

LIQUIDITY OF COMMERCIAL BANKS SOME PROBLEMS OF MANAGEMENT AND THEIR SOLUTIONS

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Abstract

In the article, scientific proposals and practical recommendations were developed regarding the causes and solutions of some problems arising with the management of liquidity in commercial banks. In particular, relevant conclusions have been formed regarding the specific aspects of liquidity management in state commercial banks and private commercial banks.

Keywords. Uzbekistan, commercial bank, liquidity, liquid assets, liquidity management.

Introduction

By managing the liquidity of commercial banks, the issue of ensuring the continuity of their obligations, strengthening their financial stability and increasing the level of profit has always been considered urgent. In our opinion, this issue will not lose its relevance after that, because there is an inversely proportional relationship between liquidity and risk assets of commercial banks, and it is very important for banks to ensure the appropriate rate for both.

In this respect, in modern conditions, ensuring, managing and strengthening the liquidity of commercial banks is becoming an urgent issue. In fact, liquidity is one of the important quality indicators of commercial bank activity and shows the reliability and stability of the bank. In fact, the term "Liquidity" (Latin liquidus - liquid, flowable) means that tangible assets can be easily sold and quickly turned into money [1].

The interpretation of bank liquidity as the ability of the bank to meet its obligations to depositors and creditors on time and without losses is often found in economic literature [2]. For example, according to J. Sinki, liquidity is important for commercial banks to be ready to return deposits and meet the demand for credit. At the same time, unexpected cash flow changes threaten bank liquidity [3].

Professor O. Lavrushin states that the liquidity of commercial banks is defined as its financial stability, as well as: "the availability of sufficient capital of the bank, convenient location and the size of the bank's assets and liabilities, taking into account the relevant period[4]. " His ideas were confirmed in the financial and economic crisis. Consequently, a liquidity problem arose in organizations and banks that hoped to refinance without matching the maturity of their obligations with future cash receipts.

In the recommendatory manual of the International Basel Committee on ensuring bank liquidity, liquidity is recognized as "the ability of credit institutions to cover the increase in assets and fulfill obligations when due[5].

By the second half of the 30s of the 20th century, that is, after the Great Depression, the term "bank liquidity" began to be widely used in the theory and practice of banking, thanks to the works of J. Keynes. J. Keynes in his work entitled "General Theory of Employment, Interest and Money," was able to justify the psychological motive to prefer liquidity, i.e. the attempt of economic entities to keep their income in the form of money.

By "money" J. Keynes meant the cash in hand - gold coins and banknotes, as well as any instruments considered legal tender in a certain economic system: current money accounts, treasury bills, etc. According to him, liquidity conditions are more satisfied by cash than anything else. Cash is absolutely liquid and performs the function of means of payment, which is an important function of money.

Analysis and Results

It is known from international banking practice and the banking experience of our country that the main resource base of commercial banks is formed as a result of their deposit operations. The following table provides information on the composition and dynamics of the resources of commercial banks of Uzbekistan.

Table 1 Total of commercial banks in 2019-2023 composition of obligations¹
(as of January 1, its share is a percentage of the total)

Composition of obligations	2019 year	2020 year	2021 year	2022 year	2023 year
Deposits	37.3	41.1	37.3	41.8	44.9
Accounts of the Central Bank	0.4	0.8	0.4	0.2	0.2
Funds of other banks - residents	4.2	4.5	4.2	3.6	3.5
Funds of other banks - non-residents	1.0	0.4	1.0	1.2	6.4
Loans received	49.3	47.5	49.3	46.5	38.7
Securities issued	3.1	1.3	3.1	2.8	2.5
Subordinated debts	1.3	1.8	1.3	1.1	1.2
Accrued interest payable	1.2	1.1	1.2	1.1	1.1
Other obligations	2.2	1.7	2.2	1.8	1.5
Total liabilities	100.0	100.0	100.0	100.0	100.0

Table 1 provides general information about the sources, composition, and share of the total resources of commercial banks in Uzbekistan. We would like to focus on the two sources presented in the table, the first is deposits, and loans received by commercial banks from other credit institutions.

¹Prepared by the author based on the statistical bulletin of the Central Bank of the Republic of Uzbekistan, www.cbu.uz

It is known that deposits are the main resource for commercial banks. However, here it is necessary to pay attention to their duration, because deposits with a high maturity have a positive effect on ensuring the liquidity of commercial banks and reducing risks. It can be seen from the table that the share of deposits in the total resources of commercial banks was very low as of January 1, 2019, at 37.3 percent, and it reached 44.9 percent as of January 1, 2023, or increased by 7.6 points during the analyzed period. Below are the sources, terms, and dynamics of deposit funds at commercial banks in our country.

Table 2 Deposits attracted by commercial banks[7]
(by types and terms, in billions of soums)

Types and periods	2019 year	2020 year	2021 year	2022 year	2023 year
Total deposits	100.0	100.0	100.0	100.0	100.0
Deposits held until demand	51.8	44.6	46.9	44.3	46.9
of which plastic cards	9.6	13.8	14.0	14.7	14.2
Savings deposits	11.0	9.3	9.7	8.8	7.7
up to 30 days	9.0	14.2	4.4	4.0	6.9
From 31-90 days	1.2	1.1	1.8	0.7	0.0
91-180 days	1.4	1.2	3.0	0.9	0.1
181-365 days	12.7	1.7	5.6	8.3	8.9
More than 1 year	75.8	81.8	85.1	86.1	84.2
Time deposits	37.2	46.1	43.4	46.9	45.4
up to 30 days	1.1	0.6	2.6	0.7	0.1
From 31-90 days	5.4	2.6	4.3	1.6	1.4
91-180 days	8.3	7.3	4.5	5.0	2.7
181-365 days	15.9	9.1	11.4	14.3	11.4
More than 1 year	69.4	80.5	77.3	78.4	84.4
Total term funds	48.2	55.4	53.1	55.7	53.1

As can be seen from the data of Table 2, the share of deposits of commercial banks of Uzbekistan by types and terms as of January 1, 2019-2023 is presented.

During the analyzed years, the share of demand deposits in commercial banks' deposits decreased from 51.8% as of January 1, 2019 to 46.9% or 4.9 points as of January 1, 2023. from 37.2 percent to 45.4 percent or 8.2 points. In our opinion, this process is a positive situation and has a positive effect on reducing the level of transformational risk that may arise between risky assets and term assets of commercial banks.

As a result of our research on the composition of liabilities of commercial banks and their terms, below we will detail the problems and their solutions:

the problem with the low share of investments in the assets of commercial banks. The share of investments in commercial banks' assets should be gradually increased and

reach at least 10%. This situation helps solve the liquidity problem by selling highly liquid securities on the stock market when the bank needs additional liquid funds; There is a big difference between the borrowed term funds of the banks and the assets invested in risky assets, this situation has a negative impact on their liquidity management. In our opinion, it is necessary to ensure that the share of deposits attracted for a period of more than three years in the liabilities of commercial banks is not less than 40 percent;

Conclusion

The problem related to the high percentage of recognized and ignored problematic assets in the composition of risky assets of commercial banks in liquidity management. In our opinion, the share of problematic assets in the assets of commercial banks should not exceed 2.0–2.5 percent, so that these assets do not have a negative impact on the volume of assets of commercial banks, otherwise, they directly negatively affect their liquidity, because the funds invested in risky assets with appropriate profits will not fully return to the bank. In this case, the bank will not be able to fulfill its obligations to customers, it will also lose the corresponding profit, and it will be necessary to form additional reserves to compensate for the losses that may be seen on them as a result of the deterioration of the quality of assets;

the problem of providing the population's demand for consumer goods and services at the expense of local production. It is worth noting that it plays an important role in increasing the national competitiveness of the country, ensuring liquidity and effective management of commercial banks. Because the competitiveness of the national economy and the provision of demand in the markets of consumer goods and services at the expense of local producers have a positive effect on the stability and strength of the national currency, This, by itself, positively affects the increase in the share of time deposits in commercial banks, reduces the risk of transformation and prevents the emergence of liquidity problems.

In conclusion, the liquidity of commercial banks remains relevant in all periods and stages of the development of society, The main focus is on the development of appropriate measures for the problems that may arise, and the introduction of an effective management system serves to solve the problems.

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