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The Role of Banks in the Economy

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Abstract: This article presents opinions of the authors about the place and role of banks in the development and improvement of the economy. Proposals and recommendations on increasing the role of banks in the economy and defining their important tasks have been developed.

Keywords: Bank, banking activity, economy, money, capital.

Banks are the main financial intermediaries in the economy. Banking activities represent a channel through which changes in the money market translate into changes in the commodity market.

Banks are financial intermediaries because, on the one hand, they accept deposits (deposits), attract money from depositors, i.e. they temporarily accumulate free funds and, on the other hand, give them to various economic agents (firms, households, etc.) at a certain percentage, i.e. granting loans. Thus, banks are credit intermediaries. Therefore, the banking system is a part of the credit system. The credit system consists of banks and non-bank (specialized) credit organizations. Non-bank credit organizations include: funds (investment, pension, etc.); companies (insurance, investments); financial companies (credit unions, credit unions); pawnbrokers, that is. all organizations that are intermediaries in credit.

our state "On additional measures to further improve the investment climate and business environment in the Republic of Uzbekistan" adopted on April 7, 2014 and the "Implementation of entrepreneurial activities and state regulation" signed on April 15 "On measures to further improve the procedures related to the provision of services", we can say in detail about the essence of the decision, the tasks set before the banking system. The implementation of measures in the banking sector in accordance with these documents will serve to expand the possibilities of using banking services for small businesses and private entrepreneurs, and further increase the investment activity of banks.

banking and financial system in the modernization of the economy, acceleration of technical and technological upgrading, strengthening of capitalization and financial stability of banks and further development in accordance with international standards.

In the activity of banks, the monetary value and purchasing power are significantly higher than the costs of its issuance (minting, printing costs), as well as the income from the sale of the material from which banknotes are produced. prepared or received from sales as souvenirs. Almost all paper money and most metallic money can rightfully be called symbolic, fiat. They have become money because the state has appointed them in this role.

Cash checks have taken a very important place in the money circulation of countries with a developed monetary system . A check is an order from a bank to pay money from the account of the holder of the check to the bearer. Checks are rightly considered as one of the forms of money, because they are not actually cash, but fully perform their functions as a means of payment.

Recently, "electronic money" has developed widely. These include plastic cards - credit and debit. A debit card involves depositing a certain amount of money into the customer's bank account, where he can then make his own expenses. A credit card provides credit for a short period of time and in a predetermined amount.

The total amount of credit deposits of commercial banks in our country increased by 2.3 times in the next three years. For example, in 2013, 30.1 percent more loans were allocated compared to the previous year, the volume of investment loans increased by 1.3 times.

Today, banks' capital adequacy ratio is 24.3 percent, which is three times more than the 8 percent requirement set by the Basel Committee on Banking Supervision. The level of liquidity is one of the important factors in assessing the stability of the banking system, and for a number of years it has been above 65 percent, which is twice the minimum level.

However, the main financial intermediaries are commercial banks . The word "bank" is derived from the Italian word "banco", which means "bench (exchangers)". The first banks with the modern double-entry accounting principle appeared in Italy in the 16th century, although usury (that is, lending) as the first form of credit developed even before our era. The first special credit institutions appeared in the Ancient East in the 7th-6th centuries BC, the credit functions of banks were performed by temples in Ancient Greece and Ancient Rome, and monasteries in Europe in the Middle Ages.

The modern banking system consists of two levels. The first level is the Central Bank. The second level is the system of commercial banks.

The Central Bank is the main bank of the country. In the USA it is called the FRS (Federal Reserve System), in Great Britain it is the Bank of England, in Germany it is the Bundesdeutchebank, in Russia it is the Central Bank of Russia, etc.

The Central Bank performs the following functions:

Issuing center of the country (it has a monopoly on the circulation of banknotes and provides it with constant liquidity. The money of the Central Bank consists of cash (banknotes and coins) and non-cash money (accounts of commercial banks with the Central Bank.)

State banker (serves the financial operations of the government, mediates payments to the treasury and lends to the government. The treasury keeps loose funds in the form of deposits with the Central Bank, and in turn, the Central Bank gives everything to the treasury. Its profit exceeds a certain, predetermined rate.)

bank of banks (commercial banks are clients of the central bank and keep their required reserves, which allows to control and coordinate their internal and external activities, acts as a lender of last resort to commercial banks in a difficult situation, supports them with loans. issuing money or valuable sell papers)

The custodian of the country's gold-currency reserves (serves the country's international financial operations and controls the state of the balance of payments, acts as a buyer and seller in the international currency markets). The Central Bank determines and implements monetary policy.

The second level of the banking system is made up of commercial banks. These are: 1) universal commercial banks and 2) specialized commercial banks. Banks can specialize: 1) according to their goals: investment (lending to investment projects), innovative (giving loans for the development of scientific and technical development), mortgage (transport) lending secured by real estate); 2) by sectors: construction, agriculture, foreign trade; 3) by customers: serving only firms, serving only residents, etc.

Commercial banks are private organizations that have the right to attract free funds and make loans for profit. Therefore, commercial banks carry out two main types of operations: passive (to attract deposits) and active (to grant loans). In addition, commercial banks: settlement and cash operations; reliable (reliable) operations; interbank operations (credit - to lend to each other and transfer money - to transfer money); securities transactions; transactions with foreign currency, etc.

The difference between interest on loans and interest on deposits (deposits) is the main part of the commercial bank's income. Additional sources of income of the bank can be commission payments for various services (trust, transfer, etc.) and income from securities. Part of the income goes to pay the expenses of the bank, which is the salary of bank employees, the cost of equipment, computers, use of cash registers, rent of premises, etc. The remaining amount after these payments is the bank's profit, from which dividends are calculated to the owners of the bank's shares, and a certain part can be used to expand the bank's activities.

Historically, banks originated mainly from jewelry stores. Jewelers had well-secured vaults to store their jewelry, so over time, people began giving away their valuables for safekeeping in return for receiving jewelers' IOUs, which confirmed the ability to retrieve the valuables on demand. . Thus, bank loans appeared.

Initially, jewelers kept only the presented valuables and did not lend them. This situation corresponds to a full or 100% reservation system (the entire amount of deposits is kept as a reserve). But gradually it became clear that not all customers can demand the return of their deposits at the same time.

Thus, the bank faces a contradiction. If he keeps all his deposits in the form of reserves and does not make loans, he will deprive himself of profits. But at the same time, it provides itself with 100% solvency and liquidity. If it lends to depositors, it will make a profit, but there is a problem with solvency and liquidity. A bank's solvency means that its assets must be at least equal to its debt. A bank's assets include all its financial assets (bonds and bonds) that it owns and buys from other individuals or institutions. Bonds and debt obligations serve as a source of income for the bank. The bank's debt (obligation) - its obligation - is the amount of deposits placed with it, which it must return at the first demand of the client. If the bank wants to have 100% solvency, then it should not lend any of the deposited funds. In this way, the high risk is eliminated, but the bank does not receive any profit from the loan amount in the form of interest and is not able to pay its expenses. A bank must take risks and make loans in order to exist. The higher the amount of loans, the higher the profit and risk.

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