
COMMERCIAL BANKING FINANCIAL MANAGEMENT AND SYSTEM EFFICIENCY INCREASING DIRECTIONS

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Abstract: The article examines the relationships with existing organizational problems within the directions of improving the efficiency of the financial management system of commercial banks. Based on the features of the systematic development of factors affecting the financial efficiency of the banking system of the Republic of Uzbekistan. Scientific proposals and practical recommendations related to improving the financial efficiency of commercial banks have been formulated by ensuring compliance of the organizational basis of decisions made in the financial management system in commercial banks.

Keywords: financial management system, financial stability, investment projects, long-term resource base of commercial banks, financial market, investment activity of commercial banks, integrated mechanism of financial management, financing rate coefficient.

Introduction

The dynamic development rates of the national economy require the expansion of foreign economic relations, in the process of systematically organizing the ways of effective use of investment opportunities, not only to evaluate the possibilities of attracting external resources, but also to form the ways of purposeful use of internal opportunities. In turn, the process of formation of these directions requires effective use of the financial capabilities of commercial banks and justification of ways to ensure macroeconomic stability by increasing their investment activity.

In recent years, special attention has been paid to the issues of liberalization of commercial banks, strengthening their financial stability and their privatization. According to the decision of the President of the Republic of Uzbekistan dated July 31, 2023 "On additional measures to strengthen the financial stability of the joint-stock commercial bank "Uzsanoatkurilishbank" and accelerate privatization" independent implementation of procurement processes by a selection commission consisting of qualified specialists in accordance with the approved regulations, direct contracts, attracting international legal and auditing companies, investment consultants and investment banks, advanced foreign and local educational institutions, highly qualified foreign experts and consultants given a number of rights[1].

On the basis of these benefits, the process of liberalization of banking activities, the organization of transactions related to securities, credit cards, currency of banks, the storage and distribution of shares of commercial structures among commercial banks, the evaluation of investment projects, the introduction of a number of practices such as leasing, factoring, etc. indicates that the implementation of research aimed at increasing its effectiveness is becoming more and more important.

Related Work

Studies on increasing the efficiency of the financial management system of commercial banks and improving its organizational and economic mechanism have been extensively studied by a number of foreign economists. G.S. Ovakimyan, V.V. Grebenik, who carried out research in this regard, considered the modern methods of financial management of commercial banks and the possibilities of creating an effective financial mechanism[2]. The scientific researches of A.A.Kurilova, M.A.Gorodnicheva are based on the theoretical foundations of the financial management of commercial banks, its elements and economic essence, and in accordance with the research processes, the systematic solution of financial and social-psychological problems that arise in the process of using bank management and are focused on profit developmental characteristics are defined[3]. In the studies carried out by O.I. Lavrushina and others, it is emphasized that, along with the role of existing economic legislation in the financial management system of commercial banks, it is necessary to pay special attention to the assessment of the adequacy of the capital of commercial banks, its profit and liquidity level[4]. E.E. Matveeva tries to determine the formation of anogenic management of personnel potential development in commercial banks and its determinants in the process of financial management of commercial banks[5].

B.J. Makhmudov, M.M. Bustonov, B.I. Rakhimov in the research conducted by the financial management system of commercial banks at the macro-economic level of the growth of the volume of bank loans, the efficient system of loans and investments directed to the financing of investment projects in accordance with the state programs for the development of sectors and regions is recorded with its place in formation[6]. B.O.Tursunov and S.Sh.Raimberdiev's researches show that the effectiveness of the financial management system of commercial banks is determined by the increase in the scope of providing a wide range of services by banks, the process of organizing programs and events that bring income to the bank, and the practice of organizing the range of financial services[7]. M.U.Akhmedov interprets the improvement of the efficiency of the financial management system of commercial banks through the relationship between ensuring the financial stability of commercial banks and increasing investment activity, and justifies this relationship through the role of commercial banks in the formation of a long-term resource base[8].

In our opinion, the systematic basis of the above studies is characterized by the fact that commercial banks are oriented to justify the process of ensuring priority over the market mechanism in the practice of organizing market relations. In addition, the above studies can be explained by the fact that the study of the real competitive environment in the expansion of the activities of commercial banks in the financial markets is not given importance, the role of the state financing organization in the development of the diversification system is not noted.

Research methodology

Scientific research methods such as systematic analysis, logical abstraction, induction and deduction are widely used in the article, and the logical-structural basis of the research is based on the methodology of monographic observation.

Analysis and results

Commercial banks play a leading role in the coordination of monetary transactions in the economy and coordination of its organizational foundations. Commercial banks serve to implement the task of organizing the investment and credit system of issuing money in real practice. In its place, this situation provides an opportunity to ensure balance in the money market by increasing the ratio of supply and demand in the money market at certain rates, or by reducing its supply. In this regard, commercial banks perform many functional tasks related to the movement of capital and its circulation through their financial management system. In particular, these include the processes of determining the loan interest rate, diversifying the loan volume and justifying the intermediate term period of deposit acceptance, and forming the organizational basis of ways to expand the bank's investment opportunities in the securities market.

Organizational elements of the financial management system of commercial banks acquire variable importance by regulating and controlling ways of organizing the systematic classification of relevant decisions in the management process. Therefore, the process of making management decisions creates the need to form a management algorithm based on analytical and logical relationships. The rationale of this algorithm is to effectively use the rational management mechanism of the financial system of commercial banks and to expand the scope of financial transactions.

The increase in the efficiency of the financial management system of commercial banks is shown by the change in the ratio of net stable financing in the banking system. The policy of cheap money serves to prevent high fluctuations in the net stable funding ratio. The absence of an appropriate competitive environment in the banking system causes commercial banks to increase the role of administrative methods rather than liberal methods of financial management. Therefore, the main reason for this problem can be explained by the lack of a single technology for managing financial relations in the system of commercial banks.

In 2019-2022, the highly liquid assets of the ratio of net stable financing in the banking system of the Republic of Uzbekistan mainly include securities issued by the Government and the Central Bank in banks (68 percent or 10.5 trillion soums), cash (81 percent or 8.6 trillion soums) , there was an increase in banks' funds in the Central Bank (by 16 percent or 4.5 trillion soums) in addition to mandatory reserves. At the same time, in the banking system, the ratio of net stable financing rate remains high compared to the national currency, which indicates that commercial banks are prioritizing the organization of an adequate monetary policy (Fig. 1).

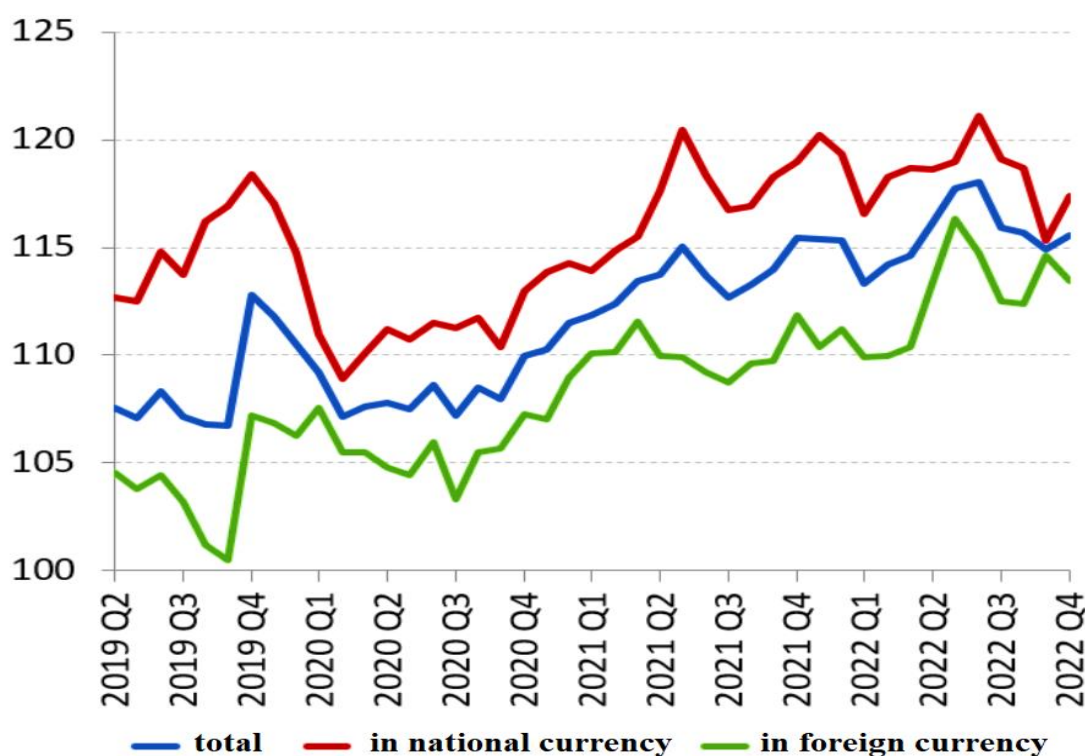


Figure 1. Rate of change of the ratio of net stable financing in the banking system of the Republic of Uzbekistan in 2019-2022 (in percent)[10].

In particular, in the second quarter of 2019, the ratio of net stable financing by commercial banks was 104 percent, and as of January 1, 2023, this indicator was 116 percent. Also, the fact that the ratio of net stable financing by commercial banks remained on average around 10 percent during

this period can be explained by the fact that the refinancing rate did not change during this period¹. In 2021, the rate of decline observed in the profitability indicators of the banking system can be explained by the increase in the quality of commercial banks' assets.

Today, the main problem of increasing the efficiency of the financial management system in commercial banks is problem loans, and due to the influence of problem loans, many problems occur in the management of financial operations in commercial banks. These problems do not allow commercial banks to manage the funds in accordance with the development concept of the bank. At the same time, the bank creates the following problems related to the financial system:

- due to failure to implement effective bank credit management system, the process of transition of commercial banks to international quality standards becomes complicated;
- due to the loss of the logical basis of functional relationships related to analytical planning, regulation, control in the process of making financial management decisions, the system of effective information provision of the credit system is lost;
- due to the restriction of the flow of bank loans in commercial banks, the diagnostic system based on the systematic analysis of the bank's financial activity and the attitude related to forecasting are complicated. As a result, the inefficiency of the credit organization's profitability management mechanisms is increasing.

In 2018-2022, the share of state-owned banks in the Republic of Uzbekistan and the share of non-performing loans in the total loans of private banks, the share of private banks is high (Figure 2).

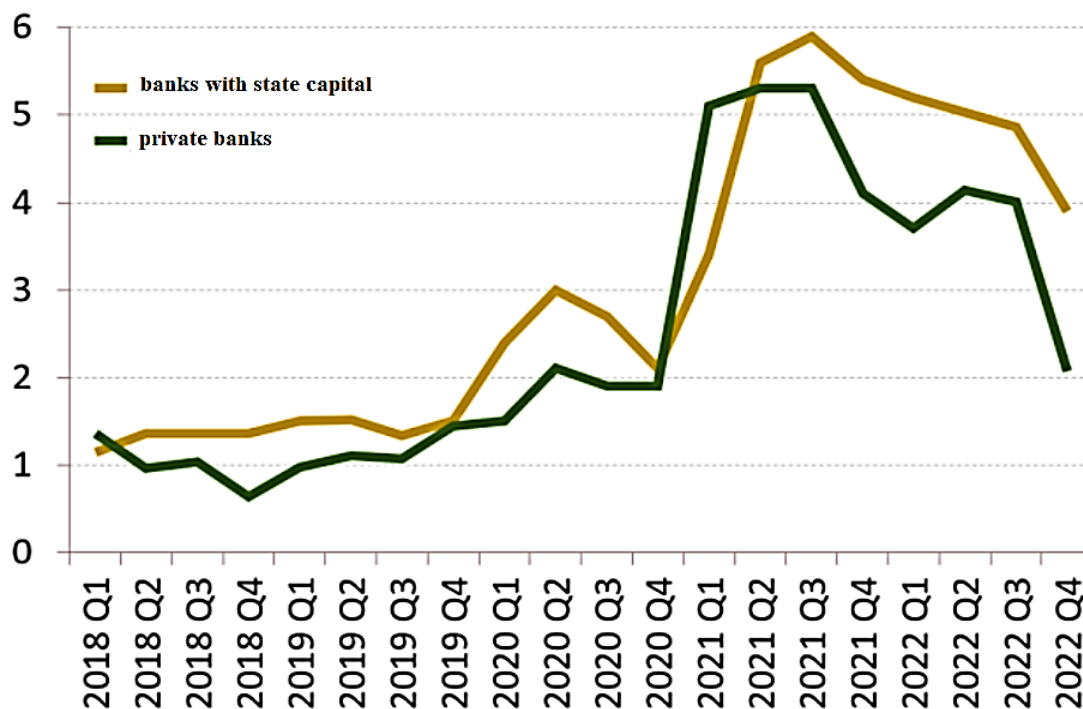


Figure 2. In 2018-2022, the share of non-performing loans in the total loans of banks with a state share and private banks in the Republic of Uzbekistan (in percent) [10].

In 2018-2022, the share of non-performing loans in the total loans of state-owned banks and private banks in the Republic of Uzbekistan can be explained by the fact that private banks do not have a unified basis for managing and controlling competition risks. In our opinion, this problematic process can be avoided by aligning the level of risk in the financial market and capitalization to a single financial development strategy through management methods based on a systematic integrated management mechanism.

¹ Starting from September 1, 2019, a minimum requirement of 100 percent of liquidity coverage and net stable funding ratio coefficients for currency types has been established.

However, the organization of financial management strategy in commercial banks often does not provide an opportunity to ensure positive efficiency. In turn, this situation can be explained by the competitive environment influencing the formation of a single model of management.

Taking into account the above, the financial management system of commercial banks can be considered as a set of relationships between the entire head of management. Based on this idea, it is appropriate to form the organizational relations within the framework of the financial management strategy of commercial banks. Instead, the framework for these organizational relationships is required to be based on a single, interconnected mechanism. This dependence can be explained within the framework of various forms of financial management influence (Figure 3).

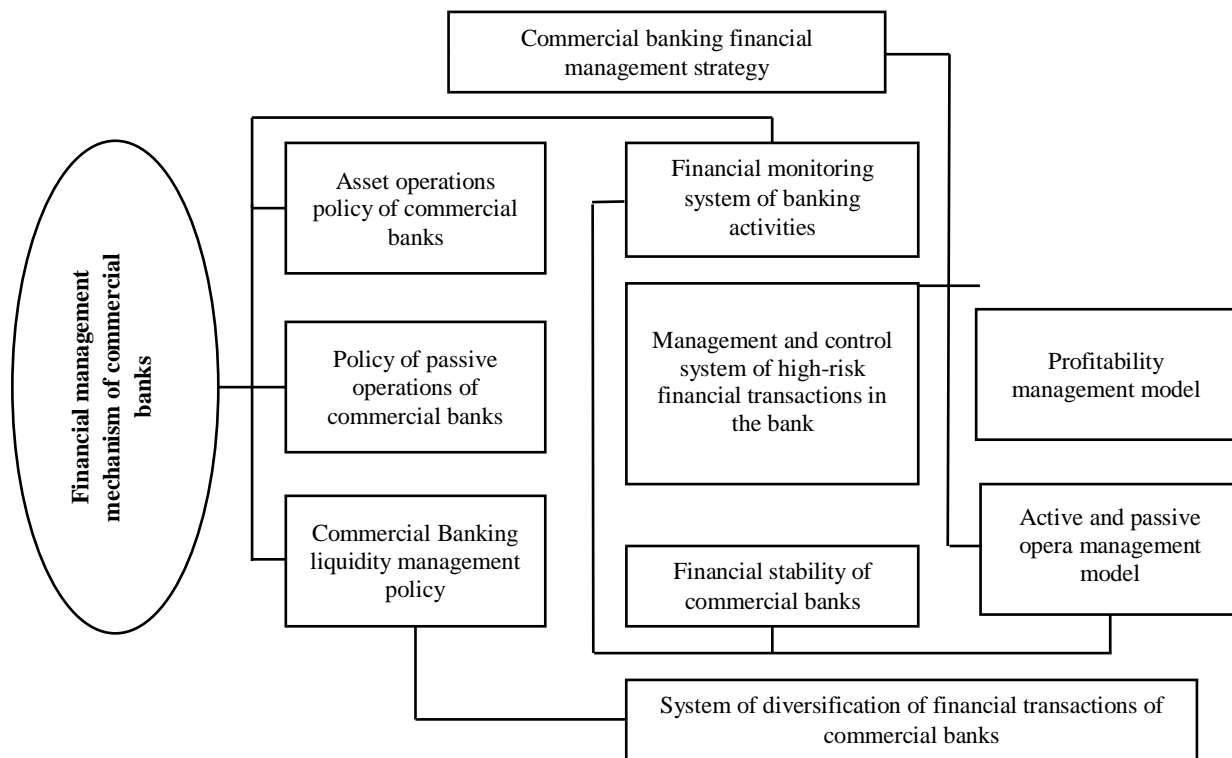


Figure 3. Integrated mechanism of financial management of commercial banks²

The increase in the volume of financial operations in the financial management mechanism of commercial banks is carried out based on the real financial stability of commercial banks. For this reason, commercial banks should have a management and control system for high-risk financial operations. The existence of this system in the activity of commercial banks serves to create an opportunity to effectively use the high level of competition among commercial banks.

CONCLUSION AND SUGGESTIONS

Improving the efficiency of the financial management system of commercial banks is complicated by the increasing number of types of bank financial services. On the other hand, in the conditions of the competitive environment, it is possible to constantly increase the authorized capital of commercial banks compared to other competing commercial banks, to form a reserve system that is likely to become a reserve fund, and to take into account risk factors, to form possible options that can be managed. The structural composition of commercial banks' assets is complicated due to increased competition in the process of making management decisions and increased risk in the processes of regulating banking activities, along with increasing the efficiency of assets. In particular, the formation of significantly offensive strategies in the banking management system causes the formation of mixed mechanisms for the formation of management techniques and

² Formed by the author according to the research results

methods related to the identification of existing risks in the financial market and finding adequate methods of management.

Based on the above circumstances, it is appropriate to pay special attention to the following in order to increase the financial efficiency of the management of the banking system of the Republic of Uzbekistan:

- by forming a single system that analyzes the financial activity of commercial banks, forming financial opportunities for the bank's future activities;
- development of benchmarks and indicators of the volume of active and passive operations of commercial banks;
- development of a portfolio of permanent customers of commercial banks by forming types of services related to the expansion of the scope of mutual transactions in increasing the efficiency of the provided financial services;
- attracting new customers by developing business plans and current development plans of the bank, forming permanent management control packages related to the introduction of new financial operations and banking services, etc.

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