



Financial Stability - Reliability of Banks and Quality of Banking Services

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Abstract: The article discusses the availability of banking products provided to customers, compliance with the standards governing their financial activities. It is noted that only capital adequacy (H1) can characterize the bank's ability to repay financial losses at its own expense without using clients' money for this. Specific proposals are given on the need to establish a standard for the maximum amount of risk, etc., that is, the effectiveness of the functioning of those recommended within the framework of this article will contribute to the efficiency of banks and increase potential customers.

Keywords: standard, stability, financial losses, return on assets, reliability, management, tariffs, dynamically developing market, business services.

The presence of a developed banking product is a weighty argument in favor of a particular bank. However, it is no less important to comply with the basic economic standards governing the activities of financial structures. These standards show the degree of financial stability and are an indicator of the reliability of the functioning of a particular bank.

Capital adequacy ratio (H1) characterizes the bank's ability to repay financial losses at its own expense, without using clients' money for this. It is defined as the ratio of the bank's capital to the total volume of risk-weighted assets. The higher this ratio, the more reliable the financial position of the bank. The value of this ratio, equal to 100%, means that all risky investments are made only at the expense of own assets.

The next group of standards is the bank's liquidity standards. Bank liquidity refers to the bank's ability to fulfill its obligations in a timely manner. In order to control the state of liquidity, the Central Bank has established standards for current (H2), instantaneous (H3), long-term (H4) and general (H5) liquidity. For each standard, minimum allowable values are set, but at present it is also important to know what the bank's highly liquid assets consist of. Thus, until August 17, 1998, it was believed that the most reliable were those banks whose assets consisted mainly of government securities.

When choosing a bank, a potential client should know how fully his requirements will be met in terms of the amount of a loan or in terms of placing temporarily free funds in a bank. Such information can be provided by the standard for the maximum amount of risk per borrower or group of affiliated borrowers (H6), as well as the standard for the maximum amount of risk per lender (depositor) (H8). Ratio H 6 is defined as the ratio of the total requirements to the borrower to the amount of own funds (capital) of the bank. The H8 ratio is calculated as the ratio of the amount of deposits or deposits to the bank's own capital. The maximum allowable value of these standards is 25%. Thus, having information about the amount of equity capital, a potential borrower or lender

gets an idea of the amount of money that the bank will be able to operate by issuing a loan or attracting a deposit.

The last two standards can indirectly serve as indicators of the diversification of banking operations or the distribution of activities in various areas. Thus, the H6 standard shows how evenly the loan portfolio is distributed among individual borrowers. The lower the value of this standard, it becomes the better. The situation is the same with the H8 standard, however, in the second case, this statement is very conditional, since the main depositors of the bank are its shareholders, and it is unlikely that all of them will start withdrawing their own funds at the same time.

To determine the financial position of the bank, it is important to know the effectiveness of its activities. The most relevant indicators here are return on equity (the ratio of balance sheet profit to the average value of capital for the period), as well as return on assets (the ratio of income to the average value of assets for the period) and expenses (the ratio of profit to expenses). The higher these indicators, the more efficient the bank's work will be. An important indicator is the dynamics of the bank's capital. The higher the capital growth of the bank, the more successful it is doing.

Additional information about the reliability can provide information about the owners of the bank. The most attractive at the moment may be banks created with the participation of authorities (although there are only two of them today (People's Commercial Bank, the National Bank), as well as successful foreign and domestic enterprises. Banks that do not report data on their owners should cause distrust. .

It should be added that information on the observance and fulfillment of the above standards and indicators about the owners of the bank is not secret and must be provided along with the balance sheet at the first request of the client.

Another part of the banking management system is the work to attract customers for service to a particular bank. To do this, you can compile a database of large enterprises located near the central office or bank branches. It is also necessary to study your own client base and negotiate the transition to banking with partners of large clients or with enterprises operating in the same field, while noting that the bank already serves organizations that the new client has heard and knows about. It makes sense to study the issue of targeting bank advertising. Maybe publish advertisements not only in special editions, but also in those that are more often read by those customers who are interested in the bank. Having compiled a database of clients of interest to the bank, it is necessary to begin developing a system of relationships, a technology for negotiating with them.

Consider the main aspects of an exemplary negotiation scheme. It is necessary to convey two important points to the client: where did the bank get information about him, and what, in fact, is the bank?

How did we find your organization?

- the bank and your company are geographically close . We considered it appropriate to get acquainted with the "neighbors" and offer you our services;
- We received information about you as a result of analysis of the activities of our regular customers. The activities carried out by our regular customers in this area are, in our opinion, promising, and we would like to cooperate more closely with as many enterprises (organizations) of this profile as possible;
- the marketing department of our bank considers your company to be one of the most dynamically developing in this market area. We want to offer you a number of additional services, in addition to the standard ones, that would help your further work;
- the profile of your company's work coincides with the main directions of the "Business Development Program" adopted by our bank. The management considers this type of activity a priority, the bank is ready to offer you profitable cooperation with the allocation of appropriate resources;
- Your company and our bank publish advertisements in the same publication (collaborate with the

same advertising agency). It would be logical to discuss options for joint work.

What is our bank?

We provide a full range of banking services. This set, of course, is standard for many banks, but there are some features that characterize our work with clients.

First . These are the rates for the services provided. It is especially noted that additional discounts are provided for large volumes.

Second . This is the possibility of lending for various periods and under different types of collateral. The application processing time is minimal.

Third . We work on a pay-as-you-go basis. In addition, deposit rates are higher than in other banks, due to the efficient work of the bank's departments responsible for the placement of funds.

Fourth . Our bank is one of the few in which the institute of personal managers functions. This means that our employee will be attached to you, who will personally solve all the current issues of your work with the bank.

Fifth . The Bank provides customers with a full range of electronic services. This includes the "Bank-Client" system, and work via the Internet, and obtaining information via other electronic means of communication (naturally, on conditions of complete security).

And finally, *the last one*. This is the provision of additional services not directly related to banking. Thus, the bank, through its information center, will help you solve many problems related to finding new partners, optimizing financial flows and easing the tax burden, auditing, consulting, and many other problems.

To do this, you need to answer the following questions.

Summing up, we can say that with a thoughtful approach to the system of organization of banking management, the problem of attracting corporate clients for banking services, many commercial banks will be able to expand a few more knots in their work.

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