

ADVANCED FOREIGN EXPERIENCE IN STRENGTHENING THE FINANCIAL SECURITY OF COMMERCIAL BANKS AND ITS PRACTICAL SIGNIFICANCE

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Abstract

The need to conduct scientific theoretical research on strengthening the financial security of commercial banks is based. In the article, the foreign experiences of ensuring the financial security of commercial banks are studied, and the results of relevant scientific-theoretical and practical research on the existing problems in this area and their solutions are expressed.

Keywords: commercial banking, financial security, liquidity, financial stability, risk, credit, capital, deposit, reserve, interest rate.

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INTRODUCTION

Scientific research aimed at improving the practice of assessing the financial security of commercial banks in the world, ensuring the balance between the profitability and liquidity of bank assets, improving the stress-testing practice conducted in order to increase the accuracy of assessing the resilience of commercial banks to financial crises, and increasing the level of stability of their liabilities as a necessary condition for ensuring the financial security of banks. special attention is paid to their work. However, the impact of the innovative products introduced into the activity of commercial banks on their financial security, the assessment and management of the impact of global trends on the stability of bank assets and liabilities, and the fact that they have not been studied in a comprehensive and systematic way , indicate the need to conduct scientific research in these directions.

Literature review

The issue of ensuring the financial security of commercial banks has been researched on a scientific basis in Western economic literature, and relevant scientific conclusions and practical recommendations have been formulated.

V. According to Gaponenko, financial security is a stable and balanced state of the financial and credit sector against external and internal negative influences 1.

¹Gaponenko V.F., Margiev Z.V. Ekonomicheskaya i finansovaya bezopasnost kak vajneyshaya funkcion gosudarstva v sovremennyx usloviyax // Vestnik Moskovskogo universiteta MVD Rossii. – 2013. – No. 12. – S. 165-169.

According to Yu.Platonova's conclusion, the financial security of a commercial bank is achieved through strategic and tactical planning and measures aimed at preventing future threats with a financial content. In this case, the main measures to ensure financial security are to achieve a high level of solvency, liquidity and financial stability, as well as the formation of an effective capital structure ².

It is worth noting that the foreign experiences of strengthening the financial security of commercial banks by the economists of our country have not been fully covered theoretically and practically. In this respect, the solution of scientific, methodological and practical issues within this topic is made necessary by today itself.

Analysis and results

A number of foreign countries have accumulated a lot of experience in strengthening the income base of commercial banks, and the study of this experience is of great practical importance for the banks of Uzbekistan.

analyze the earnings base of Bank of America, one of the largest US multinational banks .

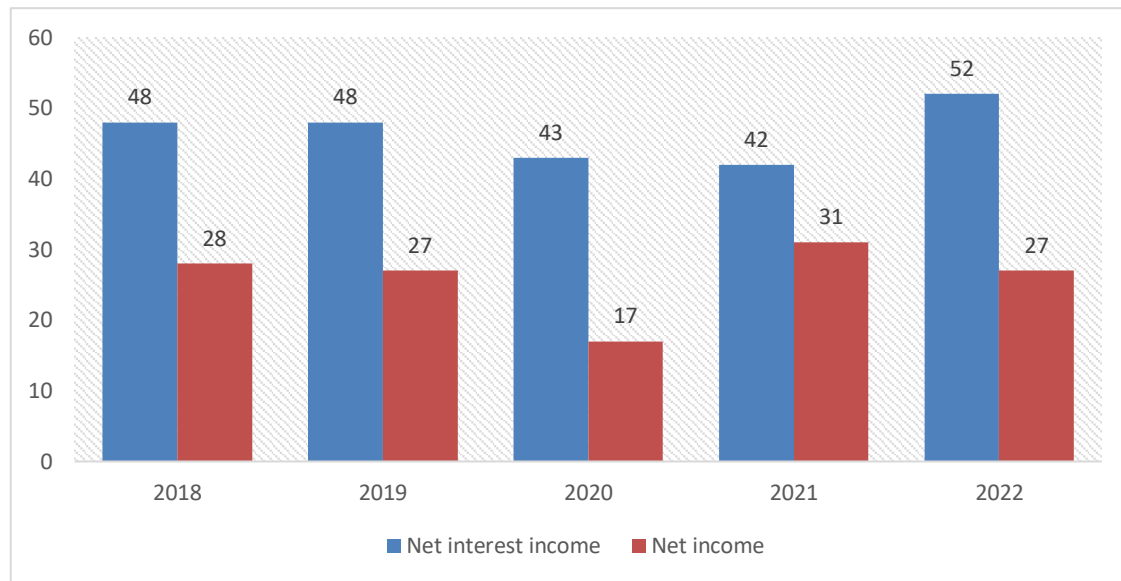
Table 1
Dynamics of interest income and interest expenses of Bank of America (USA).³

Indicators	Years					In 2022 compared to 2018, in percent
	2018	2019	2020	2021	2022	
Interest income, bln. US dollars	66	71	51	47	72	109.1
Interest expenses, bln. US dollars	18	22	8	5	20	111.1

From the data in this table, it can be seen that the amount of interest income of Bank of America has a decreasing trend in 2019-2021. This is a negative situation from the point of view of strengthening the income base of this bank. However, the amount of Bank of America's interest income increased significantly (9.1%) in 2022 compared to 2018, while the amount of interest expenses showed a decreasing trend in 2019-2021. However, the amount of its interest income in 2022 compared to 2018 increased significantly (11.1%). This is a positive situation from the point of view of strengthening the income base of this bank.

²Platonova Yu.Yu. Finansovaya bezopasnost bankovskoy deyatelnosti, kak odin iz vajneyshikh aspektov obespecheniya stabilizati kommercheskix bankov //Ekonomika i biznes. - Moscow, 2019. - #7. - S. 130-133.

³The table was compiled by the author based on the information from the reports (Consolidated Statement of income) published by the Bank of America at the end of the 2018-2022 financial years.



1. Net interest income and net profit of Bank of America (USA) ⁴, bln. US dollars

From the data of Figure 1, it can be seen that the amount of Bank of America's net interest income had a decreasing trend in 2019-2021. This is explained by the tendency of the bank's interest income to decrease during this period and is a negative situation from the point of view of strengthening its income base.

However, Bank of America's net profit increased significantly in 2021 compared to 2020.

Table 2
Dynamics of commission income and commission expenses of Bank of America (USA).⁵

Indicators	Years					In 2022 compared to 2018, in percent
	2018	2019	2020	2021	2022	
Commission income, bln. US dollars	42	42	42	46	42	100.0
Commission expenses, bln. US dollars	53	54	55	59	61	115.1

From the data of Table 2, it can be seen that the amount of commission income of Bank of America was stable in 2018-2022. This is a positive situation from the point of view of strengthening the income base of this bank.

⁴The picture was compiled by the author on the basis of information from Bank of America's 2018-2022 financial year-end reports (Consolidated Statement of income).

⁵The table was compiled by the author based on the information from the reports (Consolidated Statement of income) published by the Bank of America at the end of the 2018-2022 financial years.

The correlation between the rate of change of commission income of Bank of America and the rate of change of commission expenses was not ensured during the analyzed period. For example, in 2019, compared to 2018, while the amount of the bank's commission income remained unchanged, an increase in the amount of commission expenses was observed. Or, in 2022, compared to 2021, the rate of increase in the amount of commission expenses was observed, while the amount of commission income of the bank had a decreasing rate, while it remained unchanged.

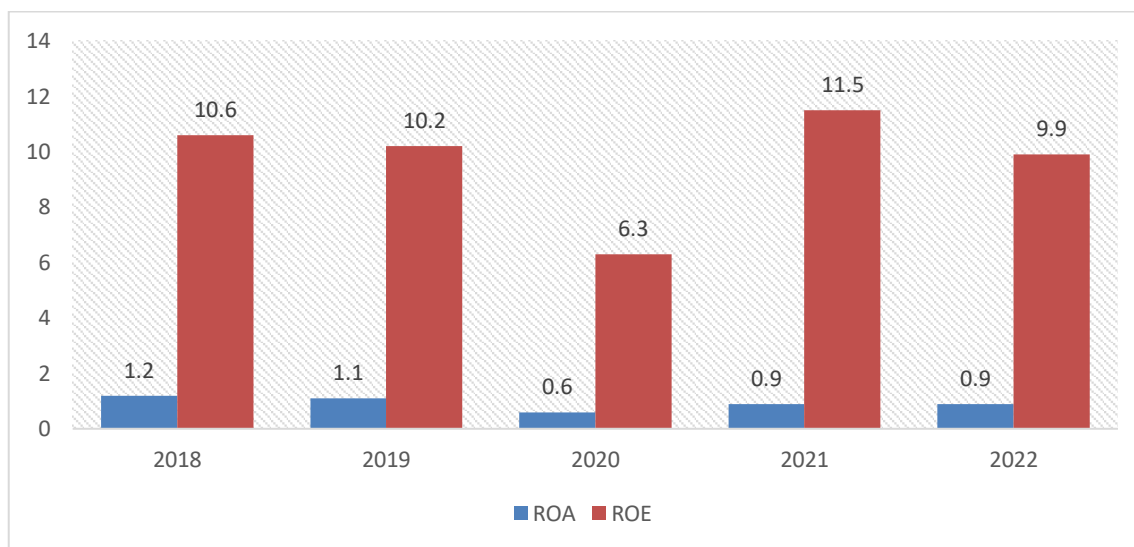


Figure 2. Return on assets and return on regulatory capital in Bank of America (USA) ⁶, in percent

From the data of Figure 2, it can be seen that the return on assets at Bank of America had a downward trend in 2018-2020. Moreover, this indicator decreased in 2022 compared to 2018.

Regulatory capital plays an important practical role in ensuring the financial stability of commercial banks. In particular, the losses incurred in the current activity of the commercial bank will be covered from the regulatory capital. In addition, an increase in the weight of regulatory capital in the total volume of liabilities of a commercial bank is a necessary condition for increasing its solvency. This allows the commercial bank to withstand the competition during financial crises.

One of the important indicators describing the stability of the income base of commercial banks is the net interest margin indicator.

⁶is the reports published by the author of Bank of America at the end of the financial years 2018-2022 (Consolidated Balance Sheet. Consolidated Statement of income) is compiled on the basis of information.

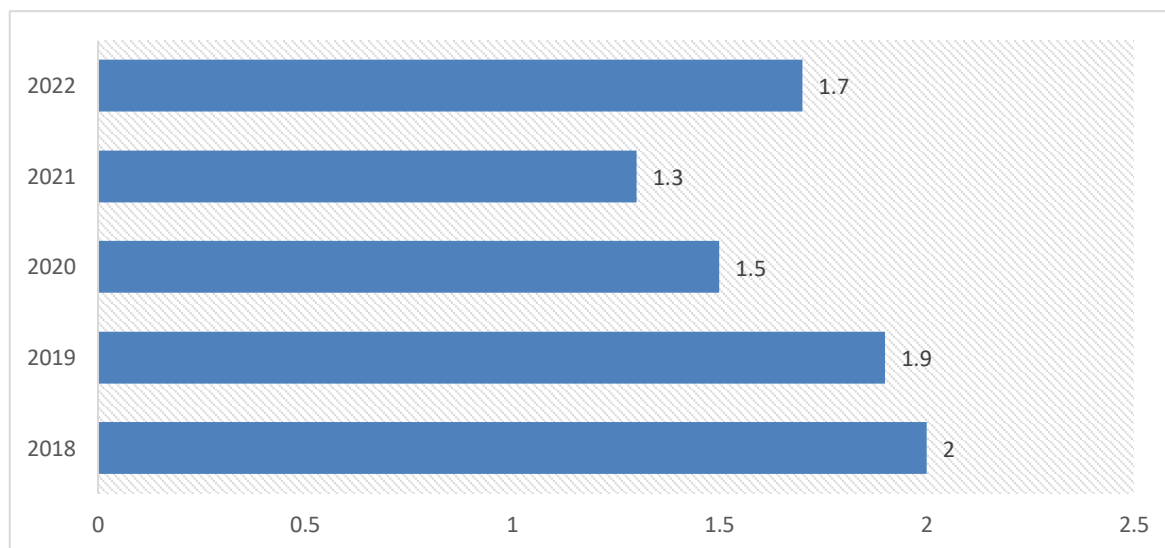


Figure 3. The level of net interest margin in Bank of America (USA) ⁷, in percent

From the data in Figure 3, it can be seen that the level of net interest margin at Bank of America had a downward trend in 2018-2021, but it increased significantly in 2022 compared to 2021.

Now we will analyze the earnings base of ICBC (Industrial and Commercial Bank of China). ICBC (Industrial and Commercial Bank of China) is one of the largest multinational banks not only in China but also in the world.

By the end of 2022, ICBC Bank took first place among the world's banks in terms of assets ⁸.

Table 3

ICBC Bank (China) earnings⁹

Indicators	Years					percentage point in 2022 compared to 2018
	2018	2019	2020	2021	2022	
Share of interest income in gross income, %	85.4	87.9	88.2	88.9	89.6	4.2
Share of non-interest income in gross income, %	14.6	12.1	11.8	11.1	10.4	- 4.2
Gross profit	100.0	100.0	100.0	100.0	100.0	100.0

⁷is the reports published by the author of Bank of America at the end of the financial years 2018-2022 (Consolidated Balance Sheet.Consolidated Statement of income) is compiled on the basis of data.

⁸10 krupneyshikh bankov mira//<https://www.makemoney.ng/ru/biggest-banks-in-the-world>.

⁹was compiled by the author based on the information from the financial reports of the Industrial and Commercial Bank of China published at the end of 2018-2022 (Annual Reports. Consolidated Statement of Profit or Loss . Consolidated Statement of Financial Position. 2018-2022).

From the data of Table 3, it can be seen that in 2018-2022, a relatively high share of ICBC Bank 's gross income was occupied by interest income. This is a positive situation from the point of view of strengthening its income base. Because loans and investments in securities with a fixed rate occupy a high weight in the total volume of assets of ICBC Bank . These assets are interest-earning assets.

We evaluate the composition and dynamics of ICBC bank expenses through the following table .

Table 4

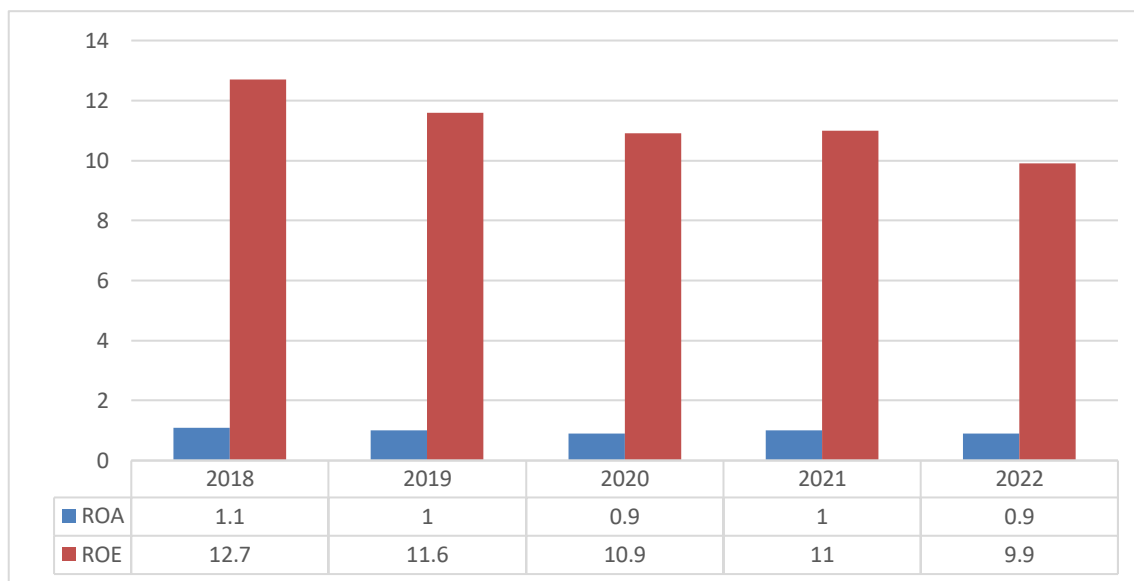
ICBC composition and dynamics of bank (China) expenses¹⁰

Indicators	Years					percentage point in 2022 compared to 2018
	2018	2019	2020	2021	2022	
Share of interest expenses in total expenses, %	95.7	96.6	96.7	96.7	97.5	1.8
Share of non-interest expenses in total expenses, %	4.3	3.4	3.3	3.3	2.5	- 1.8
Costs - total	100.0	100.0	100.0	100.0	100.0	100.0

From the data of Table 4, it can be seen that in 2018-2022, interest expenses took a relatively high share in the total volume of expenses of ICBC Bank . This is a positive situation from the point of view of strengthening its income base. This is because, firstly, interest-earning assets are financed by the resources attracted by interest expenses; secondly, the increase in the amount of resources attracted in exchange for interest expenses indicates the high reputation of this bank in the financial market.

We analyze the profitability of assets and the profitability of regulatory capital as indicators of the strength of the commercial banks' income base on the example of ICBC Bank.

¹⁰was compiled by the author based on the data of the financial statements of the Industrial and Commercial Bank of China published at the end of 2018-2022 (Annual Reports. Consolidated Statement of Profit or Loss . Consolidated Statement of Financial Position. 2018-2022) .



4 . Return on assets and return on regulatory capital in ICBC Bank (China) ¹¹, in percent

From the data of Figure 4, it can be seen that the return on assets in ICBC Bank had a declining trend in 2018-2020, but it increased in 2021 compared to 2020 and was at the level of 2021 in 2022.

In order to ensure the stability of the net interest margin indicator in commercial banks, first, it is necessary not to allow the amount of net interest income to decrease; secondly, it is necessary to ensure a stable growth rate of bank assets.

Conclusions and suggestions

The analysis of advanced foreign experience in ensuring the financial security of commercial banks showed that:

* As the return on assets at Bank of America has a downward trend in 2018-2020, this indicator has decreased in 2022 compared to 2018;

* At Bank of America, the return on regulatory capital had a decreasing trend in 2018-2020, but this indicator increased significantly in 2021 compared to 2020;

* The amount of interest income of Bank of America had a decreasing trend in 2019-2021, but the amount of interest income increased significantly (9.1%) in 2022 compared to 2018;

¹¹was compiled by the author based on the information from the financial reports of the Industrial and Commercial Bank of China published at the end of 2018-2022 (Annual Reports. Consolidated Statement of Profit or Loss . Consolidated Statement of Financial Position. 2018-2022) .

* The amount of interest expenses of Bank of America had a decreasing trend in 2019-2021, however, the amount of interest expenses increased significantly (11.1%) in 2022 compared to 2018;

* Bank of America's net interest income has a decreasing trend in 2019-2021, explained by the fact that the bank's interest income has a decreasing trend in this period;

*The ratio between the rate of change of Bank of America's commission income and the rate of change of commission expenses is not provided in 2018-2022;

* At Bank of America, the level of net interest margin had a downward trend in 2018-2021, but increased significantly in 2022 compared to 2021;

* In 2018-2022, the relatively high percentage of interest income in the gross income of ICBC Bank is a positive situation from the point of view of strengthening its income base;

* In 2018-2022, the tendency of interest income to increase in the volume of ICBC Bank 's gross income is explained by the fact that the weight of non-interest income in the volume of the bank's gross income in this period has a tendency to decrease;

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