



OPPORTUNITIES FOR INCREASING THE PROFITABILITY OF BANK ASSETS

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Abstract

This scientific article presents ideas and opinions on the development of services in banks, the importance of income from deposits in this process, and ways to increase such income.

Keywords: Bank, service, finance, consumer, investment, economy, result, product.

Introduction

As a result of important measures implemented to develop banking services in the Republic of Uzbekistan, the volume of income from banking services is steadily increasing. Structural changes in the banking system and the effective organization of newly introduced online banking services have led to a growing share of income generated from capital placed in banks within the national banking system.

Notably, efforts are being made to reduce service costs through the development of remote banking services, expanding service types, and implementing modern digital technologies. These efforts also aim to form an innovative banking structure, widely implement financial innovations in banks and non-bank credit institutions, and enhance income from the efficient placement of deposits. Considerable attention is devoted to scientific research on establishing a regulatory financial-credit mechanism for banking services. However, the increasing competition under market conditions and the advancement of online services necessitate digitizing banking operations,



which, in turn, underscores the urgency of scientific research on creating a rational digital banking system.

In the 'Development Strategy of New Uzbekistan for 2022–2026,' which outlines the country's priority economic goals, a key objective is to increase the digitalization level of production and operational processes in the real sector of the economy and in finance and banking to 70% by the end of 2026. To implement this effectively, it is essential to integrate digital technologies and innovations into banking operations, explore advanced foreign practices, and develop theoretical and methodological foundations for building innovative banking infrastructure.

The primary goal of commercial banks is to maximize profits, which requires a stable increase in the profitability of bank assets. Focusing on the quality aspect of asset profitability is practically important. Specifically, ensuring a high share of interest income in the total income structure of commercial banks and its stable growth is a key factor in maintaining financial stability.

However, a number of issues still hinder the profitability of assets in Uzbekistan's commercial banks. One significant issue is the accumulation of non-performing assets within bank portfolios. Furthermore, operations involving securities remain underdeveloped.

To address these problems, it is advisable to undertake specific measures, especially within banks such as JSC 'O'zmilliybank'. This includes developing policies to prevent the accumulation of non-performing assets. A critical step is increasing the share of term and savings deposits in the banks' deposit base, thereby reducing the share of demand (transactional) deposits in the total deposit volume.

Composition of Total Income in JSC “O‘zmilliybank”

(in thousand soums)

No	Indicator	Total	In National Currency	In Foreign Currency (equiv. in soums)
1	Interest income	15 184 152 369	8 361 134 486	6 823 017 883
2	Non-interest income	7 420 702 702	2 683 305 899	4 737 396 803
3	Interest expenses	9 808 717 988	4 806 225 629	5 002 492 359
4	Non-interest expenses	905 852 013	242 435 190	663 416 823
5	Net profit (loss)	1 722 196 904	413 853 910	1 308 342 994



The bank's total gross income was 22.604 trillion soums in 2024. Of this:

- Interest income amounted to 15.184 trillion soums (67.2% of total income),
- Non-interest income made up 7.420 trillion soums (32.8%).

Thus, the bank's primary source of income is interest-generating operations (e.g., loans, financial market operations).

Interest income in national currency 8.361 trillion soums, Non-interest income in national currency: 2.683 trillion soums Total: 11.044 trillion soums (~48.9% of total income) Interest income in foreign currency: 6.823 trillion soums, Non-interest income in foreign currency: 4.737 trillion soums Total: 11.560 trillion soums (~51.1% of total income)

The income structure of JSC 'O'zmilliybank' relies heavily on interest income, indicating a focus on traditional banking operations (e.g., loans and deposits). The higher share of non-interest income in foreign currency suggests active participation in international operations and services.

To increase the share of interest income, it is necessary to develop commercial operations related to securities. A second type of such securities is government bonds. However, the profitability of short-term government bonds in Uzbekistan has significantly decreased. Enhancing their yield could make them more attractive to commercial banks.

Additionally, promoting operations of commercial banks in international stock markets is another way to increase interest income.

To boost interest income from loans, it is vital to:

1. Increase the share of loans in total bank assets;
2. Reduce dependence on centralized resources and interbank loans;
3. Expand the share of term and savings deposits in total liabilities.

Moreover, the creditworthiness assessment system in commercial banks must be improved. It should enable accurate determination and forecasting of clients' cash flows. The credit portfolio should also reflect clients' credit history and behavioral data.

Lastly, broader application of diverse lending forms is essential. Each form arises from natural demand, and interest rates should reflect the associated risk level.



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