

## FUNCTIONS OF THE CENTRAL BANK AND COMMERCIAL BANKS

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***Abstract.** This article examines the nature of commercial banks, the characteristics of banks that differ from other financial organizations, the types and main functions of commercial banks. Also, conclusions are drawn on the activities of the Central Bank and commercial banks.*

***Keywords:** bank, loan, deposit, profit, currency, exchange, foreign capital, income, interest rates, plastic cards, factoring services, business, budget.*

**Commercial banks** are an important part of the economy, providing necessary financial services to the population and business entities by distributing the accumulated savings. This mediation is the main factor of providing the necessary functions for the further development of the country's economy

The main distinguishing feature of the bank from other organizations is its multifunctionality, that is, for example, a restaurant can provide at most 3-4 types of services, while a bank has about 20 types of services; money transfers, bank cards, mobile banking, conversion operations, individual safes and safes, cash management services, payment acceptance, utility payments, savings certificates, property trust management, deposits, credit products, etc. including in foreign currency, leasing, factoring, Internet banking, international credit lines, project financing, conclusion of insurance contracts on behalf of insurance organizations, deposit certificates, reliable property management.

A **bank** is a credit-financial organization that meets the needs of society and makes a profit as a result of its chartered activity. A bank is similar to a store, but instead of goods, the bank sells services, and therefore the name commercial bank is translated from Latin as commerce.

About 32 commercial banks are operating in the Republic of Uzbekistan. There is a two-tier banking system in the Republic of Uzbekistan: the first is the Central Bank of the Republic of Uzbekistan, and the second is commercial banks.

The Central Bank is the main credit structure of the state. The main tasks of the Central Bank are as follows: implementation of monetary and credit policy, control of money circulation, establishment of a unified settlement system, regulation and control of commercial banks, microcredit organizations, pawnshops and credit bureaus, storage and management of official gold and currency reserves of the Republic of Uzbekistan, as well as representing the interests of the Republic of Uzbekistan in central banks of other countries and international financial and credit institutions. The Central Bank is the organizer of auctions of credit resources, ensures the continuous operation of the Republic's currency exchange, organizes the cash flow of the state budget together with the Ministry of Finance.

There are several types of commercial banks in the banking system of our republic, in particular: state commercial banks, private commercial banks, banks opened with the participation of foreign capital, as well as joint commercial banks.

Commercial banks benefit from interest and non-interest income. Commercial banks receive interest income on: loans, loans to other commercial banks, investments, leasing operations, etc. Interest-free profit: cash and settlement services for clients, provision of bank guarantees, servicing of clients' currency contracts, conversion operations, brokerage and depository services, operations with plastic cards, trust management operations, factoring services, depository storage services, etc.

**The main tasks of republican commercial banks are as follows :**

- 1. Attracting and collecting temporary free funds.** Funds accumulated in the bank, on the one hand, bring certain interest income to their owners, and on the

other hand, serve as a source of resources for credit operations. It is with the help of financial organizations that temporarily free funds become loan capital, which is used by banks for lending.

**2. Credit mediation.** Many factors prevent direct credit relations between owners of available funds and those who need them. For example, the inconsistency between the amount of monetary capital offered for the loan and the amount of the required loan or the amount of demand for it, the inconsistency between the date of release of this capital and the term of the loan, the risk of non-payment of the debt. credit etc.

**3.** As a financial intermediary, the bank eliminates these problems. Through deposit and credit operations, they redistribute resources among the participants of economic relations. Funds that are temporarily available are directed to where they are needed and where they can bring economic benefits. The bank necessarily calculates credit risks.

**4. Intermediation in settlements and payments.** Payments from residents, enterprises, organizations and others go through banks. Today, credit organizations provide and regulate the settlement process between almost all subjects of economic relations. Banks offer customers various forms of payment: payment orders, direct debits, letters of credit, checks, promissory notes, bank cards, etc. In recent years, cashless electronic payments have been actively developing. Credit institutions are responsible for timely fulfillment of their clients' payment orders.

**5. Creating credit pools.** By issuing loans, banks create what is called loan money. They have no external appearance, but exist only as an entry in a bank account. The mechanism of creation of credit money is regulated by the Central Bank with the help of mandatory reserve standards. Credit organizations are obliged to leave a certain part of depositors' funds in the form of reserves; they can give the rest in the form of a loan. At the same time, when a loan is granted, the total amount of non-cash money in circulation increases, and vice versa, when the customer repays the loan, the money supply decreases.

In addition, in addition to the main functions, credit organizations are actively developing brokerage in the stock market, providing consulting and information services, electronic cashless payments, etc. Credit institutions are responsible for timely fulfillment of their clients' payment orders.

*A commercial bank* can only risk its capital, its profit, but not the client's capital, profit. In relations with the client, he should act as a partner whose activities are based on mutual voluntariness and mutual interest. A commercial bank cannot perform the functions of financing and supporting enterprises in various sectors of the state's economy or solve only charity issues. Long-term cooperation and mutual trust between the bank and customers allows both parties to use resources wisely and correctly, to direct funds and contribute to increasing profits.

**Conclusions and suggestions.** Commercial banks are the main link of the market system, as well as the most important and integral link of the structure of the banking system. Having conducted research on the nature of commercial banks, we came to the following conclusions:

1. Commercial banks generate their own resources. Actively developing financial and credit institutions regularly interact with each other and perform various banking operations.

2. The variety of operations allows banks not only to keep their customers, but also to remain profitable in crisis situations, that is, we can say that commercial banks have been the main operational link of the entire credit system and so remain, they are constantly being modernized. and is evolving to provide at least a full range of services to its clients.

3. Active operations of commercial banks are responsible for reflecting the placement of the bank's own and borrowed funds in order to generate income. Such operations are recorded in active balance accounts, and the balance in a particular account indicates the amount of funds placed by the bank on this asset. Passive operations also play an important role, because it is impossible to imagine the beginning of banking without equity capital; it represents the main and last reserve of

activity in an unfavorable combination of situations. A distinctive feature of all commission transactions is the execution and receipt of income from the execution of transactions. In this case, the bank does not take big risks.

4. The principles of commercial banks are the principles that guide business entities during their activities.

5. innovation into the banking sector will ensure the stability of credit organizations, increase the variety of banking products and services offered by banks to their customers, which will lead to an increase in the level of development of the bank. not only the banking sector, but also contributes to the economic and social development of the country as a whole.

In all countries, including Uzbekistan, profound changes have been taking place in the economy for several years. The economic crisis is intensifying the effects of competition in the banking world. In order to adapt to the changing conditions of their environment, commercial banks have to undergo unprecedented modernization. It is necessary for the state to implement a set of measures aimed at maintaining the country's economic system in a stable state.

Effective functioning of the entire national economy and its individual branches depends on the state of the banking system.

The status, purpose and means, functions and activities of the Central Bank are reflected in the law . The status of the Central Bank is regulated in the 1st edition of this law , which states: " The Central Bank of the Republic of Uzbekistan is a legal entity and is considered only state property. The Central Bank of the Republic of Uzbekistan - economic independent production, implementation on the basis of own production income, has a seal with the image of the State Emblem of the Republic of Uzbekistan and its name written on it. According to the law, "The main goal of the Central Bank is to ensure the national currency system." Ensuring national price freedom and stable currency exchange rates The role of the Central Bank of the Republic of Uzbekistan is very important in the economic policy of the state, and its

protection determines the importance of the bank to ensure the level of the national currency. The most important of them are:

- ✓ Monitor, adopt and implement monetary policy and currency management policy;
- ✓ Effective execution of calculations in the Republic of Uzbekistan ;
- ✓ Bank recovery and bank supervision;
- ✓ Maintaining and managing the official gold- currency place of the Republic of Uzbekistan ; \* Organizing cash flow of the state budget together with the Ministry of Finance. The content of the activity of the Central Bank is in its functions appears in full. Each function of the Central Bank needs to reflect a specific aspect of its activity as the main link of the country's bank, as a state body that regulates the economy through money and credit. Although there are significant differences in the banking legislation of the countries, the functions and tasks of the Central Bank have many common similarities. These similarities are especially evident in the functions of the central banks of a number of countries. The banks of the developed parts are traditionally managed from the beginning help functions :

- ✓ Emission function;
- ✓ "Bank of Banks" functions;
- ✓ "Bank of the State" function;
- ✓ Gold is a currency reserve management function. In general, central banks are deprived of certain ways of influencing the economy. Support for traditional products:

- ✓ Discount (account) and pledge policy;
- ✓ Mandatory Reserves Policy;
- ✓ Open Market Operations Policy;
- ✓ deposit policy;
- ✓ Currency policy and so on

But the composition of the meeting of the standard methods and the bank of different countries depends on the conditions, and the trial may be possible is known

that the state is used as the main reformer in regulating the economy . To do this, this function of the state should not be confused with the problems related to the hegemony of the state in the economy in the administrative system. The main rule of the market economy is to implement various policies for the development of the state economy. Developed countries show that the main manifestations of state policy implementation in the monetary and fiscal spheres. To implement the weapon in a certain way, as the hand is necessary for the organs. The powers of that body in the implementation of the policy are determined by the relevant laws. Without going away from the topic, let's talk about the central banks, the body that implements the monetary policy. (since the monetary policy is carried out by the bank in most of the central structures, we decided to call this body a bank) If we pay attention to the historical emergence, production and development of central banks, we are sure that the court emerged from commercial banks late. With the emergence of central banks the related reason is that the bank achieves the production process, that is, it is agreed that each bank independently and in the amount determined by itself issues different types and different denominations of money for circulation. In its effective circulation, money is equal to goods and material values and as a result, material banking, but also the entire economy, led to the derailment. This led to the issue of banks in the center. Strong, the right to issue acquired banking is strong and stable compared to other banks to be known it has been. Through this, the pure person who should exist in the banking system was lost and the intended result was not achieved. After that, economists realized the need to create a bank different from commercial banks. In this way, there was a need for the creation of central banks and legal documents.

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