SCIENTIFIC AND THEORETICAL CONSIDERATIONS ON STRENGTHENING THE INCOME BASE OF COMMERCIAL BANKS

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ABSTRACT: Scientific-theoretical approaches to strengthening the income base of commercial banks are analyzed. Also, important aspects such as the main theoretical concepts of bank income management put forward by economists, factors affecting the formation of the income base and methods of its optimization, interest income, commission income, income from financial transactions, their interdependence and the impact on the financial stability of the banking system studied. The study provides a better understanding of the current problems of strengthening the income base of commercial banks and ways to solve them, taking into account modern theoretical approaches

KEYWORDS: Commercial banking, income base, net interest margin, gross assets, financial stability, risk, loan portfolio, bank assets and liabilities.

INTRODUCTION

The modern banking sector is an integral part of the economic infrastructure of any country and has a decisive influence on the stability and well-being of the financial system. The income base of commercial banks is the basis of their activity, and its strengthening is important for ensuring the financial stability and efficiency of the entire banking system.

This topic is of great interest to both the academic community and banking practitioners. This topic covers various aspects, from the theoretical basis of strengthening the income base to practical recommendations for commercial banks.

This study, we try to analyze in depth the scientific and theoretical considerations related to strengthening the income base of commercial banks. We review key concepts, models, and methods developed by researchers and economists to better understand the underlying mechanisms of bank earnings . The interplay of innovative technologies, the role of effective risk management, and the importance of the diversity of financial products and services are examined from a theoretical perspective.

Our goal is to comprehensively review and analyze scientific theories that can shed light on the optimization of the profit base of commercial banks. Such an analysis can serve as a basis for the development of more effective policies and practices in the banking sector, thereby strengthening the financial stability and well-being of the entire banking system.

The issue of strengthening the income base of commercial banks has been scientifically researched in Western economic literature, and relevant scientific conclusions and practical recommendations have been formulated.

According to the conclusion of K. Barltrop and D. Mc. Naughton, experts of the International Bank for Reconstruction and Development, the weight of interest income should be at least 70 percent of the total gross income of commercial banks [1].

The conclusion of these experts is of great practical importance from the point of view of strengthening the income base of commercial banks. This is because, firstly, the main activities of commercial banks are granting loans and investing in securities. Both lines of activity are mainly financed by financial resources attracted by interest expenses. Secondly, the amount and level of interest income is one of the important indicators describing the financial stability of a commercial bank. Thirdly, the high level of net interest income shows the strength of the commercial bank's position in the financial market. In particular, a commercial bank can increase the competitiveness of loan products by reducing the interest rates of loans in the loan capital market.

I.Lesh ukova believes that it is necessary to develop a strategy for ensuring the efficiency of the bank's activity in order to ensure the stability of the commercial bank's net profit, and recognizes this strategy as a set of goals and actions aimed at ensuring the optimal use of bank resources [2].

According to Y. Dudin's conclusion, the necessary conditions for ensuring the financial stability of a commercial bank are the following:

expanding the bank's customer base and strengthening financial relations with customers;

formation of the bank's resource base in the volumes necessary for financing credit and investment operations;

formation of the optimal composition of bank assets and liabilities;

expanding the areas of banking activity by entering new markets;

formation of the optimal ratio between bank assets and resources [3].

This conclusion of Y. Dudin is of great practical importance for the banks of our republic. This is because:

firstly, the optimal ratio between the assets and resources of the commercial banks of our republic is not ensured, and as a result, the risk of transformation deepens [4];

secondly, the adequacy of the deposit base of commercial banks is not ensured [5].

According to V.Usoskin's conclusion, the commercial bank's income from loans is directly independent of the following three types of risks inherent in the loan portfolio:

liquidity risk;

interest rate risk;

credit risk [6] .

It is important to note that credit risk in commercial banks is the main risk in the loan portfolio, however, the level of credit risk increases due to the influence of liquidity risk and interest rate risk.

According to the conclusion of I. Yudina, the profitability of commercial banks» assets in developing countries directly depends on the level of credit risk, and as a result of the devaluation of the national currency, the inability of customers who received loans in foreign currency to repay the loan leads to an increase in the level of credit risk [7].

This conclusion of I. Yudina is of great importance for the banking practice of our republic. The reason for this is that with the adoption of the Decree of the President of the Republic of

Uzbekistan No. PF-5177 dated September 2, 2017 «On the first measures to liberalize the currency policy», the liberalization of the currency policy began, and as a result, the national currency depreciated by almost two times against the US dollar. . As a result of this, the amount of overdue debt on loans issued by commercial banks in foreign currencies increased [8].

According to S. Kumok's conclusion, it is impossible to increase the level of profitability of commercial banks» capital at the expense of reducing capital adequacy. Because, in the conditions of strong interbank competition, the high price of credit resources prevents the provision of the optimal level of capital in relation to assets. Therefore, increasing the rate of return on assets is a reliable possibility to increase the rate of return on capital [9].

In fact, the cost of credit resources is currently high in our republic, which prevents the increase of profitability of capital and assets in commercial banks [10].

As a result of his scientific research on the analysis of the financial results of commercial banks, N. Kunitsyn came to the following conclusion: the main issue in the analysis of the financial results of commercial banks is the study of the volume and quality of the income received by banks. The reason is that these are the main factors in the formation of the profit of commercial banks. A decrease in revenues is usually an objective indicator of a bank's financial difficulties. It is these circumstances that determine the importance of the analysis of gross income in the analysis of the bank's financial results [11].

Indeed, in international practice, when evaluating the profit of commercial banks, special attention is paid to the composition and stability of income [12].

The results of the research carried out by B. Berdiyarov showed the presence of factors that negatively affect the financial stability of commercial banks of the Republic of Uzbekistan. In particular, relatively low indicators of banks» assets and capital profitability, non-fulfillment of regulatory requirements on the ratio of net stable financing by commercial banks are among such factors [5].

This conclusion of B. Berdiyarov is of great practical importance from the point of view of ensuring the stability of the income base of commercial banks of our republic. Because the deepening of the risk of transformation in the commercial banks of our republic does not allow them to fulfill the control requirement set by the coefficient of the net stable financing norm, which is the object of prudential control.

The results of the econometric analysis carried out by J. Isakov showed that an increase in the average annual interest rate of loans allocated to the service sector by commercial banks by one percent leads to an increase in the yield of loans by 0.8 percent, and an increase in the volume of loans by one percent leads to a decrease in the level of profitability of loans by 1.8 percent. comes [14].

In fact, an increase in the interest rate on loans leads to an increase in the amount of interest income received from loans. However, it should not be forgotten that the interest rate is the price of the loan. The higher the cost of the loan, the higher the probability of not returning it on time.

According to the conclusions of a group of economists, one of the main objectives of interest risk management is to control the margin between the interest income from profitable assets and the

cost of liabilities [15], commercial banks are always exposed to interest risk, because it is always possible to balance the loans issued by banks [16] .

it is necessary to increase the amount of income from foreign exchange operations using the method of obtaining income in the conditions where the appraiser currency is quoted at a premium compared to the transaction currency. «It is possible to increase the amount of income from forward operations by using the currencies that are quoted with both a premium and a discount at the same time as the object of forward operations» [17] .

In fact, commercial banks of our republic have the opportunity to earn profit on forward transactions. Because the average interest rate of deposits in soums is significantly higher than the interest rates of loans in foreign currencies. Such a situation, in our opinion, may continue for a long time. Because the rate of inflation and the rate of depreciation of the national currency remain high.

O.Yoldoshev concludes: «There is a problem that the assets of the commercial banks of the Republic have a significantly high weight of non-profitable and low-yielding assets, that is, cash assets, buildings and structures» [18] .

This conclusion of O. Yoldoshev has not lost its practical importance even in the present time. The reason for this is that, firstly, in the total volume of assets of commercial banks of our republic, the weight of non-profitable and low-yield cash assets is significantly higher. As of January 1, 2023, the share of cash assets in the total assets of commercial banks of our republic was 20.0 percent [19]. Secondly, since the investment operations of commercial banks with securities are not developed, they cannot ensure their current liquidity at the expense of investments in highly liquid securities.

At this point, it should be recognized that in the conditions of high inflation rate and depreciation rate of national currency, securities denominated in national currency are not considered attractive investment objects for commercial banks. Because the real value of investments made by commercial banks in securities denominated in national currencies decreases due to inflation and devaluation.

Commercial banks do not invest in securities denominated in national currencies due to low interest rates. As a result, they are forced to maintain large amounts of non-performing cash assets to meet current liquidity requirements set by the Central Bank. This, in turn, creates a strong negative impact on the stability of the income base of commercial banks.

In conclusion, it can be said that the understanding of scientific theories and their implementation in practice play a major role in achieving the financial stability and strength of the banking system. Scientific research conducted in this direction can serve as a starting point for researching and developing more effective strategies for strengthening the income base of commercial banks, which will ultimately serve the well-being and stability of the entire financial system.

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