

Experiences of Foreign Countries in the Formation of Income of Commercial Banks

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Abstract: The article examines the experiences of foreign countries in the formation of the income of commercial banks of developed countries. Practical suggestions and recommendations are presented regarding the formation of commercial banks' income.

Key words: commercial banks, profitability, economy of the country, investment project, lending practice, gross domestic product, foreign operations, loan portfolio.

Introduction

Today, investment loans play an important role in the development of the world economy and international integration. Indeed, investment loans serve as the most important factor in the implementation of the long-term strategy of commercial banks in the national and global financial markets and the development of international relations and practices through it. The research clearly confirms that investment loans, incorporating a number of traditional and modern forms of lending, are used to establish and develop cooperation with national, foreign and international financial institutions. In turn, the developed world has a rich experience in investment lending in developed countries, in particular, "the share of investment loans in total fixed capital investment in Germany is 49.5%, in the US - 62%, in the UK - 76.5%". Today, the growing demand for investment loans makes it necessary to improve the system of investment lending by commercial banks.

In recent years, the practice of investment lending in Uzbekistan has been significantly increasing. In particular, "the share of investment loans of commercial banks in the total sources of financing of investments in fixed assets has more than doubled over the past five years (2017-2021) and amounted to 46.7%". This is mainly due to the growing investment activity of commercial banks in the country and the growing volume of international loans. However, most commercial banks do not have enough experience in applying investment credit and its modern forms. There is also a lack of long-term resources in commercial banks. The need to solve the problems of the investment lending system of banks on the basis of advanced foreign experience arises from the need to study the issue of improving the investment lending system on a scientific basis.

Law of the Republic of Uzbekistan "On Banks and Banking" (2019), Presidential Decree No. PF-5953 of March 2, 2020 "On the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021" Decree No. PF-4947 of February 7, 2017 "On the State Action Strategy for Further Development of the Republic of Uzbekistan". PF-5877 of November 18, 2019 "On improving monetary policy through the gradual transition to inflation targeting", PF-5992 of May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" "Decrees. No. PP-4563 of January 9, 2020 "On measures to implement the Investment Program of the Republic of Uzbekistan for 2020-2022", No. PP-3270 of September 12, 2017 "On measures to further develop and increase the stability of the banking system of the Republic" An important task in the implementation of the tasks set by the decisions of the Government of the Republic of Uzbekistan and other relevant regulations in this area, as well as in-depth scientific and theoretical and methodological study of ways to solve the above problems and investment lending in commercial banks.

Review of literature on the subject

Many foreign and local economists have been working on the effectiveness of investment lending in commercial banks and their development and evaluation. One of the foreign economists who conducted research on this issue:

According to Russian economists MV Alikaeva, LO Aslanova and others, "Investment bank loans are usually issued for a period not exceeding the project repayment period, usually for a period of not less than one year, within the approved design estimates. will have a targeted nature, which must be documented with payments under concluded contracts".

F.V.Mike and V.Rong (2006) suggested the need to establish external financial constraints on the effective use of investment projects and, on this basis, to encourage domestic investment projects. At the same time, scientists conclude that as the cost of external financing increases, the value of cash will increase significantly.

H.Wang, P.Liang, H.Li, R.Yanglar (2016) studied the interrelationship between investment projects and their sources of funding for technological development, as well as sources of funding for research, research, investment risk.

In addition, the well-known Russian economist T. Mazurina (2013) justified the existence of the following conditions for the development of lending to investment projects through loans from commercial banks:

- Existence of effective state investment and industrial policy (with clear directions of financial resources allocation);
- development of investment infrastructure, which is the main direction of risk reduction associated with the implementation of investment projects;
- increasing the investment attractiveness of enterprises.

According to I. Yudina's (2013) research, diversification of risks is a necessary condition for the development of investment lending practices of commercial banks in developing countries.

The main problems in improving the mechanism of financing investment projects through commercial banks are the problem of increasing the investment lending capacity of commercial banks, the ineffectiveness of risk management of investment activities in commercial banks, the technical aspects of business plans submitted by clients to investment projects: -economically insufficiently justified. It is also due to the fact that they are not analyzed by banks at the level of demand, and there are shortcomings in the conclusion of loan agreements, the inefficiency of the use of investment loans obtained on the basis of government guarantees.

Today, the country's commercial banks have a number of shortcomings in the process of investment lending. Therefore, the main purpose of this article is to identify existing problems in the practice of lending to investment projects of commercial banks, to study the priorities of lending practices of foreign banks on the basis of practical analysis, to present their best practices in the practice of lending to commercial banks in Uzbekistan. calculated.

Analysis and main results

It is well known that savings play an important role in the organization of investment activities in the economy. This is especially important for commercial banks, which carry out their investment and lending activities on the basis of attracting free funds. Accordingly, we aim to take a look at the state of savings in the economy on the example of countries whose economies are developed and at a high level of development, as well as those in transition economies.

According to the IMF, at the beginning of 2020, the savings rate in developing countries was 33.0 % and remained higher than in developed countries (22.0 %). This is clearly the case in China. This is more than twice as high as in 2020 compared to the United States, Germany and Russia under analysis. However, in the context of today's pandemic, all leading international organizations note that in 2021-2022 the world economy will experience a significant slowdown.

According to the IMF, savings play an important role in world GDP growth. This, in turn, has a positive impact on increasing the share of investment in GDP and economic development. According to the IMF report, during the “great recession” of 2008-2009, the share of investment in world GDP fell by 23-24%, which also had an impact on gross savings. Since 2011 alone, the global savings rate has been 24-25 percent of GDP, and by 2018, that figure had risen to 26 percent. At the same time, of course, it is important that countries that are leaders in economic development make high investments in intensive industrial development. This is directly related to the high level of the country’s savings rate (45.2% in China in 2020 and 48% in 2012) (Figure 1).

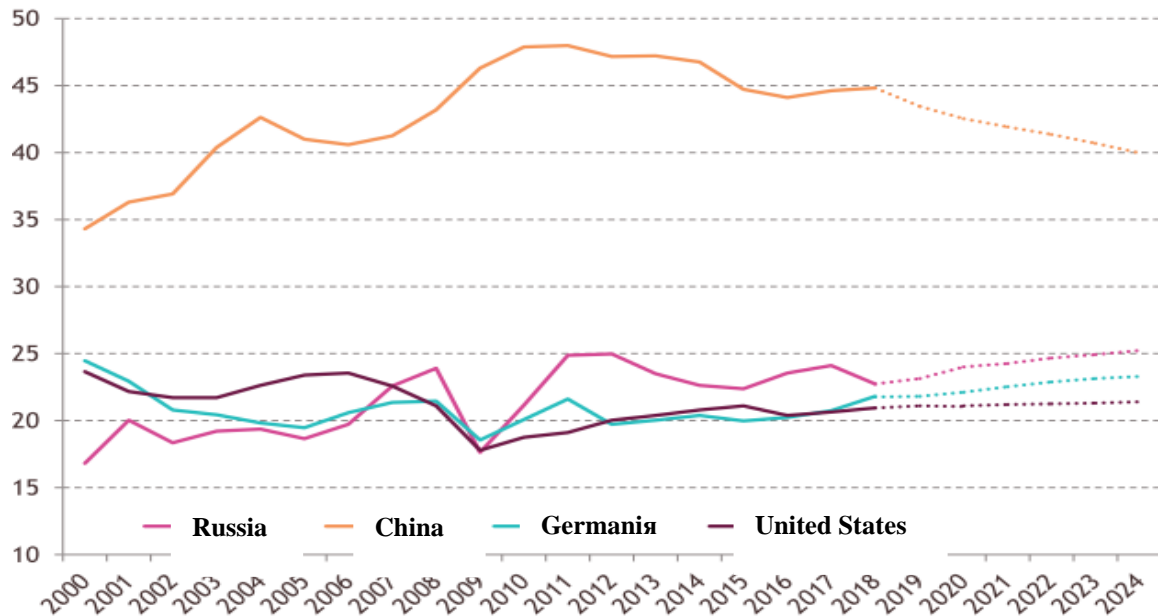


Figure 1. Accumulation rate in individual countries, 2000-2024

As a result, there is a growing need to increase the financing of projects to ensure the active participation of commercial banks in order to bring the economy out of the crisis and recover. This will lead to further development of investment lending practices.

In the context of the pandemic, its reduction from 6.25% in July 2022 to 4.25% in 2021 has been ensured. Uzbekistan also lowered the rate from 16% to 14% in 2022, but it is still high, which remains an obstacle to the mobility and profitability of credit resources, increasing investment activity in the country.

In order to develop investment lending in European countries, including Germany and Japan, banks are also pursuing a policy of negative interest rates. This is primarily due to the fact that inflation in the country is at 0.0% (as of August 2022). It is also lower than zero in Spain, Italy (-0.5%), Ireland (-1.2%), Greece (-1.9%) and Erosona (-0.8%). can be accessed.

Under such circumstances, European banks are forced to make interest payments to depositors. In particular, in Germany today, 58% of banks have set negative interest rates on deposits for corporate customers, and 23% of banks have set negative interest rates for retail customers. In particular, the European Central Bank lowered the interest rate on deposits from -0.4% to -0.5%. This situation with the deposit has been going on in Germany since June 2014. As a result, such practices are also the subject of much controversy.

In the United States, the low share of overdue investment loans in total bank loans is as low as in Germany (Figure 2).

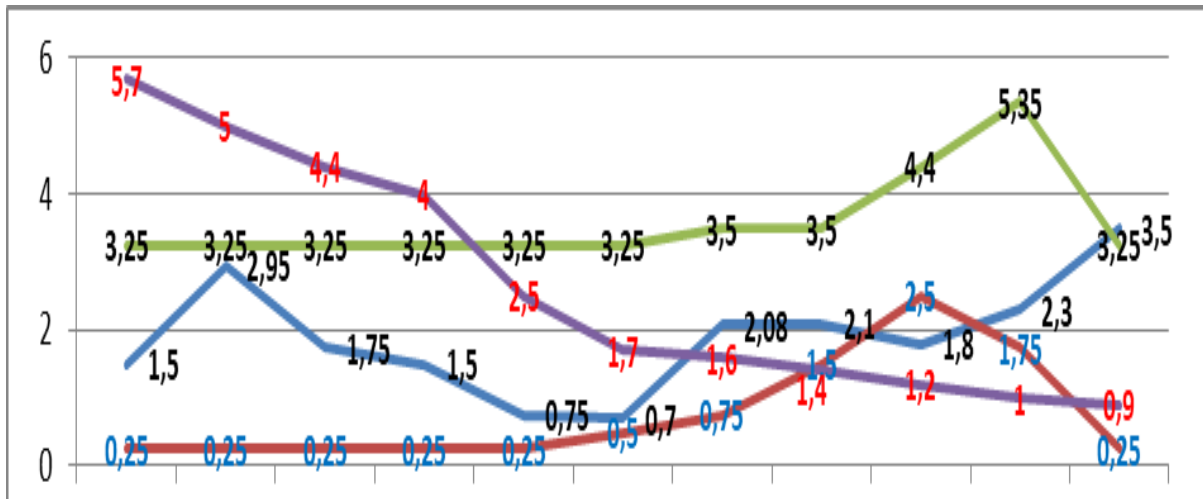


Figure 2. Factors influencing investment lending in the United States and the share of overdue loans in total loans, in%.

Analyses show that small uneven dynamic changes in inflation and refinancing rates in the U.S. did not have a significant impact on lending rates. In particular, in 2010-2015, the loan interest rate remained unchanged at 3.25%. This led to an increase in the share of investment lending in GDP and fixed capital investment, as shown in Figures 2.3 and 2.4. However, although the interest rate on loans increased in 2016-2022, the share of overdue loans in total U.S. bank loans remained stable, and in 2022 this figure differed from other years by only 0.9% costs.

This can be explained by the high level of competitiveness and openness of the economy, high level of free enterprise and favorable business environment, the absence of state threats to private business, low inflow of capital and debt to the economy and the most stable currency. As a result, consumer, mortgage, commercial loans, car loans, investment loans in the United States are several times cheaper than in countries such as Uzbekistan and Russia.

The positive state of changes in the dynamics of overdue loans in the United States over the years has also reduced the need for the country to create special reserves for them (Appendices 19-20). According to him, in 2010-2022, the amount of overdue loans in the country will decrease, and by 2020 it will reach 100 billion. The fact that the amount of more than USD 1 billion is not intended to create special reserves for them, as a result, since 2010 the need for reserves for this purpose in the country has fallen insignificantly.

Conclusions and suggestions

Analyzing the practical situation of investment lending in commercial banks of developed countries, the following generalized proposals and recommendations for improving investment lending in commercial banks of Uzbekistan have been developed:

- In order to prevent problems with the obligations of commercial banks on credit lines attracted from foreign and international financial institutions, the bank should take timely measures to strengthen investment credit monitoring and prevent its conversion into problem loans;
- In today's environment of high inflation in the economy, the use of low-interest deposit policy by commercial banks is a serious obstacle to increasing the volume of bank deposits. Therefore, commercial banks should increase the level of customer orientation in the development of their deposit policy and introduce the principle of setting deposit rates at a rate not less than the refinancing rate in the economy;
- Overcoming the problem of corruption in commercial banks, which affects the management of investment resources and the growth of problem loans, ie the fight against corruption in the bank, to identify its factors, to create an effective system for its elimination, to increase the effectiveness of investment and credit policy. In order to prevent this, it is advisable to introduce an independent anti-corruption structure that reports directly to the Bank's Board. We believe that the main task of

the structure should be to develop and implement a "Roadmap" for 2021-2025 to combat the shadow economy and corruption in the banking system.

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