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FOREIGN EXPERIENCE IN INCREASING THE COMPETITIVENESS OF COMMERCIAL BANKS AND THE POSSIBILITY OF ITS USE IN UZBEKISTAN

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Abstract: The developed countries of the world have accumulated extensive experience in increasing the competitiveness of commercial banks. In particular, an effective banking risk management system has been created and the stability of the liabilities of commercial banks has been ensured. The study and generalization of this experience is of great practical importance for Uzbekistan.

The article analyzes the experience of foreign banks in the field of increasing competitiveness and substantiates the possibilities of using this experience in Uzbekistan.

Keywords: commercial bank, competitiveness, asset, liabilities, capital, profitability, credit, profitability.

Introduction

According to the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025, increasing the efficiency of the banking system by creating equal competitive conditions in the financial market, ensuring the financial stability of the banking system by improving the quality of the loan portfolio and risk management, maintaining moderate growth in lending volumes, improving corporate governance and attracting managers with international practical experience, introducing technological solutions for assessing financial risks, reducing the state share in the banking sector through a comprehensive transformation of commercial banks with a state share, introducing modern banking standards, information technologies and software products are priority areas for reforming the country's banking system [1]. This necessitates the study and generalization of the experience of foreign banks in the field of increasing competitiveness.

Review of literature on the topic.

S. Sergeev considers the competitiveness of a commercial bank as the possibility of effective functioning in the financial market and making a profit in specific market conditions and identifies factors for ensuring the competitiveness of banks, such as the effective use of financial, production and labor resources [2].

According to J. Sinkey, there are three factors to ensure the competitiveness of commercial factors:

- *price of banking services;
- *acceptability and availability of services for the client;
- * bank reputation [3].

Scientific research conducted by a group of scientists (A. Berger, S. Choul, O. Guedhami, R. Roman) showed that trust in the management of a commercial bank to guarantee the salvation of the state will lead to taking excessive risks [4].

D. Shumsky, K. Zabrodskeya and O. Sosnovskylarning believe that the main indicators characterizing the competitiveness of commercial banks are the following:

- interest income;
- commission income;
- operating income;
- interest expenses;
- operating expenses;
- profitability of loans;
- profitability of the bank's core activities;
- bank profitability index [5].

V. Usoskin argues that “deregulation and liberalization of banking legislation contributed to an increase in the intensity of the struggle within certain groups of financial intermediaries and between them. Thus, among commercial banks, increased competition manifested itself in the rapid transformation of wholesale banks, focused on transactions with business firms and wealthy clients, into retail institutions, aimed at attracting the widest possible clientele from the middle class and lower strata for the accumulation of small savings and the provision of consumer goods. and mortgage loans" [6].

In the cross-sectional selective Heckman model, it is proven that the emergence of a “hole” in the capital of commercial banks is the result of an imbalance in the term structure of banking operations. This model differs from standard regression models, which determine the level of an individual indicator. For example, selective models retain the possibility of including an object in incomplete selection (sample selection bias). In this model, two groups of economic agents are identified - households and companies, and for each group three types of imbalance are provided:

- imbalance in transactions with a maturity of up to one year;
- imbalance in transactions with maturities from one to three years;
- imbalance in transactions with a maturity of more than three years [7].

Analysis and results

The introduction of new liquidity and capital adequacy requirements for commercial banks of the Basel III standard in the practice of banking supervision in European countries and the United States led to the attraction of additional funds for Tier 1 capital and an increase in their short-term liquidity [8].

The need for additional capital reaches 60% of the value of all European and American Tier 1 capital, and the liquidity gap is approximately 50% of the value of all short-term liquid assets [9].

It must be emphasized that net interest income and net profit are important indicators characterizing the competitiveness of a commercial bank.

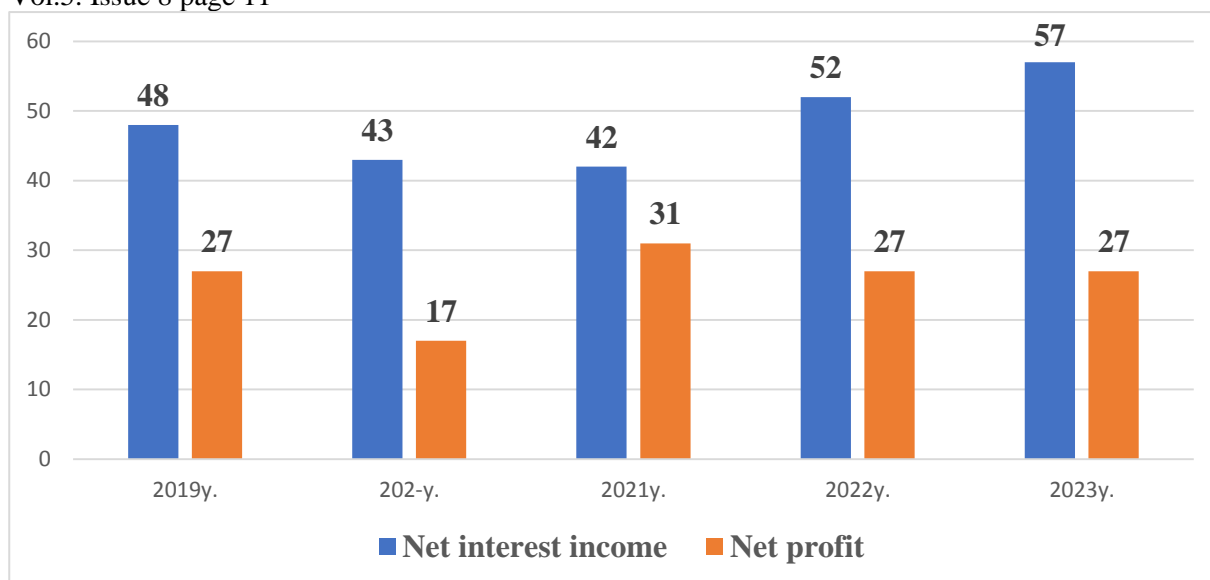


Figure 1. Net interest income and net profit Bank of America ¹, billion US dollars

As can be seen from Fig. 1, at Bank of America, the amount of net interest income in 2021-2023 showed an increasing trend. In addition, in 2023, the amount of net interest income increased significantly compared to 2019.

As can be seen from Fig. 1, at Bank of America the amount of net profit during the analyzed period remained stable.

Table 1

Size and profitability of Bank of America loans²

Indicators	Years				
	2019	2020	2021	2022	2023
Loans , million US dollars	974 010	909 059	966 737	1,033,085	1 040 390
Loan yield , %	4.4	3.7	3.0	3.7	5.5

As can be seen from Table 1, the amount of Bank loans of America in 2020-2023 had a growth trend. Also, loan yields increased significantly in 2023 compared to 2019.

As the experience of foreign countries shows, the bulk of the interest income of commercial banks is interest income received from their main activities (lending activities and investment activities).

Below we look at Deutsche's competitiveness indicators Bank .

Table 2

Profitability of loans and investments in securities of Deutsche Bank³(Germany), in percent

Indicators	2019	2020	2021	2022	2023
Loan yield	3.20	2.68	2.22	2.91	5.49

¹The figure was compiled by the author based on data from Bank of America financial statements for 2019-2023.

²The table was compiled by the author based on data from Bank of America financial statements for 2019-2023.

³The table was compiled by the author based on data from *Deutsche Bank financial statements*.

INCOME investicy V VALUE paper	0.96	0.16	0.15	0.25	2.32
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As can be seen from Table 2, the level of profitability of Deutsche loans Bank in 2023 increased significantly compared to 2019; Also, the profitability of investments in securities for this period increased significantly.

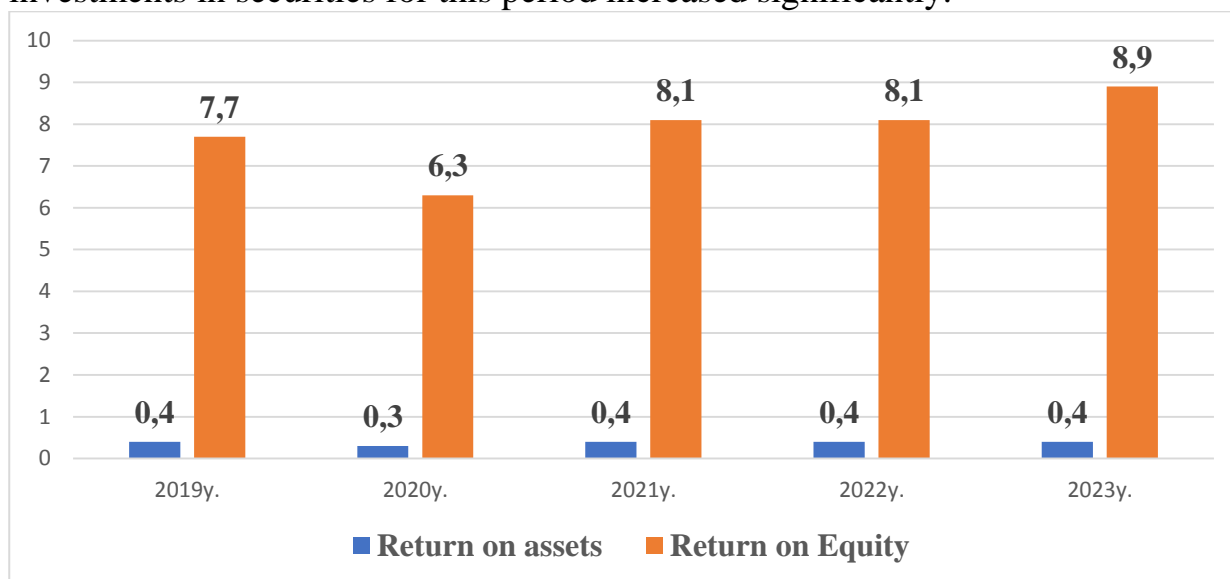


Figure 2. Return on assets and return on equity in BNP PARIBAS (France) ⁴, in percent

As can be seen from Fig. 2, in BNP PARIBAS in 2019-2023 return on assets was stable. Also, the data shows that BNP's return on equity PARIBAS in 2023 increased significantly compared to 2019.

Conclusions and suggestions

In the course of scientific research, we formulated the following conclusions on increasing the competitiveness of foreign banks:

*effective functioning in the financial market and making a profit in specific market conditions are mandatory conditions for increasing the competitiveness of commercial banks;

* deregulation and liberalization of banking legislation in developed countries contributed to increased competition between financial intermediaries;

*it has been scientifically proven that the emergence of a “hole” in the capital of commercial banks is the result of an imbalance in the term structure of banking operations;

*at Bank of America, the amount of net interest income in 2021-2023 showed an increasing trend. In addition, in 2023, the amount of net interest income increased significantly compared to 2019;

*amount of Bank loans of America had a growth trend in 2020-2023. Also, loan yields increased significantly in 2023 compared to 2019;

Deutsche loan profitability level Bank in 2023 increased significantly compared to 2019; also, the profitability of investments in securities for this period increased significantly;

⁴ The figure was compiled by the author based on data from BNP financial statements PARIBAS for 2019-2023.

to BNP PARIBAS in 2019-2023 return on assets was stable. Also, the data shows that BNP's return on equity PARIBAS in 2023 increased significantly compared to 2019.

In our opinion, there are the following opportunities for applying advanced foreign experience in the field of increasing the competitiveness of commercial banks in Uzbekistan:

1. To increase the amount of net profit by ensuring the stability of net interest income, it is necessary, firstly, to ensure the standard level of net interest margin; second, ensure that the growth rate of net interest income is consistent with risk-weighted assets; thirdly, to prevent the quality of the main assets of commercial banks from deteriorating below critical limits.

2. To ensure the stability of return on assets and return on capital indicators, it is necessary, firstly, to ensure that the growth rates of net profit and gross assets correspond; secondly, to ensure that the growth rates of net profit and regulatory capital are consistent; thirdly, to prevent an increase in the level of interest expenses in relation to interest income; fourthly, to ensure a stable level of share premium and retained earnings in the amount of regulatory capital.

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