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Actual Issues of Interbank Competition

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A B S T R A C T
The experience of international banking practice shows that one of the necessary conditions for the development of commercial banks is the provision of healthy interbank competition. Precisely, the full formation of the interbank competition environment is the main factor that allows to reduce the price of financial services provided by banks. The article examines current issues of interbank competition, including issues of increasing the competitiveness of banking services.

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Introduction

In the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, improving the assets of banks and the risk management system in their activities, reducing the dependence of banks on state resources, modernizing the provision of banking services, ensuring the financial stability of the banking system by implementing technological solutions for assessing financial risks identified as one of the priority areas of reform [1]. This creates the need to ensure the financial stability of commercial banks.

But there are some problems related to ensuring a healthy interbank competition environment. In particular, the importance of private banks and banks with foreign capital in lending to the country's economy is insignificant. In addition, the criteria determining the monopoly position of banks in the financial market are not reflected in the legislation. This is one of the serious methodological problems.

Review of literature on the subject

Some economists believe that interbank competition occurs only in the field of accepting deposits and granting loans. (2). But according to the second group of economists, they believe that interbank competition occurs in the process of lending, payment-settlement, investment and other activities of commercial banks (3).

According to Samoylov G, the subjects of interbank competition are not only commercial banks, but also all financial and non-financial institutions that are participants in the banking market. (4).

According to A. Tavasiev, interbank competition is an important criterion for the effectiveness of banks (5).

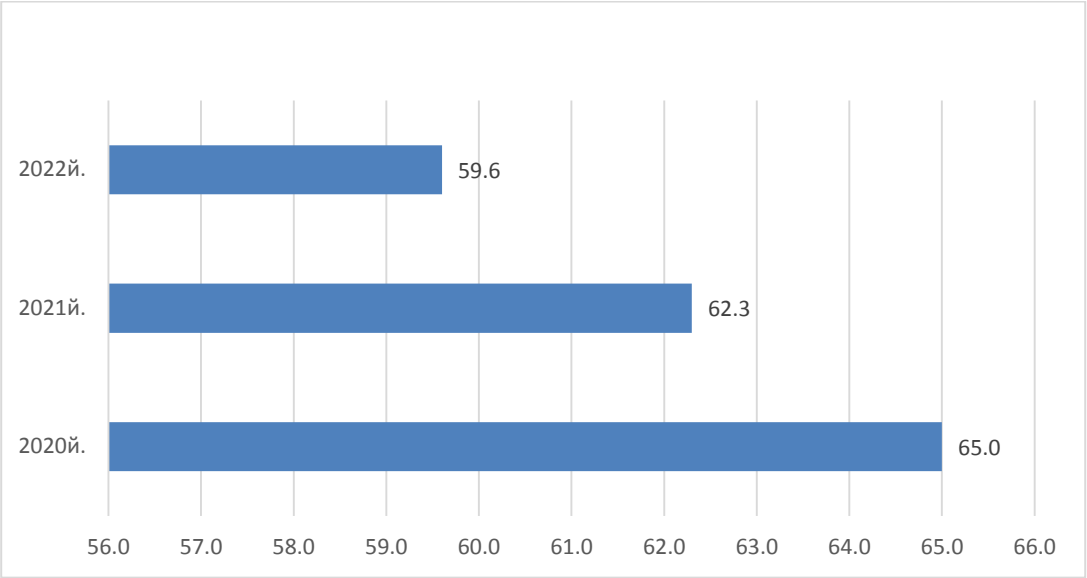
According to G. Korobova's conclusion, there are the following forms of interbank competition:

- competition between sellers and buyers of banking services;
- individual and group competition;
- intra-industry and inter-industry competition;
- price and non-price competition;

- enhanced and unenhanced competition (6).

Analysis and results

According to the recommendation of the experts of the International Bank for Reconstruction and Development, the share of 5 large banks in the regulatory capital of the country's banks should not exceed 25 percent in order to create a healthy interbank competitive environment (7).



1-picture. The share of 5 large banks in the Republic of Uzbekistan - TIF National Bank, Asakabank, Sanoatqurilishbank, Agrobank and Ipotekabank in the total volume of assets of the banking system, in percent (8)

It can be seen from the data of picture 1 that in 2020-2022, the share of 5 large banks in total bank assets in our republic was very high. This indicates that a healthy interbank competition environment has not been formed.

One of the important criteria of competition between commercial banks is the competitiveness of banking services.

The main types of financial services provided by a commercial bank are deposit and credit services.

The competitiveness of deposit services is primarily determined by the level of deposits of individuals in the volume of commercial bank deposits. Because deposits of individuals allow to increase the level of diversification of the deposit base of commercial banks.

1-table The share of deposits of natural persons in the volume of deposits of Sberbank (Russia).[1]

Indicators	2017 й.	2018 й.	2019 й.	2020 й.
Deposits of individuals, bln. rubles	13420,3	13485,1	14209,6	16641
Share of deposits of individuals in total deposits, %	67,9	64,6	65,9	64,6

1-it can be seen from the table that in 2017-2020, the amount of deposits attracted by Sberbank from individuals had an increasing trend. Moreover, during the analyzed period, the deposits of individuals occupied a high weight in the volume of total deposits. These circumstances are positive from the point of view of improving deposit services of Sberbank.

[1] The table was compiled by the author on the basis of information from the annual reports of Sberbank published at the end of 2017-2020 (www.cberbank.ru).

2-table Average annual interest rate of term deposits attracted by commercial banks of the Republic of Uzbekistan in national and foreign currency, in percent[2]

Indicators	2017 й.	2018 й.	2019 й.	2020 й.	2021 й.
The average annual interest rate of deposits with a maturity of up to 1 year in national currency	14,2	14,9	16,1	16,3	15,5
The average annual interest rate of deposits in national currency with a maturity of more than 1 year	10,5	14,4	17,1	16,8	17,1

It can be seen from the table 2 that the average annual interest rate of deposits attracted by commercial banks in the national currency for a period of up to 1 year had a tendency to increase in 2017-2020. This leads to an increase in the price of loans and is a negative situation from the point of view of ensuring the investment attractiveness of banks.

Deposits occupy a relatively high weight in the structure of liabilities of commercial banks of the Republic of Uzbekistan. Therefore, the competitiveness of deposit services plays an important role in ensuring the competitiveness of banks.

3-table Average annual interest rate of loans issued by commercial banks of the Republic of Uzbekistan in national and foreign currency, in percent[3]

Indicators	2017 й.	2018 й.	2019 й.	2020 й.	2021 й.
Average annual interest rate of loans in national currency	16,2	21,1	23,7	22,3	20,8
Average annual interest rate of foreign currency loans	5,8	5,8	7,1	6,9	6,7

From the data of Table 3, it can be seen that the average annual interest rate of loans granted by the commercial banks of the Republic of Uzbekistan in the national currency had a tendency to increase in 2017-2020. However, the level of these interest rates had a downward trend in 2019-2021. This is explained by the decrease in the inflation rate and the refinancing rate of the Central Bank during this period.

It can be seen from the above data that the average annual interest rate of loans issued by commercial banks in foreign currency in 2019-2021 had a decreasing trend.

Conclusions and suggestions

During the research, we formed the following conclusions:

- the share of 5 large banks in total bank assets in our republic was very high in 2020-2022, which indicates that a healthy interbank competition environment has not been formed;
- In 2017-2020, the amount of deposits attracted by Sberbank from individuals had an increasing trend;
- the average annual interest rate of deposits attracted by the commercial banks of our republic in national currency for a period of up to 1 year had a tendency to increase in 2017-2020;
- while the average annual interest rate of loans issued by the country's commercial banks in the national currency has a tendency to increase in 2017-2020, the level of these interest rates has a tendency to decrease in 2019-2021.

[2] Interest rates of deposits in national currency; Interest rates of foreign currency deposits//www.cbu.uz (Central Bank of the Republic of Uzbekistan).

[3] Interest rates of loans in national currency; Interest rates of foreign currency loans//www.cbu.uz (Central Bank of the Republic of Uzbekistan).

In our opinion, the following measures should be implemented to increase the competitiveness of deposit and credit services of commercial banks:

1. In order to ensure the competitiveness of banks' deposit services, first, it is necessary to increase the level of diversification of the banks' deposit base by ensuring a high and stable level of the weight of individual deposits in the volume of gross deposits; secondly, it is necessary to ensure the normative level of the net interest spread indicator in banks; thirdly, it is necessary to ensure that the weight of stable deposits in the volume of gross deposits is not less than 75 percent.
2. In order to ensure the competitiveness of banks' credit services, firstly, it is necessary to ensure the normative level of the net interest margin by increasing the amount of income from loans provided through the integrated use of lending forms; secondly, it is necessary to ensure the quality of the loan portfolio on the basis of indicators generally recognized in international banking practice (loan portfolio profitability, the ratio between the growth rate of income from loans and the growth rate of loans, the index of reserve allocations for loans, etc.); thirdly, credit risk hedging should be improved.

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