

## Analysis of the Dynamics of Bank Income and Expenses

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**Abstract:** The banking industry is a key sector of the national economy of any developed country. Its practical significance lies in the fact that it controls the system of payments and settlements in the country; carries out most commercial transactions through deposits, investments and lending; and, together with other financial intermediaries, directs the savings of the population to enterprises and production organizations.

**Keywords:** Industry, accounting, income, expenses, deposit.

**Introduction.** On March 28, 2023, President Shavkat Mirziyoyev got acquainted with a presentation on attracting foreign investment in the capital of Asakabank and Uzpromstroybank. During 2023, it is planned to attract \$125 million to the capital of Uzpromstroy Bank, and \$100 million to Asaka Bank. Modern software products and more than 100 new types of banking services will be introduced into operational activities. As a result of this work, it is expected that by the end of 2027, the income of Uzpromstroybank will increase by 1.61 times, the loan portfolio - by 1.6 times. Deposits in Asakabank will increase by 1.71 times, and the volume of banking assets - by 1.72 times. Most importantly, confidence in these and other banks of Uzbekistan will increase in the international financial market, and their attractiveness for foreign investors and partners will increase<sup>1</sup>.

Occupying a central place in the economic system and being responsible for the procents of various market participants, banks act as intermediaries between industry and trade, agriculture and the population.

One of the priority areas in the “Development Strategy of the New Uzbekistan for 2022-2026” is to deepen reform and ensure the stability of the banking system, the level of capitalization and deposit base of banks, strengthening their financial stability and reliability, further expanding lending to promising investment projects, as well as small businesses and private entrepreneurship and completing transformation processes in commercial banks with a state share, bringing the private sector share in the assets of the banking system to 60 percent by the end of 2026. The main goal of a commercial bank is to maximize profits, ensure stable long-term functioning and strengthen its position in the market. A bank's profit or loss is an integral indicator of the results of all active and passive operations. The study of profit, its components and factors influencing its change is a key aspect of the analysis of the work of a commercial bank. The amount of profit is mainly determined by the difference between the income received and the expenses incurred. High-quality management of

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<sup>1</sup> <https://asr.gov.uz/ru/news/7748>. Instructions from President Shavkat Mirziyoyeva on inviting international consultants, increasing capital and attracting additional investments in banks

income and expenses of a commercial bank determines its efficiency and financial stability in the market.

In accounting and finance, income in commercial banks is the income generated from their business activities.

In commercial banks, income can come from several sources, including:

Procent income is the income banks receive from the procent they charge on loans, credit cards, mortgages and other financial products. The loan products and procent rates offered by a commercial bank depend on several factors, including the bank's risk appetite, market conditions and regulatory requirements. The procent rate banks charge on loans and other financial products is usually higher than the rate paid on deposits, creating a spread known as the net procent margin. To manage the risks associated with lending, commercial banks typically apply strict underwriting standards and loan approval procedures. This helps ensure that borrowers are able to repay their loans and that the bank is able to maintain the quality of its loan portfolio. It is a key source of income for commercial banks by lending money to individuals and businesses, as well as investing in various financial instruments such as government securities, corporate bonds and other procent-bearing assets. Overall, the lending business is an important source of income and profitability for commercial banks as it allows them to earn procent income from lending activities while managing risk and maintaining a healthy loan portfolio.

In the context of commercial banks, discounting refers to the practice of buying and selling short-term debt instruments such as commercial paper, treasury bills and promissory notes at a discount to their face value. This allows commercial banks to earn income by purchasing these debt instruments at a discount and then holding them until maturity, at which point they can be repaid at face value, generating a profit for the bank.

The discount business is a key component of a commercial bank's overall business as it allows them to generate income by investing in relatively low-risk assets, as well as providing a valuable source of liquidity for financial markets.

In the discount business, commercial banks typically purchase short-term debt instruments from issuers such as corporations and government agencies and then hold the instruments until maturity. The difference between the purchase price and the par value of the instrument represents the bank's profit, which is known as the discount rate.

Commercial banks engage in the discounting business as a way of managing their cash flow and liquidity. By investing in short-term debt instruments, banks can generate income from their excess cash balances while maintaining sufficient liquidity to meet their obligations. In addition to generating income from the discount business, commercial banks may also offer discount services to their customers. This involves the bank purchasing the customer's receivables at a discount, thereby providing the customer with immediate cash flow while also generating income for the bank. Factoring is a financial service provided by commercial banks that involves purchasing a company's receivables at a discount in exchange for immediate cash. With factoring, a bank provides financing to a company by purchasing its outstanding invoices at a discount, and then collects payments from the company's customers on the bank's behalf. Although factoring and discounting are financial services provided by commercial banks, they are different from each other. Factoring involves the purchase of a company's receivables, while discounting involves the purchase of short-term debt instruments such as treasury bills and commercial paper.

There are several types of factoring operations that commercial banks can offer. These include:

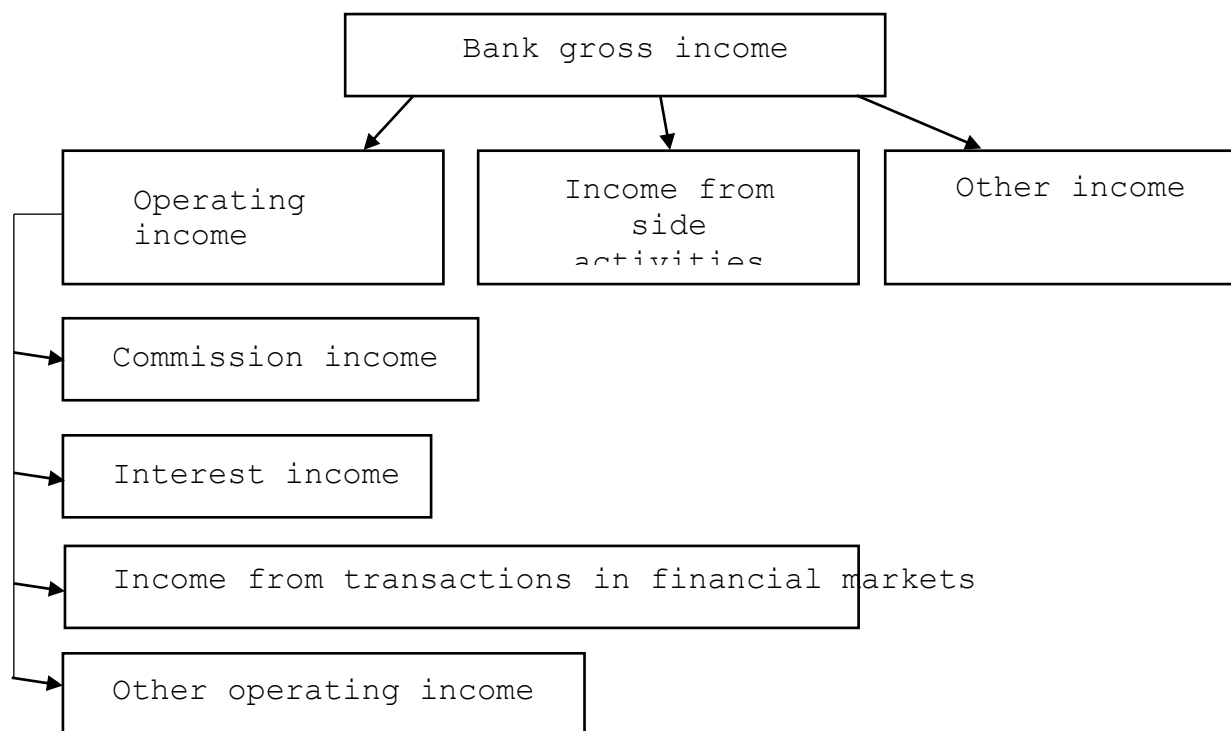
**Recourse Factoring:** This is the most common type of factoring in which the bank assumes the credit risk associated with the factored invoices. If the customer fails to pay, the bank may require the company to buy the account.

**Non-recourse factoring:** With this type of factoring, the bank assumes the credit risk associated with the factored invoices and the company is not obligated to buy back any outstanding invoices.

**Gross bank income** refers to the total income received by the bank before deducting any expenses or taxes. This includes all sources of income generated by the bank, such as percent income from loans and investments, fees and commissions for various services, and profits from trading activities.

The most profitable source of income for a bank depends on various factors, including the bank's size, business model and geographic location.

**Fig 1 Composition of gross income and classification of income**

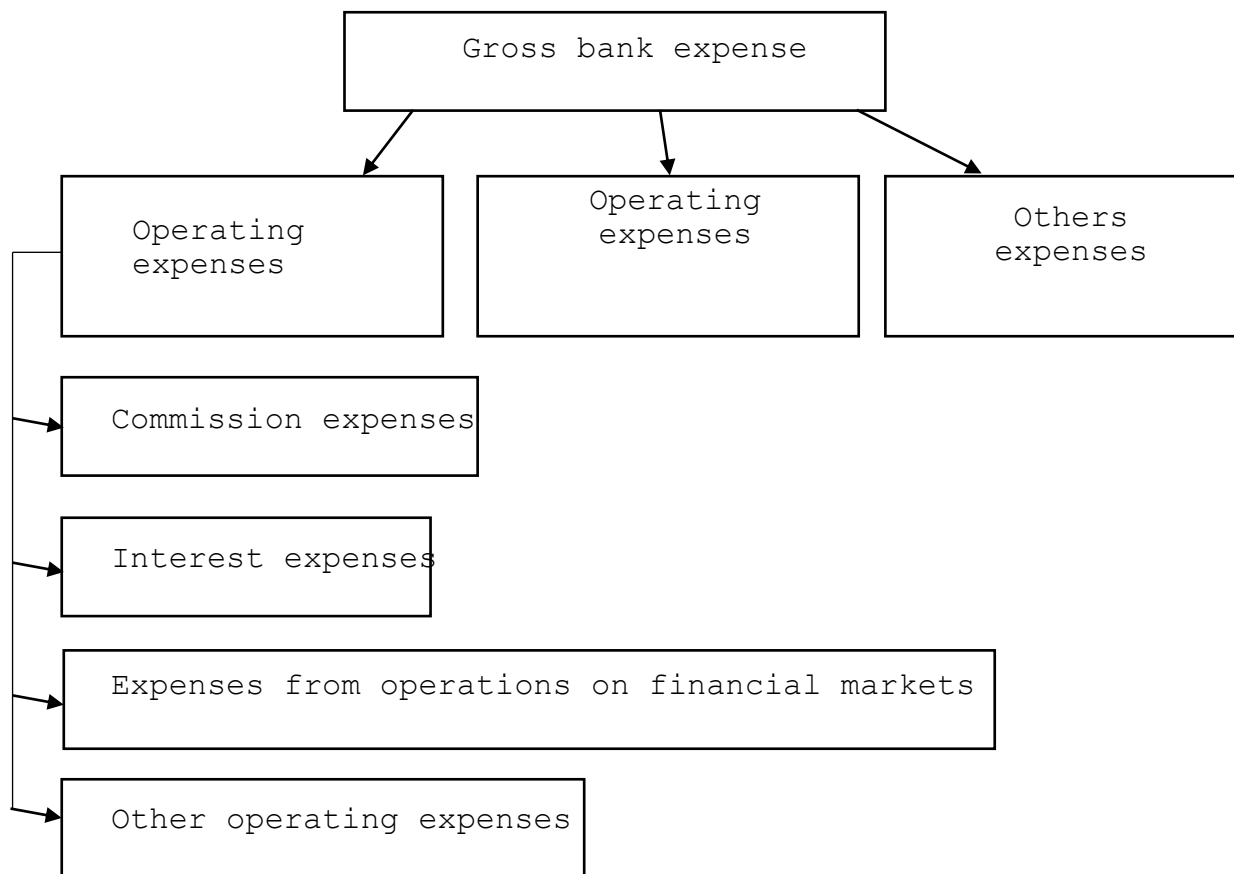


The various types of percent income generated by a bank have one thing in common: they all represent income received as a result of lending or investing money. Percent income is earned when a bank lends money to borrowers, such as individuals or businesses, and receives percent on the loan. Alternatively, percent income can also be generated by investing the bank's own funds in various financial instruments such as bonds or other fixed income securities.

**Non-percent income** refers to the income received by the bank, which is not related to the percent income received from lending and investment activities. Non-percent income can be derived from various sources, such as fees and commissions charged for services provided, trading activities and profits from the sale of assets. Non-percent income is an important source of income for banks, especially during periods when percent rates are low and percent income is reduced. Non-percent income is also important for diversifying a bank's sources of income and reducing its dependence on percent income.

Banks, especially large ones, have advantages in the form of access to information about the state of affairs in various sectors of the economy and large financial resources. This allows them to identify the most profitable sectors for investment and take an active part in their development.<sup>2</sup>

However, simply expanding the list of services is not enough for the successful growth of the bank. It is also important to innovate and develop new products, adapting to changing customer and market needs. Banks must actively embrace digital technologies to streamline their operations and provide convenient and efficient solutions to customers.



**Fig. 2 Classification of expenses of commercial banks**

Full corporate name: Joint-stock commercial bank "Microcreditbank" - JSCB "Microcreditbank".

The bank was created on the basis of the decree of the President of the Republic of Uzbekistan dated May 5, 2006 no. UP-3750 “On the creation of a joint-stock commercial bank “Microcreditbank”” in order to further expand the provision of financial resources for the development of small businesses, private entrepreneurship and farming, the creation new jobs by intensifying self-employment, family businesses and home-based work, ensuring the availability of microfinance services to wide segments of the population, especially in rural areas.

License of the Central Bank of the Republic of Uzbekistan for the right to carry out banking operations dated October 21, 2017 No. 37.

The main activity of the bank is to carry out commercial transactions, transactions with securities, foreign currency, providing loans and guarantees. The bank accepts deposits from the public and issues

<sup>2</sup> Балдин К.В., Воробьев С.Н. Управление рисками – 2005 г, 93 с.

loans, makes payments on the territory of the Republic of Uzbekistan and abroad, and also provides other banking services to legal entities and individuals.

Participation in exchange and payment systems, membership in associations in the field of banking:

1. Participant in the system for guaranteeing household deposits in banks of the Republic of Uzbekistan.
2. Member of the Association of Banks of Uzbekistan.
3. Member of the Republican Stock Exchange "Tashkent".
4. Member of the currency exchange of the Republic of Uzbekistan in all areas.
5. Member of the Microfinance center of the CIS countries and Eastern Europe (Poland).
6. Member of the Asian Banking Association (Taiwan).
7. Member of the international electronic payment system S.W.I.F.T.
8. Member of the international payment system VISA International.
9. Member for representative relations with Bank of Tokyo-Mitsubishi UFJ (Japan), Bank of China Ltd (China), Asia-Invest Bank (Russia).
10. The bank is a member of the international money transfer systems Unistream, MoneyGram, Contact, Western Union, Zolotaya Korona and RIA

The bank cooperates with many international financial institutions

Let's analyze the percent income of the Karakalpak Republican branch of Microcreditbank JSCB for 2021-2022 in table 2.3.1. The table shows that percent income on loans receivable compared to last year increased by 20.5%, and other percent income increased by 208%. But during the reporting period, percent income performed poorly, which is in court proceedings, showing an increase of 147 times. But overall, percent income showed an increase of 24%.

Percent income analysis

Karakalpak Republican Nukus branch of JSCB Microcreditbank for 2022-2023 (million soums)

**Table – 1 Analysis of total income Karakalpak Republican Nukus branch of JSCB "Microcreditbank" for 2022-2023 (sum, tiyin)**

№	Name indicator	code	2022 year	2023 yeAR	Growth, %
1	Procent expenses on deposits	160	6 971 235 185	16 680 359 657	139
2	Procent expenses on accounts payable to the Central Bank of Russia	170	0	0	
3	Procent expenses on accounts payable to other banks	180	0	0	
4	Procent expense on outstanding bank acceptances	190	0	0	
5	Procent expenses on loans payable	200	47 609 589	90 543 233	90
6	Procent expense on issued securities	210	0	0	
7	Procent expenses on repo transactions with securities	220	0	0	

8	Other procent expenses	230	11 425 858 787	16 658 658 733	45,7
9	Total procent expenses	<b>240</b>	<b>18 444 703</b> <b>562</b>	<b>33 429 561</b> <b>623</b>	<b>81</b>

Let's analyze the total income of the Karakalpak Republican branch of Microcreditbank JSCB for 2022-2023 in table 1. The results of the analysis show that net procent income growth rate was 17%, non-procent income 131%, and profit in foreign currency 22.6%. Thus, the growth rate of total income was 18%.

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