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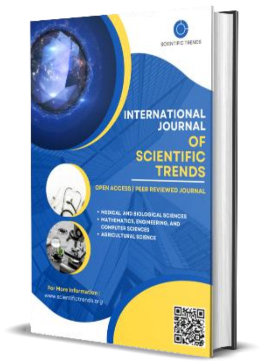
Innovative Management Approaches to Increasing the Financial Capacity of Banks

Vakhobov Shohjahon Valiyevich
Teacher at the "Management" Department of the "International School of Finance Technology And Science" Institute. Phone number: 998977367057
Email address: vaxobov7057@gmail.com.



Abstract

Increasing the financial potential of banks is one of the pressing problems of the economy. In this process, the introduction of innovative management methods is of great importance. This paper discusses the digitalization of banking activities, the development of financial technologies, and increasing financial potential through the use of modern management methods.

Keywords: Bank, financial potential, capital, business environment, business environment, minority shareholder, investor, investment, corporate governance, corporate structure, supply chain, cyber security.

Introduction

The issue of increasing the financial potential of the banking sector is important in the country's economic development. Strengthening the potential of the banking sector is especially important for developing countries like Uzbekistan. This thesis examines ways to increase the financial potential of banks, as well as their prospects and problems.

The financial capacity of banks refers to their borrowing and lending capacity, asset management, capital adequacy, liquidity, and risk management. The financial stability of the bank, its capital structure, and business models are the main factors that determine its financial potential. Increasing the financial capacity of the banking sector of Uzbekistan is an integral part of the country's economic reforms and integration with the global financial market.

Methodology

In the process of research**,** several methods were widely used to increase the financial potential of banks to study management analysis and scientific research and to analyze their theoretical aspects.

Literature review

Theoretical and practical issues of innovative approaches to bank management in ensuring the financial stability of banks have been studied in the scientific works of foreign economists - A.Simanovsky, A.Vikulin, V.Usoskin, D.Polfreman, G.Tosunyan, F.Ford, G.Beloglazova, J.Sinki, O.Lavrushin, J.Matuk, D. Maknoton, K.Barltrop, G.Panova, E.Dolan. In the scientific research of our country's economists - A.Vakhabov, Sh.Abdullaeva, O.Iminov, N.Jumayev, T.Doraliev, S.Norkobilov, U.Ortikov, D.Saidov, the theoretical and practical aspects of the development of commercial banks have been studied.

Also, if we pay attention to the theoretical approaches of our country's economists to the financial services of banks, Aliqoriyev emphasizes: “Banking services are a form of banking activity that contributes to the optimal implementation of banking operations provided to customers” [1]. Foreign economist A.N.Azrilian defines “Financial services as activities related to the attraction and use of funds of individuals and legal entities” [3]. Another economist Ye.B. Shirinskaya defines “bank advisory services as off-balance sheet operations, since their provision does not lead to an increase in assets and liabilities, and the payment consists of a commission fee ” [3]. American scientist P.S.Rouz included such types of banking activities as cash reserve management, consumer credit, cash flow management, leasing, and the sale of pension plans in banking services [2].

In the analysis of the theoretical views of these economists, financial services are designed to meet the needs and benefits of customers at the same time, it is defined as a service aimed at increasing the bank's profit. Summarizing these definitions, we can say that financial services are a mechanism for innovative implementation of customer benefits and bank income. Based on the above, it has become clear that increasing the popularity of financial services is a practical help for the development of the economy of our country. As we have mentioned above, the hypothesis of one factor's interdependence with another factor has been formed. We will be able to manage the asset and liability operations of commercial banks based on the expansion of the scope of financial services, which will have a positive effect on the increase in income, liquidity level and stability of banks. We will be able to achieve these results by ensuring the popularity of financial services.

Banks serve as the main financial institutions in the economy and provide economic stability through their financial potential. Increasing the financial capacity of banks is a process that includes effective management of bank resources, strengthening the capital base, ensuring liquidity and managing risks. This article discusses the main factors and directions for increasing the financial potential of banks.

The main directions for increasing the financial potential of banks are as follows:

Increase capital and expand market access. The first important direction of increasing the financial capacity of banks is to increase capital. Private and public banks can increase their financial resources by strengthening their capital base. One of the ways to increase capital is to cooperate with international financial institutions, get loans from them or attract investments. As a result, banks expand their access to international financial markets and increase their level of competitiveness. Capital adequacy is important to ensure the long-term stability of a bank. Ways to increase the capital base: effective management of bank assets, recapitalization, replenishment of internal reserves [4].

Liquidity management. In banks, liquidity is the ability to turn assets into quick cash. Failure of banks to meet their obligations in the absence of liquidity can cause a liquidity crisis. The main directions of increasing liquidity: are coordination of assets and liabilities, increase of required assets, and effective use of external financing sources. Explain the role of the central bank: to provide liquidity reserves for banks.

Introduction of technological innovations. Technological progress creates great opportunities for the banking sector. For example, the development of fintech platforms makes banking services faster and easier. By introducing innovative solutions such as internet banking, mobile banking, and blockchain technologies in Uzbekistan, banks can improve the quality of services and create more convenience for customers. Digitization of banking services increases the efficiency of banks, increases the speed of operations and reduces operational costs.

Diversification of the loan portfolio. Banks need to reduce risks by diversifying their loan portfolio. How does the distribution of loans across industries, regions, and customer groups affect the financial stability of banks? It is possible to expand the financial base of banks through micro-loans and financing of small businesses.

Use of international financing sources. International financing institutions (World Bank, International Monetary Fund) and their financing possibilities for banks. Ways to issue Eurobonds and attract capital in international markets. International financial integration increases the financial potential of banks.

Improving the risk management system. One of the biggest risks in the banking sector is financial risk management. As a result of financial crises, banks' activities can be seriously damaged. Therefore, effective risk management is important in increasing the financial potential of banks. Implementation of an excellent risk management system, proper forecasting and analysis ensures the financial stability of banks.

Application of modern models in bank risk management (Value at Risk (VaR), Expected Shortfall). Improvement of risk assessment and control mechanisms stabilizes bank activity and increases financial potential. Strengthens the role of audit and control systems in ensuring the financial security of the bank.

Implementation of digital transformation and innovation. Digital transformation is an important direction for increasing the bank's capacity. Technological innovations increase the bank's work efficiency and reduce costs. Fintex technologies: increasing customers and improving service quality through mobile and internet banking services. It aims to improve the financial performance of banks by introducing blockchain, artificial intelligence and big data technologies.

Improving the efficiency of bank management. Increasing the efficiency of the management system in banks and improving corporate governance ensures financial stability. The smoothness of the management structure and the effective functioning of the board of directors. Improving the skills of employees and effective management of human resources has a positive effect on the bank's financial potential.

working with customers and attracting them. Strengthening the bank's financial potential by maintaining long-term relationships with clients and attracting new clients. Expanding the range of services and creating new products that meet the needs of customers. The main task of banks is to offer competitive services and meet the needs of customers.

savings and investments. New directions for attracting funds for banks: cooperation with investment funds, insurance companies and pension funds. Increasing bank resources by attracting foreign investments. Asset diversification is a key tool for achieving a balance between risk and dividends.

Strengthening the legal framework. Financial potential can be increased by regulating the activities of banks and improving the legal framework. For reforms in the banking sector to be sustainable in Uzbekistan, it is necessary to modernize financial laws and regulatory documents and bring them into line with international standards. It is important to cooperate with international financial organizations and follow their recommendations.

Results

Currently, there are several problems in increasing the financial capacity of banks. We will mention them below.

Table 1 Below is a table summarizing the main areas of increasing the financial stability of banks:

Region	Description	Key Strategies	Expected results
Capital adequacy	Ensuring that the bank has sufficient capital to cover risks and meet regulatory requirements.	- Preservation of profits - Issue of new shares - Improving risk-based asset management	Improved stability and compliance.
Asset quality	Management of quality and risks of the bank's credit and investment portfolio.	- Implementation of strict creditworthiness assessment - Portfolio diversification - Improvement of collection processes	Reducing the number of non-performing loans and increasing profitability.
Revenue Optimization	Increase profitability through more efficient revenue generation and cost management.	- Diversification of income sources - Reduction of operating costs - Increase in commission income	Higher profitability and operational efficiency.
Liquidity management	Maintaining sufficient liquidity to meet short-term obligations and financing needs.	- Optimization of cash flow management - Access to diversified sources of financing - Developing liquidity plans to meet contingency requirements	Reducing liquidity risk and increasing operational flexibility.
Risk management	Identifying, assessing and mitigating risks to ensure sustainable operations.	- Implementation of modern risk assessment models - Diversification of risk exposure - Implementation of risk transfer mechanisms such as insurance	Increasing resilience to financial shocks and uncertainty.
Integration of technologies	Using technology to improve efficiency, customer satisfaction and risk management.	- Implementation of digital banking solutions - Automation of internal processes - Using data analytics for decision making	Improving service delivery and cost efficiency.
Expanding the customer base	Expand your customer base to increase revenue and market presence.	- Offering innovative financial products - Improving the quality of customer service - Access to underserved markets	Increase market share and revenue streams.
Regulatory Compliance	Comply with legal and regulatory requirements to maintain trust and avoid penalties.	- Creation of compliance monitoring systems - Training of staff on regulatory updates - Conducting regular internal audits	Reducing legal risks and improving reputation.
Cost management	Reduce unnecessary expenses to increase profitability.	- Optimization of operations - Outsourcing of non-core functions - Implementation of energy saving initiatives	Reduced operating costs and improved financial position.
Sustainable Development Practices	Implementation of environmental, social and governance (ESG) criteria in its activities.	- Financing of green projects - Increased transparency - Participation in corporate social responsibility (CSR) initiatives	Strengthening reputation and access to ESG-conscious investors.

Source: Developed by the author based on the received information

This table serves to systematically express the main directions, strategies and expected results of banks used to improve financial stability. Each direction covers important aspects of the bank's activities and offers solutions aimed at improving financial stability.

The capital shortage for small banks. The capital shortage for small and medium-sized banks is one of the main problems in increasing financial capacity. Their capital base is small, and liquidity is low, which limits the capabilities of banks. In such a situation, banks need to increase capital through mergers and acquisitions or state support.

Low digitization of banking services. Today, the provision of banking services through digital platforms remains the main requirement for stable and fast operations. However, some banks lag in this process, which reduces their financial potential. Therefore, it is necessary to pay great attention to the development and introduction of digital banking.

Troubled assets in the debt portfolio. Problem assets in the debt portfolio of Uzbek banks remain a serious obstacle to increasing financial potential. For any bank, problem assets lead to reduced liquidity and slow down lending. Therefore, it is necessary to systematically analyze problem assets and take measures to reduce them.

Summary

Prospects for increasing the financial potential of banks. The development of the banking sector is of great importance in the economy of Uzbekistan. New reforms and strategies create ample opportunities to increase the financial potential of banks. Banks increase their level of competitiveness by cooperating with international financial institutions, attracting investments, and introducing innovative technologies.

In conclusion, increasing the financial capacity of banks is an important factor for economic stability and increasing customer confidence. To achieve this goal, it is necessary to strengthen the capital base, effectively manage liquidity, introduce a risk management system and use digital transformation. Also, improving relations with clients, using international sources of financing and creating new financial products serve to increase the financial potential of banks.

The issue of increasing the financial potential of banks plays a key role in ensuring the country's economic stability. Banks can increase their capacity by increasing capital, introducing innovations, risk management and strengthening the legal framework. At the same time, by solving problems and accelerating the processes of digitalization of banking services, the banking sector of Uzbekistan can further develop and strengthen its position in the global financial market.

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