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## THE ROLE OF COMMERCIAL BANKS IN INCREASING THE VOLUME OF FOREIGN LOANS TO THE NATIONAL CAPITAL MARKET

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### Abstract

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#### Keywords:

*national economy,  
banking institutions  
coronavirus,  
pandemic,  
commercial bank,  
financial market,  
bonds, interest rate,  
base rate,  
resource,.*

*The lack of development of the capital market has a negative impact on the financial stability of the country and then on the banks. There have had a negative impact on the economy of Uzbekistan, including the activities of commercial banks. Delays in payments on loans of commercial banks from for a long time, had a negative impact on the liquidity of banks and the stability of the resource base. This article analyzes the activities of commercial banks in the stock market in Uzbekistan, studies the impact of the global pademy, draws scientific conclusions and develops scientific proposals to mitigate it.*

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## INTRODUCTION

Even during the current global economic crisis, banks of Uzbekistan are improving their banking services and are actively working on restructuring assets being focused on various types of banking operations related to the support of real economy enterprises. Currently, commercial banks are focused on mitigation of risks while obtaining a stable/high income from their active operations. The domestic stock market is one of the priority areas in the development of the modern financial market.

Banks can actively participate in the stock market because there are all favorable conditions for the banks in the securities market. For example, legislative and regulatory acts regulating the work of banks do not contain restrictions on any functions in the securities

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market: issuers, investors, investment institutions. Financial solvency of banks and high profitability from banking operations gives the banks opportunity to divert significant resources to operations with securities. Reducing profit from traditional banking operations forces banks to work more actively with other alternative sources of income. Having extensive database about the financial and economic activities of clients, banks act not only as large issuers, but also as large investors. Actively using their potential, banks become very important members in the securities market which act not only as a direct participant, but also as an important subsidiary institution of the stock market that forms favorable conditions for the development of securities trading in general. Banks' need to attract additional resources to their share and circulating funds by issuing their own securities is one of the factors that activates banks in the securities market.

### **LITERATURE REVIEW**

Millions of consumers are currently in quarantine or medical facilities. As a result, they have lost their ability to pay on loans, especially mortgages. In addition, business loans to small and medium-sized enterprises are at risk due to the forced suspension of lending in some countries. The entire network is suffering because it has not been able to recover the lost revenue in the future. For example, the rate of decline in production and retail is currently very high.

According to a group of U.S. economists, the world economy is facing an economic and financial crisis during the coronavirus pandemic. This crisis is not the result of errors and disruptions in market mechanisms, but the result of a slowdown in economic growth. In this context, the lack of international coordination between the United States and the European Union has serious economic consequences, which are felt both through supply channels and demand channels.

### **ANALYSIS AND RESULTS**

The gradual change in the current socio-economic conditions has led to the decline of all commodity-money transactions, transactions that are treated as banks today. The city and trade, the active development of various crafts and all commodity-money transactions, led to the rapid activation of the creation of an acute need for intermediaries that can reduce all the risks of monetary transactions. The first attempt to establish a commercial bank in our country was made by Voivode Afanasy Ordin-Nashchokin in the city of Pskov, but this idea was not supported by the Central Government.

In general, a bank is a specific field of finance, a separate financial institution that collects monetary resources through the financial market and distributes them beneficially to various productive entities of the economy. With the help of money and financial instruments, the bank accepts the risks of its related persons (creditors, owners-investors, customers who use its current operational services, borrowers, partners) for a certain (agreed) fee and collects risks for the benefit ( in order to obtain profit and provide profit) is managed by a professional based

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on diversification. In the financial market, such activities are carried out by banks with the status of a specialized legal entity, organized in different forms of ownership. As commercial organizations, banks are prone to certain risks, so they manage their risks through the financial market.

Today, the activities of banking institutions are very diverse. Today, banks are engaged in various operations. They organize money circulation, credit relations, financing of the national economy and insurance operations, as well as the purchase and sale of certain securities, in some cases mediation transactions, property management are carried out through them.

Modern credit institutions are consultants, they participate in the discussion of various economic programs, they always keep statistics, they have various auxiliary organizations.

Due to the mechanism, features and characteristics of banks' activity, a separate segment - the market of bank capital and services - operates and develops within the financial market. In this case, they appear as institutions of credit, money transactions, accumulator of financial resources and instruments and, respectively, as a source of large investments, institutional investors, professional issuers and intermediaries. In other words, banks perform relevant operations in the money, currency and credit (bank capital) segment of the financial market, and perform financial services, emission and investment operations related to securities in the fund instruments segment. In addition, banks provide real estate and mortgage services as part of their activities.

It can be seen that, along with insurance companies and investment institutions, banks are among the professional, indispensable, useful and most significant participants of the financial market.

On the basis of these operations, the state (central) bank and commercial banks create a banking system in mutual dependence, and conduct credit-money (monetary) policy in the economy through the financial market under the leadership of the central bank. This helps to raise the level of risk, attractiveness, stability, financial security of the financial market, increase the volume of effective investment and the quality of the process.

Paid dividends of commercial banks in the financial market (table 1). This table provides information on the total number of shares issued by commercial banks on the financial market, their nominal price, and dividends paid for ordinary and preferred shares.

**Table 1**

**Commerce banks by paid dividends**

#	Name of joint stock companies	Actions release size (UZS)	Nominal price	Number of common shares	Dividends count about decision acceptance done the date	Simple action for dividends		Privileged shares dividends	
						amount	%	amount	%
1	"Asia Alliance bank"	186,776,423,000	250	747 105 692	-	Unpaid		-	
2	"Uzsanoatqur ilishbank "	4,634,513,904,398	19	243 921 784 442	29.06.2021	Unpaid		4.37	23
3	"Agrobank"	4,907,783,027,040	1 168	4,201,869,030	25.06.2021	Unpaid		292	25
4	"Mortgage Bank"	2,869,839,259,906	1	2,869,839,259,906	29.06.2021	Unpaid		0.25	25
5	"The village construction bank"	1 855 180 101 897	119.25	15,557,065,844	29.06.2021	7.21	604	29.81	25
6	"Hamkorbank"	107,774,830,000	5	21,554,966,000	24.06.2021	Unpaid		1.5	30
7	"Ipak yul bank"	532 421 052 640	10	53 242 105 264	30.06.2021	0.48	48	0.48	4.8
8	"Kapitalbank "	193 732 061 700	950	203 928 486	-	Unpaid		-	
9	"Aloqabank"	953 584 520 405	121	7,880,863,805	-	Unpaid		-	
10	"Turonbank"	884 438 814 200	1 700	520 258 126	30.06.2021	Unpaid		340	20

One of the main principles of banks can be called "fighting for pure money". Another principle of banks is "know your customer". This principle is to obtain accurate information from the banks about the various characteristics of the clients' business, the owners of the enterprises, the origin, and the determination of all outgoing amounts.

It can be said that various commercial banks serving companies and organizations perform a wide range of specific operations. For example, they can actively attract various funds, deposits, perform cashier services, as well as perform settlements on behalf of their customers, correspondent banks. The main function of commercial banks can be called providing certain funds for financing capital investments on behalf of clients, as well as managers of these investment funds.

It can also issue commercial securities and promissory notes, checks and promissory notes, and various stocks and bonds. They have the right to buy and sell securities and payment



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documents, as well as to store, guarantee, receive demand for product delivery, and take risks in fulfilling certain requirements.

All commercial banks have the right to buy precious metals and stones within the country, as well as in foreign countries.

The bank can carry out certain currency operations. They attract, place funds, as well as manage securities on behalf of their clients, provide various advisory services on banking operations and arrange lending, etc. Various commercial banks are an integral part of the entire banking system. They should provide customers with various credit resources. Areas designated for the implementation and development of specific programs of socio-economic development of the entire country or priority sectors of the economy can also be provided with funds from commercial banks.

Commercial banks established on the basis of full membership carry out their activities in accordance with certain laws adopted on the establishment of joint-stock companies and other business companies. When considering the activities of commercial banks, it is necessary to distinguish bank founders, as well as their participants. Consider these differences.

Founders are legal entities and individuals who establish banks, and also deal with them with their own funds, that is, they contribute their funds to the creation of the authorized capital of the bank.

As for the participants of banks, they are legal entities or individuals who keep funds in these banks, that is, they keep their deposits and deposits, as well as carry out any transactions.

I would like to note that the founders may include other banks, companies, various organizations, and ordinary citizens. Foreign legal entities or individual citizens can be foreign founders.

All customers of a commercial bank should always be sure that the credit institution, which keeps a certain amount of their funds, is financially stable and strong.

Commercial banks are required to maintain certain secrets for customer transactions, deposits and accounts, as well as for reporters. Various interbank transactions are common between different commercial banks. That is, on the basis of the contract, they can place and attract funds in the form of certain deposits, perform other mutual operations. If the bank has a lack of resources for lending, it applies to the Central Bank for a loan.

Any loan must be repaid within the period specified in the contract. As for the principle of security, it requires that the given funds always correspond to the value or useful costs that will allow the borrower to receive certain funds for the repayment period of the loan.

Active development in the banking sector today is called leasing operations. We define the concept of leasing, that is, it is a form of rent with which these three organizations can enter into a relationship. The first of them is the sale of equipment to the lessor, the second is the leasing company or the bank engaged in leasing operations, and the third is the employer.

Often, leasing organizations are established with commercial banks in the form of specific branches or large industrial enterprises. In leasing, various values, namely cars and



buildings, are transferred for a certain period of time, so it is possible to apply a loan for its active development.

In addition, factoring is among the actively developing services of commercial banks. A bank operating as a factoring company undertakes to promptly pay customer accounts provided to other companies. Thus, in the future, the bank provides a loan to the client of the bank, which will be paid from the account of the company that is obliged to pay the invoice. Thus, the acceleration of payments on accounts is achieved.

**Table 2**

**Commerce of banks transactions the number according to the most good valuable papers**

No	Name of joint stock companies	Number of transactions	Volume of transactions, soums
1	JSCB "Ipak yuli bank"	24	421.1 mln
2	"Uzsanoatqurilishbank" JSCB	8	167.2 thousand
3	Hamkorbank JSCB	8	160.5 thousand
4	"Ipoteka -bank" JSCMB	5	48.6 thousand
5	JSCB " Savdogarbank "	5	72 thousand
6	JSCB "Aloqa Bank"	4	143.9 thousand

Thus, banks perform the following roles in the economy as a whole, and in the financial market in particular:

- institutions providing monetary policy;
- institutions that provide professional services to economic entities in operations related to credit and monetary instruments;
- an accumulator of financial resources, a source of large investments;
- institutional investor (in the prescribed manner);
- issuer of securities (according to the established procedure);
- an institution providing professional services in the stock market.

The above can be seen based on the development trends of the international banking system.<sup>1</sup>

Currently, about 80 percent of the operations and income of banks in developed countries is formed in the securities market. The rest of the income comes from traditional banking operations. This situation can be seen in the example of the activity of investment banks.

<sup>1</sup>Vahobov AV, Jumaev NX, Burkhanov UA International financial relations.-T.: Sharq, 2003.-bb.347-370; Maximo W. Eng , Francis A. Lees , Lawrence Dj. Mauer . Mirovye finansy.-M.: IKK " DeKA ", 1998.-736 p.



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An investment bank is a credit-financial institution specializing in operations related to securities. Its purpose: to attract additional funds through the financial markets, to provide long-term credit to its clients (including the state).

Investment banks differ from banks in the classical sense and do not perform many types of banking operations like ordinary banks. They are usually called investment bankers. This refers to their activity as a financial intermediary for securities (issuing and placing securities and carrying out trading operations related to them).

A modern investment bank now not only deals with securities transactions on the stock market, but also organizes mergers (acquisitions) and mutual mergers of companies, mortgages and venture capital management.

Thus, the activities of banks in the financial market can be systematized as follows.

1. Banks operate in the following segments of the financial market: currency, securities, money and credit (including mortgage loans), precious metals and stones (including works of art).

2. In the real estate market, brokers, realtors, trustees, and mortgage investors operate.

3. In the currency market: dealer and broker (trader, including currency operator). It participates in spot and term markets.

4. In the money-credit market: providing operational services to clients for money account numbers and money instruments (checks, cards, etc.); giving and receiving credit; to be an operator for credit tranches of individual creditors, etc.

5. In the stock market: issuer (by types of issuable and non-issuable); institutional investor (in managing his own investments) and collective investor (in managing his clients' investments); professional institution (broker, trader, dealer, underwriter, trust, consulting, clearing, depository, transfer agent, etc.).

The listed types of activities in the financial market are performed by universal banks.

### **CONCLUSIONS**

The coronavirus pandemic The delay in payments on loans to commercial banks from April 1 to October 1, 2020, had a negative impact on the liquidity and stability of the resource base of banks and led to limited access to credit.

In 2018-2021, the growth trend of the volume of loan deposits of the National Bank and the amount of interest income from loans was observed. However, the coronavirus pandemic has slowed the growth rate of National Bank's interest income on loans.

Delays in payments on loans to individuals and legal entities by commercial banks in 2020 due to the coronavirus pandemic have had a negative impact on the lending practices of the National Bank for Foreign Economic Activity. In particular, in 2020, the level of reserve allocations to cover losses from loans formed by the National Bank for Foreign Economic Activity compared to gross loans increased sharply compared to 2019.

In our opinion, in order to eliminate the negative impact of the consequences of the coronavirus pandemic on the lending practices of commercial banks of the country, the following measures should be taken:



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1. In order to ensure a balance between the growth rate of reserve allocations for loan losses and the growth rate of gross loans, it is first necessary to ensure a low and stable level of doubtful and bad loans in the total volume of classified loans; second, it is necessary to timely write off bad loans from the balance sheets of banks; third, it is necessary to prevent the deterioration of the structure of classified loans by increasing the share of loans to companies with a high sovereign credit rating in the volume of gross loans.

2. Given the deepening problem of unbalanced liquidity in commercial banks in the context of the coronavirus pandemic, it is necessary, first, to increase the volume of reverse repo operations of the Central Bank by increasing the number of objects of these operations; second, it is necessary to increase the ability of banks to meet the regulatory requirement on the instantaneous liquidity ratio by reducing the share of transaction deposits in gross deposits; third, it is necessary to ensure full compliance with the requirement to repay overdue debt to commercial banks on loans guaranteed by the Government .

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