

ISSUES OF INCREASING THE CREDIT POTENTIAL OF BANKS UNDER THE COMPETITIVE CONDITIONS

Rakhmatov Xasan Utkirovich*

Annotation. The growing role of banks in crediting sectors of the economy in competitive conditions, requires a qualitative strengthening of credit potential.

In this regard, this article discusses the problems of strengthening the crediting capacity of banks to ensure their asset's efficiency, factors affecting creditworthiness and credit enhancement capacities.

Key words. Bank crediting potential, active operations, deposit funds, credit resources, bank liquidity, internal (microeconomic) and external (macroeconomic) that affect credit potential and effective banking infrastructure.

* **Deputy Chairman of the Board of "ALOQABANK" JSC**

1. Introduction

Promotion of the fast – financing function of the banking sector in the economy, in particular, the expansion of the bank’s involvement in the complex and balanced development of the regions, requires regular monitoring of the banks crediting potential.

The potential of crediting in commercial banks is an indication of the accumulation of net resources, which can be channeled to crediting to various sectors of the economy, from liquidity and other mandatory requirements. Financial sources of crediting potential in banks are private asset, deposit funds, (deposits of population, funds attracted from legal entities, balance of customer accounts).

Realistic assessment of the crediting potential of commercial banks plays a crucial role in increasing the volume of credit operations that are considered to be the main source of income.

High credit potential is also a key indicator that ensures stability of bank liquidity. Moreover, the high level of credit potential of banks indicates their competitiveness against other participants of the financial market.

In the economy of Uzbekistan there is a growing demand for banking crediting services among the population, in particular, the share of credit investments in purchasing goods and services for their own needs is growing. This situation can be observed in the information given under the Table 1:

Table 1

Credit dynamics of commercial banks of Uzbekistan between 2008 – 2017,

in trillion sums¹

<i>No</i>	<i>Years</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
1.	Total bank assets	12,1	15,7	20,7	27,5	35,7	43,8	56,2	65,2	80,4	166,6
2.	Total credit facilities	6,4	8,6	11,5	15,7	20,4	26,5	34,8	42,7	53,4	110,6

¹The Table is based on the bulletin of the “Axbor – rating” rating agency for 2008 – 2017.

3.	<i>Share of credit facilities in total assets of banks, in percent</i>	52,8	54,8	55,6	57,1	57,1	60,5	61,9	65,5	66,4	66,4
4.	Private assets	2,1	3,0	4,1	5,2	5,5	6,2	6,9	7,8	9,4	23,7
5.	Deposit funds	8,6	11,1	14,6	17,4	22,8	21,8	28,5	35,6	44,6	58,7
6.	<i>Sufficiency of deposit funds in relation to credit resources</i>	2,2	2,5	3,1	1,7	2,4	-4,7	-6,3	-7,1	-8,8	-51,9

Provided table data shows that in 2009 – 2017, the tendency of crediting to clients in Uzbek banks has ensured sustained growth. Particularly, the volume of crediting as of January 1, 2018 compared to the same period of last year total bank assets, which are proportional to growth, has increased by 57.2 trillion sums or 2.1 times.

It is noteworthy that in 2017, there was also a significant increasing tendency for not only the crediting volume of Uzbekistan's banks, but also other key indicators such as private assets and deposit funds. This situation, in turn, indicates that the business environment in the country's economy has improved. In particular, Uzbekistan has ranked 74th place in the World Bank and International Finance Corporation's Doing Business ranking (*regarding the results, ranked 87th place in Doing Business – 2017*), among the 190 countries of the world, and has further strengthened its leadership position among the European and Central Asian countries in improving business environment, as well as entered to the top reformer countries in creating the most favorable business environment.²

Considering abovementioned data, improvement of the crediting capacity of commercial banks of the Republic is one of the acute issues of nowadays.

2. Critical analysis of subject literature

If we dwell on the analysis of the subject literature. Despite the fact that the issue of the scientific literature, theoretical aspects, foreign experience and the current order of the subject have been widely covered in the scientific literature such as, Bank's business (Tagirbekova, 2003),

²Information of the official website of the Central Bank of Uzbekistan www.cbu.uz.

Development of the banking system under market conditions (Rykova and etc., 2005), Credit potential of Commercial Banks, its role and valuation methodology in banking (Rykova and etc., 2005), Bank's business (Lavrushina, 2000), Money, credit, bank (Zhkova, 2002), Bank's business (Abdullaeva, 2017), Bank's business (Azizov and etc., 2016), but there is no practical solution to the current issue. Important aspects of the subject matter are:

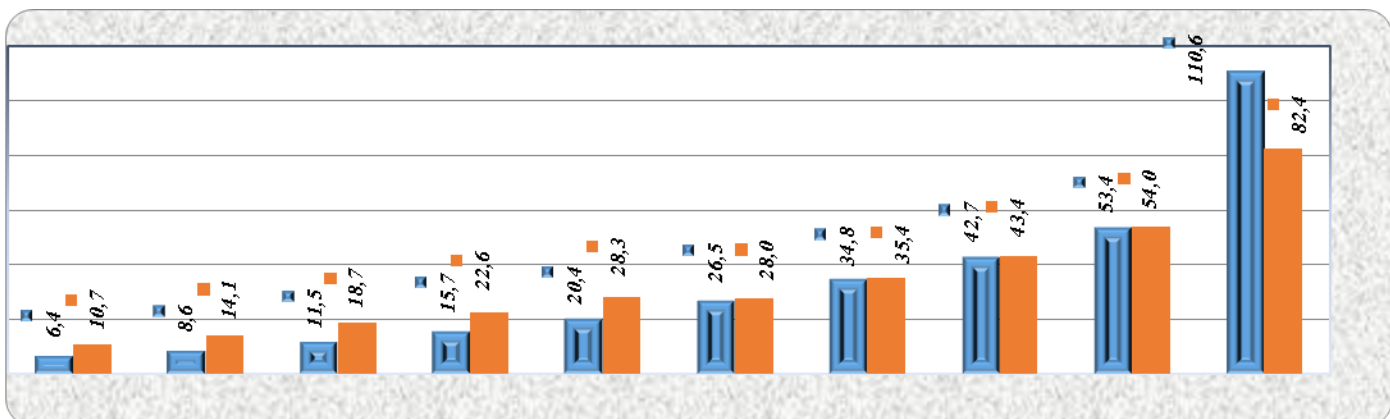
- formation of effective bank infrastructure;
- introduction of attractive and effective methods of attracting free funds of legal entities and individuals in the practice of banks;
- effective allocation of attracted resources;
- elimination of problem factors of troubled debts;
-

3. Research methodology

The research was aimed at improving the crediting potential of the banks in Competitive conditions and identification of specific tasks. In the course of the research, practical comparisons of the material, statistics and tables were performed and the conclusions and recommendations were presented on the basis of the results.

4. Analysis and results

The main part of deposit resources expenditure in banks is accounted for by credit operations, thus, while placing funds, monitoring the credit risk is considered to be crucial. At the same time, it is necessary to ensure that banks increase the volume of credit transactions in line with their credit growth potential. (Figure 1).



- **Total credit facility**
- **Crediting potential**

Figure 1. Dynamics of linkages between commercial banks of Uzbekistan in 2008 – 2017, total credit resources and volume of crediting potential, in trillion sums³

Figure 1 shows that, despite the fact that the crediting operations, which are the source of deposit funds, have shown a tendency to grow over 2009 – 2017, starting from 2013, there is a shortage of deposit funds in relation to credit facilities. This is explained by the sharp increase in the volume of private asset, excluding deposit funds, as a source of crediting operations. Commercial bank's private asset capital will reach 17.5 trillion in 2017 compared to 2013 or by 2.8 times.

The analysis shows that the high influence of internal (microeconomic) external (macroeconomic) factors on crediting potential of commercial banks leads to considerable changes in the activity of the bank. Especially, changes in the process of parallel development of the banking system with the sectors of the economy have a significant impact on the credit potential of the bank.

Internal (microeconomic) factors determine priority aspects of credit potential development. This includes the level of bank management organization, interest rate and tariff policy requirements, the number of corporate clients, the sustainability of resources, the quality of the loan portfolio and so on.

External (macroeconomic) factors illustrate the limited aspects of managing the banking business. External factors include changes in economic and legal conditions, changes in the activities of bank clients and constitutional changes in the financial market.

Optimizing the impact of factors on credit resources in banks requires the improvement of risk management mechanisms associated with the shortage of credit resources. As one of the priorities of strengthening the credit potential of commercial banks, we may offer the following:

Formation of the bank's effective infrastructure. The bank's infrastructure plays an important role in collecting the sources of credit that is needed to provide optimal income. For

³The Figure is based on the bulletin of the "Axbor – rating" rating agency for 2008 – 2017.

this purpose, it is necessary to develop the bank's infrastructure in accordance with the following requirements:

- placement of bank branches in active regions of economic resources;
- to speed up the decision – making process by solving or improving infrastructure issues.

Introduction of attractive and effective methods of attracting free funds of legal entities and individuals in the practice of banks. Nowadays, competition among banks for the offer of innovative banking services to corporate clients is intensifying. This, in turn, contributes to the formation of sustainable resources in banks. In order to form a reserve of resources necessary for active operations in banks, the following measures are required:

- optimize diversification of sources of deposit resources, introduce a strategy of attracting cheap and attractive funds from the financial market at the most possible level;
- formation of flexible tariff policy which is systematically oriented to customer;
- implementation of the banking services delivery mechanism to customers conveniently based on innovative business processes and new technologies;
- a brief review of the deposit and interest rate policy based on the situation analysis in the resource market.

Effective placement of attracted resources. There is a policy of efficient allocation of resources attracted to banks in active operations, which is an important factor ensuring profitability of credit resources. As an important criterion for effective deployment of attracted resources, it is desirable to base on:

- placement of deposit funds in fast – changing, highly liquid assets;
- maintaining an optimal interest rate policy that ensures the bank's profitability.

Elimination of factors of occurrence of debt burden. Increase in the share of problem assets in the portfolio of Bank assets leads to a decrease in the rate of credit investments. The activities in this sphere should include the following:

- development and improvement of a separate work strategy for each loan customer;
- widespread use of methods of identification and monitoring of problem factors of origin of assets on the basis of systematic indicators.

5. Conclusion

In conclusion, the strengthening of crediting potential in banks serves to sustainable development of the country by satisfying the needs of business and population in credit resources, activating real sector of the economy.

Internal (microeconomic) and external (macroeconomic) factors have a significant impact on the crediting potential of the banks of the Republic. Optimizing the impact of factors on the credit resources in banks creates the need for the development of risk control mechanisms that are associated with the emergence of a shortage of credit resources.

In conclusion, the strengthening of crediting potential in banks serves to sustainable development of the country by satisfying the needs of business and population in credit resources, activating real sector of the economy.

List of used literature

1. AbdullaevaSh.Z. (2017) Bank business. Textbook. – T.: “Economics – Finance”. – p. 732.
2. Azizov U.U. and etc. (2016) Bank business. – T.: “Science and Technology”.
3. Bulletins of “Axbor – rating” rating agency for 2008 – 2017.
4. Zhukova E.F. (2002) Money. Credit. Bank. Textbook for high schools. – M.: UNITY, p. 296.
5. Lavrushina O.I. (2000) Banking business: Textbook for high schools 2nd edition. Recycle and add. – M.: Finances and Statistics, p. 92.
6. Rykova I.N. Fisenko N.V. (2005) The credit potential of a commercial bank, its role in the activities of the bank and valuation methodology. – M.: // Finances and credit, No. 25, p. 14.
7. Rykova I.N., Shapovalov V.A. (2005) Development of banking system in the conditions of market transformations. – Stavropol: SSU’s edition. 2002. – p. 97.
8. Tagirbekova K.R. (2003) Fundamentals of banking activity (Bank business). – M.: INFRA – M, Publishing house “The whole world”, p.195.
9. Uzbekistan has become one of the top ten reforming countries in the creation of favourable conditions for business. The official website of the Ministry of Economy of the Republic of Uzbekistan <https://mineconomy.uz>.