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## REVENUE IMPROVEMENT ISSUES OF COMMERCIAL BANKS

**Abstract:** It is known that commercial banks, due to their position in the financial system, are a necessary part of ensuring correct and timely financial relations, which, of course, affects the economy as a whole. The article deals with competition-competitive, income diversification is an inevitable and objective trend that helps banks to increase profits, minimize risks and improve their competitive positions in the system of commercial banks in Uzbekistan and in the developed countries of the world. For this purpose, the financial reports of commercial banks of Uzbekistan and other scientific resources are analyzed, and some conclusions and recommendations are given at the end of the article.

**Key words:** bank, tax, tax system, income, payments, taxpayer.

**Language:** English

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### Introduction

In the future, when the process of economic integration in the banking sector is more powerful, and competitive, diversifying revenue is an inevitable and objective trend to help the banks increase profits, minimize risks and improve their competitive position in the system<sup>1</sup>.

Today, a number of measures have been taken during the gradual reform of the financial sector, which has created the necessary legal conditions for conducting advanced banking business and strengthening the competitive environment in this sector. In this regard, the diversification of banking revenues is an important factor in the development of the banking sector<sup>2</sup>.

In addition, the "Strategy of actions on five priority areas of development of the Republic of Uzbekistan for 2017-2021", approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 PF-4947, provides financial stability

of commercial banks, increase their capitalization, strengthen the resource base recognized as a necessary condition for ensuring the stability of the rates<sup>3</sup>.

### Review of the literature on the subject.

The methodological and practical bases of income diversification and strengthening in the development of the banking sector have been studied by foreign economists and relevant scientific conclusions and practical recommendations have been formed. According to the experts of the International Bank for Reconstruction and Development, the share of interest income in the total income of commercial banks should be at least 70%. High and stable share of interest income from loans in the total volume of interest income of commercial banks is a necessary condition for ensuring their financial stability. Therefore, in our opinion, the use of the methodology for calculating the net interest rate spread proposed by the experts of the World Bank for Reconstruction and

<sup>1</sup> <https://ideas.repec.org/a/gam/jjrfmx/v12y2019i3p138-d261921.html>

<sup>2</sup> Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947. On the Action Strategy for the further development of the Republic of Uzbekistan // Collection of

Legislation of the Republic of Uzbekistan. - Tashkent, 2017. - № 6 (766). - B. 32.

<sup>3</sup> Mcnoton D. Banking institutions in developing stran. Per. s angl. –Washington: IER, 1994. - P.71.

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Development in assessing the stability of interest income from loans of banks of the country is of great practical importance.

According to Prof. O. Lavrushin, the expected effect is not always the return on equity. He noted that bank owners who aim for long-term efficiency will lose part of their current profits by introducing innovations in banking<sup>4</sup>. According to Prof. I. Yudina, the state of the income base of commercial banks in developing countries is directly related to the level of credit risk<sup>5</sup>. According to Dots. B. Berdiyarov, it is necessary to ensure the stability of the share of regulatory capital of commercial banks in the volume of liabilities, to ensure a stable level of return on assets by ensuring a balance between the growth rate of net profit and the growth rate of total assets<sup>6</sup>.

**Research methodology.**

The regulatory framework for the formation of the income base of commercial banks is the Law of the Republic of Uzbekistan "On Banks and Banking", "On Currency Regulation", relevant Resolutions and Decrees of the President of the Republic of Uzbekistan, Cabinet of Ministers and current instructions of the Central Bank.

In addition, statistical grouping and methods of induction and deduction of scientific analysis were also used in the study of strengthening the income base of commercial banks. In the process of analysis,

official statistics and practical data of the Mortgage Bank were used.

**Analysis and results.**

Research results show that diversification negatively impacts profitability and the higher the diversification, the higher the risk of commercial banks. However, the more diversified listed banks, the more increased the bank's stability. The banks show the weakness and lack of experience of the banking system in developing a reasonable profit transformation model. The revenue diversification of banks is currently passive and moves slowly. Interest income is still the motivation of bank development, boosting profit growth. Growth, as well as the contribution from service activities, is not commensurate with potentials; although there are many positive points, they are not enough to cover risks from net interest income activities.

Important indicators characterizing the strength of the income base of commercial banks are the level of net interest income relative to the gross income of a commercial bank, net interest margin and the level of income per som of assets. It should be noted that the normative level of net interest margin is 4.5%, there is no normative level of net interest income relative to the gross income of a commercial bank and the normative level of income per one soum asset.

**Table 1. INCOME STRUCTURE OF IPOTEKA BANK**

NAME OF ARTICLES	FACT			
	01.01.2020	01.01.2021	change over the year	
<b>Total income</b>	<b>2 817 556</b>	<b>3 972 302</b>	<b>1 154 747</b>	<b>41,0%</b>
<b>Interest income</b>	<b>2 279 823</b>	<b>3 197 393</b>	<b>917 570</b>	<b>40,2%</b>
Income from bank accounts	26 917	81 248	54 331	201,8%
Income from securities	45 080	87 552	42 472	94,2%
<b>Loan income total</b>	<b>1 832 632</b>	<b>2 305 627</b>	<b>472 995</b>	<b>25,8%</b>
<b>Lease income total</b>	<b>19 748</b>	<b>21 394</b>	<b>1 646</b>	<b>8,3%</b>
Other interest income	355 446	701 572	346 125	97,4%
<b>Interest-free income</b>	<b>537 733</b>	<b>774 909</b>	<b>237 176</b>	<b>44,1%</b>
Commission income	283 960	323 643	39 684	14,0%
Profit in foreign currency	105 828	195 480	89 652	84,7%
Other interest-free income	145 787	252 181	106 393	73,0%

<sup>4</sup> Lavrushin O.I. Development of the banking sector and ego infrastructure in the economy of Russia. - M.: KNORUS, 2017. - p. 74.

<sup>5</sup> Yudina I.N. Banking system in developing economies: experience of stanovleniya, razvitiya i krizisov. Monograph. - M.: INFRA-M, 2013. - p. 230-231.

<sup>6</sup> Berdiyarov B.T. Issues of ensuring liquidity and solvency of commercial banks of the Republic of Uzbekistan. I.f.d. ilm. dar. ol.uch. taqd. et. diss. avtoref. - Tashkent, 2020. - B. 30.

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Therefore, the method of comparative analysis of financial analysis is used to assess their level. To assess the level of net interest income of commercial banks of the Republic, we compare the performance of Ipotek Bank (Table 1). Interest income of Ipotek Bank (as of January 1, 2020, increased by 40.2% as of January 1, 2021, while interest-free income as of January 1, 2020 increased by 44.1% as of January 1, 2021). percent increased.

### Conclusions and suggestions

In this regard, it can be said that the diversification of the bank's loan portfolio may be the basis for reducing the expected risks on this loan portfolio.

In addition, in order to improve the indicators that characterize the income base of commercial banks, the following measures should be taken:

1. In order to increase the level of net interest income relative to gross income, first of all, it is

necessary to form a reasonable composition of deposits of commercial banks, to develop investment activities in securities; secondly, it is necessary to ensure a balance between interest income from loans and interest expenses on deposits, interest income from investments in securities and interest expenses on bank securities.

2. In order to ensure a normative level of net interest margin, it is first necessary to ensure a balance between the growth rate of interest income and the growth rate of interest expenses; second, it is necessary to increase the share of income-generating assets in gross assets by reducing the share of volatile deposits in gross deposits.

3. It is necessary to form a system of indicators characterizing the income base of commercial banks and develop scientifically based ways to achieve their normative levels.

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