



Optimization Of Administrative Banking Services And Credit Portfolio Management In Risk Of Banking Services In Uzbekistan

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Abstract. This article presents the current problems of remote banking services to increase the attractiveness of banking services in Uzbekistan. In addition, by reproducing the scientific and practical proposals for introducing the experience of foreign banking services into the banking system, scientific conclusions were formulated with the help of research. It also presents current problems of remote banking services to increase the attractiveness of banking services in Uzbekistan. By reproducing scientific and practical proposals for introducing the experience of foreign banking services into the banking system, Avor made scientific conclusions using research.

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Keywords: banking system, remote banking services, banking clients, financial services.

Introduction

One of the main objectives of the banking system of Uzbekistan is to improve the quality of banking services, expand the range of services and bring them to the level of developed banks.

The lending process is set out in Article 4 of the Law "On Banks and Banking Activity". In particular, it is mentioned that during the banks' activities, they carry out operations on lending on behalf of their own funds and funds raised on the terms of repayment, interest and term of repayment of loans.

During long-term development, banks have become a large number of financial services providers. These include lending to the economy, purchasing and selling securities, managing property owned by enterprises, and a range of other financial transactions. Nevertheless, credit operations remain a primary asset for commercial banks.

Hence, the lending operations of the banks differ in the importance of the Bank's assets and its profitability. Transactions related to the allocation of resources to earn a living are referred to as commercial banks' active operations. Active operations of commercial banks are primarily credit operations, investment operations, transactions related to the formation of commercial bank assets, cash-desk operations and others.

Materials and Methods

In this paper were used statistical and other methods of research. Tables were made based on annual report of Microcreditbank and ATC "Aloqabank". Secondary data was collected from

banks of Republic of Uzbekistan, Statistics Committee of Uzbekistan and Central Bank.

Analysis and results

At present, banks in developed countries offer more than 300 banking operations and services. Among them credit operations of banks are undoubtedly the most important. In a number of advanced countries, the share of credit transactions within the Bank's operations is an average of 19.9% to 83.25%.

As of 1 October 2018, the share of loans in the structure of assets of the banking system of Uzbekistan amounted to 74.79%. At the same time, the group of commercial banks with a state-owned share reached a high of average, and bank loans accounted for 79.1 percent of assets. In other banks, this figure was 52.8 percent. In some commercial banks, the share of loans in assets exceeds 80%. At Agrobank 89.3%, Ipoteka Bank - 87.4%, Uzpromstroybank - 84.9%, Kishlokkurilishbank - 84.8% and Microcreditbank - 84.1%. will do.

It is clear from this information that lending operations of commercial banks are the most important and primary type of banking activity. Effective organization of this process depends, first of all, on the thorough development of the credit policy of commercial banks. Bank's credit policy is a document that sets out the measures and methods adopted by the bank's management in managing the risks that arise in the lending process, and provides

guidelines for managing the bank's management and its employees with good credit portfolio. [6]

The stability and competitiveness of commercial banks are largely dependent on the proper organization of their resources and their rational use. It is important to note that the correct organization, management and diversification of credit operations of commercial banks is one of the important directions of banking activity efficiency. [7]

In developed countries, great attention is paid to the credit policy, credit portfolio and quality of commercial banks and their utilization level. The proper organization of this portfolio means that they are working effectively. As credit operations are central to banks' activity, the proper organization of their credit portfolio is one of the key factors that enable banks to operate efficiently and sustainably. Deficiencies in credit operations can lead to a decrease in banks' earnings and, in some cases, their bankruptcy. Thus, the right and effective organization of lending in the banks, controlling the credit portfolio and its quality is a prerequisite for the effective operation of commercial banks.

Due to the large scale operations of bank loans, the source of resources required for their implementation remains one of today's pressing issues. Bank resources can be divided into two large groups - own funds and borrowed funds.

Banks' own funds include the Bank's authorized capital and equity funds, such as the reserve capital, special funds, fund of material incentives, other established funds and unallocated profit.

Saved funds are reflected in deposits, savings, loans borrowed and contributor accounts.

The bulk of the source of bank resources is attracted funds, with an average share of 70-80%. The share of own funds does not exceed 22-30%.

The bank's capital plays an important role in the activities of commercial banks. It basically differs from other economic factors with the following characteristics:

1. It must be long-lasting.
2. Not subject to compulsory payments.
3. Must be dependent on the legal interests of depositors and creditors. [5]

The peculiarity of the Bank's equity is that, first of all, it is the most stable in financial resources and can be invested in long-term asset operations (loans, investment, leasing, etc.), and secondly, with low cost, ie greater costs for forming capital financial resources (the attracted resources are costly).

At the same time, the bank's capital carries out a number of functions. For example, protection against the risk of damage is the first stage of commencement of commencement of operations of commercial banks and performs functions of regulating banking activities.

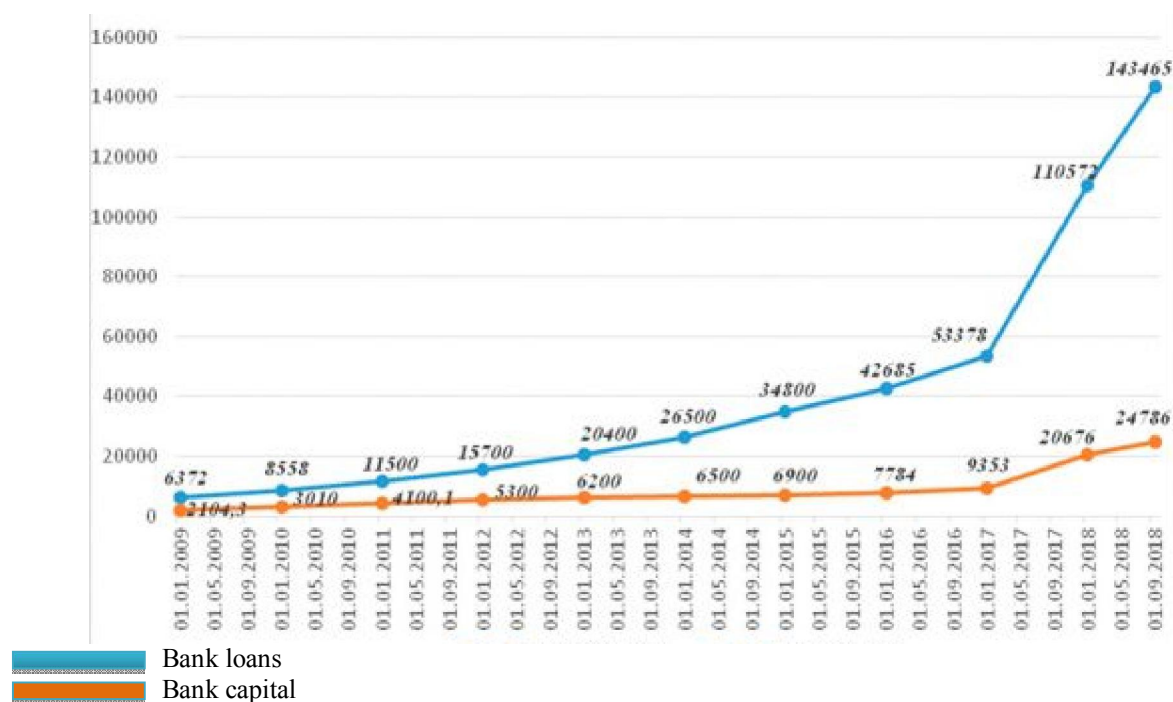


Fig.1 Dynamics of bank loans and capital in Uzbekistan for 2009-2018, bn.UZS

For the last 10 years the total amount of credit investments directed by commercial banks to the real sector of the economy has increased by 22.5 times. It confirms the growing role of the banking system in promoting economic growth. In particular, the total volume of credit investments of commercial banks increased by 29.7% since the beginning of 2018 and amounted to 143.5 trillion soums as of 1 September. soum.

The high growth rates of commercial banks' capital and deposit funds, in turn, had a positive impact on the further expansion of their role in the financial support of the real sector of the economy and the significant increase in assets and loan investments.

As a result of purposeful measures to increase the level of capitalization of commercial banks, the total capital of the banking system has grown 11.8 times in the last 10 years. Only in the first 8 months of 2018 this figure increased by 20% to 24.8 trln. soums.

Importantly, the bulk of the loans, which are provided by commercial banks of our republic at the expense of own funds and attracted funds, are long-term, mainly aimed at financing of investment projects on modernization of strategic sectors of the economy, support of small businesses and private entrepreneurship.

The share of total regulatory capital in assets with an average of 15-16% in 2016-2018. In the last three quarters, the downtrend has dropped to 15.79 percent in the third quarter of 2018. The main reason for the decline is that the amount of risk exposed assets is higher than the growth of the banking capital. The total regulatory capital of the bank in 2018 is 2.7 times more than in 2016, and the total amount of risk exposures has increased 2.5 times.

By analyzing the share of I-level capital in assets, we can see that this figure fluctuated between 12-14% in 2016-2018 and declined by three quarters in 2018. According to the results of the third quarter of 2018, it is almost three times more than in 2016, reaching 21.3 trillion. soums.

The amount of fixed loans, with limited resources, has been increasing over the past few years. In particular, in 2018 it increased by almost 2 times and amounted to 1.16 trillion dollars. soums. The ratio of bank capital to the capital increased from 2.89% to 4.62% in the third quarter of the current year due to the fact that the growth of this indicator was much higher than the bank's total capital.

The share of non-performing loans in the total loan portfolio has also been steadily rising. In 2016, it was 0.74 percent, in 2017 it was 1.2 percent, and in the third quarter of 2018 it was 1.33 percent. The total amount is 151312 billion. In 2005, the amount of

credits The loan was made up of non-performing loans.

The analysis of loans and capital of the country's banking system in 2016-2018 revealed the following problems:

- unstable and regular vibration of the banking regulatory capital in risk-weighted assets;
- low level of equity II level in the regulatory capital of the bank;
- There is a steady increase in the volume of non-performing loans, and lately this indicator has increased dramatically;
- an increase in the share of problem loans in the aggregate loan portfolio.

Further expansion of crediting of commercial banks by the subjects of the real sector of economy and population, increase of bank capital are one of the priorities of commercial banks.

The following suggestions can be made to avoid the above mentioned issues:

- further increase of capitalization level of banks, including increase of the capital adequacy level II in the structure of regulatory capital, in particular, subordinated debt circulation;
- Reducing the growth of non-performing loans, further improving the banks' credit policy;
- Expanding the practice of commercial banks using modern lending forms and specific types of credit (counterpart, overdraft, overnight, etc.);
- Increase the effectiveness of the lending system of commercial banks, in particular, to increase the use of modern creditworthiness methods.

One of the most important tasks of the banking system is to increase the level of capitalization of commercial banks, to further expand the lending of banks to the real sector of the economy, thereby stimulating production and investment activity in the country.

The ultimate objective of any bank lending policy is to create an optimal loan portfolio.

The optimal loan portfolio of a commercial bank is such a loan portfolio, the resources attracted and credits for their credit repayment must meet:

- meets the terms and amount of available credit resources available at the Bank;
- Profitability level on them can be at maximum in these conditions;
- The risk level is minimized.

The formation of the optimal loan portfolio is one of the main tasks of the bank and is a major problem.

In our opinion, we can distinguish five stages of creating an optimal loan portfolio:

- analysis of factors influencing demand and supply of loans;

- formation of the credit potential of a commercial bank;
- ensuring balance of credit potential and given loan balance;
- analysis of loans provided by various factors;
- Evaluating the effectiveness and quality of loan portfolio, developing measures to improve the loan portfolio of the bank.

First stage. At this stage, the relevant analytical divisions of the bank analyze the credit market. They work on the changes in the banking system and credit risk mitigation measures, and identify the ways to increase creditworthiness.

It should be noted that commercial banks do not use all available funds to carry out active operations. This situation requires the proper assessment of the credit potential of commercial banks. This is a one-way look. Notwithstanding the strong credit ratings of

commercial banks, the availability or absence of demand for all of these loans is also of great importance.

Commercial banks are the part of mobilized resources, with the provision of credit resources required for liquidity maintenance.

The impact of the following factors on the credit potential of commercial banks can be attributed:

- mobilization of funds attracted by commercial banks;
- mandatory reserve rate of Central Bank;
- Reserves and funds created in the practice of banks;
- structure of credit potential (classification).

Among the factors influencing the credit potential of commercial banks, we have theoretically separate interpretation of the credit risk classification.

Table-1. Classification of loan potential

Depending on the Time	By equivalent	According to the payment (payment)
Short	National currency	Cash
Long	Foreign currency	Cashless

The table below summarizes the credit potential of commercial banks. The commercial banks used their sources of credit for the classification of their potential. That is, the funds may be attracted short and long term, both in national and foreign currencies, as well as in cash and non-cash form.

The short and long loan potential depends, in turn, on the duration of the attracted funds. Therefore, the long-term credit potential required to increase the effectiveness of long-term funding. In other words, increasing the amount of long-term deposits will ensure long-term credit potential. In the structure of deposits, the amount of demand deposits (deposits) has a high share in commercial banks operation. This prevents the increase of long-term loans.

Commercial banks have a credit potential, as well as their equivalent in national and foreign currencies. This indicates how much funds are available in national and foreign currencies. Currently, the Central Bank of the Republic of Uzbekistan has the same mandatory reserve requirements as deposits attracted in national and foreign currencies, which affects the credit potential of commercial banks in foreign currency.

Commercial banks are required to provide cash not only cash, but also some sectors. Therefore, attraction of cash means allows increasing the credit potential of commercial banks in cash. In this area, it is expedient to accelerate the provision of some additional benefits to customers by commercial banks, which are currently attracting deposits in cash.

Table-2. Loans, deposits, total capital of commercial banks of the Republic of Uzbekistan, trln. UZS

№	Indicators	Years				
		2013	2014	2015	2016	2017
1.	Commercial Banks Loans	26,5	34,5	42,7	53,4	110,6
2.	Total Commercial Banks Resources	28,1	35,4	43,4	54,0	82,4
2.1.	Deposits of commercial banks	22,8	28,5	35,6	44,6	58,7
2.2.	Total capital of commercial banks	5,3	6,9	7,8	9,4	23,7
3.	Loans of commercial banks and deposits with credits	+1,6	+0,9	+0,7	+0,6	-28,2
4.	The level of transfer of commercial banks' capital and deposits to loans, in percent	94,3	97,5	98,4	98,9	134,2

Source: The author based on the data of the Central Bank of the Republic of Uzbekistan.

From the tables above, we can analyze the dynamics of loans, deposits and capital of commercial banks of Uzbekistan for 2013-2017. On the basis of the table data, commercial banks' loans in 2017 amounted to 110.6 trillion soums, 1 trillion soums, or about 317 percent. Deposits of commercial banks in 2017 grew by 35.9 trillion soums, or by 157% compared to 2013, and capital by 2017 to 18.4 trillion soums, or by 347%.

This is based on the conclusion that the commercial banks are using their loans in full capacity to borrow from their own funds and resources. This figure is 94.3 per cent in 2013, 97.5 per cent in 2014, 98.4 per cent in 2015, 98.9 per cent in 2016, and over 100 per cent in 2017. In 2017, the capital and deposits of commercial banks were less than the amount of loans issued by banks. This means that commercial banks have used credit resources as other sources, except for bank capital and deposits.

This, in turn, indicates a high level of credit transactions in the active operations of commercial banks.

In emerging economies, bank deposits and household savings are the major source of bank financial assets and bank loans and increase the efficiency of bank loans [2].

Taking into account the aforementioned, we believe that the following measures should be taken to increase the credit potential of commercial banks:

- identification of potential clients and their funds with in-depth analysis of customer content;
- further expansion of the scale of new innovative banking services to increase the population's savings;
- Further improvement of the interbank credit market;
- Improving the practice of commercial banks' active and passive operations with securities, etc.

The analysis of factors affecting the Bank's credit operations provides the following:

- formation of optimal loan portfolio;
- Identifying high-risk credit transactions;
- development of risk reduction measures.

Second stage. The second stage of the optimal loan portfolio formation is related to the definition of the bank's credit potential:

- sources of attracted resources;
- duration of resources.

In this case, credit potential is considered as short-term and long-term credit potential.

Short-term credit potential consists of the following sources:

- Deposits required, funds on savings, savings and other deposits (up to 1 year);

- funds on correspondent accounts, interbank credits;

- funds received from issue of short-term securities (up to 1 year)

Long-term credit potential consists of the following sources:

- Funds on urgent, savings and other deposits (more than 1 year);

- funds received from long-term securities issue (over 1 year);

- own funds of the bank.

Evaluating the ability of long-term lending to analyze short-term credit opportunities of the commercial bank is used to lend credit for different terms without breaking liquidity.

Third stage. In the third stage of the optimal loan portfolio formation, the analysis of the balance of resources and loan portfolio is analyzed.

Banks face long-term credit potential problems. Finding out the sources of funds needed for the bank (for example, attracting long-term funds, entering the interbank lending market, issuing additional long-term securities, and analyzing opportunities to expand capital, if the credit potential and loan portfolio balance is broken (eg, shortage of credit resources) to do so). [8]

Lack of long-term credit potential and inability to find sources of repayment make banks short-term credit potential to long-term credit potential, which in turn leads to bank liquidity problems.

If the credit potential exceeds the credit portfolio, the bank may redistribute credit resources and use them in other active operations (securities, currency transactions, etc.).

The fourth phase. At the fourth stage, loans are analyzed according to different characteristics. Such features include credit repayment terms, nature of repayment, loan repayment, profitability, risk level, etc. Depending on the type of loan, depending on the type of interest, depending on the type of interest, depending on the borrower category.

When forming an optimal loan portfolio, the loan is required to meet the terms of the project being implemented. We will analyze it on the basis of preferential microcredits.

On March 20, 2012, the Central Bank of the Republic of Uzbekistan adopted a regulation on the procedure of granting microcredits for commercialization of agricultural products to commercial banks by commercial banks. In line with this regulation, commercial banks need to provide their personal assistant farms with microcredits for agricultural production, livestock breeding, shooting, haulage, fishing, poultry and beekeeping, rabbits and

greenhouses, greenhouses, as well as seed and planting stock. [9]

For the purpose of more effective use of land plots allocated for dehqan farms and population, increase of food production and export volumes, employment and income generation, the Cabinet of Ministers of the Republic of Uzbekistan adopted a Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of March 4, 2017 "Effective on dehqan farms and On additional measures to develop water-resistant, export-oriented tree planting ". This, in turn, triggered the need to reconsider the duration of microcredits to these sectors [3]. Specifically, microcredits are based on the following terms:

- for purchase of fruit trees and grape seedlings - up to 3 years with one-year grace period;
- for cattle, sheep, goats, rabbits - for up to 3 years with a six-month grace period;
- purchase of seeds, mineral fertilizers and plant protection chemicals, compact greenhouses and development of poultry and beekeeping - up to 2 years with a six-month grace period [4].

The implementation of these proposals will help commercial banks to eliminate cases of non-repayment of microcredits for the production of agricultural products by private farms, and provide them with timely repayment of loans.

Table-3. Microcredits issued by Mikrokreditbank (million UZS)

T/p	Indicators	2013	2014	2015	2016	2017
1	Industry (for raw materials production development)	2234,1	2542,3	2743,6	3307,4	12614,1
2	Seeds and seedlings	1942,5	2180,6	2644,8	5172,8	19842,8
3	For fertilizers and fuel materials	250,0	298,2	371,0	6630,4	25921,4
4	Procurement of machinery, machinery and equipment	6453,2	6974,1	7450,5	7273,4	27787,1
5	Livestock, poultry, fishing, beekeeping, etc.	10120,1	9984,4	10913,4	7834,3	29762,4
6	Construction (construction and acquisition of buildings and structures)	394,2	426,3	463,8	4144,2	15875,5
7	Others	612,8	684,2	555,4	2585,9	9930,9
8	Total microcredits	22006,9	23090,1	25142,5	36948,4	141734,1

As of May 10, 2017, the volume of commercial banks' loans for purchase of trees and grape seedlings is 55.5 billion soums. UZS 4.09 billion for development of fisheries; 137.8 billion soums to support poultry farming. soums.

The volume of microcredits provided by commercial banks to private subsidiary farms for 6 months grace period for cattle breeding, shooting, hauling, beekeeping and rabbit production for up to 3 years, as of May 10, 2017, including 1 251 billion catfishes. UZS 61.5 bn. for sheep and goats breeding. 22.2 billion soums for beekeeping. UZS 4.5 billion for rabbit production. soums. [10]

Commercial banks purchase 10 percent of their assets for the purchase of chemical fertilizers and plant protection chemicals for a period of up to two years, including a six-month grace period for buying seeds, fertilizers and plant protection chemicals and

greenhouses for personal subsidiary farms. As of May, UZS 131 billion for the construction of greenhouses. soums.

Commercial banks will receive 20 billion soums as of May 25, 2017 for up to 5 years with a 3-year grace period for the establishment of greenhouses for lemon cultivation, for growing and greens. The bank has allocated credits to the population [11].

As the table shows, microcredits issued by ATC Mikrokreditbank are increasing year by year. In the structure of microcredits it is planned to purchase 2017 fertilizers and fuel products, machinery, equipment, livestock, poultry, fishery, beekeeping and so on. The loans given to them have a significant place. The bank expects that in 2017 the volume of microcredits will increase sharply compared to previous years.

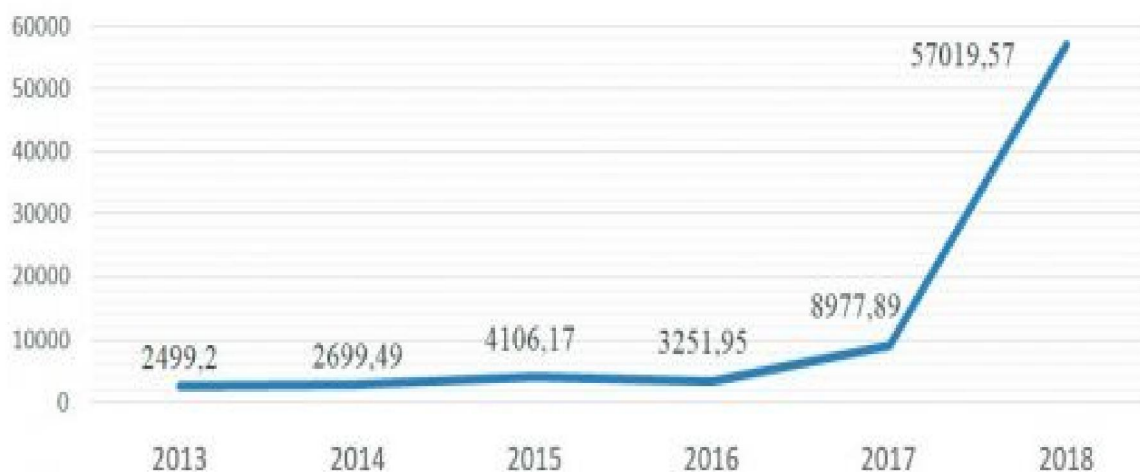


Fig.2. Alokabank provided micro-loans for agricultural products to personal subsidiary farms [6] (million soums) [12]

In this case, we should analyze the activity of Alokabank ATU in this area. As can be seen in Table 1, the volume of microloans issued by Alokabank for the production of agricultural products for personal farms from 2013 to 2016 is estimated at an average of 3.5 billion soums. At the same time, microcredits have risen sharply since 2017. In 2017, AlokaBank extended microcredits for the production of agricultural products to personal subsidiary farms in the amount of 57019 million soums. soums. The

following is a summary of the areas in which microcredits are given.

AlokaBank has the highest share in the structure of microcredits provided by the branches for the production of agricultural products for personal subsidiary farms, for livestock breeding, shooting, hauling, beekeeping, rabbits and breeding. This is mainly due to the fact that the bank has priority over microcredits for the development of beekeeping.

Table-4. Microcredits issued by Alokabank for the production of agricultural products to personal subsidiary farms (million UZS) [12]

T/p	Indicators	2013	2014	2015	2016	2017
1	Buying fruiting trees and grape seeds, fishing and poultry farming	498,99	447,47	363,97	72,50	2828,40
2	Livestock breeding, weeding, cattle breeding, beekeeping, rabbit growing and cultivation	1916,98	3290,17	2519,48	8669,97	50977,14
3	Purchase of seeds, chemical fertilizers and plant protection chemicals and greenhouses	274,58	364,04	368,49	235,41	2999,14
4	Creation of greenhouses for lemon cultivation, cultivation of unabi and greens	8,94	4,50			214,89
5	Total microcredits	2699,49	4106,17	3251,95	8977,89	57019,57

Fifth stage. The fifth stage of the optimal loan portfolio is related to the effectiveness and quality of credit portfolio. It identifies the role of credit operations in the banking activity, the level of credit risk exposure by analyzing the level of effective use of the Bank's credit potential, interest rates and loan income, interest margins and overdue loans.

Conclusions

In sum, the formation of an optimal loan portfolio is one of the main tasks of the bank and is a major problem. In order to avoid the emergence of problem loans, loan repayment time must be commensurate with the duration and effectiveness of the lending project.

The accelerated development of digital technologies in recent years is characterized by radical changes in the information field and the acceleration of globalization processes in the economy. The normative-legal acts of our country are reflected in the concept of "digital bank". This term is explained by the use of innovative banking technologies (except for cash servicing), which represents a bank or its structural subdivision of banking services remotely. Remote services are provided in such a facility in accordance with the Bank's internal regulations and legitimate requirements.

In summary, the provision of remote banking services in commercial banks of Uzbekistan is largely unlucky and normally legally insufficient in the banks of developed countries. The Regulation on the Procedure for the Operation of Bank Accounts in Remote Service Systems does not reflect the legal aspects of the capabilities of today's remote banking services. In addition, some commercial banks do not have remote banking services available in the Interactive Services section of the Bank's website. This indicates that the Central Bank is still doing a lot of work.

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