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FACTORS AFFECTING THE LIQUIDITY AND SOLVENCY OF THE BANK

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Abstract

this article discusses the main factors affecting the liquidity and solvency of commercial banks. The article also mentions general and external factors affecting bank liquidity and solvency.
Keywords*: banking, liquidity, solvency, side effects, financial instruments, external factors, taste factors, balance, solvency, risks.*

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The economy of any country cannot be imagined without a banking system. The banking system is a combination of various types of national banks and credit organizations that operate within the framework of a common monetary mechanism.[1] One of the most important concepts used by commercial banks for the functioning of its activities is liquidity. The liquidity of a commercial bank means ease of sale, sale, and also the transformation of the bank's material assets into cash. It should also be noted that it is the liquidity of the bank that is the main factor in the effective and stable financial condition of the bank, and also plays a big role and importance, both for the bank itself and for its customers. The term solvency is somewhat broader: it means not only and not so much the possibility of turning assets into marketable ones, but the ability of a legal entity or individual to timely and fully fulfill their payment obligations arising from trade, credit or other transactions of a monetary nature. Thus, liquidity acts as a necessary and obligatory condition of solvency, control over compliance with which is already taken over not only by the legal entity or individual, but also by a certain external body of supervision and control.[2]

Liquidity, on the one hand, acts as a guarantor of the stability of the bank for the population, which is characterized by such features as reliability and financial stability, and on the other hand, it acts the bank's ability to ensure the timely execution of its obligations. Bank liquidity is the balance of assets and liabilities of the bank's balance sheet, as well as the degree of established terms of placement assets and attraction of liabilities by the bank. The considered concepts of bank liquidity have differences, but they all lead to the necessary rule, timely make payments on their obligations.[3]

A high level of liquidity indicates that the client of the bank has the opportunity to return back his funds that he invested in the bank, as well as receive a loan from the bank for his activities, situation, they will not need to sell assets. The level of bank liquidity, as well as the level of its solvency, is influenced by factors that are conventionally divided into macroeconomic and microeconomic ones.

The most common macroeconomic factors that determine the level of liquidity and the level of solvency of a commercial bank are: the macroeconomic situation in the state, the totality of legislative and legal norms of banking activities, the efficiency and stability of the banking system as a whole, the economic condition of the securities market, as well as the money market.

The microeconomic factors that affect the level of liquidity and solvency of a commercial bank include: the resource base of the bank, the quality and quantity of investments in the bank, the level of the management system in the bank, the motivation and strategy in the activities of the bank itself.

All of these factors affect the level of liquidity and solvency of a commercial bank in a complex way, having an interrelation both in separate groups and between certain groups. The issue of determining the factors affecting the level of liquidity and solvency of a commercial bank is the most important for the bank, since the very definition and finding of these factors implies

[1] Banking system. From Wikipedia, the free encyclopedia.
[2] Commercial banks and the basics of their activities. // https://intuit.ru/studies
[3] Lavrushina O.I. Money, credit, banks: textbook / team of authors; ed. O.I. Lavrushina. - 15th ed., Sr. M.: KNORUS, 2016. P. 336.

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the prevention of any negative consequences.

There are a number of factors that are considered the main ones that affect the level of liquidity and solvency of the bank and are directly related to the characteristics of a commercial bank.

The very first factor is the ratio of assets and liabilities of a commercial bank according to the terms and amounts of their placement and attraction. This ratio forms the basis for the bank's current and future cash flows. The higher the level of such compliance in the bank, according to the terms and amounts, the less likely it is that there will be an imbalance in the bank's cash flows.

The second factor is the level of liquidity of bank assets. This factor is calculated based on the shortest period that must pass, as a result of which the bank's assets could be converted into incoming cash flows. This is achieved through the implementation of their redemption or sale.

The third factor is the stable position of the resource base of a commercial bank. First of all, stability is related to the structure of the bank's deposits in terms of amounts and terms of possible withdrawal.

The fourth factor is the ability of a commercial bank to raise funds in the banking services market. Such a possibility, in the absence of a liquidity crisis in the banking system as a whole, is determined by the financial position of a commercial bank, as well as the share of interbank lending in the total volume of all attracted funds, as well as the dynamics of borrowing in the market. In addition to the main factors affecting the level of liquidity and solvency of a commercial bank, they also distinguish the quality of the bank's capital base, as well as its value. The higher the volume of the bank's capital, the higher the level of its liquidity, respectively. The influence of such a factor on the level of liquidity and solvency is determined by the level of immobility of own funds of a commercial bank.

The fifth factor affecting the level of liquidity and solvency of a commercial bank is the presence in the bank, as well as compliance with the procedures, the liquidity management system of this bank.

Such a factor implies that a commercial bank has a developed and approved policy regarding liquidity management, as well as the presence of specialized departments that are directly responsible for maintaining the level of liquidity and solvency required by the bank.

Since banking liquidity and solvency are subject to a number of factors that affect them, the system of indicators for controlling the level of liquidity and solvency should include the following indicators:

1. Sufficiency of own funds of a commercial bank;
2. The ratio of active operations of the bank with passive ones;
3. The quality of the bank's assets, the level of risk in certain active operations;
4. Raised funds, reflecting the level of diversification of deposit operations, as well as the volume of attracted bank resources and their quality.
5. The most important liquidity indicators of commercial banks are regulated by the relevant bodies of the banking system.

In conclusion, it should be noted that the bank's liquidity depends not only on internal banking work, but also on external factors, such as the level of development of market relations in

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various segments of the economy, the quality of the work of the central bank. But one should also not forget about such factors, extremely.

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