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Improving the practice of ensuring the solvency of commercial banks

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Abstract: Being an important factor in ensuring the solvency of banks, it is a necessary condition for ensuring the continuity of payments made in the country's economy. The article identifies current problems related to liquidity and solvency and develops scientific proposals aimed at solving them.

Key words: commercial banks, assets, liabilities, liquidity, financial market, solvency, deposits.

Introduction. In the conditions of digital economy, ensuring the liquidity of commercial banks is becoming one of the important issues, shortage and shortage of liquid funds in commercial banks is felt. In connection with this issue, the decree of the President of the Republic of Uzbekistan dated May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" states that "the existence of a high level of dollarization of assets and liabilities, a large amount of loans and deposits the fact that concentration of companies and economic sectors in certain sectors exposes banks to currency and credit risks, as well as liquidity risk"[1] has not lost its importance even now.

In Uzbekistan, a number of positive results are being achieved in terms of ensuring the liquidity of commercial banks. However, the deepening of competition in international financial markets, as well as in local markets, creates a number of problematic situations in terms of ensuring the liquidity of banks. In particular, the increase in the volume of problem loans in banks, the high amount of short-term deposits in the weight of deposits, and the lack of long-term money are among them.

Material and method. World economic practice shows that banks have had a liquidity problem since their inception. That is, the efficiency of banks' activity is determined by their ability to fulfill their obligations to clients on time. Liquidity is one of the most basic concepts in the activity of commercial banks. Liquidity is the basis of reliability and stability of commercial banks and creates the basis for their solvency. Liquidity of banks is considered a necessary category in ensuring their solvency and reliability. By the reliability of banks, we understand their obligation to their customers, that is, their ability to perform their activities at the first request. To achieve reliability, banks must be liquid and solvent:

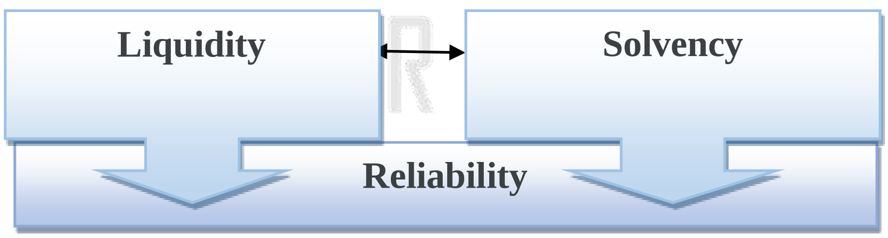

Figure 1. Validity conditions of banks' reliability [2].

Liquidity is the ability of the bank to fulfill its obligations at the right time, that is, at the required time. Solvency is the ability to fulfill the bank's obligations. If a bank is unable to meet deposits when it is due, it will be temporarily insolvent, but once the funds come into the bank, it will be able to pay and restore its liquidity. Banks can perform this task with foreign loans. Failure of the bank to fulfill its obligations on time does not affect the bank's solvency. A solvent bank will surely fulfill its obligations sooner or later. A liquid bank is a bank that fulfills its obligations on time.

Banking practice shows that in a short period of time, banks can save their customers and their image in competitive conditions by fulfilling their obligations. By not losing customers and attracting new customers in the future, banks will increase the source of income and continue to operate effectively, because all operations of banks should be for customers only.

Some authors defined the concept of "solvency" as the ability of the bank to fulfill its obligations to its creditors on time and in full, and "liquidity" as the ability to ensure that the bank can fulfill its monetary obligations on time[3] .Here the authors comment on the performance of the solvency term. But a solvency bank is a bank that fulfills its obligations at all, even if not on time. A bank that fulfills its obligations on time is a liquid bank. They took a narrower approach to a liquid bank as covering liabilities in the form of money. Banks have obligations to store not only money but also valuables.

Therefore, it would be better if it were considered as money and other forms of obligations. According to Yo. Makhmudalieva [4], it is written that the concept of "ability to pay" is correctly defined in the article cited above. Those who expressed their opinion on liquidity did not agree with the given definition. According to him, "the liquidity of the bank does not show its ability to pay, but the level of provision with liquid assets" and defined the liquidity of assets. In the definitions given above by the authors, the categories of "liquidity" and "solvency" are confused.

In our opinion, when defining these concepts, special importance should be paid to their execution period. Liquidity is the ability of the bank to fulfill its obligations at the right time, that is, at the required time [5]. Solvency is the ability to meet the bank's obligations. In the course of its activity, the commercial bank issued a license to operate a commercial bank in order to take into account the property and other economic interests of a wide range of enterprises, organizations and citizens who are its shareholders.

Results. Within the framework of the structural reforms implemented at the new stage of the economic development of our country, the goals and tasks of the Central Bank of the Republic of Uzbekistan, and the institutional structure have been fundamentally revised. Monetary policy was logically conducted on the basis of new principles. In particular, the task of ensuring the stability of domestic prices in the country was defined as a priority goal of the Central Bank. The measures implemented in the field of currency policy and regulation of money circulation, the conditions forming in the macroeconomic sphere in the new reality became the basis for the implementation of important changes in the monetary policy. Ensuring a low and stable level of inflation in the medium-term perspective is an important factor of macroeconomic balance and creates the necessary conditions for improving the social situation in the country, developing investment activity and implementing structural reforms.

Table 1

Information on the main indicators of the banking system[6] mlrd. so'm

Indicator name	**01.01.2022**	**01.01.2023**	**Nominal growth, in percent**	real growth, (excluding devaluation) in percent

	total	therefore, in foreign currency	share, in percent	total	therefore, in foreign currency	share, in percent		
Total assets	444,922	215,415	48.4%	556,746	264,551	47.5%	25%	23%
Total credit investments	326,386	162,663	49.8%	390,049	185,118	47.5%	20%	18%
Total deposits involved	156,190	60,612	38.8%	216,738	84,943	39.2%	39%	37%
Total capital	70,918	347	0.5%	79,565	359	0.5%	12%	12%

As can be seen from the above data, total assets decreased by 0.9% in 2023 compared to 2022, total loan deposits decreased by 2.3% in 2023 compared to 2022, total attracted deposits increased by 0.4% in 2023 compared to 2022, Total and the capital increased in 2023.

Although the liquidity of the banking system of the Republic of Uzbekistan has slightly decreased compared to last year, all minimum requirements have been met. In particular, the ratio of highly liquid assets to total assets was 81.5 percent as of January 1, 2023, the Liquidity Coverage ratio was 211.6 percent, and the Instant Liquidity ratio was 110.1 percent.

Table 2

Banking system liquidity dynamics[7]

Indicator name	01.01.2021	01.01.2022	01.01.2023
Highly liquid assets (mlrd. so'm)	50 476	75 992	104 473
Ratio of highly liquid assets to total assets, in percent star_border	14,2%	17,7%	19,4%
Liquidity coverage rate (min. requirement 100%)	224,5%	189,6%	211,6%
Net stable financing rate (min. requirement 100%)	109,9%	115,4%	115,6%
Current liquidity standard (min. requirement 25%)	67,4%	99,3%	110,1%

In the conditions of stable internal prices in the country, there will be an opportunity for residents and business representatives to preserve the value of their salaries, allowances and other incomes, as well as savings in national currency. This gives them confidence in planning their expenses for short and long term periods.

Summary. The following measures should be taken to ensure the solvency of commercial banks:

1. In the economic literature, solvency is seen as both a broad and a narrow category compared to liquidity. When studied as a broad category, solvency is considered in terms of both internal and external factors, while liquidity is considered only in terms of internal factors. According to some views, liquidity determines the dynamic state of the bank, and solvency means the state corresponding to a certain date, that is, the ability to cover and pay its obligations.

2. Bank liquidity is the ability of the bank to fulfill its obligations, to meet the credit needs of customers, and to meet the demands of depositors to withdraw deposits. One of the main conditions of bank liquidity is the liquidity of its assets.

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