

MODERN STATE OF ASSETS PORTFOLIOS IN  
BANKS

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**Abstract:** The article discusses the issues of improving the quality of loan portfolios and securities portfolios of commercial banks, in particular ensuring a balance between loan profitability and the level of risk, ensuring an optimal balance between investments in highly liquid securities and corporate securities. securities have been determined on a scientific basis.

**Key words:** Federal Reserve, Credit, Stock Market, Inflation, National Currency, Passive, Active, Securities, Stocks, Bonds

**Introduction:** The experience of developed countries in the world shows that ensuring the quality of asset portfolios of commercial banks is a necessary condition for ensuring their financial stability and liquidity.

In Uzbekistan, loans from commercial banks are considered as an important factor of economic development. "Expansion of lending to promising investment projects and small business and private enterprises is recognized as a necessary condition for ensuring the stability of macroeconomic growth"[1]. However, in our republic, there are problems related to increasing the quality of asset portfolios of commercial banks. In particular, the issue of resource provision of long-term bank loans has not been resolved. "While 70% of deposits in banks are short-term, 90% of loans are long-term" [2]. Also, the risk of transformation has deepened in the commercial banks of our republic. In addition, it indicates the underdevelopment of the country's commercial banks' investment operations with securities.

**Material and method.** According to the conclusion of O. Blanchard. The Central Bank affects the interest rate of loans through monetary policy and thus regulates the demand for money and the supply of money [3]. This conclusion of O. Blanchard is of great practical importance for developing countries, including Uzbekistan. In particular, in 1980, the Federal Reserve System (FZT) in the USA increased the interest rate on loans by reducing the supply of deposits in the banking system by selling government securities under the terms of REPO. As a result, the rate of growth of the money supply in dollars was reduced[4].

According to Yu.Morozkin and E.Svistunova, it is not always enough to create an optimal stock portfolio in the conditions of dynamic changes in the stock market. In such conditions, it will be necessary for a commercial bank to formulate an improved strategy for the formation of a portfolio of securities. Management allows to make adjustments to the portfolio of securities based on the monitoring of one or other factors that allow to form conclusions about the situation in the stock market. This makes it possible to make modern and accurate decisions about the investment strategy and the composition of the portfolio [5]. This conclusion is important for the banking practices of developing countries. The reason for this is that the high rate of inflation and the rate of depreciation of the national currency, the instability of the financial legislation, increase the dynamic change of the stock market. In

addition, the fact that investments made in securities denominated in the national currency are more likely to lose their value due to inflation and devaluation increases uncertainty in the stock market. The problem of inflation and devaluation does not exist in developed countries at the present time. In the banking practice of developed countries, the portfolio theory of H. Markovits is widely used in the formation of securities portfolios of commercial banks.

According to the theory of H. Markovits, one of the mistakes that can be made is that the investor always provides a portfolio that provides low risk in the conditions of the optimal level of return or provides a high return in the conditions of the optimal level of risk. To avoid this mistake, the investor should choose a portfolio in which the expected return cannot increase without increasing the risk, or vice versa, the risk should not decrease without decreasing the expected return[6]. In practice, commercial banks use two strategies of securities portfolio management, i.e. passive and asset strategies. In accordance with the passive strategy of banks' securities portfolio management, all information on the market is reflected in the market quotations of securities. Therefore, passive investors believe in the efficient market hypothesis and naturally do not expect to benefit from speculative transactions[7]. One of the characteristics of the passive strategy of stock portfolio management is that it sets a standard level of performance and calculates the return on investment in securities using it. From this point of view, two features of the passive strategy can be seen: first, there is a passive distribution of funds in the stock market, that is, it involves buying only two types of securities, despite the presence of various instruments in the stock market. Second, the passive strategy provides for the possibility of having an indexed portfolio of each class of securities.

It should be noted that in the passive strategy of managing the securities portfolio, the operating expenses associated with investments in securities are less than in the active strategy. The asset strategy of managing the securities portfolio of commercial banks involves the purchase of securities for a short period of time with the purpose of repurchase profit. Therefore, an active strategy requires constantly changing the composition of the portfolio of securities, depending on the changes in the market situation.V. According to Aksenov's conclusion, the important specific features of the asset strategy of managing a portfolio of securities are as follows: - selection of securities necessary for portfolio formation; - determining the terms of purchase or sale of financial assets [8]. The following four forms of securities portfolio management based on swapping are widely used in banking practice in Western countries[9]:

1. Form of selection of net income. The meaning of this form is that two securities whose denominations are not significantly different from each other and whose prices are the same are exchanged. As a result, a security with a low rate of return is sold and a security with a relatively high rate of return is bought instead.

2. Substitution form. In this form, two similar but not identical securities are exchanged. This strategy is used to generate additional income.

3. The form of the swap sector. This form is the most complicated form of swapping. In this case, the investor exchanges securities issued by issuers belonging to different sectors of the economy according to their maturity and profitability.

4. A form based on analysis and forecasting of interest rates. In this form, the duration of the portfolio of securities is extended when interest rates are falling, and the duration of the

portfolio of securities is shortened when interest rates are rising. It is important to note that the process of development and implementation of the securities portfolio management strategy of commercial banks is significantly influenced by the economic norms established by the Central Bank. This is due to the fact that regulatory requirements do not allow a sharp increase in the size of the portfolio of securities.

In international banking practice, including banking practice of the Republic of Uzbekistan, loans occupy a relatively large share of the total assets of commercial banks. This shows, first of all, that the role and importance of commercial bank loans in the development of the country's economy is great. We evaluate the composition of the assets of the commercial banks of our republic using the information in the table below.

**Table 1. Composition of assets of commercial banks of the Republic of Uzbekistan[10], as a percentage of the total**

Composition of assets	2018	2019	2020	2021	2022
Cash on hand	2,9	2,5	2,4	2,7	2,4
Funds in the Central Bank	8,9	5,3	5,4	5,1	7,1
Funds in other banks	15,0	9,3	9,4	9,5	8,6
Investments	2,5	1,1	1,2	2,6	4,4
Credit transfers	65,1	76,8	76,1	73,8	71,1
Basic tools	1,4	1,6	2,1	2,3	2,5
Other assets	4,2	3,4	3,4	4	3,9
Assets - total	100,0	100,0	100,0	100,0	100,0

In the total volume of assets of commercial banks of the Republic of Uzbekistan, loans occupy a relatively high weight. This is explained by the high role of commercial banks in lending to the economy and the low level of development of their investment operations with securities. In 2018-2022, it was observed that the shares of money in the Central Bank and investments in securities decreased in the volume of gross assets of commercial banks of our republic. In 2022, compared to 2021, the decrease in the share of funds in other banks in the total volume of assets of commercial banks is explained by the increase in the weight of credit flows in the volume of gross assets during this period, and is a positive situation in terms of improving the quality of asset portfolios.

**CONCLUSION** In order to improve asset portfolios in banks, the following activities should be increased:

1. The high share of loans in the total assets of commercial banks of the Republic of Uzbekistan is explained by the following reasons: the high role of banks in lending to the economy; lack of development of investment operations of commercial banks with securities; that banks are widely involved in the processes of financing state programs.

2. The following urgent problems related to improving the quality of asset portfolios of commercial banks operating in the banking system of the country were identified:

- High interest rates of commercial bank loans due to high refinancing rate and inflation rate of the Central Bank of the Republic of Uzbekistan;

- failure to maintain low and stable interest rates of commercial bank loans of the republic;

- due to the high rate of depreciation of the national currency, the creditworthiness of economic entities is decreasing;
- lack of improvement of regulatory and legal bases of lending by commercial banks;
- the large amount of overdue loans in commercial banks of the country;
- decrease in the real value of investments made by commercial banks in securities denominated in the national currency as a result of inflation and the high rate of devaluation of the national currency;
- lack of development of investment operations of commercial banks with securities.

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