FOREIGN EXPERIENCE ON INCREASING THE STABILITY OF THE BANKING SYSTEM

Kamalova Jamila Mukhsinovna
Researcher of Tashkent State University of Economics

Abstract
Analysis of the stability of the banking system in developed and developing countries and the possibilities of using advanced foreign experience in the practice of Uzbekistan were studied.

Keywords: banking system, advanced foreign experience, stability, Swiss National Bank, Basel Committee.

Introduction
One of the most stable banking systems in the world is the Swiss banking system. The Swiss National Bank (SNB) contributes to the stability of the financial system. It performs this task by analyzing the sources of risk to the financial system and identifying areas where action is needed. The SMB is also involved internationally, particularly in relation to the Basel Committee's efforts to create and implement a regulatory framework for the financial center. In addition, the National Bank designates banks of systemic importance and performs tasks in the macroprudential field. It also oversees systemically important financial market infrastructures that may pose risks to financial stability. In times of crisis, the SMB fulfills its mandate as a lender of last resort when necessary. However, ShMB is not responsible for bank supervision. This authority rests with the Swiss Financial Market Supervisory Authority.
The financial stability of commercial banks and the methodological basis of its maintenance were scientifically researched by foreign and local economists and reasonable scientific conclusions were formed.

2. Literature Review
According to the conclusion of F. Mishkin, professor of the Columbia University of the USA, "in order to ensure the stability of commercial banks, the main attention should be paid to financial innovations. A significant fluctuation of interest rates is an important economic factor that directly and strongly influences the change in demand for new financial products. In our opinion, an important source of financial stability today is a wide network and quality of innovative banking services and products.
Prof. O. Lavrushin proposed the following ways to ensure the stability of the banking system:
- "development of complex approaches to regulation and control of systemic risks in the banking system;
- development of qualitative and quantitative indicators of financial stability;
- use of scenario modeling of systemic risks;

- development of stress-testing practice of commercial banks".

In our opinion, this conclusion of O. Lavrushin was able to comprehensively cover the stability and management of banks, but as an addition, effective use of comparative analysis methods in determining and comparing the financial situation of banks, comparing them by groups, would have filled it even more.

A well-known American economist, Edwin Dj. Dolan believes that "in ensuring the financial stability of commercial banks, the main focus should be on ensuring a reasonable level of the ratio between high-liquidity assets and high-income assets."

E. Dolan analyzed the stability of banks mainly from the point of view of liquidity and profitability of assets. In fact, bank liquidity and profitability are mutually inversely proportional characteristics, the more liquid the assets, the lower its profitability. But the scientist did not take into account the level of riskiness of assets. It would be appropriate to use the dilemma of "liquidity-riskiness-profitability" to increase the financial stability of banks.

According to the recommendation of the experts of the International Bank for Reconstruction and Development, "the weight of interest income should be at least 70 percent of the total gross income of commercial banks."

According to F. Mishkin, "financial stability is the ability of the financial system, in particular, the financial markets and the system of financial institutions, to perform its main functions in an unstable economic environment." In this view, the need to pay attention not only to the financial sector, but also to the policy related to the regulation and promotion of the banking system by the state was not taken into account.

According to economists L. Laven and G. Mainoni, "banks that create sufficient reserves to strengthen financial stability in the period of economic growth can minimize the negative consequences of economic recession and keep credit supply at a high level." K. Surovneva in her scientific studies, "the financial condition of the bank affects its activities in all other areas, as well as its financial stability. The bank's financial stability is inextricably linked with its liquidity. Stability of commercial banks Reforms in the banking sector in the country and decisions related to the management of the banking system may affect the financial stability of commercial banks.

3. Analysis and discussion of results.

The Swiss banking system may see its stability level decline over the past five years. In particular, the profitability of bank assets decreased by 0.3 percentage points to 0.1 percent, and the profitability of capital decreased by 4.6 percentage points to 1.3 percent. In turn, bank expenses have increased.

Table 1 Indicators of financial stability of the Swiss banking system

| Banking system stability indicators	2017	2018	2019	2020	2021
Total assets of the 5 largest banks, %	84,3	84,4	84,3	84,0	84,2
Ratio of bank capital to total assets (%)	8,0	8,3	8,6	8,1	8,2
Bank concentration (%)	67,1	66,8	66,7	65,7	65,6
Ratio of bank expenses to income (%)	82,1	81,0	118,2	75,8	94,5
Bank Net Interest Margin (%)	0,9	0,7	0,8	0,8	0,8
Share of non-interest income of the bank in total income (%)	66,3	69,8	68,6	71,3	71,0
Share of problem loans in total loans (%)	0,6	0,7	0,6	0,7	..

The ratio of the bank's total expenses to total assets (%)	1,9	1,7	2,4	1,7	2,0
The ratio of bank regulatory capital to risk-weighted assets (%)	18,6	18,6	19,3	19,7	..
Return on Bank Assets (%)	0,4	0,4	-0,2	0,4	0,1
Bank return on capital (%)	4,6	4,1	-2,4	5,9	1,3

The purpose of "financial stability" is to increase the resistance of the general and structural components of the financial system to various financial shocks. This is done by managing the systemic risks that can affect the financial system. This is a common global norm in the supervision of the financial system.

The true value of financial stability is known during periods of its absence or weakness. During these periods, banks restrict financing for profitable projects, asset prices diverge sharply from their original cost, and payments do not arrive or are sent on time. Extreme instability can lead to crises, hyperinflation and stock market crashes. This in turn has a negative impact on confidence in the economic and financial systems

In Europe, the French bank BNP Paribas is leading the SRISK indicator. In the bank, the SRISK indicator recorded a sharp increase mainly from the second quarter of 2020. And in 2023, we can see a slight decrease. The main reason for this is the increase in the share of other large banks and the tightening of regulatory requirements for bank capital. The SRISK indicator of this bank is 9.59 percent or 107435 million US dollars. Also, the marginal risk level is 29,327.46 and the Long-Run Marginal Expected Shortfall (LRMES) coefficient is 39.38.
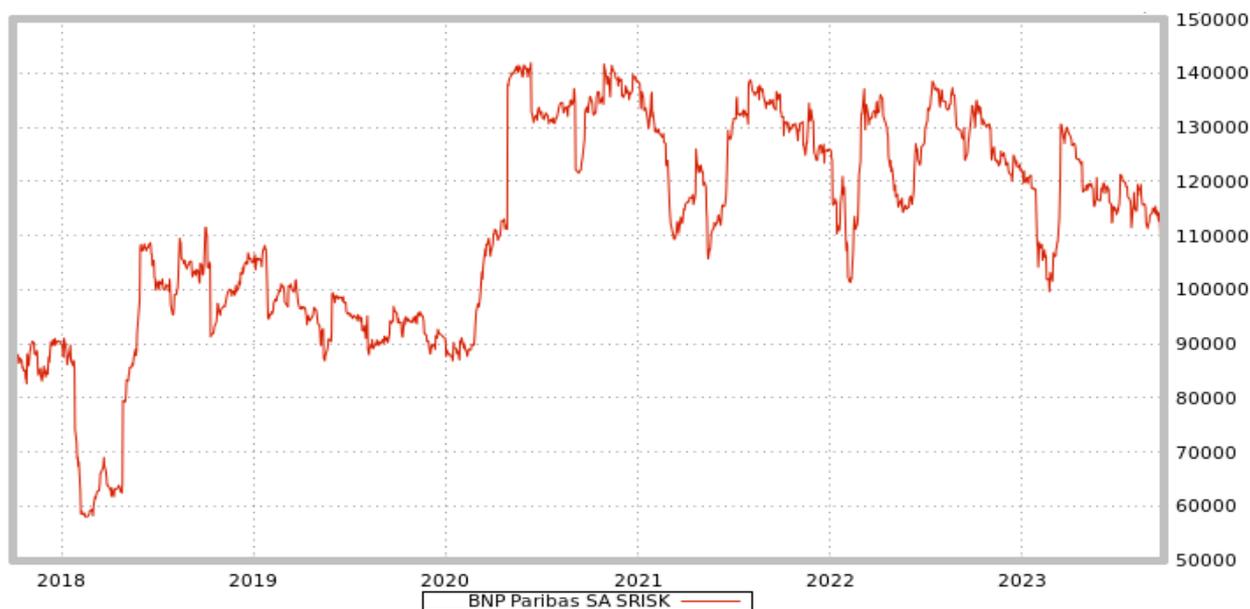
Figure 3. Changes in the SRISK indicator at BNP Paribas in 2018-2023

We can see that the risk of capital shortage in the bank has increased dramatically since 2020. The bank is considered a multinational bank and operates in more than 50 countries. Any negative changes in the bank can systematically affect the stability of the banking system of other countries. In international practice, most indicators of financial stability are recommended to be taken from the financial statements of the industry. Many indicators of financial stability are determined by

the ratio of two main indicators. The calculation should use data with the same periodicity for the rate and the denominator, which should be the recognized flows during the period, the end of the period or the average period positions, depending on the ratio being calculated. Countries may differ in the selection of indicators or in the normative setting.

The International Monetary Fund recommends the creation of 17 main and 12 additional financial indicators for commercial banks, which are a minimum set covering the most important indicators of financial stability. However, for a more comprehensive assessment of the stability of the financial sector, they should be supplemented with additional financial stability indicators.

The methodological foundations of the stability of the banking system are the regulatory documents developed by the Basel Committee and the requirements of the CAMELS rating system, as well as the national legislation of the country.

One of the important methodological bases of the financial stability of commercial banks is the requirements and established norms of the CAMELS rating system, as well as the principles of its maintenance.

In order to determine the financial stability of commercial banks in our country, the Center for Economic Research and Reforms developed the Bank Activity Index, which determines the activity and financial stability of banks.

This index consists of two sub-indexes:

Financial intermediation and popularity sub-index;

Financial stability sub-index.

The index is calculated separately for large and small banks.

In order to ensure the stability of banks, since bank capital is calculated from the main sources, it is necessary to always pay attention to its adequacy and quality. The total amount of required capital is determined by the bank based on the overall assessment of requirements in terms of capital risks. Required capital is determined by multiplying the volume of the bank's major risks that must be covered by capital by the target capital adequacy ratio. At the same time, the target capital adequacy indicator should be set at a level not lower than the standard capital adequacy ratio determined in accordance with the bank's risk appetite.

Consistent maintenance and management of liquidity indicators in banks serves to ensure bank stability and increase the level of reliability. Liquidity management in banks is a complex and responsible process. Because the bank, along with ensuring the standard liquidity, must also ensure the inevitable level of profitability. Bank liquidity and profitability are inversely related to each other, that is, highly liquid assets have a low profitability. Banks have to maintain liquidity indicators in order to get the specified income. It is more effective to manage liquidity indicators of the bank separately.

The net profit of commercial banks in Uzbekistan is one of the main indicators of their stability. Therefore, it is appropriate to study and analyze the factors affecting this indicator. Many factors affect this indicator. These are the assets of commercial banks, loans, deposits, interest rates on loans in national currency, interest rates on loans in foreign currency, the main rate of the central bank and many other factors. Since many of these factors duplicate each other's properties, we will not use some of them. If we use factors that repeat each other's properties, it can lead to errors in determining the regression equation. We select the factors that affect the net profit of commercial banks, which have high multicollinearity with net profit and which are not multicollinear with each other. These factors were selected as assets of commercial banks, interest rates on loans in national

currency and interest rates on loans in foreign currency. Analyzing the statistics of these indicators for the last 40 months, we determine the regression equation.

4. Conclusions and Suggestions

In short, the opinions of scientists on the stability of the banking system and its maintenance are different, the characteristics of the banking system are highlighted, and the recommended indicators of the stability of the banking system have been developed by international financial institutions.

Banks should perform the following tasks in order to ensure stability:

compliance with regulatory ratios established by the banking system regulator;

liquidity risk management process

References

1. Афанасьева О.Н. Состояние рынка проектного финансирования и факторы, сдерживающие его развития//Деньги и кредит. – Москва, 2014. - №2. – С. 37.;

2. Аҳмедов М.У. Тижорат банклари молиявий барқарорлигини таъминлаш ва инвестицион фаоллигини ошириш масалалари. // Иқтисод ва молия илмий журнали. №10. 2011. – Б. 47-52.

3. Бердияров Б.Т. Ўзбекистон Республикаси тижорат банкларининг ликвидлилиги ва тўлов қобилиятини таъминлаш масалалари. Дис. ... и.ф.д. – Т. 2019.;

4. Бобакулов Т.И. Ўзбекистон Республикасида миллий валюта курсининг барқарорлигини таъминлаш борасидаги муаммолар ва уларни ҳал қилиш йўллари. Иқтисод фанлари доктори илмий даражасини олиш учун ёзилган дисс. автореферати. -Тошкент, 2008.-45 б.;

5. Бозоров Р.Ҳ. Тижорат банклари молиявий барқарорлигини таъминлашнинг назарий ва методологик асослари. // "UzBridge" электрон журнали. – 2019. -№2. -82-90 стр.

6. Иминов О.К.Бозор иқтисодиёти шароитида кредит тизими ва уни такомиллаштириш йўллари. и.ф.д. илм. дар. олиш учун тақд. этил. дисс. авт.- Т.: 2002. -38 б.

7. Сулейманов И. ВОЗДЕЙСТВИЕ МЕЖДУНАРОДНЫХ ФИНАНСОВЫХ ОТНОШЕНИЙ НА БАНКОВСКИЙ И РЕАЛЬНЫЙ СЕКТОРА ЭКОНОМИКИ УЗБЕКИСТАНА В УСЛОВИЯХ ГЕО-ФИНАНСОВОЙ НЕСТАБИЛЬНОСТИ.

8. Murtazaevich, K. S. (2023). FOREIGN EXPERIENCE IN ATTRACTING FOREIGN INVESTMENTS INTO THE NATIONAL ECONOMY. American Journal of Interdisciplinary Research and Development, 22, 101-107.

9. Suleymanov I. CONTEMPORARY ISSUES IN GLOBAL GEO-FINANCIAL POLICY AND THEIR IMPACT ON INTERNATIONAL FINANCIAL RELATIONS //Theoretical aspects in the formation of pedagogical sciences. – 2024. – Т. 3. – №. 5. – С. 35-43.

10. Murtazaevich K. S. Improving Foreign Investment Insurance in Uzbekistan //Eurasian Scientific Herald. – 2023. – Т. 20. – С. 68-79.

11. Ravshanbekovich, H. J. (2023). A Organizational and Legal Basis of Islamic Finance in Uzbekistan: A Comprehensive Overview. HOLDERS OF REASON, 1(3), 56-61.

12. Vohidovich G. S. Leasing Procedure of Fixed Assets in Budget Organizations and their Expenditure //Indonesian Journal of Public Policy Review. – 2022. – Т. 18.