

## **IMPROVING THE EFFICIENCY OF BANK ASSETS: INTERNATIONAL EXPERIENCE**

Ruziev Bakhtiyor Salimboyevich  
Independent Researcher of TSUE  
E-mail: baxtishka5199990@yandex.com  
ORCID: 0009-0002-4431-6659

ABSTRACT	KEY WORDS
This article analyzes the advanced experience of foreign countries in improving the efficiency of bank assets. Asset management plays a crucial role in ensuring the efficiency of the banking system and achieving financial stability. The article highlights the approaches to introducing innovative asset management mechanisms in developed countries such as the USA, the European Union, Japan, and South Korea. This experience can offer new opportunities for Uzbekistan's banking system and have practical significance in increasing the profitability of local banks. The study is based on international statistical data and proposes prospects and mechanisms for applying advanced foreign practices to the national banking system.	Uzbekistan, bank, bank assets, asset profitability, profit, asset quality, financial stability.

### **Introduction**

In today's global economy, banks retain their place as the main link of the financial system. They perform tasks such as stabilization of financial markets, financing of investment projects, and meeting the financial needs of the population. However, to ensure the financial stability and profitability of banks in modern economic conditions, increasing the efficiency of their assets is one of the most important tasks.

According to the World Bank, the total value of assets in the US financial sector in 2023 was 27.7 trillion US dollars, which is 22% of the total assets in the entire world economic system [1]. At the same time, the assets of banks in the European Union will amount to 33.5 trillion euros at the end of 2022 and remain one of the largest banking systems in the world [2]. In addition, banks in countries such as Japan and South Korea stand out with their innovative approach to asset management.

In 2023, total assets in the banking system of Uzbekistan exceeded 700 trillion soums, which indicates a significant increase among developing countries [3]. However, to further increase financial efficiency and meet international standards, it is necessary to study and apply foreign experience.

This article analyzes the advanced practices of banks of foreign countries in increasing asset efficiency and pays special attention to their importance and practical application for commercial banks of Uzbekistan. In this way, the possibility of implementing innovative approaches in the local banking

system will be considered.

## Material and Method

Improving the quality and efficiency of commercial banks' assets in the world and in our country is one of the most important issues, the article compares the international experiences of these issues and analyzes the specific features of methods and ways to improve the quality of assets. The article uses methods such as comparison, scientific-theoretical comparison, comparison of economic analysis, and logical approach.

## Results

When analyzing the specific aspects and positive aspects of developed countries such as the USA, European Union, Japan, and South Korea in terms of increasing asset efficiency, their achievements in the financial system deserve attention. US banks make extensive use of innovative technologies, such as improved risk management operations through artificial intelligence and big data analysis. It also focuses on asset diversification to finance small and medium businesses. The US Federal Reserve system plays an important role in maintaining the liquidity of banks. It is noted that the total assets of the US banking sector reached 27.7 trillion dollars [4].

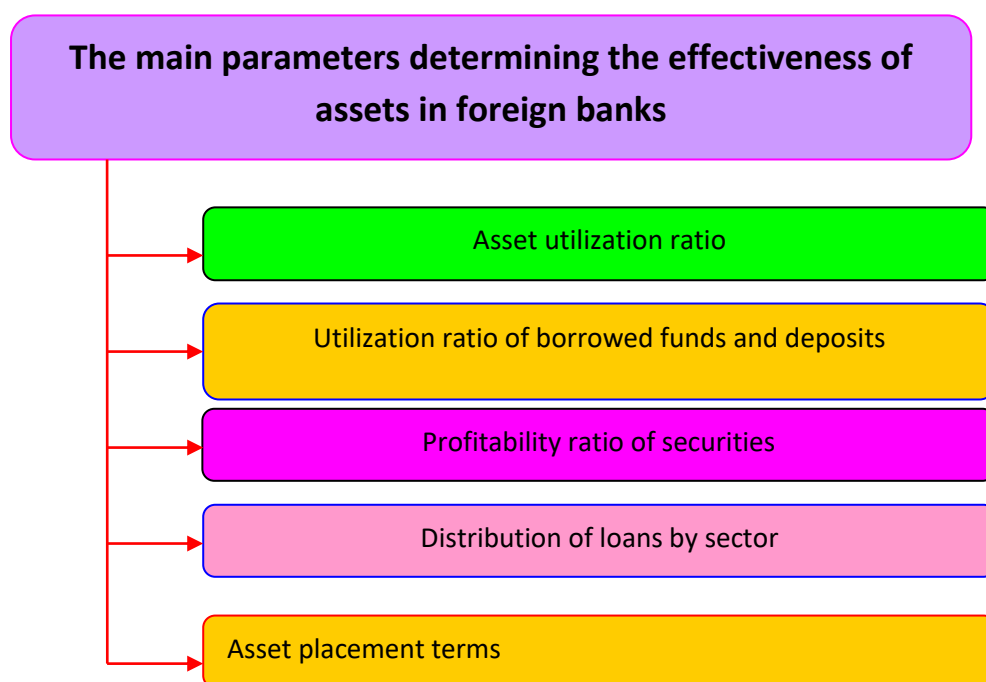
Banks of the European Union are regulated according to Basel standards, which ensures their stability. Attention is paid to "green financing" projects based on sustainable development goals. The total assets of the European banking system amount to 33.5 trillion euros, which is an important part of the global financial market [5].

Japanese banks use a conservative management model and minimize the risk of assets. In order to achieve long-term stability, high-tech IT platforms are widely used. The Japanese banking system maintains a high level of liquidity and is characterized by low risk [6].

South Korean banks emphasize digitization and innovation in asset management. Support programs for the development of financial technologies will be implemented by the state. This, in turn, improves the analysis and management of assets and makes banks internationally competitive [7].

The experience of developed countries shows that innovation, streamlining, digitalization, and environmentally oriented projects are important in increasing the efficiency of bank assets. These operations can open up new opportunities for the banking system of Uzbekistan and serve to increase their financial efficiency.

In foreign banks, these assets are divided into different categories according to the level of risk, it should be noted that the higher the risk level of bank assets, the higher the amount of income obtained from them. Various criteria are used to determine their effectiveness. The following figure shows the main criteria that determine the efficiency of assets of foreign countries.



**Figure 1.4. Benchmarks determining the effectiveness of assets in foreign banks**

Figure 1.4 shows the main criteria used in assessing the efficiency of assets in developed foreign banks. From the figure, it is clear that when determining the effectiveness of bank assets, the main attention is focused on the profitability ratio of assets, and this ratio is one of the important criteria. This ratio determines the level of profitability of bank assets, that is, what part of bank assets generates income. It is known that the importance of attracted funds in the composition of resources of commercial banks is of great importance. It is important that what part of funds attracted by banks is invested in active operations, or to be more precise, in risky assets. If more than 75% of time deposits attracted in international banking operations are placed on loans, this indicates that the bank is implementing an aggressive credit policy, if this indicator is below 65%, it means that the bank is implementing a moderate credit policy.

Investments in securities are one of the main asset operations of banks. Along with the utility level of securities, their liquidity level is also taken into account. If the share of government securities in the composition of the bank's investments in securities is high, it indicates that the bank's financial condition and level of profitability are stable. Also, the diversification of investments in securities by periods will provide an opportunity to assess the financial condition of the bank, in which it will be possible to assess the financial stability of issuers of securities made by the bank.

In international banking operations, the classification of assets by sectors is considered one of the important indicators, and special attention is paid to this indicator when determining the effectiveness of assets. For this purpose, attention will be paid to what percentage of the total loans will correspond to which areas. Through these indicators, not only the efficiency of the bank's assets is evaluated, but also the credit policy based on the level of risk, as well as the liquidity and profitability of the borrower's ability to pay.

The location of risky assets of the bank by terms is also one of the factors that directly affect the efficiency of assets. From this point of view, it is important to determine what part of risky assets in foreign banks is placed in long-term assets and what part is in short-term assets.

In international banking operations, the CAMEL system, which calculates the standard rating, is widely used when assessing the assets of commercial banks. Here, C is capital, A is assets, M is management, E is earnings, and L is liquidity.

When evaluating the capital, the rate of return is taken into account. In this case, the profit is calculated as the average indicator of the bank's capital. In US banks, if this indicator is 13-16 percent, it is a moderate level.

When using the CAMEL system in banks, the activity of commercial banks is evaluated based on a five-point system. Banks with a high level of stability are given a score of 1, and financially bankrupt banks are given 5 points. In the CAMEL system, the main focus is on the adequacy of banks' capital and the share of risky assets in the composition of bank assets. The amount of risky assets is taken into account when evaluating the bank's capital.

When determining the efficiency of commercial banks' assets in international operations, special attention is paid not only to the amount of income corresponding to the share of assets at risk but also to the amount of income corresponding to the share of bank capital and borrowed funds.

The efficiency of commercial banks' capital and borrowed funds is expressed by the following equations.

$$\text{ROC} = \text{BA}_{\text{giap}} / \text{EQ} \quad (1)$$

Here: ROC – return on capital;

$\text{BA}_{\text{giap}}$  – bank assets that generate income in the analyzed period;

EQ – equity.

It is known that commercial banks are financially stable sources of capital resources. Loans issued from these funds do not have a direct negative impact on the bank's liquidity level. In this regard, commercial banks can invest these funds in long-term assets without excessive risks and financial problems.

In international operations, the ratio of income from risky assets to one som of bank capital is 0.15-0.20. This degree is calculated using the following utility coefficient.

$$\text{PR}_{\text{fr}} = \text{BA}_{\text{giap}} / \text{FR}_{\text{ap}} \quad (2)$$

Here:  $\text{BA}_{\text{giap}}$  – bank assets that generate income in the analyzed period;

$\text{FR}_{\text{ap}}$  – Funds raised during the analyzed period.

We know that the share of attracted funds in the resources of commercial banks is high. If these funds are not used effectively in the process of asset operations of the bank, the bank will be in a difficult situation from the financial point of view. At the same time, several problems will arise in fulfilling obligations to bank depositors and clients. Of course, to effectively use these funds, it is necessary to allocate them to effective purposes, that is, assets.

With the help of the second equality, we can determine the profitability ratio of the borrowed funds of commercial banks. The denominator of the equation is the net amount of the commercial banks' loans. Usually, in international banking, if this ratio is 0.12-0.16, it indicates that the borrowed funds are invested in effective assets.

Using the above two equations, it is the profitability coefficient of all types of funds attracted to commercial banks. With the help of the following equality, the coefficient of profitability of fixed-term, i.e. stable, funds attracted to the bank is determined.

$$PR_{bf} = I / (D_t + C_{cb} + L_{ob}) \quad (3)$$

Here: I – income

$PR_{bf}$  – profitability ratio of borrowed funds;

$D_t$  – time deposits;

$C_{cb}$  – Credits of the Central Bank;

$L_{ob}$  – loans from other banks.

This third equality determines the level of use of fixed-term funds raised by commercial banks as a result of asset transactions. According to him, if this indicator consists of a coefficient of 0.18-0.22 in the analyzed period, it means that the bank's assets are allocated to effective purposes.

In international operations, one of the other indicators that determine the efficiency of commercial banks' assets is the volume of income corresponding to each soum asset of the bank, which is calculated using the following equation:

$$A_{ur} = A_{ig} / B_n \quad (4)$$

Here:  $A_{ur}$  – asset utilization ratio;

$A_{ig}$  – income generating assets;

$B_n$  – net balance.

It should be emphasized that in the calculation of the fourth equality, not the one-day economic results of the bank, but the data on the long-term financial situation are used.

## Conclusion

In conclusion, the advanced practices of banks in developed countries such as the USA, the European Union, Japan, and South Korea on increasing asset efficiency have been analyzed. In these countries, innovative technologies, such as artificial intelligence and big data analysis, asset diversification, "green financing" and effective regulation systems are of primary importance in achieving the efficiency of bank assets. From this point of view, we have developed the following suggestions:

1. It is necessary to introduce innovative technologies in the management of bank assets. In the banking system of Uzbekistan, it is necessary to create an opportunity to increase the efficiency of assets through the extensive use of artificial intelligence, big data analysis, and digital technologies. This is especially effective in risk management and asset diversification.
2. It is appropriate to implement "green financing" projects. Based on the experience of the European Union, banks should introduce special mechanisms for financing environmental projects that support sustainable development. This not only increases the profitability of banks but also contributes to the ecological stability of the country.
3. It is necessary to pay attention to diversifying the composition of assets. It is necessary to use the financial strategies of US and Japanese banks and ensure the placement of assets in various sectors. This plays an important role in the financing of small and medium-sized businesses in particular and has a supporting effect on all sectors of the economy.

## References

1. World Bank. (2023). Banking Sector Overview 2023. Retrieved from [www.worldbank.org](http://www.worldbank.org)
2. European Central Bank. (2022). European Banking Statistics Report. Retrieved from [www.ecb.europa.eu](http://www.ecb.europa.eu)

3. Central Bank (2023). Indicators of the financial and banking system of the Republic of Uzbekistan. Retrieved from [www.cbu.uz](http://www.cbu.uz)
4. World Bank. Banking Sector Overview. Retrieved from [www.worldbank.org](http://www.worldbank.org)
5. European Central Bank. Banking Statistics Report. Retrieved from [www.ecb.europa.eu](http://www.ecb.europa.eu)
6. Bank of Japan. Financial System Report. Retrieved from [www.boj.or.jp](http://www.boj.or.jp)
7. Bank of Korea. Financial Stability Report. Retrieved from [www.bok.or.kr](http://www.bok.or.kr)