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Article



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## ANALYSIS OF BANKING RISK HEDGING OPERATIONS IN UZBEKISTAN

**Abstract:** The article analyzes commercial banks and pays attention to their huge role in the functioning of the credit system. They accumulate the bulk of credit resources and provide customers with a full range of financial services, including issuing loans, accepting deposits, settlements, buying, selling and storing securities, foreign currency, and so on.

**Key words:** commercial banks, risk, hedging, assets, liabilities.

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### Introduction

The essence of a commercial bank is manifested in its functions, the implementation of which has a huge impact on the country's economy. The leading role of banks in the development of the economy of Uzbekistan is undeniable. By lending to various areas of activity, banks contribute to the radical transformation of the infrastructure of the republic, the development of small and medium-sized businesses, as well as the employment of the population. So in 2021, with the assistance of banks, over 1,500 thousand university graduates were employed. Commercial banks issued them preferential loans for organizing their own business.

Special attention The President of the Republic of Uzbekistan always pays special attention to the development of the banking system, so in his speech dedicated to the results of economic development in 2020, he noted: "In 2021, the banking system was further strengthened, the level of capitalization was increased and the investment activity of banks was expanded.

The main goal of a commercial bank is to obtain maximum profit while ensuring sustainable long-term operation and a strong position in the market. The amount of profit or loss received by the bank reflects in a concentrated way the results of all its active and

passive operations. Therefore, the study of profit, its components and factors influencing its dynamics, occupies one of the central places in the analysis of the activities of a commercial bank. The amount of profit depends mainly on the amount of income received and the amount of expenses incurred. The effectiveness of its functioning and financial position in the market depend on how well the income and expenses of a commercial bank are managed.

The amount of profit or loss received by the bank reflects in a concentrated way the results of all its active and passive operations. Therefore, the study of profit, its components and factors affecting its dynamics, occupies one of the central places in the analysis of the activities of a commercial bank. The amount of profit depends mainly on the amount of income received and the amount of expenses incurred. The resulting profit is the basis for increasing and updating the bank's fixed assets, increasing its own capital, which guarantees the stability of the financial position and liquidity of the balance sheet, ensuring an appropriate level of dividends, and developing the improvement of the quality of banking services. This is the relevance of the topic.

Accounting and analysis of the effectiveness of banking activities begins with the correct setting of accounting and analysis of income and expenses, and

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ends with a study of profit. Also auditing has risen to a high level in many countries around the world, and a number of laws and standards have been developed for the development of auditing in each country, as well as in international accounting and auditing organizations. Another important aspect of auditing is that it confirms the accuracy of the annual accounting report and, with its conclusion, sets the appropriate level for the activities of the business entity. An analysis of the bank's income and expenses makes it possible to study the results of a commercial bank's activities, and therefore to evaluate its effectiveness as a commercial enterprise. The analysis of the financial activity of the bank is carried out simultaneously with the analysis of the liquidity of the bank's balance sheet, and based on the results obtained, conclusions are drawn regarding the reliability of the bank as a whole.

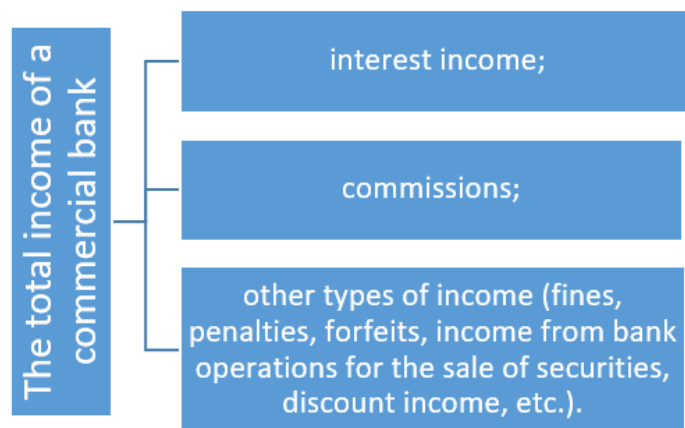
At present, the problem of profitability of commercial banks is very acute in the transitional economy in many CIS countries, including the Republic of Uzbekistan. Particularly acute is the problem of assessing the financial stability of commercial banks: the development of a system of criteria that determine the reliability of the bank, and methods for conducting analysis according to these criteria. This problem has been studied by many foreign and domestic scientists.

To achieve this goal, it is necessary to solve the following tasks:

- consider the classification, composition and structure of hedging the risks of a commercial bank;
- consider the classification, composition and structure of hedging a commercial bank;
- to study the basic methods of accounting for income and expenses of a commercial bank;
- to determine the features of planning the financial results of a commercial bank;
- to analyze the composition and structure of expenses and incomes of a commercial bank.

There are many definitions of the concept of hedging. Most experts discuss the possibility of considering operations as hedging without the use of derivative financial instruments. International Financial Reporting Standard (IFRS) 9 "Financial Instruments" defines hedging as "risk management activities involving the use of financial instruments to manage positions for certain risks that could affect profit or loss". In this case, the hedging instrument can be either a derivative instrument at fair value through profit or loss, or a non-derivative financial asset or non-derivative financial liability.

The total income of a commercial bank in the form of receipt is divided into three groups: interest income; commissions; other types of income (fines, penalties, forfeits, income from bank operations for the sale of securities, discount income, etc.).



**Figure 1. Types of income from banking services**

**Table- 2. Indicators of "BB" Bank**

Indicators	For 01.01.2020 y.		For 01.01.2021 y.		Change (+, -)		Rate of change, %
	amount, mln.	Sp.gr. %	amount, mln.	Sp.gr. %	amount, mln.	Sp.gr. %	
1. Loans and others bank funds	42738,2	3,9	76840,5	4,4	34102,3	0,5	179,8
2. Customer funds	749088,1	68,3	1142996,4	65,9	393908,3	-2,4	152,6
3. Securities, issued by the bank	19200,3	1,8	1993,2	0,1	-17207,1	-1,6	10,4
4. Other liabilities	144078,9	13,1	299118,7	17,2	155039,8	4,1	207,6
5. Capital and reserves	141334,4	12,9	214321,2	12,4	72986,8	-0,5	151,6
6. Total liabilities	1096439,9	100	1735270	100	638830,1		158,2

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Based on the data in the table, it can be concluded that the resource base of the bank as of 01/01/2021 increased by 638830.1 or 158.2% compared to 01/01/2020. This change was primarily due to the growth of other liabilities by 155039.8 or 2 times, as well as customer funds by 393908.3 or 152.6%. In the structure of the resource base for the analyzed period, the largest share is occupied by customer funds - 68.8% and 65.9%, respectively. The second place according to this criterion is occupied by other liabilities - 13.1 and 17.47%, respectively.

In order to analyze the bank's profitability, its income and expenses can be divided into two groups - interest and non-interest (operating). Operating income (expenses) of the bank may include trading (from purchase and sale of securities, foreign currency and precious metals, as well as other goods that can be freely traded on the secondary market), investment, commission and other income (expenses).

Based on a comparison of the profitability of all assets and income-generating assets for a particular bank with data on other banks, a conclusion is made about the overall efficiency of the bank's active operations. In the case of a significant lag in the efficiency of investments in a particular bank from the average in the banking system, we can talk about the inefficient use of resources by the bank, while it should be noted which particular areas of investments are ineffective. In case of excess, one can note the outstripping development of the bank in comparison with the industry average indicators (in the case of an adequate indicator of the interest margin and profitability indicators).

Next, an analysis is made of the diversification of instruments for generating interest income (as well as the structure of interest expenses). It also evaluates the profitability of individual banking operations.

In the event of sharp fluctuations in the absolute values of bank income in

First of all, it is necessary to determine the cause of such fluctuations. To this end, it is necessary to compare the structure of income and the structure of assets that bring the corresponding income. The purpose of such a comparison is to analyze the adequacy of the return on assets.

The cost analysis is carried out in a similar way. Comparison of the bank's expenses with the corresponding liabilities shows the level of the bank's dependence on certain sources of funding and reveals structural changes in these sources.

The resulting analysis of absolute indicators is the analysis of the sources of formation of bank profits and the adequacy of their coverage of the costs of the bank's operation. The effectiveness of the bank's activities in the future also depends on the directions of profit distribution of the reporting period.

An analysis of the absolute indicators of a bank's activity is not sufficient to reveal the stability and quality of bank profits. To compare average values for different banks with different market shares, it is advisable to use the method of financial ratios. Their calculation makes it possible to assess the effectiveness of the bank's activities as a whole, as well as individual areas of activity.

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