

## **THE ROLE OF COMMERCIAL BANKS AND THEIR OPERATIONS IN THE MODERN ECONOMY**

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### **ABSTRACT**

*The article shows the Commercial banks are an integral part of the modern monetary economy, their activities are closely related to the needs of reproduction. They are at the center of economic life, serve the interests of producers, linking industry and trade, agriculture and the population with the cash flow. All over the world, banks wield considerable power and influence; they dispose of huge money capital, which comes to them from enterprises and firms, from merchants and farmers, from the state and individuals. Thus, the necessity and importance of banking structures both for business and for the country's economy as a whole is obvious. Commercial banks should be considered from the point of view of microeconomics as market agents acting primarily from the point of view of their own interests.*

**KEYWORDS:** *Inflation, Banking System, Transaction Economy, Improving.*

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### **INTRODUCTION**

In the modern economic world, we cannot imagine without banks. The banking sector plays an important role in the country's economy, as well as in the development of the social sphere. Banks are a credit organization that performs various types of operations with money and securities and provides financial services to the government, legal entities and individuals. The health of the economy depends on the competent activity of credit institutions.

Commercial banks are a universal credit institution created to attract and place funds on a repayable and paid basis, as well as to carry out many other banking operations.

The Bank constantly conducts a wide variety of financial activities, referred to as its operations (transactions). Each such operation is a certain professional action of a commercial bank. The whole set of such operations, as a first approximation, is divided into two groups - active and passive operations. All banking operations carried out by the bank pursue a single goal - to increase income and reduce costs. At the moment, commercial banks finance any sector of the economy and many economic entities.

### **LITERATURE REVIEW**

“Sustainable development” of both the banking system and an individual bank is often understood in a meaningful aspect as simply “stability” and stability in its qualitative and quantitative certainty (I.O. Lavrushin, N.V. Fotiadi, A.M. Tavasiev, G. G. Fetisov). At the same time, it is also possible to distinguish between “stability” and “stability”, the first is understood as a qualitative characteristic of the functioning of the banking sector, and the second is quantitative in the direction of progress, something that remains constant with

changes in the dynamics of the banking sector.

In the microeconomic stability of a commercial bank A. Buryak emphasizes its "ability to recover acceptable performance after external impact". However, it is not entirely clear what are the acceptable characteristics of the functioning of a commercial bank in question. In D.G. Labskerd's definition of the stability of a commercial bank, he notes the temporal characteristics associated with the need to take into account the stability of a commercial bank "at the present time and in the forecast perspective". Under the stability of the banking system, E.A. Kulikova understands "a dynamic balance based on self-regulation and adaptation to external and internal conditions of functioning" of the banking system in order to achieve a positive effect for the economy of the entire state. However, the sustainable development of the banking sector does not always provide for progress and the achievement of a positive effect of its functioning.

## **METHODS AND METHODOLOGY**

The problem of ensuring the sustainable development of a commercial bank is directly related to the management of banking risks and factors contributing to their occurrence. In this regard, it is advisable to dwell on the main elements of risk-based approaches to the functioning of commercial banks.

Commercial banks are an integral part of the modern monetary economy, their activities are closely related to the needs of reproduction. They are at the center of economic life, serve the interests of producers, linking industry and trade, agriculture and the population with the cash flow. All over the world, banks wield considerable power and influence; they dispose of huge money capital, which comes to them from enterprises and firms, from merchants and farmers, from the state and individuals. Thus, the necessity and importance of banking structures both for business and for the country's economy as a whole is obvious. Commercial banks should be considered from the point of view of microeconomics as market agents acting primarily from the point of view of their own interests. From a macroeconomic point of view, a commercial bank is a part of the public mechanism for distributing funds, which must operate in clear interaction with other banks, subject to uniform rules and requirements. At present, the role of commercial banks in modern financial systems cannot be underestimated. The very name "commercial bank" appeared in the early stages of the development of the banking sector, and, basically, these banks served such areas as commerce, carried out barter operations, various payments and loans. Merchants were the main clients, hence the name "commercial bank".

During the development of industrial production, short-term lending operations for production cycles began to emerge: loans were issued to replenish working capital, create stocks of materials, raw materials and finished products, and pay wages. Initially, the term of the loan was short, but gradually began to increase.

Banking resources began to be used for other purposes: investments in fixed capital, various securities. Thus, the original meaning of the term "commercial" has also changed. This testifies to the "business" nature of the bank, the focus of this bank on serving all types of business agents, regardless of their type of activity. Today the banking system is one of the most important structures of the market economy. The development of the banking sector and the sphere of commodity production are very closely intertwined. At the same time, banks, by conducting cash settlements, lending to the economy, acting as intermediaries in the redistribution of capital, significantly increase the overall efficiency of production and contribute to the growth of the productivity of social labor. In modern conditions, commercial

banks represent the structure of the core of the economy. And all the processes taking place in the economic environment are clearly manifested in the nature of the work of commercial banks. The problems that the Russian economy is struggling with and is facing cannot but have a negative impact on the banking sector. At the same time, banks actively influence the economy through their functions. Russian commercial banks operate in extremely unfavorable socio-political, economic and financial conditions. Together with other subjects of the national economy, they are deeply affected by the factors of the systemic crisis. These factors shape the economic environment in which companies and credit institutions operate, and determine the direction and development trends not only of commercial banks, but of the entire financial system. Today, commercial banks can offer customers up to 200 types of various banking products and services. A wide range of operations allows banks to retain customers and remain profitable even in very adverse economic conditions. There is a certain basic set, without which the bank cannot exist and function normally. Such banking operations include: - accepting deposits; - making cash payments and settlements; - issuance of loans. The systematic execution of these operations is the foundation on which the work of the bank is built. And although the execution of each type of operation is concentrated in special departments of the bank and is carried out by a special team of employees, they are interconnected. Thus, banks have a unique ability to create means of payment that are used in the economy to organize trade in goods and settlements. We are talking about opening and maintaining checking and other accounts that serve as the basis for non-cash trade. The economy cannot exist and develop without a well-functioning system of cash payments. Hence the great importance of banks as organizers of these settlements.

## **CONCLUSION**

Given the above, in modern conditions it is very important to study the fundamentals of the economy and the factors of stability of commercial banks. The study of the main factors of the stability of commercial banks means their joint study with other participants and sectors of the economy, the study of how the processes of interaction between banks and other sectors of the economy develop.

In terms of further development, the position of the Bank of Russia on the development of the banking sector is reflected in the draft document "Conceptual Issues of the Development of the Banking System of the Russian Federation". The prepared materials aroused great interest. Now the task is to find a common understanding of some of the main directions of development of commercial banks in Russia. In this regard, let's consider some problems:

1. Strengthening the stability of the commercial banking system, eliminating the possibility of systemic banking crises.

The state policy in relation to the banking sector, as well as to the entire economy as a whole, is designed to ensure systemic stability and create the necessary conditions for market development based on healthy intra-industry and inter-industry competition. The activities of commercial banks should be carried out on the basis of uniform principles established for commercial organizations and based on commercial interests, in compliance with the requirements for the stability of banks, which, among other things, are reflected in the standards of banking supervision, focused on internationally recognized approaches. The measures that the state can take to create favorable conditions for the development of commercial banks are very diverse:

- Measures in the field of taxation. One of the extremely urgent decisions is the settlement of the issues of determining income, expenses attributable to the cost of banking services, and the tax base.
- Measures to reduce the risk of banking activities. It is known that the development of the banking sector is constrained by risks, including systemic ones.
- The development of the corporate governance system is a key element in ensuring the financial stability of commercial banks.

2. Improving the quality of the implementation by commercial banks of the functions of accumulating savings and their transformation into loans and investments. The commercial principles of the organization of banking determine the interest of bankers in lending to the economy. The same principles focus on limiting the risk taken to a reasonable level, on lending only to efficient projects. The most acute problems in the development of lending are associated with the level of credit risks, as well as with the state of the resource base of banks. An independent factor hindering the development of active long-term operations of commercial banks is the existing structure of their resource base, which is dominated by short-term resources. Commercial banks in Russia are experiencing an acute shortage of medium- and long-term resources, which, in turn, is associated with both the overall low level of savings and savings, and the insignificance of their share placed in banks. Much depends on the state of real incomes of enterprises and the population.

Summing up the questions "The role of commercial banks in the modern economy", we can draw the following conclusions. Commercial banks play an important role in the economy of our country. Indeed, the most important function of commercial banks is a broker loan, which is carried out by redistributing funds temporarily released during the circulation of corporate funds and cash income of individuals. At the same time, it reduces the risk of losing loan funds and the overall cost of moving them. The activity of commercial banks is based on maximizing profits with minimal risk.

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