



Commercial Banks in Uzbekistan Investment Attractiveness

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Abstract: *In this article, in the strategy of reforming the banking system of the Republic of Uzbekistan for the period of 2020-2025, comprehensive transformation of commercial banks with a state share in the charter capital is recognized as one of the priorities of the reform of the banking system. This creates the need for effective use of investments, as well as the need to ensure the investment attractiveness of commercial banks.*

Keywords: *commercial banks, investment attractiveness, assets, capital, profitability, credit, inflation, devaluation.*

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Introduction

In the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, improvement of the credit portfolio of commercial banks and risk management practices in their activities, comprehensive transformation of commercial banks with a state share, sale of the package of state shares in banks to investors with the necessary experience and knowledge on the basis of competitive bidding, also, reducing the share of the state in the banking sector by simultaneously reforming commercial banks and enterprises with a state share was recognized as a priority for reforming the national banking system [1]¹. As the President of our republic, Sh.M. Mirziyoev, noted, "World experience shows that any country that has pursued an active investment policy has achieved stable growth of its economy. For this reason, investment is the driver of the economy, in Uzbek terms, the heart of the economy. can't be exaggerated"². This makes it necessary to study the relevance of the research topic for the development of the republic's economy and increase the investment attractiveness of commercial banks in this direction as a scientific research object.

Research methodology

The methods of induction and deduction, expert assessment, grouping and trend analysis were used in the research. Statistical data of the Central Bank of the Republic of Uzbekistan and financial reports of Bank of America, National Bank of Foreign Economic Activity of the Republic of Uzbekistan, Ipotekabanki and Sanoatūrilishbank JSC were used as an information source of the research.

¹ Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992 "Strategy for reforming the banking system of the Republic of Uzbekistan"//National database of legal documents, 05/13/2020, No. 06/20/5992/0581.

² Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. "Halk Sozi" newspaper, issue of December 29, 2018.

Analyzes and results

In order to ensure the investment attractiveness of commercial banks in the USA, great attention is paid to ensuring banks' liquidity, financial stability and capital adequacy. Since the current liquidity of Bank of America is provided by liquid assets in the form of primary reserves, we evaluate the dynamics and level of its liquid assets (Table 1).

Table 1. Dynamics and level of highly liquid assets of Bank of America in the form of money, in percent [2]

Demonstrators	2018y.	2019 y.	2020 y.	Changes in 2020 compared to 2018
Liquid assets, bln. dollar	157,4	161,6	380,4	2.4 times
Weight of liquid assets in the volume of gross assets, %	6,9	6,6	13,5	6.6 f.p.

From the data presented in Table 1, it can be seen that the amount of highly liquid assets of Bank of America in the form of money increased significantly in 2020 compared to 2018 and had a growing trend in 2018-2020. This is a significantly high growth rate, which is a positive situation from the point of view of ensuring the bank's investment attractiveness.

From the data of Table 1, it can be seen that the weight of Bank of America's highly liquid assets in the form of money in the volume of gross assets increased by 6.6 percentage points in 2020 compared to 2018. This is also,

This is a positive situation from the point of view of ensuring the investment attractiveness of this bank.

Capital adequacy of commercial banks is one of the necessary conditions for ensuring its investment attractiveness.

2-table. The weight of regulatory capital in the volume of liabilities in TIF National Bank JSC and Ipotekabank of the Republic of Uzbekistan, in percent [3]

Banks	2018 y.	2019 y.	2020 y.
TIF National Bank JSC	10,1	19,7	17,4
Mortgage bank	8,2	15,8	13,2

From the data of Table 2, it can be seen that the weight of regulatory capital in the volume of liabilities in TIF National Bank JSC decreased significantly in 2020 compared to 2019, but increased significantly in 2020 compared to 2018. This is a negative situation from the point of view of ensuring the investment attractiveness of the National Bank.

In Ipotekabank, the weight of regulatory capital in the volume of liabilities increased in 2020 compared to 2019, but in 2020 it significantly decreased compared to 2018.

Table 3. Level of indicators of return on assets and return on capital at JSC "Uzsanoatkurilishbank", in percent [4]

Indicators	2017 y.	2018 y.	2019 y.
Return on assets	0,4	0,8	2,0
Return on capital	3,8	8,3	11,3

From the data presented in Table 3, it can be seen that in 2017-2019, both the profitability index of assets and the profitability index of capital had an increasing trend in Uzsanoatkurilishbank. This is a positive situation from the point of view of ensuring the financial stability of the bank.

From the data presented in Table 3, it can be seen that the rate of return on capital at Uzsanoatkurilishbank grew at a high rate (7.5 p.p.) in 2019 compared to 2017. This is explained by the fact that the growth rate of net profit in this period is higher than the growth rate of regulatory capital.

Table 4. Ratio of banking system indicators to GDP [5] billion in sum

Indicator name	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.01.2022
1	2	3	4	5	6
GDP (annual)*	302536,8	407514,5	510117,2	580203,2	734587,7
Bank assets	166631,8	214419,6	272726,9	366121,1	444922,5
Ratio of assets to GDP, in percent	55,1	52,6	53,5	63,1	60,6
Loan deposits	110572,1	167390,6	211580,5	276974,8	326385,6
The ratio of credit deposits to GDP, in percent	36,5	41,1	41,5	47,7	44,4
Deposits	59578,7	70001,4	91009,0	114746,9	156189,8
The ratio of deposits to GDP, in percent	19,7	17,2	17,8	19,8	21,3
Capital	20676,1	26678,9	51030,7	58351,3	70917,6
The ratio of capital to GDP, in percent	6,8	6,5	10,0	10,1	9,7

From the data of Table 4, with the growth of the country's GDP in 2017-2021, bank assets of commercial banks increased (5.5 p.p.), loans increased by (7.9 p.p.), deposit funds (1.6 p.p.) .p.) Increased, while bank capital increased (2.9 f.p.)

Table 5. Participation of banks in investment processes [6]

Indicator	Investments in the economic sector in trln. soums
2014 year	8,5
2015 year	10,2
2016 year	12,2
2017 year	16,1
2018 year	107,3
2019 year	189,9
2020 year	202,0
	244,9

Table 5 shows that commercial banks allocated their funds for the purposes of financial support for projects related to modernization, technical and re-equipment of enterprises of the real sector of the economy, and diversification of production in the period from 2014 to 2022.

Current problems related to ensuring the investment attractiveness of commercial banks of the Republic of Uzbekistan:

1. The profitability of assets in commercial banks is low.

The analysis carried out above showed that the level of profitability of assets in large commercial banks of our republic is low.

2. Problems related to improving the quality of the credit portfolio of commercial banks.

As of May 1, 2022, the share of problem loans of commercial banks of our republic in the volume of gross loans was 5,2 percent. This is higher than the generally accepted threshold level (5%) in international banking practice.

3. Low level of investment attractiveness of shares of commercial banks.

The high rate of inflation and the high rate of devaluation of the national currency prevent the increase of the investment attractiveness of the country's commercial bank shares.

In our opinion, the following measures should be taken to ensure the investment attractiveness of commercial banks of our republic:

1. In order to ensure the investment attractiveness of commercial banks at the expense of increasing the profitability of assets, first, it is necessary to ensure the normative level of the net interest spread indicator (1.25%); secondly, it is necessary to ensure the normative level of the net interest margin indicator; thirdly, it is necessary to ensure the proportionality between the rate of growth of net profit of commercial banks and the rate of growth of gross assets.
2. In order to eliminate the negative impact of problems related to improving the quality of the credit portfolio of commercial banks on their investment attractiveness, first, it is necessary to ensure the standard level of reserve allocations (1.0%) intended to cover losses from loans; secondly, it is necessary to increase the level of diversification of the credit portfolio of commercial banks by increasing the weight of retail loans in the volume of gross loans and improving the placement of loans according to the network characteristics of customers; thirdly, it is necessary to remove the responsibility for the credit risk of the government programs and the preferential loans granted within the framework of the commercial banks.
3. In order to ensure the investment attractiveness of shares of commercial banks, first, by reducing the rate of inflation and the rate of depreciation of the national currency, it is necessary to put an end to the decrease in the real value of investments made in the shares of banks; secondly, investors' income from investments in shares of commercial banks should not be taxed; thirdly, it is necessary to ensure the standard level (15%) of the indicator of profitability of regulatory capital of a commercial bank.

Literature review

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