

WAYS TO INCREASE THE EFFICIENCY OF CORPORATE MANAGEMENT AND ITS USE IN THE ACTIVITY OF COMMERCIAL BANKS.

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Abstract

In this article, the process of corporate management in commercial banks of our country, the activity of commercial banks as a carrier of credit demand, the possibilities of applying blockchain technologies to the activities of commercial banks in corporate management, co-badging cards and their characteristics, a number of problems in the process of organizing effective corporate management in commercial banks of our country and opinions about recommendations for solving them are given.

Key words

corporate governance, quasi-state, banking and financial sector, blockchain, smart contracts, credit risk, co-badging cards, Anglo-American model, German model, Japanese model.

The main goal of corporate management in commercial banks is determined by the goals of the bank as a universal credit intermediary on the one hand, as an entrepreneurial structure, and as a quasi-state¹⁰⁷ organization on the other. Accordingly, the goals of bank management are divided into economic and social processes. The main economic goal of any commercial organization, including a commercial bank, is to maximize profits, but bank management should be aimed not only at increasing revenues and reducing costs, but also at optimizing them taking into account quality.

As a carrier of credit demand, commercial banks perform the accumulating function, and, accordingly, bank management is responsible for the collection and accumulation of temporarily free funds of state institutions, public organizations, business structures and the population, the funds attracted or attracted, will be

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[https://ru.wikipedia.org/wiki/Квазигосударство#:~:text=quasi%20«как%20бы»%20%2B%20«,всеми%20критериями%20\(признаками%2C%20элементами\)](https://ru.wikipedia.org/wiki/Квазигосударство#:~:text=quasi%20«как%20бы»%20%2B%20«,всеми%20критериями%20(признаками%2C%20элементами))

aimed at ensuring a full and timely refund. As a credit provider, commercial banks perform a redistributive function, in which the management of the bank is required to satisfy the credit demand of its borrowers in a timely manner and, if possible, in full, while minimizing and covering the credit risk, i.e. provides complete satisfaction.¹⁰⁸

It is known that fundamental changes have taken place in all spheres of life in Uzbekistan in the last three years. Such reforms based on modern trends are also evident in the pace of rapid development of the banking and financial sector of our country. After all, not only state, but also commercial banks are taking steps to become a reliable, efficient and optimal partner for customers.

It is important that the corporate principles of management are continuously applied to the industry.¹⁰⁹

The use of blockchain¹¹⁰ technologies in corporate management offers a number of opportunities to the activities of commercial banks. For example, the system of organizing and conducting the general meeting of shareholders will be modernized. With the help of blockchain technologies, the possibility of voting in virtual general meetings is created, and a new solution is proposed to solve the agency problem by strengthening transparency and trust in the blockchain environment. "Smart contracts" are widely introduced. Stakeholder participation in collaborative governance is enhanced.

Effective corporate management is an important condition for the successful operation of the bank. Determining sustainable development, protecting the rights and rights of shareholders, customers and other related persons, it serves as the most important direction in the field of increasing the activity of the financial organization.¹¹¹

The activity of commercial banks is associated with various risks. Therefore, there is a need for an excellent approach to corporate governance and internal control. In order to establish a clear system of internal control, the bank conducts a complete and continuous assessment of the description of risks.

Currently, the highest management body in commercial banks is the general meeting of shareholders, the Bank Council and its independent members, the Bank's Management Board, as well as the Audit Commission, 5 Committees under

¹⁰⁸https://www.rea.ru/ru/org/cathedries/Kafedra-mirovih-finansovih-rinkov-i-finteha/Documents/2.%20ЭОК_ТОБМ_Т1.%20Характеристика%20системы%20БМ.pdf

¹⁰⁹<https://xs.uz/uz/post/korporativ-menezhmentning-tizhorat-banklari-moliyaviy-holatiga-samarali-tasiri-zamonaviy-taraqiyot-garovi>

¹¹⁰ <https://uz.wikipedia.org/wiki/Blokcheyn>

¹¹¹ <https://hamkorbank.uz/uz/about-bank/korporativ-boshqaruv>

the Management Board, and 5 Committees including members of the Council under the Board. A perfect structure of corporate management is working.

A number of problems are evident in the process of establishing effective corporate management in commercial banks of our country. Examples of problems include:

1. The presence of difficulties in collecting and checking information on the trust and loyalty of customers by commercial banks.

Commercial banks' customer due diligence process is critical in preventing the rise of online fraud and financial terrorism.

2. Low internet speed in the operation of online platforms of commercial banks and, therefore, the existence of problems in conducting operations for customers.

The management of commercial banks has attracted the attention of the banking and financial industry in the last decade. Demand for mobile and online banking services is increasing as the banker is tech savvy at every minute. Convenience, speed and accuracy are expected in every banking transaction.

3. Envisioned problems in the process of transformation of the banking and financial industry through the management of business processes.

Optimizing and streamlining core banking operations can save significant costs and time. Provides a better understanding of banking process flow to make decisions about bank automation.

4. Expected problems in credit risk assessment, which is one of the main risks in the activity of commercial banks.

Credit risk assessment in commercial banks is a complete process consisting of several important stages, from obtaining a loan to paying it off. In the digital economy, modern banks must have fast and efficient loan processing systems that can handle large volumes of loans across multiple platforms.

5. Existence of observed problems in the process of using co-badging cards in order to create convenience for customers in the system of commercial banks.

When we say co-paying cards, we mean cards that are valid in two or more payment systems at the same time. For example, today there are co-badging cards such as UZCARD-MIR or HUMO-VISA, the logos of both payment systems are displayed on the face of the card, and these cards are used within the traditional UZCARD or HUMO payment system in Uzbekistan, abroad and is valid within the international MIR or VISA payment systems. One account denominated in soums is attached to the card. In the territory of Uzbekistan, settlements with these cards are carried out in our national currency and on the basis of existing procedures in local

payment systems. When the client goes abroad with this card, these cards now start working according to the rules of international payment systems - the payment is made in the local currency of the country the client visited, the amount of the payment is automatically converted and the client's sum will be deducted from the account. Commissions of payment systems differ significantly in trade and services. For example, today a local business entity pays a commission of 0.2% for payments received through a terminal in the UZCARD or HUMO system. Now, if we consider the VISA or MASTERCARD system, then the interchange fee itself is from 0.75% to 1.75%, that is, the commercial bank must charge a commission of more than 1.75% from the merchant to cover this fee. Today, according to the special rules introduced by the VISA international payment system for Uzbekistan, 1% of the commission is paid by the trading company, and the rest is paid by the card holder of foreign banks. In any case, international payment systems do not leave without taking the commission they set.

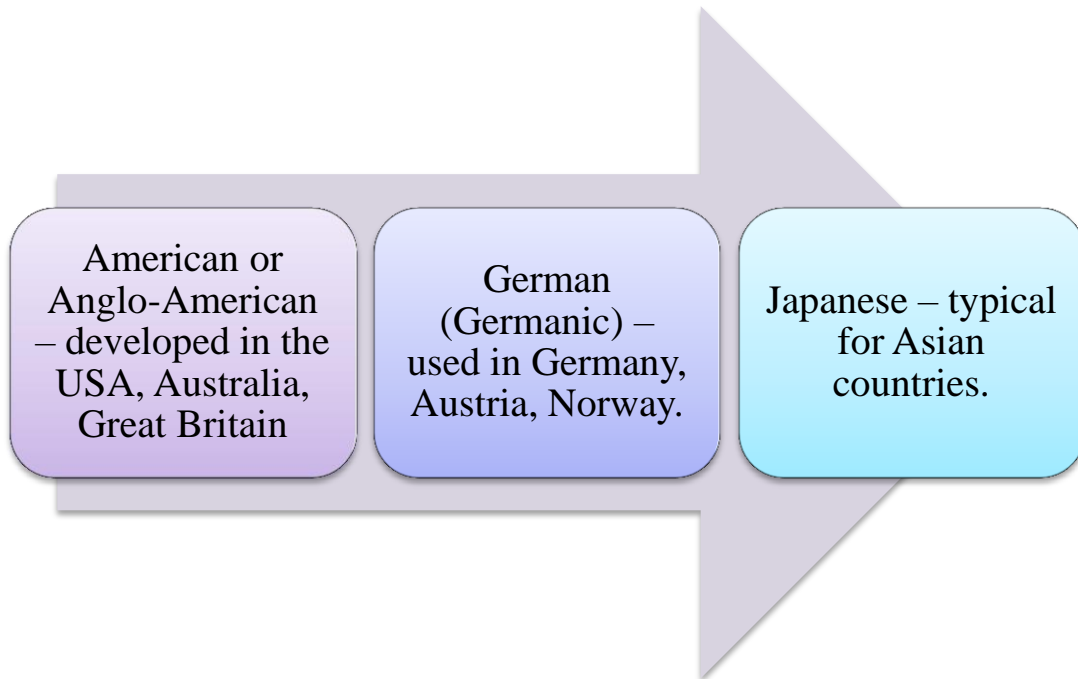
There are no such commission payments in the national payment systems in Uzbekistan, which means that the services provided to regular UZCARD or HUMO cards are cheaper than to co-badging cards.¹¹²

Based on the above problems, we would like to give a number of proposals and recommendations regarding the development of corporate management processes in the banking system of our country.

There are currently three basic models of corporate management on the market¹¹³:

¹¹² <https://depozit.uz/news/tolov-tizimlari-sohasida-savollarga-mutaxassisning-javoblari>

¹¹³ <https://moscow.mba/journal/modeli-korporativnogo-upravleniya-kakuyu-vybrat-dlya-kompanii>



The Anglo-American model is characterized by dispersion of shareholders' capital. The strategy involves the enterprise's cooperation with many shareholders and investors. Participants work independently of each other and work separately. Interaction occurs only through the organization's managers.

To summarize, let us highlight the advantages of the Anglo-American system:

- High level of enterprise liquidity
- Large number of mergers and acquisitions.
- Minimal participation of the banking sector - shareholders independently manage financial flows.

This model is being implemented for joint stock companies and corporations. In this case, the enterprise does not depend on credit institutions, does not need third-party investment, and the participants are vested with a large amount of authority.

It is represented by a two-level system that controls the operation of the enterprise. The approach has been used in German and Austrian large corporations for several decades. Now the scheme is actively used in Scandinavian countries and Holland.

Two levels of management include the supervisory board and the meeting of directors in the structure:

- The Supervisory Board is responsible for the implementation of decisions and tasks set by management by employees of the enterprise.
- The board of directors controls the work of the company as a whole, as well as individual divisions.

At the top of the hierarchy is the shareholders' meeting, a characteristic feature of the German approach. Summarizing all of the above, let us highlight the advantages of the German model:

- For participants, the result comes first.
- There is a system of employee incentives that increases loyalty to the company.
- The main motivation for an employee is the opportunity to be included in the company's supervisory board.
- Clear enterprise structure and distribution of responsibilities.
- The enterprise does not depend on external structures, which expands its capabilities in the market.

These advantages ensured the popularity of the continental model among other European countries. In particular, companies are attracted by the independence of doing business from external structures and a clear distribution of roles. The continental model of corporate governance has developed in European countries. Due to the understandable structure of the enterprise, shareholders are able to ensure the achievement of the goals of its participants and quickly solve problems.

The methodology is used exclusively in Asian countries, especially Japan. The main principle of management is based on cross-ownership of securities. The distribution of rights occurs between large and medium-sized founders. Small participants and small investors are not included in the structure of the enterprise. Researchers highlight this fact as a drawback of the model.

Another feature of this structure is the strong position of the banking sector in the company's work. Most businesses play a passive role. There is no practice of increasing the volume of shares. Credit institutions practically control enterprises. In practice, each company works with a specific bank on the basis of constant cooperation. Such relationships have an advantage - the company receives stability and guarantees, but at the same time gives control over cash reserves to the bank. From a business point of view, this is counterproductive because it limits the turnover of shares.¹¹⁴

Human resource management is a strategically important element of the Bank's development plans in terms of increasing labor productivity, efficiency and motivation of personnel. The transformations described in the development strategy for the HR function are necessary for further development and

¹¹⁴ <https://moscow.mba/journal/modeli-korporativnogo-upravleniya-kakuyu-vybrat-dlya-kompanii>

improvement of the Bank's business efficiency. To reduce costs and improve the Bank's operational efficiency, the current organizational structure will be further adjusted in line with the best practices of other multilateral development banks. Optimization of the organizational structure will continue to make it flatter in accordance with global best practices. The introduction of a system of grades in accordance with certain competencies can potentially reduce the number of supervisors with competencies defined for lower gradations and optimize their number.¹¹⁵

The bank will establish functional KPIs for each member of the board, director of management and other employees, establish a direct link between the level of bonuses and the internal KPI system and conduct a remuneration study for comparison with other financial institutions.

One of the decisive elements of strategic personnel management is a well-thought-out system of employee remuneration. However, at present, analyzing remuneration systems in banks appears to be a difficult task because banks do not disclose relevant information. Payroll information is purely internal and confidential information. Under these conditions, such an analysis cannot but be limited to identifying general industry features and assessing single sample data for individual banks or their groups. First of all, it should be noted that remuneration systems in the banking sector have their own specifics. This specificity lies in the fact that throughout the world and in the country, wages in the banking and financial sector are higher compared to other sectors of the economy by at least 30%.

At the same time, it should be noted that there is a trend of a relative reduction in the level of wages of the majority of workers in comparison with the income of banks. This is happening in a context of increasing complexity of banking activities and an increasing increase in the degree of responsibility of managers for banking operations and decisions made, the introduction of new market products and new technologies for working with money. There is a clear tendency to widen the gap between the salaries of management personnel ("top officials") and the bulk of bank employees. An acute problem has become the widespread practice in banks of "shifting" wages into the "shadow". This means that a significant part of the salary is paid to employees in an "envelope" version and is strictly confidential. This practice of using two forms of wages in Russian banks, taking into account the

¹¹⁵ <https://ibec.int/upload/uf/ab6/strategiya-razvitiya-na-2021-2025-gg-dlya-publikacii.pdf>

implementation of pension reform, is fraught with significant social losses for workers in the near future. ¹¹⁶

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¹¹⁶ <https://www.hse.ru/data/477/158/1236/Kniga-Rasvor%5B1%5D.pdf>