

ISSUES OF INCREASING THE OPPORTUNITIES FOR RAISING CAPITAL IN COMMERCIAL BANKS THROUGH THE STOCK MARKETS

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Abstract

Keywords:

Stock market, coronavirus, financial institutions, preferred stock, pandemic, capital markets commercial bank, bonds, interest rate.

This article focuses on the issues of increasing the volume of capital of commercial banks through the stock market. 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

Commercial banks ensure the functioning of the trade turnover of goods and services in the national economy. They make payments on the basis of contracts concluded between the participants of economic activity with the help of payment support of the banking system. It should be noted that the banking system is a source of liquidity of the national economy and they ensure the continuous and uninterrupted operation of business entities. Therefore, without an efficient banking system, the ability of the national economy to operate on a regular basis is limited. The financial stability of each commercial bank is necessary not only for the individual commercial bank, but also for the stability of the entire national banking system and the economy.

The task of completing the transformation process in commercial banks with a state share in the economy of the country and bringing the share of the private sector in bank assets to 60% by the end of 2026 is relevant today.*

As long as there is a demand for products and services of commercial banks in a market economy, they will also operate. As a key direction in the development strategy of commercial banks, they will focus on increasing their participation in the stock market, their modernization. Given the financial and economic crisis caused by the pandemic and its consequences, as well as the ongoing deepening of globalization, it is time to ensure the stability of the banking and financial system, the introduction of new banking products. In the context of the digital economy, it is necessary to take systematic measures to expand the range and scope of banking services provided with the widespread use of information

* Decree of the President of the Republic of Uzbekistan "ON THE DEVELOPMENT STRATEGY OF THE NEW UZBEKISTAN FOR 2022 - 2026", dated January 28, 2022 No. UP-60

and communication technologies in order to further deepen and enhance the stability of the financial and banking system and further strengthen the confidence of the population and enterprises in the banking system. Consequently, the activity of commercial banks in the stock market is considered an important tool in ensuring their economic growth and competitiveness, stability.

LITERATURE REVIEW

This economist connects the bank not only with the loss of solvency, but also with the inability to achieve the bank's business plan performance as a result. P.S.Rose defines "liquidity risk is the probability that a bank will not have sufficient cash or borrowed funds to make payments on its obligations". This scientist links the risk of not being able to cover its primary obligations by raising additional borrowed funds in addition to its own funds [7]. Significant deviations of money from acceptable levels, disruption of the best combination of assets and liabilities, lead to negative consequences: lack of liquidity and liquidity crisis or credit expansion results in a complete breakdown of the financial system [8]. D.I.Malakhov "Among the main threats to the ability of banking institutions to operate is the risk of insolvency - the lack of assets of the bank's balance sheet in comparison with their liabilities at market value - the lack of liquidity lack of cash and short-term assets to meet current needs" [9]. Also, D.Amuthua, a foreign economist, in his article M.Juliet points out that the share of the population engaged in services in the Indian economy is second only to agriculture, and the share of the industry in GDP is growing rapidly. In addition, the availability of skilled, educated and low-cost workers in the country has led to an increase in exports of services, as well as the development of business services, including information technology [5].

RESEARCH METHODOLOGY

The methodological basis of this article is based on empirical research methods, the study of sources of information related to the capital market of commercial banks. During the preparation of the material, special attention was paid to the data of analytical centers and banks. In addition, the article uses general research methods in the context of comparative, logical and statistical analysis, which studies the current state of digitalization of the banking sector and the content of digital tools used in financial institutions, as well as compares the experience of implementing information technology in different banks.

ANALYSIS AND RESULTS

In our country, state and corporate structures finance their activities with a limited range of resources, mainly through their own funds, shares, bank loans, leasing. Financial security through the circulation of corporate bonds is extremely narrow. The fact that they have not yet organized the international circulation of shares, the practice of public placement of shares on international stock exchanges, the relatively narrow scope of the circulation of Eurobonds, show that there are problems in attracting foreign capital. "Our banks need to enter international financial markets and bring cheap and long-term resources. The National Bank and Ipoteka Bank should issue their own Eurobonds this year."

The issues of attracting sovereign debts through the issuance of Eurobonds, the effective organization of financial security in joint stock companies are constantly discussed by the world's leading research centers, internationally recognized universities, international financial and economic organizations, international financial institutions, international auditing organizations, international rating agencies, transnational corporations. the fact that it is the focus of attention also reflects the relevance of the topic of this study.

These results were also covered by foreign media, and JSCB "Uzpromstroybank" issued international bonds on the London Stock Exchange, thus becoming a participant in

the international capital market. The \$ 300 million Eurobonds were highly valued by investors.

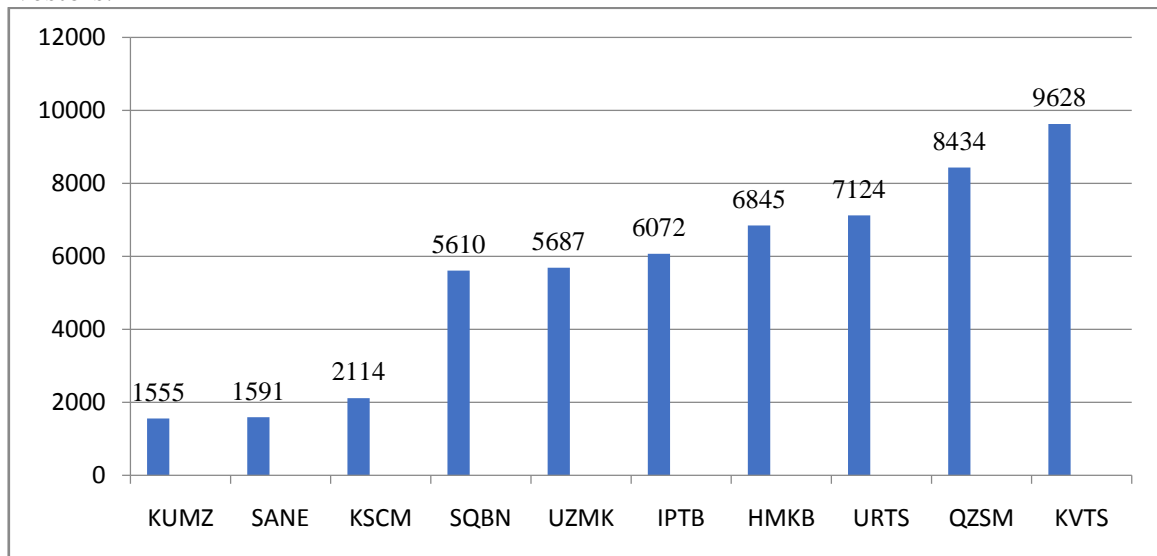


Figure 1. The best securities in terms of number of transactions in 2021

International capital markets play an important role in ensuring sustainable economic growth in our country and attracting private investment, including foreign investment, in projects in the country. In this regard, in February 2019, for the first time in the history of our country, the successful placement of sovereign bonds of the Republic of Uzbekistan worth \$ 1 billion in international capital markets created new opportunities for commercial banks and enterprises in our country.

During the talks, investors were briefed on the ongoing reforms in the country under the leadership of President Shavkat Mirziyoyev, including the banking sector, the Government Strategy for Capitalization and Transfer of Loans to the Fund by the Fund for Reconstruction and Development of Uzbekistan, prospects for privatization of banks in Uzbekistan. Sources of formation of other resource base of the bank, information on the expected assets of Uzpromstroybank after the transformation, credit policy, the dynamics of problem assets were provided.

It should be noted that the process of transformation of the bank (including preparations for privatization) and the participation of the International Finance Corporation in it, as well as the improvement of corporate governance were welcomed by major investors.

In terms of trade, the construction sector amounted to 641.17 billion soums, which is a significant increase over the previous year, ie in 2020 it amounted to 15.99 billion soums and a significant increase. The trade volume of commercial banks this year amounted to 312.61 billion soums, and in 2020 it will reach 326.6 billion soums. sum. Energy 98.92 billion soums, industry - 95.14 bln. The sector's securities have also grown significantly. The lowest figure was recorded in the transport sector, which amounted to 28.06 million soums. In 2021, we can see that the construction sector accounted for more than 50% of total sales. Over the years, the industry has accounted for 2-4% of total sales (Fig.1).

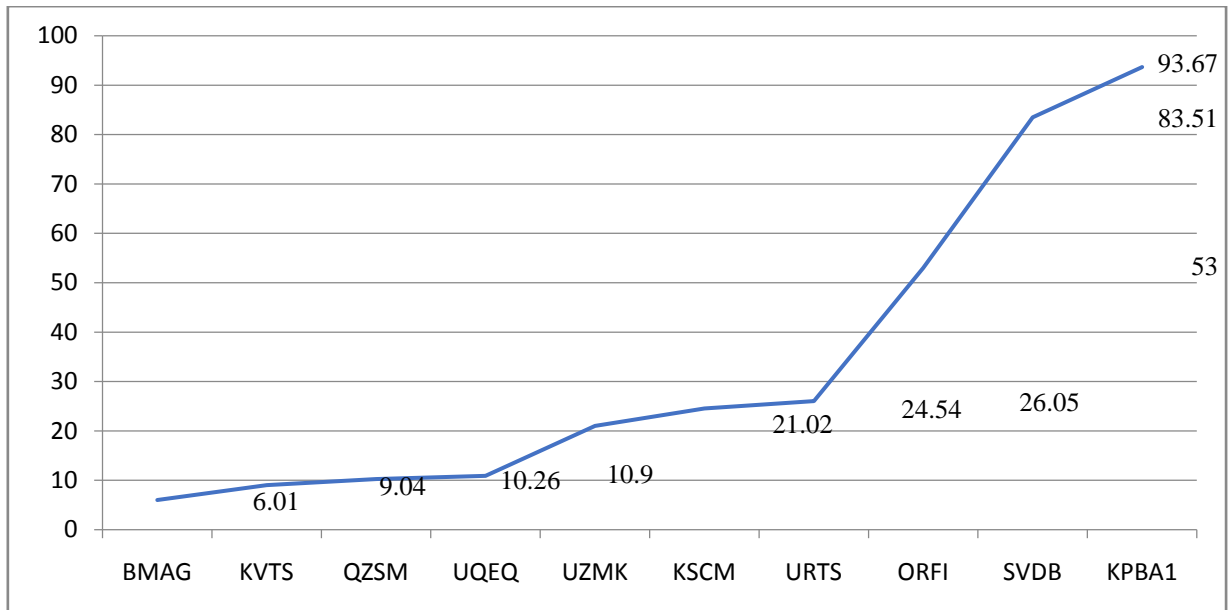


Figure 2. The highest trading volume of securities in 2021 (in billion soums)

RSE "Tashkent" in 2021 made 9,628 transactions in shares of JSC "Kvarts", in 2020 - 5,454. JSC "Kyzylkumcement" made 8,434 transactions. In 2020, this figure was 3,919 units. The Commodity Exchange of the Republic of Uzbekistan made 7,124 transactions. The top 10 commercial banks include Hamkorbank JSCB (6,845 transactions), Ipotekabank JSCB (6,072 transactions), Uzpromstroybank JSCB (5,610 transactions). The number of securities transactions of the above-mentioned commercial banks increased compared to previous years we are witnessing that.

If we look at the chart above, we can see that commercial banks have the highest sales volume. If the trade volume of Kapitalbank JSCB amounted to 93.67 billion soums, and the trade volume of Savdogarbank JSC amounted to 83.5 billion soums, then the Commodity Exchange of the Republic of Uzbekistan (26.05 billion soums), Quvasoysement JSC (24.54 billion soums), Uzmetkombinat JSC (21.02 billion soums), UzQEQ JSC (10.9 billion soums), Kyzylkumsement JSC (10.26 billion soums), Kvarts JSC (9.04 billion soums). The bulk of the deals in 2021 were made in November, amounting to 9,342 units, with sales of \$ 145.18 billion. sum. In May, 8,652 deals were made, with sales of \$ 612.4 billion soum.

Commercial banks in the Republic of Uzbekistan are the only unique institutions that currently use virtually all instruments of the national stock market: shares, government short-term bonds, government medium-term treasury obligations, certificates of deposit, certificates of deposit savings. , having mastered dealing with promissory notes, they are now emerging in the capital market as both an issuer and an investor and investment institution at the same time.

The stock market, as an integral part of a modern market economy, helps to balance the interests of investors who want to profitably place free financial resources and issuers who need investment and have attractive investment projects. The banking system and the stock market are among the leading sectors of the national economy, and the laws, decrees, decisions and measures taken by the state are aimed at the development of these sectors. Commercial banks are increasingly introducing non-traditional financial entrepreneurship, including securities operations, leasing and factoring, and other types of credit and financial services, expanding the range of services provided. constantly expanding, improving quality, competing to attract new prospective customers.

From the table below, it can be said that the performance of commercial banks in the stock market is much better. Demand for shares of commercial banks has grown

significantly compared to previous years. This can also be seen from the share prices of commercial banks. If we look at the table, we can see that the highest price belongs to Trustbank. Kapitalbank JSCB shares are next in line. The nominal value of the bank's shares is 950 soums, while the market price is 4,028 soums. Shares of Turonbank JSCB have a nominal value of 1,700 soums and a market price of 2,760 soums. Then we can see the share prices of Alokabank, Ipoteka Bank and other commercial banks (table1).

Table 1
Shares of shares of commercial banks in RSE "Tashkent" (April 1, 2022)

T/r	Issuer name	Nominal value (soum)	Market Price (soum)
1	“Kapitalbank” JSCB	950	4 028
2	“Hamkorbank” JSCB	5.0	29.01
3	“Aloqabank” JSCB	121	155
4	“Ipoteka bank” JSCB	1.0	2.0
5	“Trastbank” PJSCB	1 000	11 000
6	JSCB "Uzpromstroybank"	19.0	35.99
7	Mikrokreditbank JSCB	1 068	500
8	JSCB "Qishloq Qurilish Bank"	119.25	210
9	Turonbank JSCB	1 700	2 760
10	Agrobank JSCB	1 168	2 000

In order to further improve the mechanisms of operation and regulation of commercial banks in the capital market of Uzbekistan, the following analytical results were obtained:

- It is expedient to increase the level of improvement of the regulatory system in the stock market by state and self-regulatory institutions of commercial banks;
- Banks are slow to conduct passive and active operations in the stock market, it is necessary to intensify this;
- investment, issuance and dividend policies of banks in the stock market are not in demand;
- banks are inactive as professional participants in the securities market;
- issues of corporate governance and management in banks are passively resolved;
- The balance of banks' credit and securities market policies is low

As a result of the above measures, it is necessary to focus on the following areas in order to intensify the activities of commercial banks in Uzbekistan in the stock market.

- Improving the legal and regulatory framework for commercial banks in the stock market;
- improvement of corporate governance and management in commercial banks.

In order to expand the activities of commercial banks in the stock market, the Central Bank and the Capital Market Development Agency have developed regulations on the requirements for banks to operate in the capital market as investment intermediaries, investment asset managers and investment consultants. According to the document, banks, as professional participants in the capital market, can now engage in these activities without a special license. The introduction of this procedure, of course, will pave the way for increasing the investment activity of banks and further liberalization of their activities in the capital market.

At the stage of creating a modern legal framework for the national capital market, it requires a systematic approach to the development and updating of legislation, as well as work to regulate and systematize the content of the law. Over the past 10 years, Uzbekistan has developed and implemented a number of laws and presidential decrees aimed at developing this important area of financial activity.

The implementation of these documents has laid the foundation for the creation of a legal framework for a number of measures. Including:

- regulation of depository, clearing activities, electronic system of over-the-counter trading of banks' securities transactions;
- Improving the activities of commercial banks;
- increase the requirements for professional participants through licensing;
- electronic testing of specialists;
- bank capital management;
- Registration and application of economic sanctions

In practice, the investment of commercial banks is the transfer of bank assets to securities with a maturity of more than one year to generate additional income. If a commercial bank buys different amounts of securities issued by issuers, it is possible to talk about the investment portfolio of this bank in the diversification of these investments. The essence of managing the investment portfolio of commercial banks is essentially the same as managing the investment portfolio of other investors. Other investors include investment institutions, large entities and holding companies. Investment portfolio management includes:

- portfolio planning;
- analysis and regulation of the portfolio structure;
- liquidity required for the formation and maintenance of the portfolio
- adherence to the level; reducing the cost of portfolio management activities, etc.

In developing their future investment policy and determining the size and composition of the investment portfolio, commercial banks first of all pay attention to the following characteristics of securities:

- usefulness;
- liquidity (efficiency);
- source of capital increase;
- level of reliability;
- risk

When investing their funds in securities, commercial banks are obliged to obtain additional income in the form of interest, increase capital due to the retention of capital and the increase in the exchange rate of securities based on it, as well as securities. aims to reduce risks.

Legislation on the activities of banks in each country has a significant impact on the development and implementation of the investment policy strategy of commercial banks. This is different in different countries, with legislation in force in the UK and Italy prohibiting banks from forming various types of hidden reserves by increasing the exchange rate of the securities they hold in their investment portfolios. In these countries, banks are required to show the assets in their investment portfolios in their balance sheets based on a revaluation of their value. In other countries, such as the United States and Japan, an increase in the exchange rate due to the purchase of banks in the asset balance of their investment portfolio or their nominal value leads to the formation of large amounts of hidden reserves in banks. This will encourage banks to invest in these countries.

According to the current legislation of the Republic of Uzbekistan on banking activities, the investment portfolio of commercial banks may include current government short-term bonds, government medium-term treasury bonds and other corporate securities.

CONCLUSION

After commercial banks buy shares in joint stock companies, they may be forced to maintain the financial stability of the company. Because there is a risk of losing the bank's investment in securities. To prevent this, there are certain restrictions on the activities of commercial banks to invest in securities:

1. The amount of investments made by a commercial bank in the authorized capital of one enterprise and other securities of this enterprise shall not exceed 15% of the regulatory capital of the first-tier commercial bank.

2. The amount of investments made by a commercial bank in the authorized capital and other securities of all issuers shall not exceed 50% of the regulatory capital of a first-tier commercial bank.

3. The amount of investments made by a commercial bank for the sale of non-government securities should not exceed 25% of the regulatory capital of the first-tier commercial bank.

It is necessary to increase the level of capitalization and ensure financial stability through the issuance of subordinate securities of commercial banks. It is known from international practice that it is not possible to buy shares of influential banks in the financial market, in which case they will increase the amount of capital through the issuance of subordinate securities, and in the future will continue to form new shareholders.

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