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ISSUES OF IMPROVING THE INCOME GENERATION STRATEGY IN COMMERCIAL BANKS

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Abstract
This article discusses the challenges of optimizing the revenue-generating strategy of commercial banks. It analyzes the primary sources of income for banks, including interest, commission, and transaction income from securities, factoring, and trust management, as well as other activities. Particular attention is given to credit policies as a crucial element in ensuring the financial stability and profitability of banks. Additionally, the paper examines issues related to centralization and decentralization of management, inadequate analysis of borrower financial condition, and weak monitoring of credit processes. Based on a study of theoretical and regulatory resources, measures are suggested to optimize income and expense accounting, which could enhance the competitiveness of banks and their market position.

Keywords: Commercial banks, income, credit policy, factoring, trust management, interest margin, financial services, development strategy.

INTRODUCTION

In today's economic climate, commercial banks are faced with numerous challenges and responsibilities related to implementing their credit policies. In order to successfully address these challenges, banks must be flexible and innovative in their approach to managing credit transactions. By doing so, they can ensure a high level of customer satisfaction and maintain the financial stability of their institutions.

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A well-crafted credit policy is a crucial component of a commercial bank's lending process, as it determines the key characteristics and features of its operations. Each bank develops its own unique credit policy with the aim of optimizing the loan application process, ensuring timely repayment, and minimizing the risk of loss. In light of current market conditions, it is essential for banks to continually refine their credit policies in order to maximize their effectiveness.

To achieve this goal, financial institutions are utilizing various methods to improve their lending practices. They are developing strategies that outline the future direction of their loan portfolio and the organization as a whole, as well as implementing measures to reduce potential credit risks and monitor loan utilization.

The management and organization of lending activities form the basis of any commercial bank's operations. The provision of various loan products to different customer segments generates the greatest income for the bank.

In today's banking environment, many lending activities face challenges in terms of planning, implementation, and monitoring. This underscores the shortcomings of lending policies implemented by these organizations.

Specifically, there are concerns regarding excessive centralization and decentralization of management, inadequate financial analysis of borrowers, and lack of effective monitoring of the lending process. This situation highlights the need for continuous improvement of credit administration and the importance of examining and reviewing the fundamental elements of this process.

The issue is significant, as the development and implementation of a bank's credit strategy form the foundation for its sustainable growth and successful operations. The lack of a credit strategy or failure to comply with current standards can lead to insolvency and significant financial setbacks, while successful implementation of the strategy results in improved asset quality, increased return on assets, and better financial performance during reporting periods for the bank.

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LITERATURE ANALYSIS

In order to ensure the effective operation of banks and improve their financial stability, they need to continually strive to increase their revenue. Therefore, it is necessary to improve the income accounting system of a commercial bank.

This issue has been the focus of ongoing research by many scholars, and various views on the revenue of commercial banks have been expressed, including the following:

In accordance with the Resolution of the Board of the Central Bank of the Republic of Uzbekistan "On Approving the Regulation on the Procedure for Calculating Interest in Commercial Banks," "Incomes in commercial banks are economic benefits that lead to an increase in private capital in the course of the bank's activities, not related to an increase in the share of shareholders.

Income can be in the form of interest, profit, dividends, proceeds from the sale of assets, remuneration, royalties, rent, etc" [1]

Russian economist O.B. Voloshina noted that "banking income is monetary receipts from production and non-production activities. A commercial bank can receive income from primary and secondary activities, as well as random (other) income [2].

In the textbook "Banking" by Z.Mamadiyarov, M.Makhmudova, M.Kurbanbekova, it is noted that "the difference between two interest rates is the main source of bank income, which in economic literature is called "margin." Thus, the margin is the difference between the interest rates on borrowed and loanable funds [3].

In another definition, "The profit of a commercial bank is the financial result of its activity in the form of the excess of income over expenses. Profit analysis is carried out in the following areas: assessment of the level of profit achieved in the reporting period and its comparison with the base period; dynamic analysis of profit, analysis of balance sheet and net profit; analysis of profit by structural subdivisions; assessment of financial losses and lost profit; analysis of profit utilization; assessment of the profitability of the main areas of banking activity and types of operations performed by the bank [4].

A somewhat different definition of "income" is given by the authors V. Kotkovsky and A. Neizvestnaya, who reveal the content of this category as the total amount of funds received by the bank from active operations. Scientists emphasize that bank income should be considered as interest received; income and commission received from services rendered; income from operations with securities, currency, gold, and other income [5].

A.V. Chukhleb writes: Incomes are monetary receipts received as a result of banking activities. A commercial bank, like any other commercial enterprise, can receive income from primary and secondary activities, as well as from other categories of incidental income [6].

Based on the opinions of the experts above, we can conclude that for the successful operation and financial stability of a commercial bank, it is essential to continuously improve the processes of generating, accounting for, and analyzing income [7-8]. The definitions and approaches provided by various researchers indicate that bank income is complex and is generated not only from interest income, but also from commissions, proceeds from asset sales, investment activities, securities, foreign exchange transactions, and other diverse activities.

In our opinion, the profit, which is the main financial result of a bank, is reflected as the difference between income and expenses. This difference is important for evaluating the economic condition of a bank and determining the effectiveness of its operational activities. Scientists note that interest margin is one of the main sources of bank income. It is the value of bank resources and the profit generated from their use.

Modernization of the income management system, introduction of transparent accounting, in-depth analysis of profit structure, and formation of a diverse service portfolio are all important for increasing commercial banks' competitiveness, ensuring their financial stability, and promoting sustainable economic development.

RESEARCH METHODOLOGY

In accordance with the research goal, we endeavored to investigate the revenue strategy of a financial institution, its fundamental components, and the underlying economic principles. The theoretical framework for this work was built upon a foundation of regulatory documents, relevant literature, and

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scholarly articles authored by experts in the field. The research extensively employed techniques for data analysis and manipulation, including a retrospective-systematic approach, deductive and inductive reasoning, scientific abstraction, and other methods.

DISCUSSION

The primary objective of a commercial bank is to maximize profits, which contributes to its long-term stability and enhances its position in the market. Profits or losses generated by the bank are determined by its active and passive transactions. Therefore, analyzing profits, their components, and the factors affecting their variation is an essential aspect of evaluating the performance of a commercial bank.

Profits are calculated as the difference between revenue and expenses. When the result is positive, it is referred to as profit, while a negative result is known as loss. The profits generated are utilized to develop and enhance the bank's fixed assets, boost equity, maintain financial stability, ensure balance sheet liquidity, support the required level of dividends, and enhance the quality of services offered.

A commercial bank offers its customers a diverse range of banking products and services. At present, the number of services available can reach two hundred. This wide array of offerings enables the bank to maintain customers and generate revenue even in times of economic uncertainty. However, not all of these services are actively utilized in the operations of a commercial banking institution.

The bank's income is generated through a variety of activities, including:

- issuing loans;
- provision of special offers;
- insurance services;
- issuing bank guarantees;
- working with securities;
- attracting and managing deposits on behalf of clients;
- interaction with other financial institutions;
- providing unique banking products.

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In the operations of commercial banks, lending plays a significant role as one of the core activities. It is the most lucrative segment for the banks. This area holds economic significance as credit operations constitute the primary source of interest income for the bank and a crucial determinant of its financial stability and profitability. Typically, the process of extending loans follows two main paths:

1. Providing loans to individuals and legal entities. Financial institutions extend credit to both individuals and corporations, thereby fostering economic growth. Banks generate revenue by acting as intermediaries between borrowers and lenders [9]. To guarantee the smooth functioning of the system, banks meticulously evaluate the creditworthiness of borrowers and set interest rates that ensure a satisfactory level of profitability.

2. Investing excess cash in other financial institutions. Banks manage temporary surplus funds on their balance sheets through the provision of loans or investment in time deposits with other commercial banks and financial institutions. This practice allows them to transform these funds into more profitable assets. This strategy is an effective method for managing short-term liquidity and provides the bank with additional financial benefits in the form of interest income [10]. The success of these transactions is contingent upon the stability of liquidity metrics and the conditions in the interbank market.
Generally speaking, these two forms of lending constitute the foundation of a bank's revenue stream and are of paramount significance for sustaining its financial viability.

RESULTS

To ensure the successful operation of a loan-related business, it is imperative to establish effective communication between financial institutions and have reliable partners who specialize in distributing resources within the banking services market.
Moreover, efficient account management is vital. The income generated from the lending business comes from interest payments. Discounting is a financial

arrangement where a bank purchases unpaid invoices, checks, and claims at a reduced price. One type of this arrangement is factoring, which can be done with or without recourse.

In the former case, the bank may require the supplier who failed to pay the invoice to repay the debt, which is known as factoring. There are two fundamental methods for factoring: recourse factoring and non-recourse factoring. In recourse factoring, the bank has the authority to recover the debt from the customer if the original customer fails to pay. In non-recourse factoring, the bank assumes all the risk and does not have the right to pursue the customer for reimbursement.

Recourse factoring involves the bank taking on the risk of default on the customer's part and providing payment to the supplier in advance [11]. The bank then attempts to recover the funds from the customer later. Non-recourse factoring eliminates this risk, but the bank charges a higher fee as compensation for assuming the full risk.

Factoring is a financial service provided by banks that enables suppliers to receive payment before the customer makes payment. This service involves the bank taking over the responsibility for collecting payments from the customer and directly paying the supplier [12]. This allows suppliers to benefit from quicker payment and reduces their risk of late or non-payment.

However, the bank may charge a fee for providing factoring services. This fee is deducted from the amount the supplier receives from the customer. Therefore, factoring may decrease the supplier's income.

The bank also earns income through guaranteed and security services. These services involve managing the client's assets, such as real estate, securities, and cash held in accounts. The bank may receive fees for managing these assets and performing certain transactions on behalf of the client.

In accordance with the trust management agreement, the bank undertakes to invest the client's funds and deliver a specified level of return. The client, in turn, decides how the funds are invested.

Investments related to trust management are inherently risky, as the client's return may fall short of the bank's expectations. Consequently, the fees for trust management services are typically higher than those for agency operations, which also influences the structure of commission fees for these services. Typically, if the returns from the trust management activity surpass the agreed-upon amount in the contract with the client and the employees' fixed salaries, a fixed fee for asset management and a performance-based commission will be paid.

The bank's operations in the securities market encompass a variety of fields:

- issuing and distributing your own financial instruments on the trading platform;
- selling securities on behalf of a financial institution;
- purchasing securities from other companies with the goal of generating profits or for future resale;
- providing configuration services.

The bank's earnings from securities transactions are composed of various components:

- the disparity in worth that arises when securities are sold;
- the compensation paid on debt instruments in the form of interest and dividends;
- the gain earned from the resale of securities (the profit from trading);
- services related to setting up;
- fees for the sale of securities.

Furthermore, the bank benefits from the periodic reassessment of its portfolio of securities, which is a result of a positive change in their value. The bank's activities related to the provision of guarantees can generate both direct and indirect income. The bank may charge a fee for its surety services to its clients, allowing them to make payments and obtain loans. However, the bank may also provide a free guarantee if it deems it beneficial. Additionally, the bank profits from a periodic reassessment of its security portfolio, which is a reflection of its reputation.

Activities aimed at attracting funds to deposits and performing operations on behalf of depositors serve as a source of income for the bank in various forms:

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1. Reward for opening an account.
2. Commission fee for account management:
- a fixed amount for a certain period of time;
- percentage of turnover.
3. Provision of reports on settlement transactions performed.
4. Activities related to attracting funds to deposits and conducting transactions on behalf of depositors.

The income generated by the bank from this business line may be entirely or partially derived from the commissions listed [13]. The income can be divided into two main categories: regular and irregular. The regular income includes interest and non-interest income from providing banking services. The irregular income is generated through transactions with securities on the secondary market and from occasional (unplanned) transactions.

In contemporary times, many banks classify income from foreign exchange transactions as irregular. For the bank to thrive, it is crucial that its revenues come from stable sources, and irregular factors do not have a significant impact on its net profit. The majority of a commercial bank's income comes from its core operations, also known as operating income. The operating income is divided into interest-bearing and non-interest-bearing. In the financial industry, the primary source of revenue is interest earnings, which are generated by investing one's own and borrowed capital at a fee.

Income in the form of interest may be derived from a variety of sources, including but not limited to:
- extending loans to clients and temporally investing available funds with governmental and commercial banking institutions;
- investing in debt-based securities;
- conducting accounting, leasing, and factoring transactions;
- seizing assets.

All these streams of interest-based revenue entail the transfer of assets to third parties subject to specific conditions, which yields a profit constituting a percentage of the initial investment. In the majority of financial institutions, the share of interest income in total revenue ranges from 70 to 80 percent.

Earnings that do not involve interest payments can include:
- earnings generated by a broker;
- gains from trading in financial markets;
- income from fluctuations in the value of foreign currency assets.

In the hierarchy of substantial revenue streams, which have gained prominence in developed economies over the past few years, the second position is occupied by the provision of banking services sans the offering of loans. This category of income frequently goes by the moniker of "commission revenue," owing to the fact that it is frequently generated through the imposition of fees in the form of commissions.

The magnitude of these commissions is typically calculated as a fraction of the transaction's size or value. Nonetheless, commission income encompasses earnings derived from services rendered to clients on a predetermined basis or designed to offset the expenses incurred by the financial institution.

Financial institutions provide a diverse range of services, which are continuously evolving through the introduction of innovative products. Some of the primary sources of revenue for these institutions include:
- providing customer support for businesses and individuals during the point of sale process;
- processing card-based transactions;
- issue of bank guarantees to clients;
- offering currency exchange services to clients.

In light of the diminishing profitability of conventional banking, financial institutions are actively seeking to expand their operations in order to increase their earnings. Since banks are not permitted to engage in manufacturing, trading, intermediation, or insurance, they are investigating ways to enter these sectors.

CONCLUSION

A deep understanding of economic phenomena and possession of significant financial resources enable banks to actively participate in the most profitable sectors. By investing in businesses and organizations' capital, banks not only

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ensure higher returns compared to lending but also significantly mitigate risks by exercising control over their activities.

Implementing a commercial bank's revenue accounting optimization system may result in the following benefits:

1. Accurate documentation of the bank's revenues and expenses over a specific period will allow the generation of profits aligned with international standards and an objective assessment of the bank's financial stability.
2. Effective management of liquidity, risk, and profitability through the use of synthetic and analytical accounts covering both cash and non-cash assets.
3. A clear and accurate representation of the bank's financial performance over a specified time period enables the generation of profits in accordance with international standards and provides an unbiased assessment of the bank's financial position.
4. Effective management of liquidity, risk, and profitability through the use of data from synthetic and analytical accounts that encompass both cash and non-cash assets.
5. Personalized approach to each customer, offering a variety of credit options based on their account balances.
6. In-depth analysis of profitability for each banking product offered.
7. Detailed examination of the bank's income and expenditure by category, using accounts for accrued income and expenses.
8. Thorough examination of the financial resources of the bank for informed decision-making purposes.

Therefore, accurate and comprehensive recording of income and expenses in financial statements is crucial for analyzing and evaluating the sources of revenue for a financial institution, as well as for improving the management of its operations. In this regard, enhancing the income and expense accounting systems of commercial banks contributes to their competitiveness and strengthening and expansion of their market position.

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