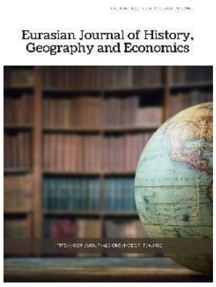

Theoretical Perspectives On The Stability Of Commercial Banks

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ABSTRACT

The theoretical foundations of ensuring the stability of the banking system, including studies based on the theoretical and practical significance of the studies of economists of foreign countries are presented. The theoretical foundations of the concept of stability, research on the issue of achieving the stability of the banking system are presented.

Keywords: stability, banking stability, banking system, banking system stability, GDP

Bank stability is understood as the ability of banks to fully perform all their existing functions. It is appropriate to assess the stability of the banking system as a desire for development and progress under any conditions, while maintaining the achieved level.

If we observe that liquidity is primary as a result of analyzing the content of liquidity and solvency, then stability is of fundamental importance in stability and reliability and is considered primary compared to reliability. At the same time, stability is dynamic, while reliability is static.

Ensuring the stability of commercial banks is relevant not only for regulatory authorities, but also for customers.

Banks are an integral part of the economic system and one of the most important sectors. The stability of commercial banks is interpreted differently in different sources. Therefore, we will try to analyze the opinions and opinions of economists on the stability of commercial banks.

In the publications of English scholars, “stability” is defined as a permanent location, ensuring a state of equilibrium of a certain object, returning to its previous state as a result of a certain exchange[1], in the publications of French scholars, “stability” is defined as a characteristic of something that can always be realized in the same state[2], and in the publications of German scholars, “stability” is interpreted as a state of non-vibration.[3]

In the encyclopedic publications of Russian scholars, “stability” means to endure, to resist, not to yield, to stand firm against force, to stand firm against force, to not yield, to be firm, to endure, to be firm, to be firm, to be firm, to be firm,[4] while “stability” means 1) to hold firmly, not to fall, not to yield; 2) to be constant, firm, not to allow shaking, to stand upright.[5]

There is a significant difference between the opinions expressed about stability, and two different situations are distinguished. In the first case, when we say “stability”, we mean an unshakable, stable state. In the second case, “stability” is considered as a striving forward, development.

In our opinion, both situations are characteristic of stability, and it is appropriate to define stability as a striving for development while maintaining the achieved level in any conditions.

Analyzing stability, we can first draw the following conclusions:

o stability is not a static state, but a process with a dynamic nature, but in some periods development may not be observed in a dynamic state;

o stability is a constant positive movement, albeit a small, but striving for development;

o stability is a complex characteristic of development, which includes its significance in all aspects of internal and external relations;

o stability characterizes the quantitative and qualitative level of activity;

The concept of "stability" has been studied in depth by foreign scholars and specialists and appropriate definitions have been given.

In the monograph edited by O. Lavrushin, it is stated that "...stability is one of the elements of this movement. From a practical point of view, in the process of banking activities, relatively complex tasks may arise that require decisions not only to maintain the current level, but also to develop and expand activities." [6]

There is considerable variation in the opinions expressed about sustainability, and two distinct situations stand out. In the first case, "stability" means an unshakable, steady state. In the second case, "sustainability" is considered as progress.

Analyzing stability, we can initially form the following conclusions:

o stability is not a static state, but a process with a dynamic nature, however, in some periods it may not be observed in a developmental, dynamic state;

o sustainability is a comprehensive description of development, which includes its importance in all aspects of internal and external relations;

o stability describes the quantitative and qualitative level of activity;

The concept of "stability" can be used as a characteristic of complex dynamic systems, which are affected by a large number of factors, including factors with a random content. Since the bank is a complex dynamic system operating in the conditions of a changing market economy, we believe that it should be considered from the point of view of a systemic approach.

Next, we will analyze the scientific and theoretical views of economists on the "stability of the banking system". In his research, O. Timofey argues that the stability of a country's banking system is assessed by the ratio of bank assets to GDP in developed countries, which exceeds 100 percent, while in some countries this indicator is low, indicating a low financial exchange rate.[7] For example, in his research, in 2011 this indicator was 326 percent in Germany, 336 percent in Austria, 402 percent in the Netherlands, and 420 percent in France. At the same time, the study of bank loans to GDP is also relevant. The reason is that this indicator determines the level of development of the economy based on investments. The relatively low level of this indicator indicates the relative instability of the country's economic growth. In such cases, the banking system cannot provide the real sectors of the economy with cheap, long-term investment resources. Therefore, a number of factors are leading to a weakening of the financial system and an increased involvement of the Central Bank in all processes.

In his research, A. Zubarev conducted a study to identify the factors that influenced the bank defaults that occurred in Russia in 2008-2009 as a result of the global financial crisis. In order to shed light on this issue, the author created a logistic model using the assets of 150 large banks and drew the appropriate conclusions. As a result of the model calculations, it was determined that the reserves created by the bank against possible losses and the share obligations of the banks made a significant contribution to the default. As a result, a number of problems were also identified in the issue of the credit portfolio of banks and its quality. At the same time, the research proved that the Central Bank served to prevent a short-term liquidity crisis due to the loans allocated to commercial banks.[8]

As a result of research, the following proposals were put forward by the author:

1. Setting very strict requirements regarding the classification of bank assets and the formation of reserves, reserve for possible losses;

2. Circulation of limited promissory notes by commercial banks;
3. Increasing the list of the collateral register by the Central Bank and increasing the access to this collateral list of small and medium-sized banks;
4. To increase the possibility of using various instruments of the Bank of Russia in ensuring the liquidity of commercial banks, because during the crisis, interbank loans given by large banks cease to be allocated as a channel for ensuring liquidity and cause various problems.
5. When the bank is in a severe crisis, the issue of applying the best practices in ensuring the liquidity of commercial banks was put forward.

Of course, the above proposals of the researcher are of great importance in ensuring the stability of the banking system. Because banks in various difficult situations try to solve these issues in any way possible.

A group of Turkish scientists led by O. Iskanderoglu conducted a thorough analysis of the relationship between bank stability and competition in their research and concluded that increased competition in banks can undermine their stability. They explain this by saying that if banks increase risky operations in order to earn high profits in competitive conditions, high risk puts banks in a difficult position and ultimately leads to a weakening of public confidence in banks. Therefore, Turkish scientists conclude that moderate competition for large banks is a measure of their stability. At the same time, they emphasize that there is no single criterion for measuring stability and competition, and in many countries there is a practice of ensuring the financial stability of banks by legally regulating competition.[9]

Thus, the conclusion is drawn that it is expedient for commercial banks to pursue competition beyond the norm, given that it affects the cost of their services, the level of bank profitability and, ultimately, its stability, and therefore it is appropriate to be competitive. A. Nage in his studies concludes that international supervisory authorities should pay attention to the recapitalization of banks as a medium and long-term measure to restore confidence in the banking system. At the same time, in his studies, he emphasizes that banks reduce credit risk on their balance sheets, as a result of the lack of transparency of internal credit ratings, liquidity risk arises and solvency problems arise, while banks recognize all losses and do not hide problems.[10]

In conclusion, the stability of the banking system is the main link that ensures the stability of the economy of every country, and we have seen in international practice that Central Banks appear as the main subject in their provision.

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