



Expansion of Issuance Activities of Commercial Banks in the Securities Market

Musaev R.

Associate Professor of Samarkand Institute of Economics and Service

ABSTRACT

The article provides an overview of the importance of commercial banks in the issuance of securities in the securities market, the analysis of factors affecting their efficiency, ways and prospects for expansion today.

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Introduction

The announcement of 2020 as the Year of Science, Enlightenment and Development of the Digital Economy has set even more important tasks for the country's economy. In particular, in order to improve financial relations in the securities market, the task of “creating a single platform for conducting money market operations with government securities and placing free funds of the treasury in commercial banks” was highlighted (Decree, 2020).

While investments are needed for the balanced development of different sectors of the economy, commercial banks are now one of the financial institutions that accumulate huge financial resources and can direct it to the priority sectors of the economy. Therefore, the stable functioning of the national economy is limited without a highly organized and efficient banking system. In this area, a special place is given to the adequacy of commercial banks' own capital and its level of capitalization.

“Our banks need to enter the international financial markets and bring cheap and long-term resources. The National Bank and Ipoteka Bank should issue their own Eurobonds this year ”(Petition, 2020).

It should be noted that in February 2019, the London Stock Exchange, one of the most prestigious stock exchanges in the world, for the first time in the history of Uzbekistan issued Eurobonds. At the same time, it placed 5-year \$ 500 million Eurobonds at 4.75% and 10-year \$ 500 million Eurobonds at 5.375%. The terms of repayment of debt bonds are set for 2024 and 2029 (Toshmatov, 2019).

In recent years, the country has been focusing on strengthening the financial and banking system. It should be noted that the increase in the capitalization of banks began in our country before the global financial and economic crisis, which ensured the maintenance of mutual trust between commercial banks and the elimination of liquidity problems.

In this regard, it can be observed that in the banking practice of the Republic of Uzbekistan, banking operations related to securities, which significantly affect the level of capitalization, are underdeveloped. This is evidenced by the small share of investments in securities in the assets of commercial banks of the Republic and the low share of long-term subordinated debt in equity. As a result, dividends and interest income of commercial banks from securities occupy a very small share in the gross income of banks.

However, in developed industrial countries, in the structure of interest income of commercial banks, the second place after credit interest is occupied by interest on securities.

Literature review

As a result of our research, the views and approaches expressed by economists on expanding the issuance of commercial banks in the securities market are discussed below. G.A. Bersenova (2018) notes that commercial banks play a major role in the stock market in most countries, and that the role of banks in this market will be as follows: they can participate in large portfolio investors as a professional participant, as well as as an issuer of private securities. I.A. According to Nikonova (2006), an economic entity's entry into the stock market is explained by its development, increase in market value, and capitalization. G. Beloglazova and L. Krolivetskaya (2018) recognizes that the issuance of securities should be seen not only as a solution to the problem of replenishment of lacking financial resources, but also as a means of attracting funds for future profitable placement. During the issuance activity, the Bank issues the following securities in order to increase its authorized capital and attract free funds of the population and business entities: - Promotion; - Corporate bonds; - Certificates of deposit and deposit. These securities allow individuals and legal entities of the Republic of Uzbekistan to invest their temporarily vacant funds in reliable and liquid assets. The work related to the issuance of their own bonds plays an important role in the activities of banks. In Uzbekistan, in particular, most banks have the status of joint-stock companies, which provides for the issuance of these securities in order to form the authorized capital. The interest of commercial banks in issuing their shares and placing them on the open market is explained by a number of conditions. First of all, it is necessary to form bank liabilities. Inflation, which constantly devalues its own capital, deprives banks of the ability to attract long-term deposits. Therefore, banks have to use increasing amounts of their capital to make relatively long-term investments. It should also be noted that it is used by commercial banks to increase the authorized capital and issue additional shares, to make restructuring changes - to change the share of shareholders. Finally, as noted earlier, there are requirements for the minimum amount of charter capital of a commercial bank, as well as economic standards set for banks by the relevant regulatory bodies (Cabinet of Ministers, Central Bank), which must be complied with (PQ, 2017). Banking legislation has a significant impact on banks' issuance and management strategies. In countries such as the United

Kingdom and Italy, the law prohibits the formation of hidden reserves that arise from an increase in the exchange rate value of securities available in the bank's portfolio. In these countries, banks must indicate the value of their assets in their balance sheets, taking into account their revaluation. In other countries, such as Japan and the United States, hidden assets can reach large amounts as assets are reflected in the balance sheet at purchase or at face value, which encourages the bank to increase such investments. Bobokulov T.I. (2018) recognizes the absence of open market operations of the Central Bank of the Republic of Uzbekistan. In developed countries, the open market operations of the Central Bank play an important role in solving the problem of unbalanced liquidity in commercial banks.

Analysis and practical results

In our opinion, a number of factors have a negative impact on increasing the role of commercial banks in the national securities market and ensuring their efficiency in the stock market. These are: 1. Insufficiency of highly liquid securities and lack of solvent issuers in the secondary securities market of the country. The analysis of the data showed that in our country there are very few securities with high liquidity and some types of securities do not exist in practice. 2. Imperfect system of assessment of financial condition of issuers of securities in commercial banks. The results of the analysis show that in a number of large commercial banks of the country there are frequent cases of buying shares with low liquidity and, as a result, keeping shares of issuers in the securities portfolio for a long time, ending the fiscal year with losses. 3. Lack of diversification of the securities portfolio of commercial banks according to the industry characteristics of the issuers. The results of the analysis show that in a number of large commercial banks of the country the issue of diversification of the securities portfolio according to the sectoral nature of the issuers has not been resolved. This, in turn, increases the level of risk in securities-related transactions and maintains the risk of incurring large amounts of losses on the bank's balance sheet. In our opinion, there are a number of issues that need to be addressed in order to ensure the capital stability of commercial banks. In particular, the problem of effective management of the authorized capital of commercial banks and the efficiency of the use of bank assets. Today, Asaka Bank is one of the largest issuers in the securities market, an investor in the financial market of the Republic of Uzbekistan, as well as an investment institution that provides a wide range of services to customers in various segments of this market. JSCB Asaka Bank conducts investment activities using non-issuance securities market elements in order to earn income in the following areas:

- Purchase of debt securities of economically stable industrial enterprises and commercial banks and participation in the authorized capital of legal entities; • Providing investment advisory services to legal entities and individuals. In addition, any beneficial offers in the financial market will be thoroughly studied by the Bank's staff.

JSCB Asaka Bank is one of the largest banks in Uzbekistan, issuing its shares on a regular basis. The Bank's shares are currently listed in the official exchange list of RSE "Tashkent" in the highest category (category "A"). The largest shareholders of the Bank are the Fund for Reconstruction and Development of the Republic of Uzbekistan, the Ministry of Finance and Uzavtosanoat. As of December 30, 2019, the volume of securities of JSCB Asaka Bank for sale and purchase amounted to 215398.7 mln. soums. The shares consisted of a sum of ordinary shares. Information on certificates of deposit issued by Asaka Bank is shown in Table 1.

Table 1 Certificates of deposit issued by Asaka Bank As of January 1, 2020, in thousand soums¹

¹ АТБ Асакабанк ҳисоботлари асосида муаллиф ишланмаси

As of January 1, 2020, in thousand soums №	Date and number of registration	Registered bonds		Annual interest rate, (%)	Deposit amount	Amount deducted	The amount remaining in the treatment
		number	amount				
1. Certificates of deposit issued for legal entities							
1	01.05.2017	1	10000000	8	10000000	10000000	0
				9	70000000	70000000	0
2	25.07.2017	99	90000000	12	40000000	40000000	0
				14	60000000	0	60000000
3	27.03.2019	100	100000000	18	100000000	0	100000000
Total juridic person			200000000		280000000	120000000	160000000
2. Deposit certificates issued for individuals							
1	17.08.2015	100	100000	23	100000	100000	0
2	12.08.2016	200	200000	21	200000	200000	0
Total individuals			300000		300000	300000	
Total			200300000		280300000	120300000	160000000

In the market of certificates of deposit, Asaka Bank is a leader among commercial banks of the Republic of Uzbekistan. Over the past 10 years, the Bank has issued twelve certificates of deposit, nine of which have been fully revoked. The total volume of issued certificates of deposit amounted to 257.5 billion soums. This tool allows legal entities of the Republic of Uzbekistan to invest temporarily vacant funds in reliable and liquid assets for a period of six months to three years. In accordance with the requirements of its investment policy, Asaka Bank forms a set of investments in securities diversified by type of instrument, maturity, issuer and others. The Bank acts as a shareholder of enterprises operating in various fields and a participant of the charter capital, in which the bank makes short-term and long-term investments. Since 1996, Asaka Bank has been an active participant in the government securities market. Currently, the Bank is investing in medium-term treasury bonds, which are a reliable instrument of the securities market of the Republic of Uzbekistan through the Currency Exchange of the Republic of Uzbekistan. In addition, Asaka Bank is a leader among investors in the local corporate bond market, for which the bank regularly manages the bond portfolio in order to improve earnings and risk indicators. As a proof of our opinion, Table 2 provides information on bonds issued by the bank. 2-table

Bonds issued by Asaka Bank As of January 1, 2020, in thousand soums²

№	Date and number of registration	Registered bonds		Annual interest rate, (%)	Amount deducted	The amount remaining in circulation
		quantity	amount			
1	22.01.2010 P0842	20 000	20000000	9%	20000000	0
2	28.08.2011 P0842-2	10 000	10000000	9%	10000000	0
3	20.07.2012 P0842-3	10 000	10000000	8%	10000000	0
4	10.07.2013 P0842-4	30 000	30000000	13%	30000000	0
In total			70000000		70000000	0

The Bank provides securities underwriting services. Asaka Bank has been recognized as a reliable partner between leading domestic and foreign banks and companies, as a result of which it is able to

² Author's development on the basis of reports of JSCB Asaka Bank

ensure that the issue is placed with a wide range of investors.

Conclusion

In our opinion, in order to develop modern directions of securities banks' actions in Uzbekistan, it is necessary to do the following: - In order to improve the circulation of securities issued by commercial banks in the Republic of Uzbekistan and the accounts on them, it is necessary to provide in-depth study of foreign experience in securities circulation to students and graduate students studying banking in higher education. The main reason for this is a sharp increase in the practice of future staff working with securities; - It is necessary to improve the activities of stock exchanges in the country. It is impossible to expect the development of securities in banking without improving the securities market; - It is necessary to carry out a broad campaign among the population on the benefits of securities. The public and organizations need to be informed in detail about the advantages (potential benefits) of securities; - It is necessary to study ways to use the experience of developed foreign banks in the management and accounting of securities issued by banks.

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