ADEQUACY AND EFFICIENCY OF BANK CAPITAL IN THE CONTEXT OF THE GLOBAL ECONOMY

Faculty of evening education and graduate studies
son of deputy dean **Mardonov Shakhriyor Kholmyrza**
Banking and audit bias KBIA-72 Group student
Tokhtayeva Umida Shamsiddin's daughter

Annotation: This article analyzes the issues of adequacy and effective use of bank capital in the global economic environment. The role of capital in banking stability is covered based on international financial standards, in particular the requirements of Basel III. In the course of the study, the effectiveness of capital rather than its size, that is, its influence on real economic processes, was considered as an important factor. On the example of the banking system of Uzbekistan, national experience and existing problems were analyzed and proposals and recommendations based on international experience were developed. In particular, on the basis of digital technologies, the possibilities of effective use of capital, increasing the confidence of investors and ensuring sustainable development are revealed. The article can be useful to researchers in the banking industry, financial professionals and economic policy makers.

Keywords: Geopolitical instability, Bank Capital, Basel Committee, financial crises, financial stability, asset profitability.

Introduction

Against the background of changes taking place in the Global economic system, financial crises, pandemics and geopolitical instability, the issue of ensuring the stability and competitiveness of the banking system becomes more relevant. In particular, the question of the adequacy of bank capital and its effective use is a key factor in ensuring not only the internal financial stability of banks, but also the financial security of the economy of the whole country. Bank capital is a means of financing the bank's ability to fulfill its obligations, the potential to overcome financial shocks and a long-term development strategy. In world practice, this concept is defined by concrete normatives through the Basel Committee's international capital standards. These standards provide for banks to have sufficient capital in relation to their assets, improving risk assessment and hedging mechanisms.

LITERATURE ANALYSIS

The banking system of Uzbekistan is also accelerating reforms in this direction: national banks are implementing consistent measures to strengthen the capital base, attract new investments and increase capital efficiency through digital financial services. In this context, this article analyzes the issue of adequacy and efficiency of bank capital at the global and national level, focusing on the harmonization of international experience and national policy. There are different approaches in the scientific literature on the issue of adequacy and effectiveness of Bank capital. This analysis summarizes their basic principles and conclusions.

1. International theoretical foundations - Basel I (1988)[1], Basel II (2004)[2] and Basel III (2010)[3] developed by the Basel Committee are recognized as global criteria for bank capital adequacy. Basel III pays special attention to the quality of capital, liquidity needs and the ability to overcome financial shocks. These norms play an important role in determining what risks banks manage in their activities (BCBS, 2011)[4]. Frederic S. Mishkin and Stanley Eakins (2018)[5] in their work “Financial Markets and Institutions”, interpret bank capital as a means to reduce risks, increase trust and ensure financial stability. They argue that an increase in capital adequacy has a positive effect on the effectiveness of banking activities.

2. Applied research and modern approaches - Rime (2001)[6] shows that the increase in capital reduces the likelihood that banks will have risky assets. Also, banks with higher bank capital will be able to allocate more credit, which will serve economic growth.

Research by Berger & Bouwman (2013)[7] has shown that capital provides resilience of banks in times of financial crises and increases systemic stability. They proved that banks with lower capital levels were more vulnerable to the crisis.

3. National literature and experience of Uzbekistan-economists from Uzbekistan, including H.S. Mukhitdinov (2021) [8] and D.Y. Nurmatov (2022) [9], in his research, cited the adequacy of bank capital as one of the key factors in ensuring the stability of the national banking system. According to their analysis, effective capital management is inextricably linked, in particular, with the development of digital banking services.

RESULT AND DISCUSSION

Statistical data, reports and analytical reviews provided by the Central Bank of the Republic of Uzbekistan (2020-2024) make it possible to analyze the dynamics of capital indicators in the national banking sector. Although the size of capital has been growing in recent

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years, its profitability and efficiency differ in the cross-section of some banks. The following important results were obtained on the basis of theoretical analysis, statistics and international and national experiments carried out during the study:

1. Bank capital adequacy-stability guarantee analysis shows that the adequacy of bank capital is the main instrument that ensures stagnation against financial crises. In particular, banks with capital standards formed on the basis of Basel III standards also maintained financial stability against the background of economic restrictions during the pandemic. This confirms the importance of capital adequacy on a global scale.

2. Banks with low capital efficiency lag behind the pace of development. There are banks that have a high volume of capital, but cannot use it effectively. The study observed low capital return (ROE) and low asset return (ROA) in the activities of some large banks. This is causing the investment potential to not be fully operational depending on the quality of capital and management strategy.

3. Capital adequacy in Uzbekistan meets the standards, but efficiency is different. According to the central bank, in most commercial banks, capital adequacy (CAR) is in the range of 14-18%, higher than the Basel III requirement of 8%. While this is a positive case, capital efficiency is not the same in all banks. In newly formed or small banks, these rates are lower, limiting their competitiveness.

4. Digital technologies make it possible to increase capital efficiency. Operating costs are decreasing through digital banking services, remote lending, and fintech integration.

This leads to an increase in the profitability of bank capital. Initial results show that banks investing in digital services are generating more capital.

5. International experience is an important factor for the formation of a national strategy. An analysis of the capital policy of the countries of the United States, the European Union and Southeast Asia provides important lessons for Uzbekistan. They see capital not only as a security buffer, but also as a means of stimulating economic growth. Therefore, national banks should also switch to managing capital as a source of strategic investment.

The conclusion of the discussion is as follows:

• If the volume and quality of capital are not analyzed together, the effective assessment of the bank's activities will not be complete.

• The orientation of Bank capital to the real sector in the economy increases its practical efficiency.

• Innovative approaches and advanced technologies should be introduced to improve capital efficiency.

* Monitoring of bank capital risks, stress-tests and compliance with standards should be carried out regularly by the central bank.

CONCLUSION

In the 21st century, the world financial system operates in a state of deep integration and complex structure. For the sustainable functioning of the banking sector in such a global economic environment, the adequacy of banking capital and its effective management are seen as an important strategic resource. Based on the theoretical, practical and statistical analysis carried out, the following main conclusions were drawn:

1. The adequacy of capital is the backbone of the activities of banks. Capital is the bank's “buffer” against risks, and is a crucial factor in overcoming credit risk, compensating for losses, and ensuring customer confidence. The Basel Committee's capital standards (Basel I–III) have shaped universal approaches to this issue. These norms serve to ensure the healthy functioning of not only individual banks, but also the entire financial system.

2. While the size of capital is sufficient, the level of efficiency varies. While capital adequacy in many commercial banks meets international standards, the efficiency of its use remains low. When banks are not using capital with high profitability, this negatively affects the confidence of investors. Capital efficiency is not just volume, but an indicator of quality, composition and management strategy.

3. Digital transformation and innovation increase capital efficiency. Digital banking services and fintech solutions provide a more cost-effective and targeted orientation of banking capital. Operating costs decrease and the quality of services increases, resulting in an increase in capital gains. Especially in developing countries, this direction should be an integral part of banking reforms.

4. The national banking system is transforming. Reforms in the banking sector of Uzbekistan – privatization of banks, transition to international audit standards, ensuring openness and transparency-serve as a solid foundation for effective management of banking capital. Through regular monitoring of capital adequacy, it is achieved to reduce financial risks and ensure financial stability.

5. The application of international experience will improve the national strategy. Advanced practices formed on the use of capital in banking systems of leading countries such as the United States, Germany, Japan can serve as a roadmap for Uzbekistan. In particular, lending policies that focus capital on the real sector, finance startups, and serve economic growth increase the impact of bank capital on the real economy. The adequacy and efficiency of Bank capital are integral components of financial stability, competitiveness and economic development. Capital should be evaluated not only as a financial security tool, but also as a strategic resource that supports innovation, stimulates investment and promotes economic growth. In the future, systematic measures for the qualitative and profitable management of capital in the national banking system should be taken.

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