higher than the sum of the capital of all banks in our republic shows the financial condition of our banks. Therefore, in order to protect our banks, this bank was allowed to open in our country only as a branch bank. Otherwise, our banks would not be able to compete with such banks.

Analysis Of Literature On The Subject

The history of scientific research on financial stability covers more than 1 century. Oliver M. W. Sprague, Assistant Professor of the Faculty of Banking and Finance of Harvard University, was the first to analyze the stability of banks in his monograph. The main focus of the monograph is on the methods of formation of depositors' trust and its consequences when insufficient attention is paid to this problem; focused on quality indicators and methods of gaining depositors' trust. In general,

such methods are variable in nature, which means that it is somewhat difficult to develop a predetermined plan and methods in this regard. Nevertheless, over the past century, several methods and criteria have been developed in the science of financial stability management, and their advanced computer-based methods have been widely used over the past several decades. It can be seen in the results of the research on financial stability assessment methods of the European Central Bank and the Bank of International Accounts, which are regularly published, that the management methodology of stability focuses on macroeconomic indicators.

Also, in the minutes of the Irving Fisher Committee, the measures developed by central banks in creating the criteria for assessing financial stability, the single general measures, are mentioned in detail.

Methods

In the course of studying the methods of managing the financial situation of commercial banks of the Republic of Uzbekistan, research work was carried out using statistical analysis, tables and formulas.

Result and Discussion

Below we consider the qualitative and quantitative indicators of the bank's activity, including the most important indicators of any bank - profitability and risks. In any case, the bank is a business entity, the primary goal of which is to increase the shareholders' capital invested in it, keeping the level of risk to a minimum. In order to achieve this goal, it is necessary for banks to find new ways of future development, increase profitability, and implement effective planning and control types. Determining the long-term goals of the bank. The first step in analyzing any bank report is to determine what the bank's goals are. Bank activity must be aimed at achieving a specific goal. The assessment of any bank's activity should begin with determining whether it is possible to achieve the goals set by the shareholders and the bank's management. Increasing enterprise value is the most important task of any bank. In addition to the current goals that determine the day-to-day activities of the bank, there is the main direction that banks should pay attention to - the issue of the value of shareholder's capital.

Indicators of usefulness. The best indicator that determines the market value of the company's activity is the movement of the stock price. But in banking, this indicator is not clear enough in most cases. This is explained by the relatively small number of international and national buying and selling operations of bank shares. Such a situation requires turning to indicators other than market indicators, including profitability indicators. The most commonly used relative indicators of the profitability of banking activities are described below. Classification of utility indicators. Each of the indicators describes one or another aspect of the bank's profitability.

For example, ROA is primarily an indicator of the effectiveness of bank management. It indicates the extent to which the task of obtaining net profit from the banking institution's assets is accomplished by bank managers.

$$(\textbf{ROA}) = \frac{Net\ profit\ after\ taxes}{Total\ assets} \quad (1)$$

Alternatively, ROE is a measure of profitability for bank shareholders. It shows the estimated amount of net profit (that is, the risk of investing one's own funds to obtain a certain return) that can be received by shareholders on the funds invested.

$$(\textbf{ROE}) = \frac{Net\ profit\ after\ taxes}{Share\ capital(ROE)} \quad (2)$$

Net operating income margin, net interest margin, and net interest margin are indicators of efficiency and profitability, and the ratio of income (primarily interest on bank loans and investments, commissions for services provided) to expenses (mainly deposits) of the bank's management and employees and interest payments on loans from the money market) serve to assess the successful (or unsuccessful) performance of relatively faster growth. The net interest margin determines the difference (spread) between interest income and expenses and shows the extent to which bank employees can optimally use the bank's profitable assets and find cheap sources of funds. Non-interest margin is the sum of non-interest income (commission fees received by banks from servicing deposits and other services) and non-interest expenses (including wages, service and repair of bank equipment, compensation for losses on loans). determines the difference between In many banks, the non-interest margin is positive due to the increase in commissions received from the provision of various services (for example, from international money transfers), since the amount of non-interest expenses is less compared to the amount of related income.

$$\textbf{Net interest free margin} = \frac{non-interest\ income - non-interest\ expenses}{Assets} \quad (3)$$

Finally, the indicator of net profit per share shows the status of payments to the shareholders, who are the main owners of the bank.

$$\textbf{Net profit per share} = (Net\ profit\ after\ taxes)/$$
$$(Normal\ net\ profit\ from\ trading) \quad (4)$$

Another traditional indicator of bank profitability is the profit difference (spread) indicator, which is defined as follows:

$$\textbf{Profitability} = (\textbf{interest income} - \textbf{interest expenses})/(\textbf{income} -$$
$$\textbf{earning assets} - \textbf{interest} - \textbf{bearing bank liabilities}) \quad (5)$$

With the help of the spread, the extent to which the bank successfully fulfills its role as an intermediary between depositors and debtors and the level of competition in the market of banking services are determined. Increased competition in the services market tends to reduce the difference between average returns on assets and average costs on liabilities. This forces the bank's management to look for new ways to make a profit (for example, in the form of offering new types of services) to cover the profit spread. Also, another of the bank's profitability indicators is the operating profit margin, defined as the ratio of total operating profit to total assets. This indicator of profitability can be divided into two parts - average interest income on assets and average non-interest income on assets. The last element is formed by the commission received from the provision of various services (for example, international money transfers). The net interest margin of the bank is obtained by deducting the operating expenses from the operating income and dividing the resulting amount by the assets.

Due to the intensification of competition in the market of loans and other income assets and the assessment of many loans as "bad", many banks have begun to pay more attention to increasing non-interest income in the form of commissions. Such awards increase gross profit, which in turn increases payouts to shareholders. In addition, bank managers are trying to reduce the amount of resources directed to non-earning assets (for example, cash on hand, fixed assets and intangible assets). One of the indicators that help to determine the relative importance of non-earning assets (compared to direct income-generating assets in the form of loans and investments in securities) is the income base indicator and is calculated as follows:

The management and employees of the bank, whose income base is decreasing, will have to actively work to maintain the existing income base. Additional formulas of profitability. When

analyzing how efficiently the bank operates, it is appropriate to divide some indicators of profitability into parts. For example, it is not difficult to see the relationship between ROE and ROA indicators, which are widely used today. Both use the final profit after tax figure. Therefore, both indicators can be directly related:

Considering that the net profit of the bank is equal to the sum remaining after the deduction of operating expenses (including interest payment expenses) from the total income:

This relationship indicates the high sensitivity of the bank's profit directed to the shareholders to the sources of the bank's resources (at the expense of debt obligations or at the expense of bank owners' funds). A bank with a low level of ROA can achieve a high level of ROE by using a small amount of bank shareholders' capital and using a large amount of debt obligations. As a result of the decrease in efficiency determined by the ROA indicator, the bank has to take a higher risk in the form of increasing the ratio between debt obligations and shareholder's capital in order to be able to achieve the desired level of income for the bank's shareholders. . The bank's profit margin reflects the effectiveness of the pricing policy and cost management of banking services.

Table 1
The current state of capital adequacy of banks

Indicator name	01.01.2021.		01.01.2022.		01.01.2023.	
	billion	share	billion	share	billion	share
Tier I capital	**48 140**	**82,8%**	**58 624**	**83,5%**	**67 793**	**81,3%**
Basic capital	48028	82,6%	58 429	83,2%	67 598	81,0%
Additional capital	113	0,2%	195	0,3%	195	0,2%
Tier II capital	**10 022**	**17,2%**	**11 567**	**16,5%**	**15 620**	**18,7%**
Total regulatory capital	**58 162**	**100%**	**70 191**	**100%**	**83 413**	**100%**
Level of capital adequacy	18,4%		17,5%		17,8%	
Level I capital monadity level	15,2%		14,6%		14,5%	

Taking into account the current state of stability of the banking system in Uzbekistan and additional capital buffer requirements recommended by Basel III, the capital adequacy ratio for commercial banks is set at 13 percent. As of June 1, 2024, the banking system of Uzbekistan maintains financial stability indicators at a solid level. Commercial banks have fully met the minimum capital requirements set by the Central Bank. The banking system has sufficient capital to cover potential losses.

Conclusion

In conclusion, we can show that the bankruptcy of banks can occur in the following main cases: non-return of loans and loss of value of other assets, minimum level of liquid funds and losses from the main activity, as well as these losses of depositors' and customers' funds. reimbursement. In addition, an increase in the bank's liabilities in relation to assets, a decrease in the value of securities. For example, one of the main reasons for the complete bankruptcy of commercial banks in the countries of the world between 1929 and 1933 was a sharp drop in the market price of bank bonds and, as a result, the population withdrew their deposits. Such a situation is called a banking crisis or confusion.

The bank must determine the necessary amount of liquid assets, taking into account the factors affecting the change of liquidity. These factors include:

1. Having or losing funds according to the increase or decrease of depositors, the bank must fulfill its obligations regarding the funds involved in the near term, this is related to the terms of deposits and other liabilities, as well as the amount of deposits remaining in the bank (main depositors) should be analyzed in comparison with deposits and other liabilities that are taken from the account or paid immediately;

2. An increase or decrease in the standard amount of mandatory reserves in accordance with the increase or decrease in the amount of deposits also has a direct impact on liquidity.

3. An increase or decrease in the flow of funds due to an increase or decrease in the amount of loans and investments. The effect of this factor is that each increase in the amount of loans and investments reduces the share of liquid assets, because investments are based on a long term.

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