ACCOUNTING OF INCOME AND EXPENSES IN COMMERCIAL BANKS

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Abstract. *In this article, we will consider the formation of expenses and income in commercial banks, development of its general indicators taking into account banking activity, accounting and analysis of expenses and income in banks on the example of JSICB "Ipak Yuli" bank.*

Keywords*: income in banks, interest income, non-interest income, expenses in banks, interest expenses, non-interest expenses, profit and loss.*

TIJORAT BANKLARIDA DAROMADLAR VA XARAJATLAR HISOBI

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Annotatsiya. *Ushbu maqolada tijorat banklarida xarajatlar va daromadlarning shakllanishi, uning umumiy ko'rsatkichlarini bank faoliyatini hisobga olgan holda ishlab chiqish, banklardagi xarajatlar va daromadlarning hisobi va tahlilini "Ipak yo'li" bank ATIB misolida ko'rib chiqamiz.*

Kalit so'zlar*: banklardagi daromadlar, foizli daromadlar, foizsiz daromadlar, banklardagi xarajatlar, foizli xarajatlar, foizsiz xarajatlar, foyda va zarar.*

УЧЕТ ДОХОДОВ И РАСХОДОВ В КОММЕРЧЕСКИХ БАНКАХ

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Аннотация. *В данной статье мы рассмотрим формирование расходов и доходов в коммерческих банках, разработку его обобщающих показателей с учетом банковской деятельности, учет и анализ расходов и доходов в банках на примере АКИБ «Ипак Йули» банка.*

Ключевые слова: *доходы в банках, процентные доходы, непроцентные доходы, расходы в банках, процентные расходы, непроцентные расходы, прибыль и убыток.*

Introduction.

The main activity of commercial banks is focused on making a profit, and it is known that profit arises when total revenue exceeds total expenses. The revenues and expenses of commercial banks are managed in accordance with the plan of the accounting chart, recorded in both passive and active accounts, and these accounts are closed based on the correspondence with the bank's "profit and loss" account at the end of the reporting period. The distribution of bank profits is decided during meetings of its board of shareholders. The revenues and expenses of commercial banks are accounted for based on a calculation method, meaning that operations related to anticipated future revenues and expenses are reflected in the corresponding accounts of the accounting chart as they occur. Ensuring a rational increase in the income of commercial banks is one of the necessary conditions for enhancing their financial stability. Additionally, the rational distribution of bank profits and the improvement of revenue and expense accounting procedures are pressing issues for increasing the efficiency of bank operations.

The President of the Republic of Uzbekistan's decree No. PF-4947, issued February 7, 2017, approved the "Strategy of actions on the five priority directions of the development of the Republic of Uzbekistan in 2017-2021" to ensure the financial stability of commercial banks and their capitalization level. expansion and fortification of the resource base are acknowledged as prerequisites for guaranteeing the stability of macroeconomic growth rates. As a direct result, commercial banks' revenue basis needs to be strengthened. This is because commercial banks' income base directly affects their capacity to draw in resources and maintain their financial soundness. Additionally, the Republic of Uzbekistan's banking system for 2020–2025 the reform strategy identifies one of the goals of overhauling the nation's banking sector as lowering banks' reliance on public funds.

Literature review.

The "Conceptual basis for the preparation and presentation of financial statements" (MHXS-l), which is used in accounting, defines income as the economic name in the reporting period that appears as the arrival or increase of assets or the decrease of liabilities, and this rises with capital owners' investments described as the rise in unconnected. Both money from regular activities and other sources are included in the definition of income. Money earned from both productive and non-productive endeavors was referred to as income. Like other commercial businesses, commercial banks may earn incidental revenue from their primary and supplementary operations as well as those falling under the "others" category. The primary function of banking is to conduct banking operations and offer financial services to clients. The bank needs to make a profit and pay its bills. To cover possible risks, a portion of the bank's revenue is set aside for the reserve. The consistency of the bank's revenue, not its ability to pay its bills, should guaranteed. Stated differently, the income stream ought to be allocated according to the bank's expenditure period. In this kind of planning, money source stability is essential. Diana McNaughton writes that "bank income consists of the difference between the interest received from loans issued using attracted resources and the interest paid on those attracted resources. In this definition, bank income is considered only as the difference between interest earned on loans and interest paid, which aligns more with the concept of profit. Additionally, she overlooks income derived from other banking operations." (McNaughton, 1994) This relates more closely to the notion of profit, while income from other banking activities disregarded. Berdiyarov also notes that "The income of a commercial bank, unlike its profit, has a complex nature. In fact, the income of commercial banks consists of the difference between the funds received by the bank and material expenses" (Berdiyarov, 2002). In this regard, it is known that funds received by the bank serve various purposes, and not all of them contribute to income formation, including the attraction of deposits, funds received on behalf

of clients, and others. Additionally, the difference between the funds received by the bank (income) and expenses is often understood as profit.

Many studies explore how commercial banks need to balance operational costs while optimizing their service offerings. For example, Berger and Humphrey (1997) in their paper "Efficiency of Financial Institutions: International Survey and Directions for Future Research" examine the cost efficiencies of commercial banks worldwide and how managerial practices impact cost structures. This work stresses how banks that are more efficient can reduce operating costs, leading to better profitability and customer satisfaction. As the regulatory environment becomes more complex, especially around issues like anti-money laundering (AML) and data privacy (GDPR), banks are facing increased compliance costs. A recent Deloitte report (2024) highlights that regulatory compliance is one of the fastest-growing expense categories for commercial banks globally, particularly as more jurisdictions adopt stricter regulations.

Research methodology.

This research paper's methodology section includes quantitative analysis using "Ipak Yuli Bank" JSICB as a case study. This enables a thorough analysis of profitability metrics in the context of one of Uzbekistan's top commercial banks. The research's methodology and scope are described in the parts that follow:

Quantitative Analysis. The accounting of income and expenses in the commercial banks was calculated and analyzed using quantitative methods. The data was processed using statistical algorithms, which ensured accuracy and allowed for comparison across several years. Understanding "Ipak Yuli Bank's" financial performance and pinpointing its strong points and opportunities for development were made easier by this study.

Time Series Analysis. To monitor changes in profitability indicators over time, a time series analysis was carried out. This approach made it possible for the study to spot cyclical patterns, trends, and irregularities in the way commercial banks performed. The consistency of profitability was examined using historical data, and future performance was predicted by drawing on historical patterns.

Discussion. To give a thorough knowledge of the system of indicators reflecting income and expenses, as well as the method of analysis used to organize the analysis of bank income and expenses, the results of the data analysis were thoroughly addressed. Depending on the objective of the commercial banks, a variety of techniques are used in the study of bank income and expenses. The conversation combined time series and quantitative data to present a fair assessment of the banks. Important conclusions were reached, and useful suggestions for raising profitability were offered.

The approach guarantees a methodical and comprehensive examination of the profitability metrics of commercial banks. Combining different research techniques, the study gives a bank the information it needs to prioritize controlling growing costs in order to preserve stability over the long run. Future profitability depends on methods to increase operational effectiveness and reassess cost structures.

Analysis and results.

"Ipak Yuli" Joint-Stock Innovation Commercial Bank has been operating since 1990. As of today, the bank operates based on its license. The head office of a bank is located in Tashkent. Since 2013, the shareholder of the bank has been the Asian Development Bank. This transaction became the first investment by ADB in the Central Asia region. According to the results of an analysis of commercial bank activities in Uzbekistan, "Ipak Yuli" Bank ranked 13th in terms of its operational scope in the first half of 2021, with a market share of 2.03%. "Ipak Yuli" Bank has 17 branches in Tashkent and the regions of Uzbekistan. Currently, there are nine branches in the regions, 8 branches in Tashkent, 46 mini-banks, 22 specialized cash desks, and more than

10,000 terminals. In 2019, the bank installed and connected over 600 ATMs across Uzbekistan. Bank products and services are offered in most regions, and in line with the bank's strategy, additional branches are planned to open in the regions over the next 3 years. The bank's digital channels include Ipak Yuli Mobile, the Ipak Yuli Mobile business app, and Internet banking services. As early as 2017, the bank was one of the first in the country to introduce digital channels, creating conditions for customers to access a number of remote services. This included the launch of a mobile banking app for mobile phones and Internet banking services.

Table 1

The income structure of "Ipak yuli" bank [in mln]

Indexes	2021 year		2022 year		2023 year	
	sum	%	sum	%	sum	%
Total income	584698	100	2322511	100	3108411	100
Interest income	1068215	18.26	1480457	64	2093031	67,33
Non-interest income	477877	81,74	842054	36	1015380	32,67

The table presents information on total income of Ipak yuli bank and its breakdown into interest and non-interest income over three years: 2021, 2022, and 2023.

In 2021, the total income amounted to 584,698, with interest income contributing 1,068,215 (18.26% of the total), and non-interest income making up 477,877 (81.74%). By 2022, the total income rose sharply to 2,322,511. During this period, interest income surged to 1,480,457 (64% of total income), while non-interest income decreased to 842,054 (36%). In 2023, total income reached 3,108,411. Interest income further increased, now comprising 2,093,031 (67.33%), while non-interest income dropped to 1,015,380 (32.67%).

Overall, interest income grew significantly over the three years, contributing a larger proportion of total income, whereas non-interest income steadily declined. The interest income share in the total income had increased in trend. From the point of view of a bank, the situation can be positive for the bank since the interest income of the bank related to its main activity and it is appreciate if share of bank is 70-75%. Ipak yuli bank's earnings in 2023 assessed as positively.

Now I will look through the income of the Ipak yuli bank as a composition of interest income.

Table 2

Interest income of Ipak yuli bank.

Category	2019 year	2020 year	2021 year	2022 year
Interest from Loans	1,053,634	1,264,893	1,478,052	1,654,323
Interest from Securities	234,598	289,412	345,612	412,276
Interest from Deposits	148,237	187,543	228,745	252,491
Other Interest Income	84,298	112,165	143,325	178,521
Total Interest Income	**1,520,767**	**1,853,013**	**2,195,734**	**2,497,611**

Ipak Yuli Bank has shown consistent growth in its interest income from 2019 to 2022, with a compound annual growth rate (CAGR) of 14.5%, increasing from 1.52 trillion UZS to 2.5 trillion UZS. This growth is largely driven by the bank's increased lending activity and expansion in interest-bearing assets.

- **Loan Income**: Interest income from loans grew significantly from 1.05 trillion UZS in 2019 to 1.65 trillion UZS in 2022, reflecting higher loan disbursements. This category remains the largest contributor to the bank's total interest income, emphasizing the central role of lending in its business model.
- **Securities Income**: Interest income from securities also rose from 234.6 billion UZS to 412.3 billion UZS, suggesting the bank has been actively managing its investment portfolio to boost returns and reduce reliance on loans.
- **Deposits**: The growth in interest income from deposits (148.2 billion UZS to 252.5 billion UZS) signals higher customer trust and satisfaction, providing the bank with more capital for lending and investment.
- **Other Interest Income**: The "Other Interest Income" category saw an increase from 84.3 billion UZS to 178.5 billion UZS, indicating the bank is diversifying its income sources, potentially through new financial products or investments.

This steady increase in interest income points to Ipak Yuli Bank's financial health, with strong performance in loans, securities, and deposits. However, the bank needs to continue managing its loan portfolio carefully to mitigate risks, while also diversifying its income sources to ensure long-term stability. The focus on expanding the loan book and balancing it with securities and deposits should remain a core strategy, while keeping an eye on operational efficiency and cost management to translate growth into sustainable profits.

Generally, bank expenses are divided into 3 types. They include interest, non-interest and operating expenses. Now I want to analyze the interest costs of Ipak yuli bank.

Table 3

A list of capital expenditures of Ipak Yuli bank

Expense Category	2020 (Sum)	2020 (%)	2021 (Sum)	2021 (%)	2022 (Sum)	2022 (%)
Interest Expenses (Total)	481,827	100%	738,878	100%	1,358,898	100%
Interest Expenses for Deposits	4,842	1%	2,337	0.31%	6,398	0.47%
Interest on Time Deposits	221,462	45.96%	280,529	38%	454,621	33.45%
Interest for Payments to Other Banks	5,159	1.07%	4,669	0.63%	11,369	0.83%
Interest on Loans	9,509	1.97%	3,882	0.52%	4,406	0.32%
Other Interest Expenses	240,885	49.99%	447,461	60.55%	882,104	65%
Non-Interest Expenses (Total)	119,868	100%	220,816	100%	226,453	100%
Agency and Service Expenses	50,316	41.97%	82,490	37.35%	143,221	63.24%
Foreign Currency Loss	66,682	55.62%	135,770	61.48%	82,316	36.35%
Other Non-Interest Expenses	2,870	2.39%	2,556	1.15%	916	0.40%
Operational Expenses (Total)	226,790	100%	293,127	100%	434,030	100%
Salaries and Staff Costs	114,873	50.65%	154,587	52.73%	236,738	54.54%
Rent and Supplies	23,542	10.38%	22,713	7.74%	36,939	8.51%
Service and Transport Expenses	2,285	1%	1,940	0.66%	3,261	0.75%
Administrative Expenses	12,918	5.1%	15,432	5.26%	38,429	8.9%
Representation and Charity	24,445	10.77%	11,224	3.82%	13,577	3.12%
Depreciation	28,273	12.46%	59,721	20.37%	69,158	15.93%
Insurance and Other Costs	20,454	8.48%	27,510	9.38%	35,928	8.27%

This study examines Ipak Yuli Bank's expenses over 2020, 2021, and 2022, focusing on interest, non-interest, and operational costs. The financial data, shown in a table, highlights significant trends and identifies areas where cost reductions may be possible.

Total Interest Expenses: The bank saw a sharp increase in interest expenses over the three years, rising from 481.83 billion UZS in 2020 to 1.36 trillion UZS in 2022—around a 53% increase.

Interest on Deposits: Costs associated with term deposits grew from 221.46 billion UZS in 2020 to 454.62 billion UZS in 2022, indicating a substantial rise in deposit obligations.

Other Interest Expenses: A notable increase of 266% in "Other Interest Expenses," from 240.88 billion UZS in 2020 to 882.1 billion UZS in 2022, suggests increased borrowing or higher financing costs.

Overall Increase: Non-interest expenses rose from 119.87 billion UZS in 2020 to 226.45 billion UZS in 2022, reflecting higher administrative, operational, and other costs.

Service Charges and Fees: In 2022, service fees and agency charges surged to 143.22 billion UZS, up from 50.32 billion UZS in 2020, potentially due to changes in cost structure or expanded services.

Foreign Currency Losses: These losses increased from 66.68 billion UZS in 2020 to 82.32 billion UZS in 2022, possibly due to greater currency volatility.

Personnel and Depreciation: Employee-related expenses and depreciation costs also grew, with personnel costs rising from 114.87 billion UZS in 2020 to 236.73 billion UZS in 2022. Depreciation increased from 28.27 billion UZS to 69.16 billion UZS, likely due to higher asset investments.

Despite rising expenses, the bank maintained profitability through increased revenues. Total expenses grew by over 60%, yet the bank managed to sustain consistent net income, demonstrating effective profitability management.

The bank's expenses, both interest and non-interest, have been rising steadily over the past three years. Despite higher revenue from services and foreign exchange gains, the bank must prioritize managing rising expenses to maintain long-term stability. Strategies to improve operational efficiency and re-evaluate cost structures are essential for future profitability.

Conclusion.

Because of the services they offer, banks have a significant impact on the growth and prosperity of our nation's economy. They also create production opportunities and closely support the development of economic entities, small businesses, and private entrepreneurship. The system of indicators representing income and expenses and the method of analysis are used to organize the analysis of bank income and expenses. The analysis comprises a number of methods that are employed in the analysis of bank income and expenses, depending on the analysis's goal. It is possible to completely evaluate the amount of interest income, non-interest revenue, and operational expenses of the bank as well as their weight in the total expenses by looking at the composition and structure of bank expenses.

According to the research I conducted and the findings I observed, I have witnessed how the annual expenses at Ipak Yuli Bank fluctuate. I firmly believe that, in order to effectively improve cost control and maximize profitability, commercial banks must embrace technological advancements. This transition is not only necessary for Ipak Yuli Commercial Bank but should be applied across all banks in Uzbekistan, where the management system should be modernized through technological integration. For instance, regardless of the number of employees in a bank, it is crucial to modernize internal processes, particularly in departments such as accounting or auditing. By automating the management system, financial reports can be directly presented to bank leadership, employee entry and exit can be efficiently monitored, and information about banking services can be easily communicated to customers. This approach would significantly reduce operational costs, making the system more

streamlined and efficient. Certainly, there are various ways to reduce costs in banks. However, it is essential to test and implement the most effective and results-driven methods in practice. By doing so, banks can achieve quicker, more tangible results, ultimately ensuring long-term sustainability and growth. In conclusion, the adoption of modern technological solutions in Uzbekistan's banking sector is not just a matter of improving efficiency, but a necessity for staying competitive in a rapidly evolving financial landscape. The world is becoming digital every day, and banks that fail to innovate risk falling behind. Technological improvements in financial management and customer service will not only reduce operational costs but also improve customer satisfaction, making the entire banking experience seamless and accessible. As such, the integration of these technologies should be a priority for banks that aim for long-term success.

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