

THE ROLE OF CAPITAL IN STRENGTHENING THE RESOURCE BASE OF PRIVATE BANKS AT THE REGIONAL SCALE

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In the article, the resource base of private banks, their size and dynamics, the role and structure of capital in the composition of the resource base are analyzed and given corresponding conclusions. In addition, the article examines the researches of foreign and domestic scientists in showing the role of capital in strengthening the resource base of private banks at the regional level, and the advantages of strengthening the resource base are researched. In particular, as a result of studying the scientific opinions of researchers, a number of shortcomings and problems in strengthening the resource base were identified. Also, the role of bank capital in strengthening their resource base was studied. Conclusions and practical recommendations were formed based on the conducted research.

Key words: private banks, resource base, deposit, capital, non-deposit funds, own funds, asset and loan.

Introduction

At the time when the current globalization process is accelerating, the country's economy and its development cannot be imagined without banks. That is why it is important for banks to be free to operate, to be competitive and, most importantly, to have a solid capital base. Because the bank's capital is the initial financial basis of the bank's activity and the source that ensures its development, stability and security.

At the very beginning of the establishment of commercial banks in our country, great attention was paid to bank capital as the main financial source. This movement is still economically relevant today. Because now the role of banks in people's lives is expanding more and more. The President of our country said in this regard: "Banks will now have to teach and lead our people to entrepreneurship and entrepreneurship. [2]"-, they said. For this, banks are required to be financially strong and have a solid capital base.

The strengthening of the resource base of banks creates the basis for the full satisfaction of the demand for long-term credit resources of the real sector of the economy. In particular, the ultimate goal of the reforms in the banking and financial system of our country is to strengthen the resource base of commercial banks of our republic, to increase the confidence of economic entities and the population in the banking system. Based on this, by the Decree of the President of Uzbekistan dated May 12, 2020 No. PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" by 2025, the minimum amount of authorized capital of banks will be 500 billion. tasks of gradually increasing to soums, strengthening their financial stability and reliability[2] marked indicates the relevance of the topic.

To the topicanalysis of related literature

In the existing economic literature, the concept of "Capital" has been studied by foreign scientists and specialists and appropriate definitions have been given. The term "capital" (Latin capitalis - head, main) means basic property. Private capital of

the bank includes authorized capital, added capital, reserve capital and retained earnings. In most literature, bank private capital is equated with the concept of bank equity.

Many economists refer to bank capital as private capital and view regulatory capital as a measure of capital adequacy. There is no single approach to the nature of private capital of the bank, and economic definitions describe one or another of its aspects and functions.

In particular, the Russian economist G. G. Karobova views bank capital as a set of fully paid elements (funds) that ensure the economic independence, stability and reliability of the bank. [3] In fact, it describes the amount of bank capital, its financial stability and independence.

Professor V. M. Usoskin considers bank capital as an important and indispensable component of bank financial resources. [4] It can be seen that capital is considered here as an important and integral part of bank resources, and its main functions (protection, operational and regulation) are neglected.

Economist R.G.Olkhova considers the nature of bank capital as a "protective cushion" and believes that if the bank suffers an unexpected loss, the capital mitigates the consequences of the damage and creates an opportunity to restore the bank's economic solvency. [5]

Renowned economist Jan Matuk, who has earned a reputation for his research on banking, views a bank's capital as the primary means of ensuring its solvency. [6] Of course, the risk of solvency (liquidity) always remains in the bank during its activity, that is, there is a risk of running out of sufficient liquid funds in any unexpected situation for commercial banks in the conditions of the market economy.

Sh.Abdullaeva and A.Omonov, one of the economists of our republic, defined the economic content of bank capital as follows: "The capital of commercial banks is a stable source, and it is a unique means of protection that allows to cover unexpected losses in the operational process of the bank".[7] In addition, one of the local scientists, R. Kurbanov, in his scientific research, paid special attention to the role of bank capital in strengthening the resource base of private banks [8,9,10].

Also, American economists Chris Dj. According to Barltrop and Diana McNaughton, bank capital is a sufficient reserve to prevent various contingencies that occur in banking operations, and helps to eliminate the inability to pay when adapting to changing conditions, and the size of bank capital affects the development of the banking system and its economy in each country. They emphasized that it will be different depending on. In addition, while acknowledging Chris Barltrop's definition of bank capital as a "valuable" resource, we would like to emphasize that here, too, the nature of capital is given one-sided importance. [11] However, bank capital is not only a valuable resource, but also an additional resource and a means of protection.

In short, commercial bank capital- it is a stable source of financing the bank's activities, and it is a special means of protection that allows to cover losses that occur unexpectedly in the bank's operational process.

Research methodology

In the preparation of the article, practical information on the role of capital in strengthening the resource base of private banks was analyzed, and all the used information was researched by the author based on the current legal documents and statistical indicators of the Central Bank. Grouping, comparison, systematic approach, and structural analysis methods were used in the article.

Analysis and results

In the practice of our republic, the resource base of commercial banks has been strengthening over the years. Of course, the role of banks' capital is also very important. The capital of private banks of our republic has grown significantly in recent years. This is explained by the fact that the government of our country and the Central Bank are conducting a policy of increasing the authorized capital of commercial banks. In general, we can see the dynamics of the total capital of private banks of our republic in the figure below.



Figure 1. Dynamics of the number of private banks operating in the Republic of Uzbekistan and the size of their resource base (billion soums).[12]

From the data of the above picture, we can see that the number of private banks operating in our Republic has been decreasing over the years. As of January 1, 2024, only 4 out of 37 commercial banks have become private banks, we can see how painful the role of private capital is in the banking system.

Nevertheless, in the last 6 years, the resource base of private banks has strengthened, from 8,926 billion soums in 2018 to 31,163 billion soums by 2023, and the total resource base of private banks has increased by 2.6 times over the past 5 years. We can also see this in the table below.

Table 1

Analysis of the composition of the resource base of private banks of the Republic of Uzbekistan[12]

| Indicators | 2019 | | 2020 | | 2021 | | 2022 | | 2023 | |
|----------------------------|--------------|------------|----------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | billion soum | % | billion soum | % | billion soum | % | billion soum | % | billion soum | % |
| Own funds | 1 627 | 13.8 | 3 007 | 20.1 | 3 685 | 19.1 | 4442 | 16.3 | 5 977 | 19.2 |
| Funds involved | 10 157 | 86.2 | 11,919 | 79.9 | 15,584 | 80.9 | 22 854 | 83.7 | 25 186 | 80.8 |
| Total resource base | 11784 | 100 | 14925.6 | 100 | 19269 | 100 | 27296 | 100 | 31163 | 100 |

Based on the data of Table 1, the resource base of private banks increased to 19,380 billion som in 2023 or 2.6 times compared to 2019. This change was ensured due to the increase in the amount of funds involved by 15,029 billion soums and own funds by 4,351 billion soums. While positively assessing the increase in the resource base of private banks in terms of volume, changes in the relative structure of the resource base of private banks during the analyzed period, the weight of own funds will increase from 13.8% in 2019 to 19.2% in 2023, and the share of funds attracted at the same time, on the contrary, It is observed that it will decrease from 86.2% in 2019 to 80.8% in 2023. We should evaluate this situation positively. The reason is that increasing the share of banks' own funds in the total strengthens the independence of the bank. In addition, the Decision of the President of the Republic of Uzbekistan dated September 12, 2017 No. PQ-3270 "On measures to further develop and increase the stability of the banking system of the Republic"[13]its adoption also prompted private banks to increase their capital. According to the decision, as one of the main tasks aimed at ensuring the stability of the banking system, all banks operating in our republic must have a minimum authorized capital of 100 billion by January 1, 2019. was set at soum. To date, the minimum amount of authorized capital for all banks is 200 billion. is set at soum.

Despite the above reforms, the resource base and total capital of the private banks of our republic remain low in the total total capital of the banking sector. It cannot be positively estimated that the total resource base of private banks is only 4.8% of all commercial banks and 6.2% of their own funds[12].

When analyzing the resource base of private banks, studying its composition is of particular importance.

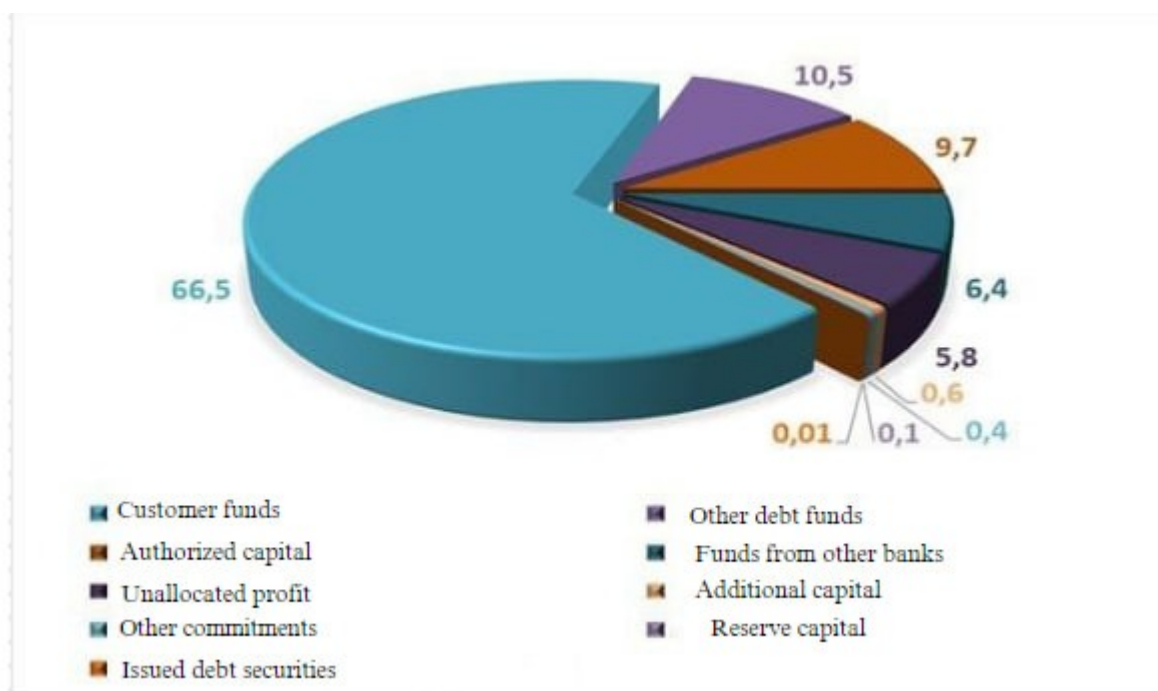


Figure 3. Structure of the resource base of private banks of the Republic of Uzbekistan (in percentage as of 01.01.2024)[12].

As can be seen from the data of the picture, the main share of the resource base of private banks in 2023 is made up of customers' funds. Its share was 66.5%. After that, other debt funds and authorized capital occupied significant resources. Their share is 10.5 and 9.7%, respectively. As of January 1, 2024, the share of non-deposit funds of private banks in the structure of the resource base was 17.3%, the main part of which was other debt funds (10.5%). Unfortunately, the share of issued debt securities and reserve capital in the composition of non-deposit operations of private banks is completely absent. The fact that they are 0.01% and 0.1%, respectively, indicates that the additional capital of private banks is not sufficiently formed. It can be seen that special attention should be paid to optimizing the structure of the resource base of private banks.

Conclusions and suggestions

In conclusion, it can be noted that one of the most important tasks of commercial banks is to attract enough free money in the economy and to manage the effective placement of these funds. The main reason for this is the increased demand for financial resources among commercial banks as a result of the deepening of market relations and further liberalization of the economy in Uzbekistan. As a result, the increasing need of banks for cheap and "long" funds has become one of the important issues in the formation of resource bases and their effective management. This situation has a positive effect on the strengthening of free competition between banks in the "distribution" of temporary free funds available at the country level among banks and in attracting additional resources from the financial market.

Based on the above research and analysis, the following proposals were developed:

1. In order to strengthen the resource base of private banks, it is necessary to

increase the amount of additional capital.

For this, first, It is necessary to issue subordinated debt obligations in private banks. Secondly, it is necessary to improve the practice of opening credit institutions under private banks.

In the banking practice of developed countries, it is common to open credit institutions such as trust, leasing, factoring and forfeiting companies under private banks. As a result, it becomes possible to develop their asset operations and increase the amount of additional capital.

2. In order to further strengthen the resource base of private banks, market tools and mechanisms should be used effectively. For this, taking into account the needs of the population and economic entities, it is necessary to regularly introduce new types of savings and deposits, to issue long-term bonds, certificates of deposit and other securities, as well as to plan the implementation of measures to actively attract subordinated debts. .

3. It is necessary to ensure that the shares of private banks are publicly traded on the secondary securities market (IPO). For this, first of all, it is necessary to raise the level of dividends paid to ordinary shares by commercial banks to an acceptable level for the benefit of investors. In doing so, it is necessary to use the interest paid on short-term bonds by the government as a basis, and take into account the effect of inflation and exchange rate on the investments made by investors in bank shares and the income they receive from them. In order to increase the authorized capital of many commercial banks, the capitalization of the main part of the net profit for several years in a row leads to a decrease in the dividends they pay. In the capitalization of net profit, it is necessary to use the matrix of capital formation and maintain the trend of constant growth of dividends. Otherwise, it will not be possible to create a stable demand for shares in the secondary securities market and determine the market price of bank shares.

We think that the above suggestion simplemation will serve to properly form the resource base of private banks of our country and, as a result, to strengthen the resource base of private banks.

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