



WAYS TO INCREASE THE EFFICIENCY OF COMMERCIAL BANK BRANCHES

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Abstract:

The article analyzes the activities of branches of commercial banks and provides practical recommendations to improve their efficiency.

Keywords: banking system, bank branches, efficiency, liquidity, financial innovation, credit, competition, income, cost.

Introduction

As a result of reforms in the development of the banking system in the country, strengthening financial stability, increasing capitalization and liquidity, a number of positive results have been achieved. Especially in the context of the global financial and economic crisis, which has endangered the economies and financial markets of many developed countries, the stable efficiency of the banking and financial system, including the maintenance of capitalization and liquidity of commercial banking, is a practical result of reforms. It is known that in the context of rapid reforms, the effective and stable operation of commercial banks, which

are one of the important links in the financial system of the republic, is necessary for further development of the country's economy and effective organization of its monetary policy. Resolution of the President of the Republic of Uzbekistan dated June 16, 2017 "On additional measures to increase the financial stability and capitalization of commercial banks" PQ-3066, as in all sectors of the economy requires an answer. The Action Strategy for the Sustainable Development of the Republic of Uzbekistan for the next five years has launched a new stage of development for the banking system. As in all sectors, significant shifts and changes are taking place in the financial market, including in the banking sector, due to reforms.

Literature review

Banks in developed countries are experiencing three trends in terms of changing activities and implementing banking strategies :

- 1) deregulation or liberalization;
- 2) creation and implementation of financial innovations;
- 3) strengthening the integration of national banks into global financial markets, taking into account the process of globalization.

These trends are interrelated without denying each other. Variable interest rates for new "financial innovative" deposits are being introduced as a result of the removal of limits on interest rates on deposits under the influence of liberalization of banks. The process of innovation is a process that moves in a logical sequence from the development of the idea of innovation to its consumption by the end consumer. It is the process of creating, developing and using the scientific, technical, production, economic and socio-organizational potential of innovation. There are the following stages of the innovation process - the creation of innovation, its assimilation, dissemination and improvement.

Research Methodology

The concept of "innovation" can be applied to innovations in all areas of banking, and they have the following characteristics:

- use of new technologies;
- product novelty; meeting market demand;
- commercial implementation.

Thus, an innovative banking product is the end result of innovative activity in the form of new or modified products and their sale (implementation) in the



market; innovative activity consists in the creation of new and modified products and / or technological processes for their sale in the market.

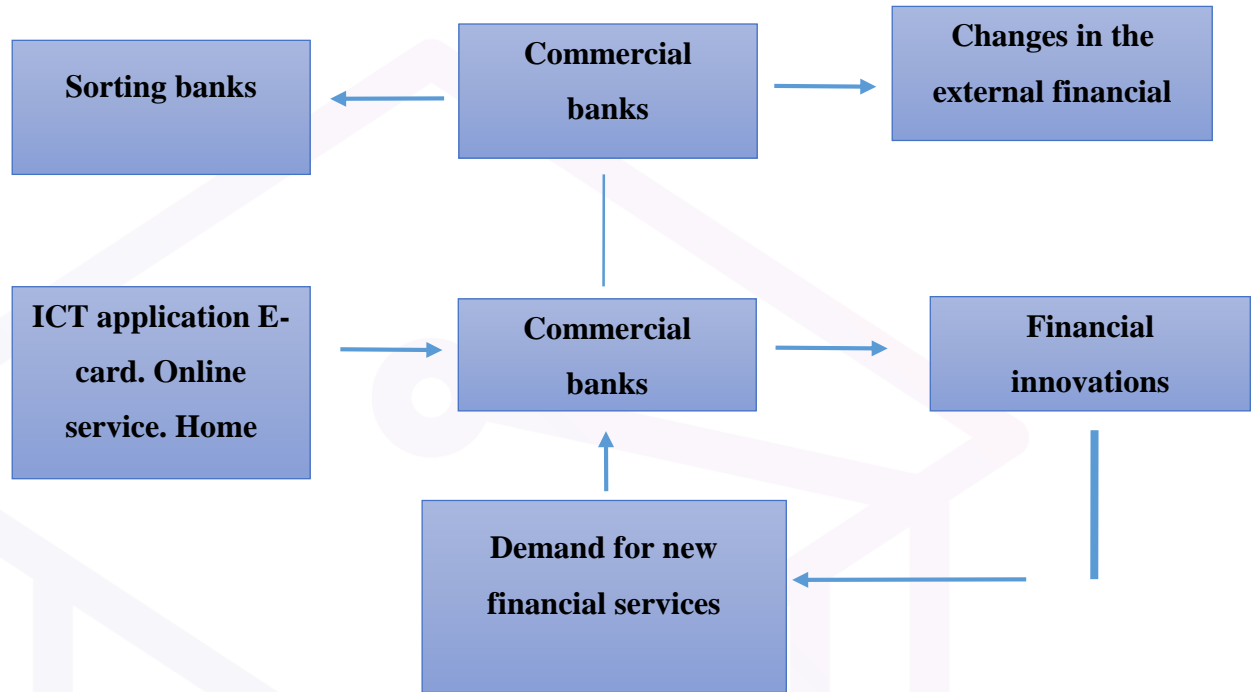


Figure 1. The process of creating financial innovations in banks

Analysis and results

If we analyze the work carried out by commercial banks on the development of the economy of Uzbekistan, as of January 1, 2021, gross domestic product of Uzbekistan amounted to 580.2 trillion soums and increased by 11.8% compared to January 1, 2020. In 2020, the gross domestic product reached 511.8 trillion soums and increased by 25.8% compared to 2019. In 2014-2020, the country's GDP and the volume of loans from commercial banks had a growing trend. The volume of loans to the real sector of the economy increased by 26.3% compared to previous years and as of January 1, 2020 amounted to 211.5 trillion soums. The growth rate of loans to GDP amounted to 41.3%. From this we can conclude that in our country, in fact, creative work is widespread, the demand for money is growing, and this indicates an increase in the level of credit. However, the fact that the relative level of loans to GDP increased by only 0.1% compared to previous years shows that the loans allocated to the real sector in this country are insufficient (Figure1).

Over the past 10 years, the volume of loans in Uzbekistan has increased 35 times, and bank assets – more that 23 times. In particular, during 2017-2019, the growth rates of assets and loans of commercial banks were high, especially in October 2017, this figure increased significantly. The main reason for this is the adoption in recent years of a number of regulations related to the banking system. In particular, the Resolution of the President of the Reublic of Uzbekistan dated September 2, 2017 “On priority measures to liberalize the exchange rate” PP-3272, dated September 12, 2017 “On measures to further develop and increase the stability of the banking system of the Republic” – Decisions №. 3270 allowed to increase the financial performance of banks.

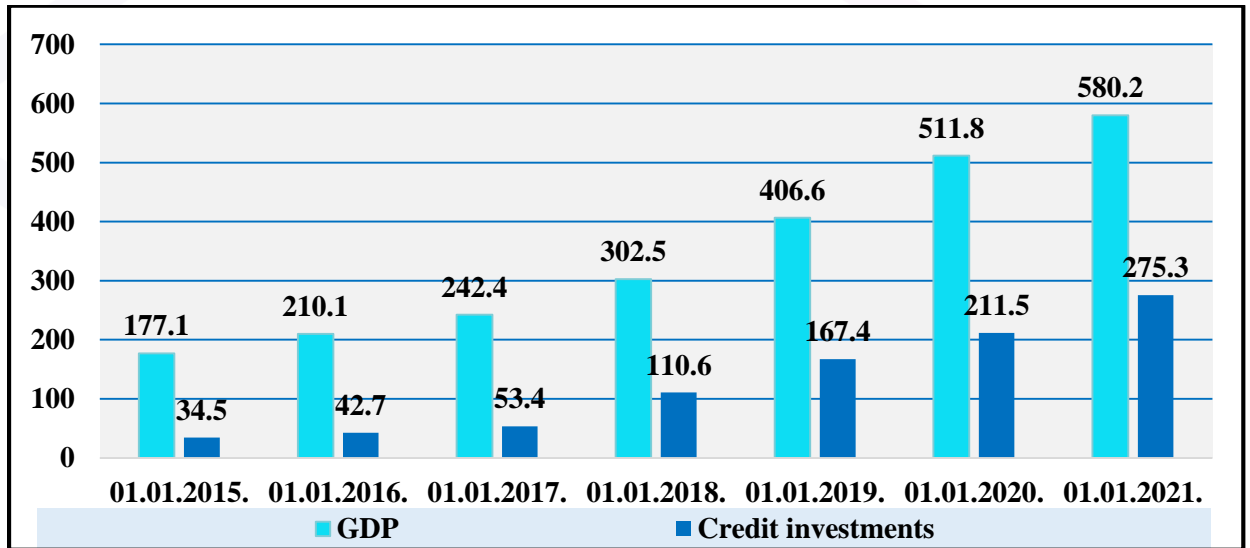


Figure 2. Amount and share of credit investments of GDP and commercial banks in the country.

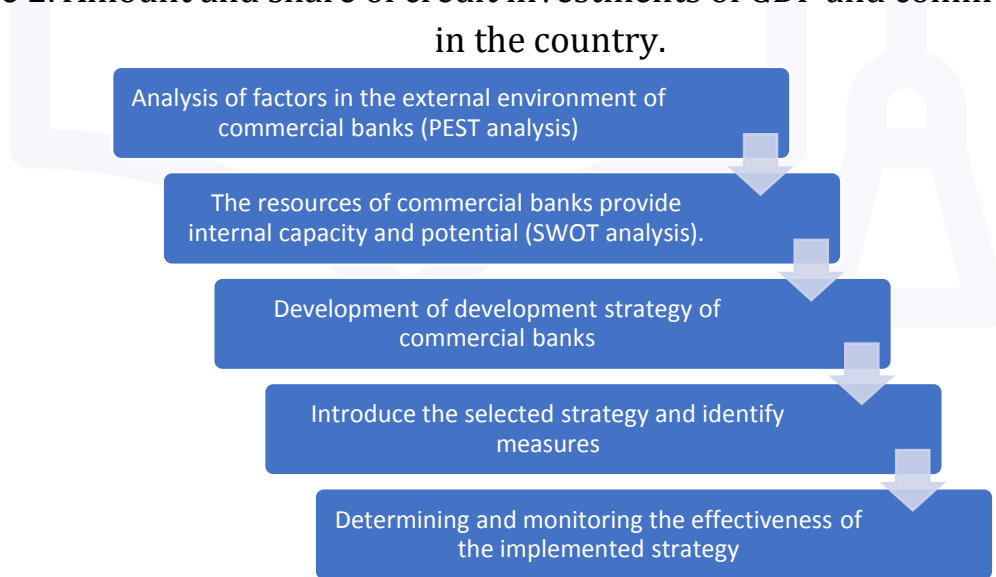


Figure 2. The process of developing an alternative banking strategy in the management of commercial banks

Bank management, like any business organization, must have its own mission, foresight, goals, objectives, strategy and tactics. In particular, the mission of the private joint-stock commercial bank "Davr Bank": "We provide unconditional financial support to the population and entrepreneurs", vision (vision): The goal of "becoming an internationally operating and international standard commercial bank" is: "to become a stable and cost-effective bank", the objectives, "to be a competitive and risk-resistant bank", strategy: "to operate at the lowest cost", tactics. We offer "competition and cooperation".

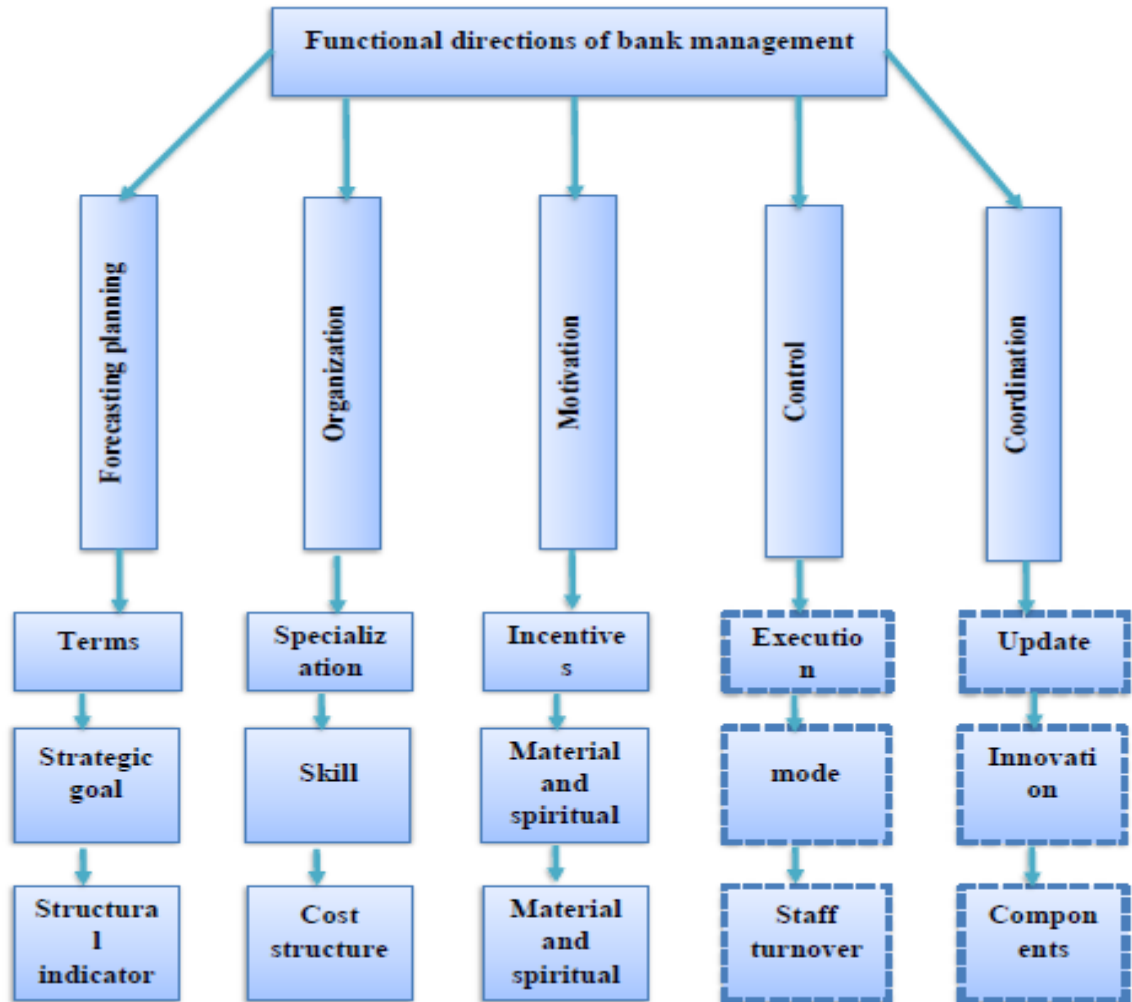


Figure 3. Distribution of bank management by functional areas.

In accordance with the Regulation "On requirements for commercial risk management of commercial banks", approved by the Board of the Central Bank of the Republic of Uzbekistan on May 7, 2011 No 14/2, clearly defined and documented risk management, taking into account the specifics of banking and its environment policy development requirements. However, there are no clear requirements and guidelines for risk management policy priorities, risk

management strategies, as well as tactical measures. In our opinion, the following areas of improvement of operational risk assessment in the banking practice of our country can be proposed: Improving the method of risk measurement through the development of qualitative methods of assessment and analysis. Improving risk assessment by expanding the object of assessment. As one of the main operational risks of credit activity, it is expedient to pay attention to the assessment and analysis of the qualifications of employees and the quality of banking processes.

Conclusion/Recommendations

The following conclusions were drawn from the scientific article:

1. A number of positive results have been achieved as a result of reforms in the development of the banking system in the country, strengthening financial stability, increasing capitalization and liquidity. The ongoing crisis in the global financial markets is associated with strengthening the stability of banking, including the country's recent reforms and liberalization of banking practices. Reducing the level of risk requires ensuring the stability of commercial banks.
2. The application of innovative management technologies in commercial banks operating in the domestic banking market, the introduction of principles such as "seven es", "business wheel", which are among the new effective concepts of management to improve the management system of a commercial bank based on the development of management, mission, future, goal of each bank , tasks, strategies and tactics need to be clearly defined.

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