



THE NEED AND THEORETICAL BASIS OF DETERMINING THE RATING OF COMMERCIAL BANKS

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ABSTRACT: - Commercial banks are considered as the locomotive of all economic entities in the world. Therefore, the financial stability and reliability of banks in many cases is one of the extremely pressing issues for states, central banks and clients, and if it is necessary to carry out remote control over their activities, develop various regulatory and legal standards, as well as based on the results of compliance with established regulatory standards, determination of ratings is considered as an urgent issue. At the same time, independent entities as well as rating organizations throughout the world use the practice of determining the rating of commercial banks. The theoretical aspects of rating assessment of banks' activities are illuminated in this article.

KEYWORDS: Central bank, commercial bank, rating, ranking, index, bank rating, bank ranking, rating companies, CAMELS, PATROL, Basel Committee, The Banker journal.

INTRODUCTION

Recently, the concepts such as "rating", "ranking", "bank rating", "ranking by bank assets", "ranking by bank capital" have been widely used in global practice. This is a concept that is extremely relevant in determining the rating of the activities of commercial banks. Banking activity is not only multifaceted, but also has its unique aspects. The reason is that banks, while carrying out their operations,

seem as to carry out the same activities of some other credit organizations, but at the same time, commercial banks are distinguished from other commercial organizations by the fact that they carry out activities that are fundamentally different.

ANALYSIS OF LITERATURE ON THE SUBJECT

In the process of studying the importance of determining the rating of commercial banks, the opinions of economists on rating and the

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rating of banks were studied. In particular, the Russian scientist O.Lavrushin believes that "rating is a system of comprehensive assessment of an economic entity, it is determined using a system of several indicators" [4]. Economist scientist M.Afanasenko believes that "rating" is a comprehensive comparative assessment of the functioning of the economic system for making management decisions based on data from the financial system and expert assessments [1]. It turns out that these scientists made a special emphasis on expert assessments when making decisions

V.Batkovsky believes that "rating" is a hierarchically built system of indicators of Sustainable Development, which characterizes socio-economic processes, the state of the environment, the quality of life, the structural and qualitative that support it [2]. This scientist focuses on the main system of indicators in ranking. Along with the concepts of "rating" and "ranking", the concept of "index" is also found in the literature. A.M. Karminsky believes that the "index" indicates the results of the indirect activity of the subject. "Index" (Latin index – list, register, denoting its indicative meanings) is an indicator, a number indicating a certain change or development, activity and work a holism, the position of an element [4].

RESEARCH METHODOLOGY

The purpose of the study is to study the theoretical basis of the rating, which is one of the systems for assessing the stability of commercial banks. This article presents the opinions of economists and recommendations of international financial organizations on the theoretical features of the rating. During the study, practical recommendations on the rating system that determines the stability of banks and ways of their implementation can be seen.

ANALYSIS AND RESULTS

Through banks, economic issues in the country, in particular monetary and currency relations, settlement practices between customers and various other operations are carried out. In such conditions, it is very important for commercial banks to be stable and able to withstand any economic shocks. Central banks of many countries are considered the "bank of banks" and constantly supervise the activities of commercial banks, while at the same time they are responsible for ensuring economic and financial stability in the country.

Furthermore, it should also be noted that certain countries have prepared their own independent rating systems and are widely used not only in these countries but also in other countries. As an example, we can mention the CAMELS rating system in the USA, the RATE rating system of Great Britain, and the Italian PATROL rating system. The CAMELS rating system of the USA and its rating criteria are widely used in the practice of most countries today. Both national and international standards are used in the practice of banks. International standards, which are widely used in international banking practice, are used as a model for the development and adoption of national standards of countries. An example of this is the international standards of the Basel Committee on International Banking Supervision and the economic standards developed by the Central Bank of the Republic of Uzbekistan using them.

To determine the rating of commercial banks, the reliability and transparency of bank data is considered as great importance. Transparency is an environment of openness and comprehensibility of information for all market participants.

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Reliable and transparent information about the transactions and their participants is the basic condition of the market rules and the main element of the financial market. Reliable and transparent information is of great importance in the effective management of commercial banks.

Information is available for all participants:

- to supervisory bodies;
- to the owners of securities;
- to depositors and creditors;
- correspondent commercial banks and others.

It is of great importance that commercial banks have access to up-to-date and useful information in order to control the activities of commercial banks and manage them efficiently and effectively, taking into account the risks.

At the same time, the transparency and reliability of the data allows determining the real status and rating of commercial banks. On the contrary, the lack of accuracy of this information serves to cause various imbalances in these processes

Ratings are a comprehensive, complex assessment based on a unified approach and technologies on certain scales by comparing entities of a certain category.

Assessment methods and instruments can be of different nature. It is determined by conducting distance methods, social opinions and surveys, as well as conducting meetings with certain experts of the subjects to be rated, focused on a certain goal, on the current analysis and the future situation.

Expert work can be performed by certain specialized organizations, for example, rating companies or individual analysts. Experts evaluate the results of their activities on the

basis of general reports and electronic publications based on the general evaluation criteria of subjects. Forming a single system of measurements for comparing and evaluating subjects is the main urgent issue. Ratings and rating scales provide such measurements.

All over the world, ratings, including their methodologies, are developed and put into practice by rating agencies. The first rating agencies were established in the USA in the 19th century, examples of which include Moody's and Standard & Poor's rating companies. One of the unique features of these international rating agencies is that they are engaged in rating the country, major cities and regions, advanced commercial banks and companies, and securities.

After the USA, the practice of establishing national rating agencies was observed in Canada, Europe, Austria, Australia, and Latin American countries. In order to gain the image of international and foreign rating agencies in the CIS countries, they are trying to establish national rating agencies.

The term "rating" is translated from the English word "rating" and means "estimate", "determine the grade" or "class, rank, categorize". The content of the rating is not a classification of a subject on a certain aspect, but rather an assessment of the condition of the subject being rated.

Today, we can find that rating evaluation is widely used in various fields of our life, especially in economy, finance, cultural life, sports and other processes.

In most cases, we can observe that the ratings are published in special publications or on social networks and websites. For example, a bank's rating is extremely important for depositors. The reason is that depending on the rating of the banks, depositors will be able

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to place their funds in the banks with confidence.

Rating assessment involves the division of business entities into certain classes or categories.

CONCLUSIONS

- All over the world, independent subjects, rating organizations use the practice of determining the rating of commercial banks;
- Certain countries prepared their own independent rating systems, and it was found that it is widely used not only in these countries, but also in other countries;
- The use of the CAMELS rating system in the USA, the UK RATE rating system, the Italian PATROL rating system, and CAMELS rating system of the USA and its rating criteria are widely used in the practice of most countries today;
- The root of the word "activity" is derived from the word "active" and means "activity", "being ahead", "implementing", that is, it implies that this or that subject carries out a certain activity. This is closely related to the implementation of the functions of a certain subject;
- The activities of banks are divided into two types, functional (special) and activities not directly related to banking activities;
- Bank activity standards mean the norms, rules and requirements arising in the activity of banks;
- Contains the form of basic and generalized rules and norms by regulatory bodies. They are in the form of rules, requirements and instructions;
- The norms of economic regulation of banks' activities during economic crises and the norms of regulatory financial indicators in a stable state of the economy differ from each other;

- Both national and international standards are used in the practice of banks. International standards widely used in international banking practice are used as a model for the development and adoption of national standards of countries. An example of this is the international standards of the Basel Committee on International Banking Supervision and the economic standards developed by the Central Bank of the Republic of Uzbekistan using them
- To determine the rating of commercial banks, the reliability and transparency of bank data is of great importance.
- Ratings are a comprehensive, comprehensive assessment based on a unified approach and technologies on certain scales by comparing entities of a certain category.

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