



EFFECTIVE WAYS TO IMPROVE THE LIQUIDITY OF COMMERCIAL BANKS

Madina Rizayeva Xayrullo qizi

Student, Karshi International University

rizayevamadina972@gmail.com

Abstract

This article examines effective ways to improve the liquidity of commercial banks and their role in ensuring the stability of the banking system. The study provides a systematic analysis of the concept of bank liquidity, its main indicators, and the factors influencing liquidity. In addition, modern methods of liquidity management in commercial banks are discussed, including asset and liability management, optimization of the share of liquid assets, diversification of the deposit base, and the importance of risk management mechanisms.

The article also explores advanced international practices in liquidity management and evaluates the possibilities of their application in the national banking system. Furthermore, the role of digital technologies, financial innovations, and central bank policies in enhancing bank liquidity is analyzed.

Keywords: Commercial banks, liquidity, banking innovations, digital technologies, financial stability.

Introduction

In today's context, the activities of commercial banks play a crucial role in ensuring the stability of the financial system. As the "circulatory system" of the economy, the banking sector plays a key role in financing the real sector, supporting investment processes, and ensuring the uninterrupted functioning of payment systems. From this perspective, the issue of commercial banks' liquidity and its effective management has significant scientific and practical relevance.

Bank liquidity is an important financial indicator that reflects a bank's ability to meet its obligations in a timely and full manner. Insufficient liquidity levels can lead to the risk of insolvency in banking operations, which may negatively affect



not only individual banks but also the stability of the entire financial system. Therefore, liquidity management is constantly monitored by central banks and financial institutions. In recent years, the instability of global financial markets, economic crises, the consequences of pandemics, and geo-economic factors have further increased the importance of liquidity management in the banking system. In particular, the volatility of the deposit base, the quality of the loan portfolio, and the growing financial risks in commercial banks necessitate more effective liquidity management.

At the same time, in modern conditions, the use of digital technologies, financial innovations, and advanced international experience is becoming increasingly important in managing bank liquidity. Mechanisms such as asset and liability management, optimization of the share of liquid assets, and diversification of risks are among the key tools for ensuring the financial stability of banks.

Literature Review

The issue of managing the liquidity of commercial banks has been widely studied in economic science, and various scientific approaches have been developed by both foreign and domestic scholars. Research on the concept of bank liquidity, its economic essence, and management mechanisms has contributed to the formation of the theoretical and practical foundations of this field.

In studies conducted by foreign scholars, bank liquidity is primarily considered an important factor in ensuring financial stability. In particular, some studies emphasize that liquidity management is achieved through balancing a bank's assets and liabilities, where interest rates, the structure of deposits, and the quality of the loan portfolio play a significant role. Moreover, liquidity ratios, the ability to cover short-term obligations, and cash flow analysis are widely used as key indicators in assessing bank liquidity.

In recent years, approaches developed by international financial institutions have also gained special attention. In particular, indicators such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are widely used in assessing and managing bank liquidity. These indicators are aimed at reducing both short-term and long-term liquidity risks of banks, and their practical importance is highly recognized in the international banking system.



Studies conducted by domestic economists focus on improving the liquidity of commercial banks, taking into account the specific characteristics of the national banking system. In particular, some research highlights the importance of expanding the deposit base, diversifying the loan portfolio, and effectively utilizing the monetary policy instruments of the central bank to ensure bank liquidity. At the same time, macroeconomic stability, inflation rate, interest rates, and the level of trust in the banking system are identified as key factors influencing bank liquidity.

In addition, recent scientific research emphasizes the growing role of digital technologies and financial innovations in managing bank liquidity. In particular, digital banking services, online payment systems, and fintech solutions enable banks to manage liquidity flows more efficiently, improve customer service, and reduce financial risks.

The analysis of the above-mentioned studies shows that managing the liquidity of commercial banks is a multifaceted and complex process that requires balancing assets and liabilities, managing risks, utilizing modern financial instruments, and implementing digital technologies. At the same time, there remains a need for deeper research into specific mechanisms for improving liquidity within the national banking system, and this article is aimed at addressing this gap.

Analysis and Results

In Uzbekistan's banking system, the issue of ensuring and managing the liquidity of commercial banks has become one of the key priorities in recent years. The stable functioning of the banking system, financing of the real sector of the economy, and the uninterrupted operation of payment systems are directly dependent on the level of bank liquidity.

In recent years, the volume of assets in Uzbekistan's banking system has grown significantly. In particular, the total assets of commercial banks amounted to 272 trillion UZS in 2020, while by the end of 2023 this figure exceeded 600 trillion UZS. This growth has further increased the importance of effective liquidity management in the banking sector.



One of the main indicators used to assess liquidity in the banking system is the current liquidity ratio. In Uzbekistan, the average current liquidity ratio of commercial banks is around 40–50 percent, which is above the minimum regulatory requirement. This indicates that banks have sufficient capacity to meet their short-term obligations.

At the same time, the deposit base of commercial banks has also expanded significantly. By the end of 2023, the volume of deposits from households and enterprises approached 300 trillion UZS. The growth of deposits serves as an important source of liquidity for banks. However, a large share of these deposits is short-term, which may create liquidity risks for banks.

The analysis shows that the major share of commercial bank assets consists of loans. In particular, the share of loans in total bank assets exceeds 70 percent. This limits the proportion of liquid assets held by banks and increases liquidity risks. Therefore, there is a need to diversify bank assets and increase the share of highly liquid assets.

Monetary policy implemented by the central bank also plays an important role in liquidity management. In recent years, the policy (key) interest rate has been set in the range of 14–16 percent due to inflationary pressures. A relatively high interest rate increases the cost of credit resources, which indirectly affects the liquidity position of banks.

At the same time, the process of digitalization of the banking system in Uzbekistan is developing rapidly. For example, in 2023, the number of users of remote banking services exceeded 30 million. This expands the ability of banks to efficiently manage liquidity flows and effectively carry out operations with customers.

As a result of the analysis, the following key problems were identified:

- a high share of loans in the structure of bank assets;
- the short-term nature of deposits;
- an insufficient share of liquid assets;
- incomplete implementation of modern risk management systems in liquidity management.

In order to address these problems, the following conclusions and recommendations were developed:



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- First, it is necessary to improve the asset and liability management (ALM) system in commercial banks to ensure effective liquidity management. This will help maintain a balance between short-term and long-term obligations.
 - Second, it is important to increase the share of liquid assets in banks, particularly by expanding investments in government securities.
 - Third, it is necessary to diversify the deposit base and encourage long-term deposits to expand stable funding sources.
 - Fourth, modern digital technologies and automated monitoring systems should be introduced to improve liquidity risk management.

In conclusion, although the level of liquidity in Uzbekistan's commercial banks is generally stable, further improvements require optimizing the structure of assets, enhancing deposit policy, and widely implementing modern management mechanisms.

Conclusion

The results of this study indicate that ensuring and effectively managing the liquidity of commercial banks is one of the key factors that maintain the stability of the banking system. Analyses conducted using the example of the banking system in Uzbekistan show that, although the overall liquidity level of banks is generally stable, there is a confirmed need for its qualitative improvement.

The study also revealed that the main part of commercial banks' assets consists of loans, which leads to a relatively low share of liquid assets. At the same time, a large portion of the deposit base is composed of short-term resources, which is an important factor contributing to liquidity risks in banks.

Furthermore, although mechanisms for managing liquidity exist within the banking system, there is a need to further enhance management based on modern risk management methods, digital monitoring systems, and international standards.

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