

WAYS TO STRENGTHEN ASSET PORTFOLIO EFFICIENCY IN THE EXPERIENCE OF FOREIGN COUNTRIES

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Abstract:

This scientific thesis analyzes the experiences of commercial banks in developed and developing countries in improving the quality of their asset portfolios. It examines the possibilities of banks to maintain stable profitability and liquidity levels by improving the quality of their loan portfolios and effectively managing their securities portfolios. It also examines the composition and management of bank assets using the example of Barclays Bank of the United Kingdom.

Keywords: tijorat banklari, kredit portfeli, aktivlar portfeli, Qimmatli qog'ozlar portfeli, daromadlilik, likvidlilik, xorij tajribasi.

Enterance

In developed and developing countries, rich experience has been accumulated in improving the quality of the asset portfolio of commercial banks. In particular, by ensuring the quality of the loan portfolio, it has become possible to guarantee the stability of banks' income and maintain the level of liquidity at the level of regulatory requirements. In addition, the securities portfolio of commercial banks is of great importance in increasing the profitability of bank assets.

In developed countries, loans and investments in securities account for a large share of the total assets of commercial banks.

Below, we analyze the asset structure of Barclays Bank, one of the leading commercial banks in the UK.

1-table Barclays Bank (UK) Assets Structure, in percent

Asset structure	Years				
	2020	2021	2022	2023	2024
Cash and balances with the Central Bank	2,9	4,4	8,4	15,1	15,6
Cash in other banks	0,1	0,1	7,4	6,8	6,8
Investments in securities	51,1	53,4	47,8	47,3	42,1
Loans granted	34,6	39,3	28,4	28,6	28,8
Fixed assets and intangible assets	0,8	1,1	0,9	0,9	0,9
Other assets	10,9	1,7	7,1	1,3	5,8
Assets - total	100,0	100,0	100,0	100,0	100,0

According to the data in Table 1, the main share of the total assets of Barclays Bank is occupied by investments in securities and loans. As of January 1, 2025, the share of these two types of assets in the total assets was 70.9%. Also, in 2020–2021, cash and funds in the Bank of England accounted for a relatively small share of Barclays Bank's assets. This is due to the fact that these assets are classified as non-income-generating assets - that is, cash and funds in Nostro accounts with the Central Bank. However, in the period 2022–2024, an upward trend in the share of these assets was observed. This is explained by an increase in the volume of deposits placed by the bank with the Central Bank.

Table 1 also shows that the share of funds in other banks in the structure of Barclays bank assets had an increasing trend in 2022–2024. This indicates that the bank is increasing the volume of deposits in foreign banks. On the contrary, in 2020 and 2021, these assets had the smallest share in the bank's assets.

In addition, the share of investments in securities in total assets decreased during 2021–2024. This decrease is due to an increase in the share of funds in the Central Bank and loans in total assets.

Integration processes in the banking system, the introduction of innovative technologies and the expansion of economic relations inevitably require the need to improve the existing ones and create new methods of regulating banking risks. The crisis events in the world banking system have developed the supervisory function of central banks and have given a new impetus to the development of international standards of banking activity and the prospects for their application in our country.

In different countries, supervision of commercial banks and regulation of banking risks can be carried out using various methods, among which we will highlight several main ones. For example, the central bank (Netherlands, Italy, Russia), a special body that supervises separately from the national bank (Canada, Switzerland), central banks together with state agencies (Germany, USA, Japan). At the same time, in the USA, during the inspection process, attention is paid to studying the financial condition of a commercial bank, while in the UK, much attention is paid to documentary control. To simplify the implementation of remote control, close cooperation between supervisory authorities and audit companies is used.

Audit companies in the UK, by law, can notify supervisory authorities about the insolvency of commercial banks, while in France and the Netherlands, this function is mandatory by law.

The main purpose of the risk assessment system is to draw the attention of the supervisory authority to a bank with negative indicators. Each of the elements to be checked is assigned a certain number of points, on the basis of which the results of the bank's activities are summarized. Taking into account the assessment received, the supervisor draws a conclusion about the need for intervention in the bank's activities, in particular, to prevent bankruptcy and protect the interests of creditors and depositors. The supervisory authority conducts fewer

inspections of banks with a high rating. The main advantage of this system is a comprehensive assessment of the bank's activities based on sound reasoning and ease of understanding. The risk assessment rating system is based on a large volume of regulatory reports, taking into account additional research. For example, the French ORAP system uses data from the databases of the Bank of France and the Banking Commission, data collected by external auditors and commercial banks themselves, data on the results of inspections, as well as materials provided by other European countries under joint agreements.

Statistical model - this is a pre-identification of the risk, i.e. the potential financial condition of the bank. As part of this risk assessment, data on banking activities from supervisory authorities are used, and then, using special calculations, commercial banks are divided into banks with a high and low probability of bankruptcy. Unlike complex ones, rating systems and financial indicator systems, when using statistical models, pay special attention to potential banking risks that can subsequently lead to negative trends in banking.

In addition, the use of statistical models involves the identification of cause-and-effect relationships between bank indicators and their consequences in the form of bankruptcy, financial stability or, conversely, instability, using quantitative methods. It can be noted that statistical models do not take into account qualitative factors, such as assessing the quality of management and the functioning of internal control. In addition, the risk of fraud and bankruptcy due to financial irregularities is not taken into account. At that time, the English RATE system, in addition to the factors of the CAMELS system, takes into account business factors and a number of qualitative and non-evaluable (including reputational, operational and legal) risks.

Early diagnostic models also include SCOR (Statistical CAMELS Off-site Rating), used in the USA, which uses official reporting data and allows you to assess with a high degree of accuracy the likelihood of a bank's position deteriorating over the next 4-6 months. It should be noted that statistical models can be combined with a risk assessment rating system, for example, the SEER (System for Evaluation of Examination Ratings), which uses rating indicators, as well as their components and reporting data. The use of group analysis and bank financial condition assessment systems involves the analysis of certain ratios calculated on the basis of certain indicators of supervisory authorities and data on the bank's financial statements.

During the analysis, comparative indicators of groups of similar banks for the previous period are determined, and then critical values of performance indicators are determined for them. In contrast to the indicators of the previous year, cases of exceeding or approaching predetermined indicators of financial indicators are examined in order to identify commercial banks whose indicator values deviate from the group values. Based on the results of the analysis, the supervisory authority determines the reasons and extent of deviations of the

activities of an individual bank from the indicators of the activities of banks similar to the one being examined and makes a decision on the need for intervention.

However, it is worth noting that the disadvantage of the system under consideration is that the indicators selected for analysis may not fully correspond to the overall financial condition of the bank. In addition, the analysis of financial indicators does not take into account changes occurring at the moment, which can lead to a decrease in the effectiveness of the assessment, and the results of the analysis do not take into account the general deterioration of the situation of the entire group or even the system.

The comprehensive banking risk assessment system is a tool for assessing all the risks of a commercial bank or a bank holding company in general, taking into account its internal structure and specific characteristics. The similarity of this assessment system with the rating system is that, as in the rating system, each criterion is assigned a corresponding score, which, when summed up, constitutes an assessment of the state of a commercial bank.

The implementation of a comprehensive system of bank risk assessment requires the greatest amount of resources and time compared to other assessment systems, but it is this system that allows for the most reliable assessment of the financial performance of large and international banks, as well as banking groups. The English RATE system can be used to take into account the presence of risk categories for the entire organization. The Dutch RAST system uses a method of dividing a bank or banking group into divisions or functional characteristics. Each division is assigned a score based on an assessment of all risks, internal structure and control system for a number of reasons. Individual scores are then summed to produce the final bank or group score.

Conclusions and suggestion. The balanced use of passive and active strategies in managing the asset portfolio of commercial banks is important for increasing efficiency. While the passive strategy provides safe and stable investments, the active strategy creates opportunities for short-term profit. The proposals of the Basel Committee on credit risk assessment serve to reduce the credit risk of banks. In the case of Barclays Bank of the United Kingdom, an increase in cash and deposits with the central bank in bank assets, as well as an increase in deposits with foreign banks, was noted. These trends reflect the strategies of banks aimed at ensuring liquidity and making safe investments.

The analysis of commercial banks' asset portfolio management strategies has revealed the following key findings:

– In international banking practice, commercial banks widely use both **passive and active strategies** for managing their securities portfolios. The **passive strategy** typically involves investing in two types of securities — **risk-free government bonds** and **common stocks**, with the intention of holding them to maturity. In contrast, under the **active strategy**, banks **actively**

buy and sell securities in the short term to gain profits and continuously adjust the composition of their portfolios;

– The implementation of the **“Standardized Approach”** proposed by the Basel Committee for assessing credit risk helps **reduce the level of credit risk** in banking operations.

The study and generalization of advanced foreign experience showed the following:

– The **share of cash and funds held at the central bank** in Barclays Bank's total assets demonstrated an **upward trend from 2022 to 2024**, which is explained by the **increase in deposits placed by the bank at the central bank;**

– The **share of funds placed in other banks** within Barclays Bank's total assets also **increased during 2022–2024**, reflecting a **rise in deposits placed in foreign banks** over this period.

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