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THE PROFIT OF THE BANKING SECTOR

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ABSTRACT	KEYWORDS
This article discusses the principles of banking, income generation, expenses, as well as making a profit. The statistical data of the banking sector have been studied.	Bank, profitability, income, expense, profitability coefficients, profitability indicators.

Introduction

Making a profit is the main goal of any commercial company. The ways to achieve it depend on the specifics of the business. Companies produce different products, differ in the number of employees and other parameters.

"Profit [profit, gain] is the difference between the revenue from the sale of products and services received by an economic entity (for example, a firm, an enterprise) and the total costs of their production".[1]

"Profit is the difference in the value of net assets at the end and at the beginning of the period, for a certain period of production activity, adjusted, if necessary, for the amounts withdrawn or added by the owners".[2]

"Profit or loss is the total amount of income less expenses, excluding components of other comprehensive income".[3]

Profit maximization is a process aimed at obtaining the highest possible income. Revenue depends on the current situation in the company. An entrepreneur must take into account various factors: total costs, purchasing power, etc.

The profit of commercial banks is formed due to the excess of their income over expenses. Profit is usually divided into gross, corresponding to the difference between total income and expenses before taxes, and net profit.

The basis of the gross profit of commercial banks is interest payments on loans provided. At the same time, revenues from non-traditional operations for commercial banks, which include securities transactions, trust and consulting services, commission and intermediary operations, financial audits and much more, have begun to grow rapidly in recent years. A relatively small part of the revenue comes from settlement fees.

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[1] Economic and mathematical dictionary: Dictionary of modern Economics. — M.: Delo. L. I. Lopatnikov. 2003.
[2] Business. Explanatory dictionary. — M.: "INFRA-M", Publishing House "The Whole World". Graham Betts, Barry Brindley, S. Williams, et al. General edition: Doctor of Economics Osadchaya I.M. 1998.
[3] International Financial Reporting Standard (IAS) 1 "Presentation of Financial Statements"

The gross profit of the bank is formed after deducting the amount of current expenses from gross operating income. Approximately half of all banking costs are for the payment of interest on deposits, the rest of the costs are other interest payments, wages, deductions to reserves in case of non-repayment of loans and other operating expenses.

Net profit is formed after paying all taxes on their gross profit and, in turn, is divided into distributable, that is, paid to the bank's shareholders as annual dividends on their shares, and capitalized, directed to increase the bank's equity and reserves.

The further expansion of the bank's operations, the increase in its capital and reserves depend entirely on the level of profit in the future. At the same time, it is not so much the absolute amount of net profit received by the bank that matters, as its ratio to a number of indicators of the bank's balance sheet.

The traditional indicators of profitability are (Figure №1):

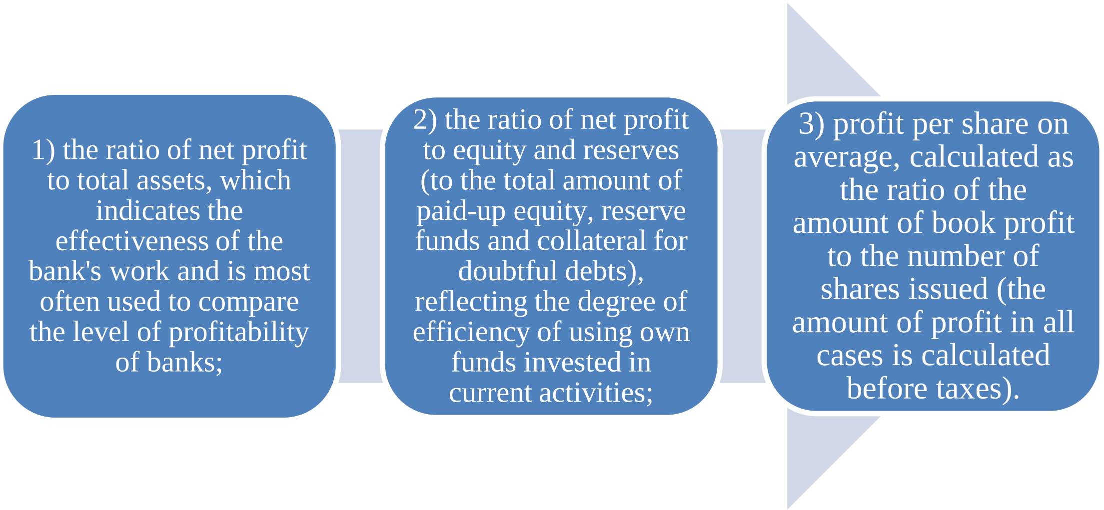

Figure № 1. Traditional profitability indicators.

Each of these indicators characterizes only certain aspects of banking activity – a complete picture of the profitability of the bank is given by a data system that includes all the indicators listed above.

Let's look at the profit of the banking sector using the example of 2023.[4]

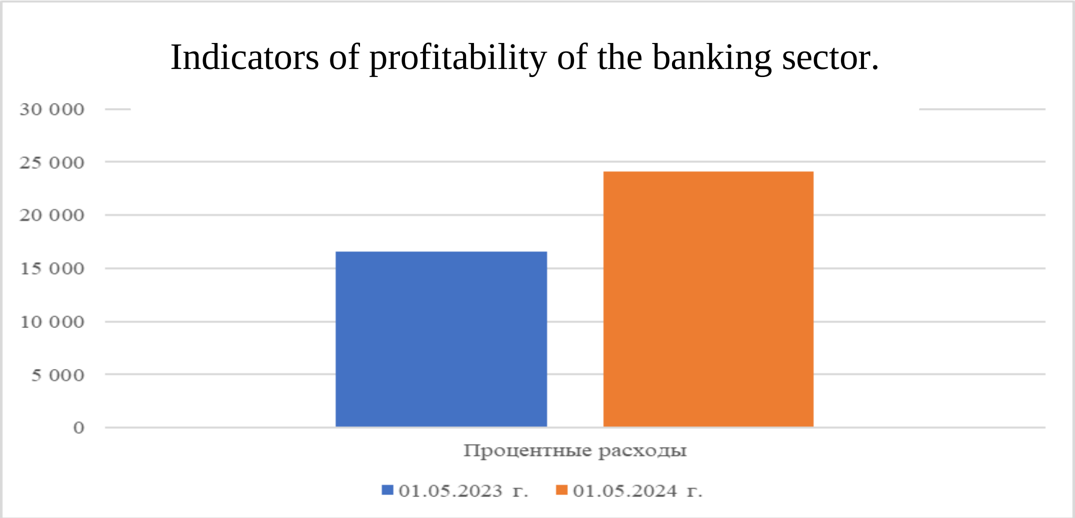

Figure №2. Indicators of profitability of the banking sector.

[4] CBU statistics data were used https://cbu.uz/ru/statistics/bankstats/1710883/

According to the data, it can be seen that interest income for 2023 amounted to 25,528 billion sums, and in 2024 34,558. Expenses for 2023 are 16,606, for 2024 24,074. Revenues significantly exceed expenses.

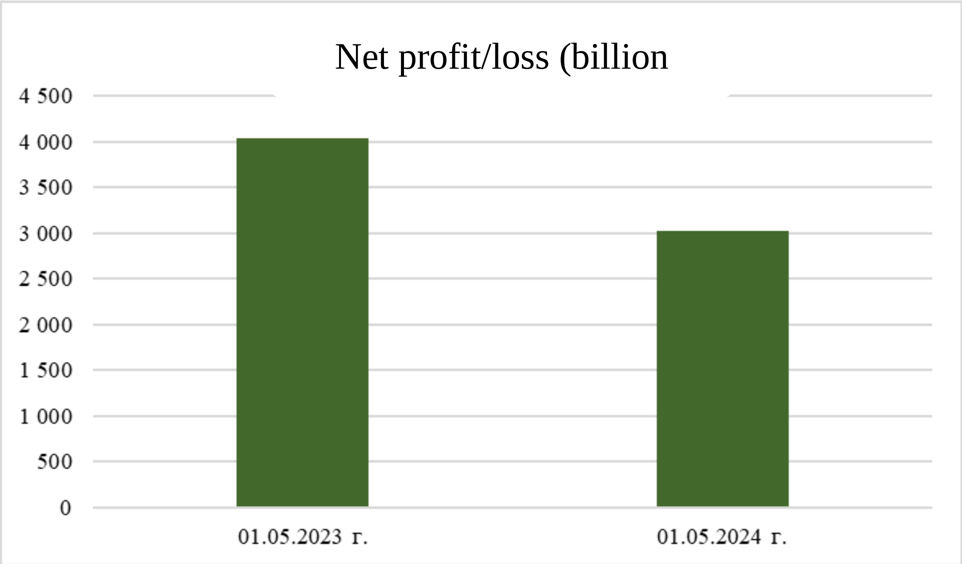

Figure №.3. Net profit/loss (billion sums)[5]

It is worth noting that a significant increase in the income of the banking sector did not increase profits in any way, but on the contrary, profits decreased from 4,031 to 3,025 billion sums (Figure № 3).

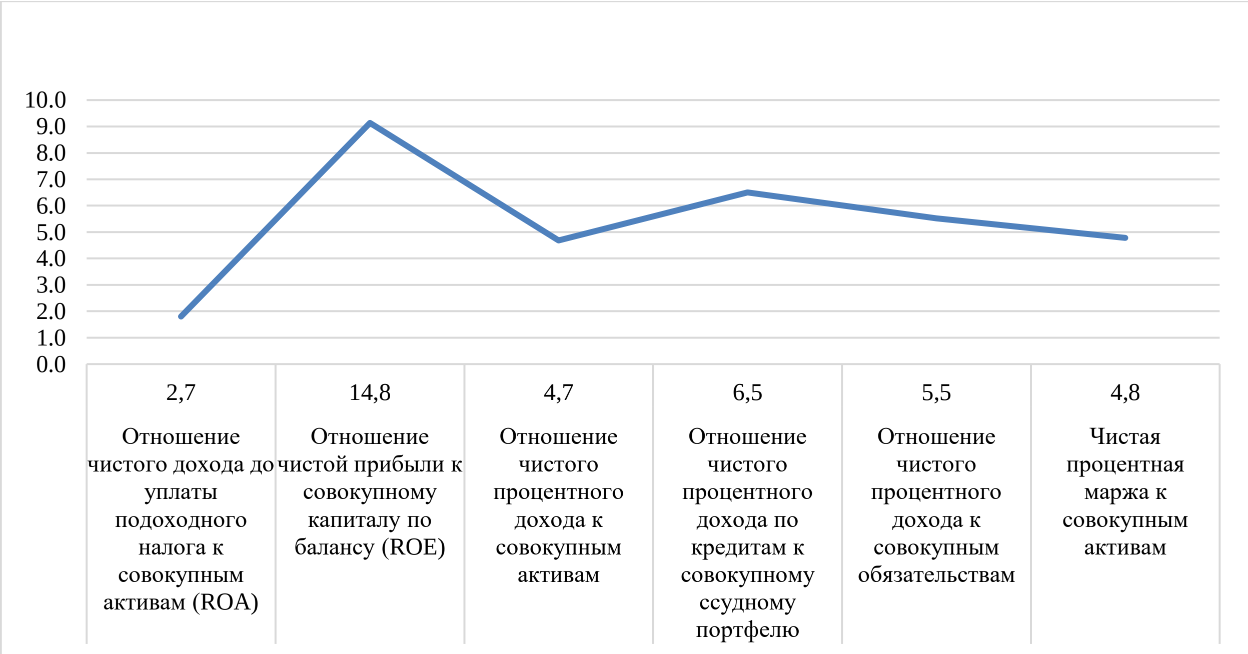

Figure № 4. Profitability coefficients of the banking sector.[6]

Now let's look at the profitability coefficients of the banking sector (Figure No. 4). The coefficients for both periods are the same, except for the ratio of net income before income tax to total assets (ROA), which decreased from 2.7 to 1.8.

[5] CBU statistic datas were used https://cbu.uz/ru/statistics/bankstats/1710883/
[6] CBU statistic datas were used https://cbu.uz/ru/statistics/bankstats/1710883/

Thus, it can be observed that the increase in income of the banking sector, in terms of profitability, did not change the situation.

References

1. Economic and mathematical dictionary: Dictionary of modern economics. — M.: Delo. L. I. Lopatnikov. 2003.
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