

DEVELOPMENT OF THE ACTIVITY OF THE BANKING SYSTEM IN THE CONDITIONS OF INNOVATIVE DEVELOPMENT

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ABSTRACT	KEYWORDS
<p>The article examines the development and improvement of banking activities in the context of diversification, identifies the priority directions of development of the banking services market. The directions of improving their elements and mechanisms of the banking services market are substantiated, the characteristic features of the development of banking activities and their impact on the social and economic development of the Republic of Uzbekistan are highlighted and described.</p>	<p>Foreign investment, audit, corporate management, compliance control, banking system, banking operations, bank management</p>

Introduction

In the process of modernization and diversification of economic sectors of our country, improving the economic condition of economic entities is of urgent importance today. Today, as a result of the increasing role of internal audit in corporate management in attracting foreign investments, internal audit is used as an important tool for business protection, risk minimization and compliance control in world practice. The implementation of international standards in the accounting system in our republic creates a new approach to keeping records of transactions on the income received from the main activities of economic entities.

One of the important tasks of the innovative development strategy of the Republic of Uzbekistan is the development of the banking system, taking into account the international experience, and the introduction of modern principles of management. Ensuring the fulfillment of the above tasks requires the development of the normative-legal system that regulates the activities of the domestic banking system in accordance with international standards, the organization of the banking system based on international standards and conducting scientific research work on its improvement.

It is known that the basis of the anti-crisis program is the Decree of the President of the Republic of Uzbekistan dated November 28, 2018 No. PQ-1041 "On additional measures for the further development of production and social infrastructure" adopted on January 20, 2018, and several other important documents aimed at fighting the crisis. In this regard, one of the most important demands of the present day is to direct the activities of banks to fulfill their requirements.

The analysis of the development of the banking system of Uzbekistan during the years of independence shows that it was an active participant in market reforms in the country at every stage, making a great contribution to the implementation of the main task set forward by the country's leadership, that is, creating a foundation for more rapid development of the economy. Improving the banking system in the republic is one of the important tasks in the stage of liberalization of the economy of Uzbekistan. All the main economic problems of each stage in the implementation of market reforms largely depend on the solution of this task. Reforms in the banking system of Uzbekistan are being carried out in the context of deep and important changes in the field of banking activity today. In this case, there is a need to reorganize the management of banks. In today's rapidly changing times, the entire system of bank management is also developing rapidly. This should be taken into account, first of all, in countries that are implementing market reforms. This was recommended by experts of the World Bank in the early 1990.

In the early stages of the reforms, this happened mainly through the establishment of banks that specialized in serving particular sectors of the economy. In Uzbekistan, the tendency to monopolize banking services is deepening in the development of commercial banks. The establishment of the first specialized commercial banks was conditioned by the need to finance certain branches and sectors of the economy of Uzbekistan. Later established specialized banks expanded the scope of their operations and customers. The orientation of banks to the market requires corresponding changes in the regulation and supervision of banking activities. The modern level of bank management is achieved only when it becomes a decisive factor in ensuring the safety and stability of banks and the entire banking system. In addition, the process of structural change of ownership relations in the banking system is underway in the republic in the following directions.

In this environment, the reliability of the banking system can be achieved through a high level of bank management, market discipline and supervision of regulatory authorities. Thus, in our republic, along with bank control, bank management is given special importance, and it is becoming the main market method of management in this field. At the same time, the mechanism of bank supervision and regulatory regulation of commercial banks has changed qualitatively. In the republic today, strict bank control, which is the basis of the stability of banks, ensures the timely identification and rehabilitation of problem banks with the help of monitoring, control and audit of their activities, and the reduction of cases of bank bankruptcies.

Taking into account the importance of this issue in the general direction of the further reform of the banking system of Uzbekistan, active work is being done to strengthen the role of bank management in the republic. Within this work, the Central Bank has developed special recommendations in cooperation with USAID experts. In these recommendations, the functional responsibilities of the board members were defined and a list of information that the board members should have in order to manage the work of the banks was given. In addition, joint-stock banks of the republic follow the instructions on improving corporate governance in banking institutions issued by the Basel Committee on Banking Supervision in 1999.

Taking into account the international experience, the Central Bank of the Republic of Uzbekistan complies with the new rules of the Basel Committee and brings the requirements of its guidelines as close as possible to them. In the implementation of the new rules, Uzbek banks that have a rating or want to receive it (TIF National Bank was ranked among the thousand most reliable and largest banks in the world) must comply with these rules. This is also due to the fact that foreign counterparties,

investors and customers calculate indicators that are compatible with the requirements of the Basel Committee.

Analysts will closely monitor how this or that bank implements the new regulations. The new agreement requires banks to pay more attention to the requirements for the calculation of profitability, taking into account the risk. This should lead to an increase in the quality of bank products and the formation of effective prices. In turn, within the third component, requirements in the field of market discipline ensure transparency of information about financial and operational risks. Bank customers can get complete information about the risk control system and the level of reliability of the bank.

The Basel Committee's new rules on capital adequacy are a turning point in the system of analysis of banks' activities. A lot of work needs to be done for banks to comply with the new regulations. However, regardless of the extent to which the new standards are introduced in Uzbekistan, bank managers should start implementing the main principles of risk management written in the new regulations. These efforts are never wasted, as they lead to the introduction of new modern risk management measures and greatly contribute to the improvement of corporate governance. As a result, the reliability of the bank increases and its market position is strengthened.

In addition, the Basel Committee developed the main principles of prudential regulation and supervision of banking activities. The application of these principles ensures the safety and reliable operation of banks, for which they must have the necessary capital and reserves to cover the risks that arise in the course of banking operations.

In order to maintain effective banking supervision, the banking supervisory body must be independent in making decisions within its competence, which is determined by the applicable legislation. In addition, banking supervisory bodies should have the right to determine the rules for the implementation of operations, which are mandatory for banks, expressed by economic norms, the rules for keeping accounting records and bank statistical reports, and for drawing up annual reports. As a legal basis for the operation of a healthy banking system, the current legal documents give the banking supervisory authorities the opportunity to determine the procedure for licensing banking institutions and determine the scope of banking operations.

In order to prevent the penetration of financial unstable structures into the banking sector, banking supervisory authorities should make sure that new banking organizations are established by reliable shareholders for a long time, have the necessary financial base, and that a leader with work experience and high moral qualities is appointed to it. The criteria governing the granting of licenses should be consistent with the norms used in the current control process. In cases where the operating establishment does not meet the established criteria, this case serves as one of the grounds for revoking the license.

The effectiveness of bank supervision is conditioned by the fact that licensing and supervision procedures are provided with the legal right to apply measures for the normal functioning of the banking system. Licensing regulations, as well as banking supervision tools, are aimed at limiting the number of bank failures and the amount of losses suffered by depositors.

Banking supervisory authorities, which have strict criteria for examining applications for a banking license, have the right to reject those that, in their opinion, do not meet the established criteria. The licensing process, at a minimum, involves an assessment of the proposed bank's ownership structure, its directors and management, its operating plan and internal control mechanism, and its projected

financial position and capital. In cases where a foreign bank is offered to the owners, it is required to obtain the approval of the supervisory body of the country of origin of this bank.

Banks should also have well-established monitoring of current credit operations, including monitoring of borrowers' financial condition. The basis of any information management system is a database that contains the necessary information about the state of the loan portfolio, including information about the internal rating and credit classification system.

Adequate liquidity is necessary to ensure efficient banking operations. The most important thing in liquidity management is to ensure that the bank fulfills all its contractual obligations. Elements of a well-thought-out liquidity management policy include well-established management information systems, centralized liquidity control, diversification of funding sources, and contingency planning.

Banks should have a diversified source of funds, both in terms of the availability of sources of funds and in terms of the distribution of payment terms for obligations. They must also maintain an adequate level of liquid assets. Internal control is the main tool in determining whether the bank's activities are carefully conducted in accordance with the policy and strategy developed by the bank board. Internal control should also ensure that there is complete information on assets in international operations and that liabilities are under control, and that management is able to assess, control and manage the risks of banking activities.

The activity of banks is regulated by a wide range of banking laws. Therefore, banks should develop adequate measures to comply with them. Violation of the established requirements can damage the reputation of the bank and make it an object of sanctions.

Control involves gathering and analyzing information. This can be done locally or remotely. In some countries, on-site inspection is carried out by inspectors, in other countries - by qualified external auditors, and in the third type of countries, a mixed system of on-site inspection and cooperation between supervisory authorities and external bodies is adopted.

Analysis of reports provided by internal and external auditors remains an integral part of both on-site and remote monitoring. During the current supervision, it is necessary to review from time to time the various factors that are focused on during the licensing process. Banks regularly submit information for analysis to the banking supervisory body, and the supervisory bodies regularly discuss all important issues of their activities with the banks. Bank supervisors should also have the tools to collect, evaluate and analyze financial reports and statistical information coming from banks individually and collectively.

The reports submitted can be used to verify compliance with prudential requirements, such as capital adequacy requirements or norms for lending to individual borrowers. Remote monitoring often helps to identify potential problems, especially in the periods between on-site inspections, which in turn allows for early detection of problems. Based on the experience of foreign countries, the following tasks should be solved in order to further develop the banking system in the republic:

- building a strong information system and entering information about creditors and debtors of banks and their shareholders into its database;
- expanding the establishment of joint banks under the guarantee of the government, directing at least half of the resources of these banks as investments to the economy of the Republic of Uzbekistan;
- support for consolidation of assets of the banking system, capitalization of commercial banks, increase of their capital;

- activation of the organization of financial and industrial groups using mergers, mergers, as well as changes of owners;

- setting strict standards of financial and economic activity for regional commercial banks.

The implementation of the above-mentioned tasks allows to coordinate the activities of the banking system with the developing market relations in the economy and society in general.

In the conditions of Uzbekistan, management problems in the field of traditional banking services include lending to small businesses, eliminating defaults, and mastering computer technology.

Often, small businesses cannot take out loans and repay them, because the funds are frozen in raw materials and finished products in warehouses. Overdue debts are growing. Banks, trying to avoid the application of sanctions by the Central Bank of the Republic of Uzbekistan, formalize the non-repayment of loans and the extension of credit contracts. The growth of overdue debts, in this case, reflects the emission of credit and has a direct impact on the increase in inflationary tension.

The structure of the credit network in the republic is inefficient. Most of the loans are given to enterprises with unknown industry specialization, that is, most of them are small enterprises engaged in trade-intermediary activities. Only a third of loans are directed to industry and agriculture. The share of long-term loans in the total amount of loans is very small (5%).

Regardless of the form of ownership, the burden of covering the lack of working capital of enterprises and organizations fell on commercial banks. Non-repayment of loans by small enterprises brought some of them to the brink of bankruptcy. In order to solve this problem of bank management, firstly, mastering the activity of checking the solvency of customers from a constantly updated information base, secondly, issuing medium and long-term loans only after the evaluation of business plans by experts, and thirdly, guaranteeing loans for small enterprises. It is necessary to establish a small business agency.

Basically, benefits should be given to banks lending to agricultural producers in terms of reducing the amount of profit tax and allocations to the funds established by the Central Bank. The finances of the agricultural enterprises of Uzbekistan are organized in such a way that the farm's own funds cover only the minimum need for material resources. This increases their need for debt. The increase in the price of industrial products for the countryside further increased the sector's need for credit. In this case, compensation for the reduction of interest rates for the given loans should be carried out at the expense of the republican budget. If the amount of reduced rates of credit commercial banks will be forced to increase the payment for the loan. Funds to compensate for reduced interest rates for productive agricultural producers should be provided in the state budget.

Also, it is advisable to strengthen the control of the state and the bank that the entrepreneur maintains the "minimum of his investment". As soon as its size decreases, the enterprise is declared bankrupt and ceases to operate. This ensures that the "liquidation" tax is paid and the loans are repaid to the creditors. One of the problems of bank management is that the consideration of mutual claims between partners through banks requires guarantees from the Central Bank for commercial banks. Otherwise, no commercial bank will lend to a customer who is "sitting in the file cabinet". Here, only the Central Bank can assume the role of guarantor for the implementation of accounting for the compensation of the debit balance. Having loans, the bank is interested in the increase in the price of its shares through intermediaries, thereby attracting credit resources not to production, but to stock exchange operations. The charter capital of a commercial bank serves as a guarantee of the bank's obligations and solvency. If it depends on the stock market, then the solvency of the joint-stock bank

depends on the state of the stock market. Depreciation in the value of bank stocks can lead to their insolvency and customers to be robbed. Therefore, in our opinion, the stock and banking markets should be legally separated. Demarcation of the bank's policy regarding short-term and long-term loans implies clarification of the procedure for reflecting loan payments in the firm's financial results. The high point of interest on short-term loans used in the sphere of circulation can be determined according to the principle of "inflation rate increase (plus) 3 percent". Long-term investments have another principle that determines the upper limit in cases where the interest rate for the loan is known: under the conditions of "profit (minus) loan interest", a part of the loan interest is included in the cost of the products of enterprises within the limit of the Central Bank's calculation rate, that is, enterprises pay the main part of the payment for loans to consumers. will fall on the shoulders of . However, this leads to a chain of defaults that require centralized credit to arrange settlements between businesses. It should be noted that the basis of modern bank management is the optimization of the creation of banking products and increasing the attractiveness of services for customers. For these purposes, the bank needs electronic data processing technology. Bank management is also related to providing services to commodity, stock, and currency exchanges, financing their infrastructure, and establishing settlement networks. It is useful for the bank to lend stock exchange operations, because here the credit resources turn at a high speed, bringing high dividends. Therefore, the merger of stock exchanges with banks into financial holding companies will be of great benefit. In general, it is the most common interpretation of bank management at the moment, and on the one hand, it is the interpretation that implies the separation of problems related to the organization and management of economic processes under the authority of the bank, and on the other hand, the problems related to the organization and management of the bank team. Along with the main areas of bank management, its most important areas are also distinguished.

First, strategic planning, with the help of which a promising banking policy is developed. In this case, the development of the commercial bank development concept, the determination of tactical tasks and specific measures for their implementation are important components of planning.

Secondly, asset management, with the help of which the bank's policy for the intended period is directly implemented. Asset management is primarily aimed at maintaining the liquidity of the bank's balance sheet and ensuring its profitable operation.

Thirdly, the management of liabilities shows the direction of the management that does not allow the bank to have non-profitable funds (with the exception of mandatory reserves).

Fourth, the management of the bank's own funds, which has a special importance for ensuring its liquidity and solvency.

Fifth, the profitability management of the bank's operation implies the control over the total income and expenses, the analysis of the dynamics of the biggest expenses on the funds involved and the biggest incomes seen from lending and investments.

Sixth, risk management in banking, it is often called risk management. With the help of this direction of management, it will be possible to know the possible situations of risk, to estimate the extent of the expected damages and to find methods of warning or sources of their compensation.

Seventh, the bank management system includes personnel management. In this regard, it is necessary to "carefully develop" the entire system of management, in particular, decision-making, responsibility, organization of control, management's relations with subordinates, remuneration, self-

evaluation of this management, training of managerial personnel, etc. This approach to bank management is a product of the historical development of management and banking.

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