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IMPROVING DIGITAL ASSET MANAGEMENT PRACTICES IN COMMERCIAL BANKS

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Abstract: This article provides a comprehensive review of the management of digital assets in commercial banks. With the rapid advancement of technology, traditional banks are increasingly integrating digital assets into their operations. The article examines the challenges and opportunities associated with managing digital assets, including security concerns, regulatory compliance, and technological infrastructure. Furthermore, it explores various strategies and best practices for effectively managing digital assets to optimize efficiency, mitigate risks, and capitalize on emerging opportunities. Drawing on current literature and case studies, this review offers valuable insights for bank executives, policymakers, and researchers seeking to navigate the evolving landscape of digital asset management in the banking sector.

Keywords: Digital assets, Management, Optimization, Integration, Security, Compliance, Technology infrastructure, Data analytics, Scalability

Introduction:

One of the most important and urgent tasks for banks today is to use their assets in a way that will benefit the customers who have entrusted their money to the bank. It should also be a structure that actively attracts customers for credit who are ready to use their funds effectively. It is the performance of this simple task that makes banks the main mediators capable of stimulating the growth of production in the economy, implementing economic structural changes, and increasing their efficiency and competitiveness.

In order to fulfill these tasks, commercial banks need to allocate their assets wisely. Several internal and external factors affect the placement of the bank's assets. External factors are factors related to the international and domestic general economic and social situation, while internal factors are directly related to the bank, that is, factors related to the management of bank assets. Based on this, it can be said that the high-quality organization of the effective management system of bank digital assets is one of the urgent issues.

To enter the section on managing digital assets in commercial banks, you might start by introducing the concept and its importance in modern banking practices. Here's a suggested entry:

"Digital assets management in commercial banks refers to the processes and systems in place to oversee and control various forms of electronic or virtual assets held by the bank on behalf of its clients or for its own purposes. In today's increasingly digital world, where financial transactions and assets are often intangible and exist solely in electronic form, effective management of these assets is crucial for ensuring security, compliance, and operational efficiency within the banking sector."

From there, you could delve into specific strategies, tools, and technologies used by banks to manage digital assets, such as encryption protocols, blockchain technology, risk management frameworks, and regulatory compliance measures.

Literature Review:

A significant body of literature explores the role of blockchain technology and cryptocurrencies in digital asset management. Works by Tapscott and Tapscott (2016), Antonopoulos (2014), and Narayanan et al. (2016) provide comprehensive introductions to blockchain technology and its applications in finance. These resources delve into the potential of blockchain to streamline processes such as cross-border payments, trade finance, and asset tokenization, thereby enhancing efficiency and transparency in commercial banking operations.

E. Dolan includes cash in cash registers of commercial banks, the balance of their "Nostro" representative account at the Central Bank, balances of "Nostro" representative accounts of commercial banks at other commercial banks, and funds in the collection process.[1]

K.Barltrop and D.McNaughton include in the composition of highly liquid assets, in addition to cash assets, the balance sheets of commercial banks also include tracts that are re-accounted for in the Central Bank. [2]

Economist V.Usoskin in his monograph entitled "Sovremennyy kommercheskiy bank: upravlenie i operatsii" paid special attention to the issue of improving the quality of loans and cash assets, which are the main types of assets of commercial banks. In order to improve the quality of the loan portfolio, V.Usoskin suggests improving the system of assessing the credit solvency of customers, strictly adhering to the principle of diversification in the formation of the loan portfolio.[3]

O.I. Lavrushin believes that the liquid assets of commercial banks should enable the fulfillment of obligations regarding the unstable part of deposits. According to him, there is a stable part of all three forms of bank deposits, that is, current deposits, saving deposits and time deposits, which should make up not less than 75 percent of total deposits. Liquid assets should be available in the amount of 25% of total deposits to fulfill obligations. [4]

Special theoretical and practical aspects of managing the assets of commercial banks and improving their quality are expressed in the scientific researches of Uzbek economists B. Berdiyarov and U. Rozukulov. For example, B. Berdiyarov believes in his candidate's thesis that the quality of assets is reflected in ensuring a stable level of income from them. [6, 7]

In short, management of commercial banks' assets and improving their quality requires ensuring a reasonable balance between liquidity and profitability. Therefore, the use of scientific conclusions and recommendations of well-known economists on the formation and management of assets of commercial banks is of great practical importance in the formation of the assets of commercial banks.

Research methodology. Grouping, comparative and economic analysis, induction and deduction, economic-statistical methods, expert assessment, economic-mathematical modeling and forecasting methods are widely used in this article.

Analyzes and results

Assets of commercial banks are classified according to profitability, liquidity and risk level. All three are considered to be one of the main evaluation parameters in international practice. Commercial banks mainly try to get high profits with low losses if they use their existing assets wisely. But any income-oriented asset is inversely proportional in terms of its liquidity and risk, that is, the orientation of assets to income, in turn, increases its riskiness, that is, the probability of losses from these assets increases and its liquidity decreases. According to the level of profitability, we can classify the above assets into two groups, that is, income-generating and non-income-generating assets. [5]

Analyzing and managing digital assets in commercial banks involves a multifaceted approach that requires a keen understanding of technology, finance, and risk management.

1.Data-driven Insights: By leveraging advanced analytics and machine learning algorithms, banks can gain valuable insights into customer behavior, market trends, and risk factors associated with digital assets.

2.Risk Mitigation: Through robust risk management strategies, banks can identify and mitigate potential threats such as cyberattacks, fraud, and regulatory compliance issues, safeguarding both the institution and its clients' assets.

3.Enhanced Efficiency: Digitizing asset management processes streamlines operations, reduces manual errors, and accelerates transaction speeds, leading to cost savings and improved customer service.

4.Innovative Products and Services: Banks can capitalize on digitalization to develop innovative financial products and services tailored to meet the evolving needs of tech-savvy consumers, such as cryptocurrency trading platforms, digital wallets, and blockchain-based solutions.

5.Regulatory Compliance: Compliance with stringent regulatory requirements is paramount in the management of digital assets, necessitating ongoing monitoring, reporting, and adherence to anti-money laundering (AML) and know your customer (KYC) regulations.

6.Market Opportunities: By staying abreast of emerging technologies and market developments, banks can capitalize on new opportunities in the digital asset space, such as tokenization, decentralized finance (DeFi), and digital securities offerings.

7.Customer Trust and Confidence: Building and maintaining trust among customers is crucial for the success of digital asset management initiatives. Transparency, security, and effective communication are essential components of fostering trust and confidence in the bank's digital offerings.

Overall, effective analysis and management of digital assets in commercial banks yield numerous benefits, including improved operational efficiency, enhanced risk management capabilities, and the ability to capitalize on emerging market opportunities in the rapidly evolving digital landscape.

The development of scientific proposals and practical recommendations aimed at optimizing the composition of commercial banks' assets of the Republic of Uzbekistan, the formation of scientific conclusions requires the assessment of the current composition of assets in terms of their liquidity, profitability and riskiness.

Table 1.
Uzbekistan Republic commerce banks of assets composition ,
(in interest calculation)

Indicators name	**01.01.2022**		**01.01.2023**		**01.01.2024**	
	billion soum	share , in percent	billion soum	share , in percent	billion soum	share , in percent
1						
Assets						
At the checkout cash and ıother payment documents	10,686.3	2.4	19 309.1	3.5	20 201.8	3.1
Central in the bank funds	31 514.6	7.1	36,592.1	6.6	33 228.0	5.1
Other in banks funds - residents	13 302.5	3.0	17 423.7	3.1	24 368.5	3.7
Other in banks funds - non-sidents	25,074.0	5.6	37 688.3	6.8	28,862.5	4.4
Investments and another ıluable papers	19,633.7	4.4	31 507.9	5.7	32 548.3	5.0
of customers financial struments according to ɔligations	1 251.0	0.3	1 606.3	0.3	3 334.0	0.5
Credit investments , net	316 382.4	71.1	378 909.2	68.1	457 847.1	70.2
Main tools , pure	11,031.9	2.5	14 242.9	2.6	19,874.9	3.0
Assets according to calculated ɛrcentages	9 387.1	2.1	12 295.3	2.2	19 249.8	3.0
Bank another private properties	1 339.4	0.3	3 065.5	0.6	4 483.5	0.7
Other assets	5 319.6	1.2	4 105.8	0.7	8 158.7	1.3
Total assets	**444 922.5**	**100.0**	**556 746.3**	**100.0**	**652 157.1**	**100.0**

From the data of Table 1, it can be seen that in 2020-2023, loans will occupy the first place in the composition of the assets of commercial banks of our republic. This is explained by the fact that lending is the main type of activity for banks.

As we have noted, in the composition of the assets of commercial banks of the Republic of Uzbekistan, the weight of loan and leasing operations is large, and in 2021 this figure was 71.13%, in 2022 it is 68.1% and in 2023 it is 70.2%. The amount of these transactions increased by 44.7% in 2023 compared to 2021.

In the structure of assets of commercial banks, funds in the Central Bank of the Republic of Uzbekistan and other commercial banks occupy the next places. Funds in the Central Bank of the Republic of Uzbekistan accounted for 7.1 percent of total assets in 2021, while in 2023 this figure decreased to 5.1 percent of total assets.

Table 2.
Interest rates on bank loans in national currency

Types of loans	2021	2022	2023
Total loans according to	**21.5**	**22.2**	**24.0**
including : _			
Short term loans	**22.1**	**21.1**	**23.7**
- up to 60 days	21.3	21.9	24.8
- From 61 days to 90 days	22.5	20.8	23.5
- from 91 days to 180 days	20.8	20.6	24.5
- from 181 days to 365 days	22.2	21.1	23.2
Long term loans	**21.1**	**22.7**	**24.2**
- 1 to 2 years	22.2	22.9	24.0
- from 2 to 3 years	22.8	23.6	25.1
- 3 to 4 years	23.4	24.8	25.8
- 4 to 5 years	21.0	23.0	27.1
- from 5 to 10 years	17.0	22.9	24.2
- from 10 years high	17.3	17.5	18.1

Interest on assets plays an important role in the management and control of assets of commercial banks. Because the more income-generating assets are in the bank's assets, the greater the bank's financial stability. Higher incomes are justified by higher interest rates.

In recent years, we can see that the average interest rate of loans has increased in the banking practice of Uzbekistan. In particular, the interest rate on total loans increased from 21.5 percent in 2021 to 24 percent by 2024.

The interest rate on short-term loans increased from 22.1% to 23.7%. The highest interest rate was recorded in 2023 for loans up to 60 days, i.e. 24.8 percent. Also, the interest rate of loans from 91 to 180 days was 24.5 percent.

The interest rate on long-term loans increased from 22.1% to 24.2%. The highest interest rate was recorded in 2023 for loans from 4 to 5 years, i.e. 27.1 percent. Also, the interest rate of loans from 3 to 4 years was 25.8 percent.

Unlike the banking practices of developed foreign countries, cash in the cash register of commercial banks of our republic is an asset that directly and indirectly affects the profitability of bank assets. Their direct impact on the profitability of bank assets is reflected in the collection of commissions from customers both in cash deposits and withdrawals. The reduction of the amount of mandatory reserve allocation to the amount of cash in the circulating cash of banks means an indirect effect of cash on the profitability of bank assets. The reason for this is that a reduction in the amount of required reserves means that the bank's resources have increased by this amount. Deployment of increased resources as income-generating assets leads to an increase in the profitability of bank assets.

Formation of the assets of commercial banks of our country based on the principle of decreasing their liquidity level is significantly different from the procedure of formation of assets existing in international banking practice.

According to the weight of the assets of commercial banks of our republic, the first place is taken by loans, the second place by cash assets, the third place by fixed assets, and the last, fourth place by assets in the form of securities. In the banking practice of developed foreign countries, assets in the form of securities occupy the second place after loans, and cash assets are the third in the composition of assets.

As a result of the measures taken to deepen and expand the scope of economic reforms in the banking system of our republic, to ensure the financial stability of commercial banks, further increase their level of capitalization, investment processes, structural reforms of the economy, modernization of production, technical and technological re-engineering special attention is being paid to ensuring wide partici pation in the equi pment, strengthening their freedom.

As a result of the effective reforms, as a result of the step-by-step implementation of the tasks set for the reform and liberalization of the banking system, the activities of commercial banks are further improved, ensuring their financial stability and, most importantly, the confidence of the population in the banking system is increasing and strengthening.

The main goal of the reform of the banking system is to direct the activities of banks to ensure economic growth and financial stability. In recent years, commercial banks have become a financial institution that directs financial resources to the field of financial intermediation operations.

Foreign experience in the practice of digital asset management in commercial banks has been studied in many types of countries. Including the United States, European countries, Japan, South Korea and other countries, there are extensive works in the field of digital asset management.

In addition, significant scientific and technological changes in management practices are taking place in the United States. For example, banks are building integrations to improve the convenience of developing and selling digital assets, as well as considering innovations in building data according to political and legal requirements.

In European governance studies, regulators help with digital asset accounting, compliance, and quality assurance. Technological changes also include many types of work in property management, including increased reliability and expanded capabilities for multi-hour transactions.

In Japan, digital asset management has undergone technological changes and regulatory measures in line with the field. Banks and regulators have been brought into use in order to stay afloat against disturbances and threats, according to the significant limits of the binary.

In South Korea, digital asset management was developed to explore activities used to increase trust, reduce risk, and ensure regulatory compliance. Through technological change and changing organizational market conditions, financial systems must help create opportunities for greater resilience and resilience.

Summary and Recommendations:

In conclusion, effectively managing digital assets in commercial banks requires a multifaceted approach that encompasses robust technological infrastructure, stringent security measures, and proactive risk management strategies. As the financial landscape continues to evolve in the digital age, it is imperative for banks to adapt and innovate to meet the needs of customers while mitigating potential threats.

The main reasons for the high weighting of bank investments in government securities in developed countries are:

- Government securities are highly liquid, and there is always a stable demand for them in the securities market;

- Government securities bring income to the bank at a fixed percentage, and they allow to increase the volume of the bank's interest income, which is a necessary condition for ensuring their financial stability;
- Government securities are issued in large quantities.

Digital asset management in commercial banks is a rapidly evolving field driven by advances in technology, particularly blockchain and cryptocurrencies. This literature review has highlighted key themes and insights from existing research, including the role of blockchain technology in streamlining processes, the regulatory challenges associated with digital assets, strategic considerations for banks, and practical applications through case studies.

Here are some recommendations for enhancing the management of digital assets in commercial banks:

1.Invest in Advanced Technology: Continuously upgrade and invest in cutting-edge technology to ensure the efficiency, reliability, and security of digital asset management systems.

2.Prioritize Cybersecurity: Implement robust cybersecurity protocols, including encryption, multi-factor authentication, and intrusion detection systems, to safeguard digital assets against cyber threats and attacks.

3. Compliance and Regulation: Stay abreast of regulatory requirements and compliance standards related to digital asset management, and proactively implement measures to ensure adherence and mitigate regulatory risks.

4.Education and Training: Provide comprehensive training and education programs for bank staff to enhance their understanding of digital assets, cybersecurity best practices, and emerging technologies.

5. Collaboration and Partnerships: Foster collaboration with fintech companies, cybersecurity experts, and regulatory bodies to leverage expertise, share knowledge, and develop innovative solutions for digital asset management.

6.Continuous Monitoring and Evaluation: Establish robust monitoring and evaluation mechanisms to continuously assess the effectiveness of digital asset management strategies, identify potential vulnerabilities, and implement corrective actions as needed.

In order to improve the management of digital assets in commercial banks, many types of measures should be implemented. Starting from multi-stakeholderism, it is necessary to finalize practical measures such as updating the technological infrastructure, rapidly updating the digital processing of accounts, strengthening data protection, studying risk management and development, establishing fintech contracts, and producing new technologies that provide citizens with new and advanced visions. lighting can be illuminated. Accordingly, in order to develop themselves, banks need to upgrade their physical and financial resource protection systems, which are able to use the same resources, in order to create opportunities for updating products, entertaining services and providing quality service to their users.

By adopting these recommendations, commercial banks can strengthen their digital asset management capabilities, enhance customer trust and confidence, and position themselves for sustainable growth and success in the digital era.

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