

THE DEVELOPMENT OF THE BANKING SYSTEM IN UZBEKISTAN

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Annotation: This article discusses the development and improvement of the banking system in our national economy since the independence period. The author explains the measures undertaken to enhance the financial stability of the banking system in Uzbekistan, increase the capitalization levels of commercial banks, and implement reforms in the banking sector. Additionally, the article highlights the growth of total bank capital, the active mobilization of deposits from the population and economic entities, the improvement of service quality, and efforts to fund investment projects, as well as provide credit to small businesses and private entrepreneurship entities. These initiatives are analyzed in the context of advancing the development of the banking system.

Keywords: Central Bank, bank, banking activities, banking system, capital, credit, deposit, investment.

Introduction. The banking system is an essential and integral part of a market economy. The extensive development of commodity-money relations creates new opportunities for banks to perform a wide range of operations. The primary goal of Uzbekistan's banking system is to establish a developed national credit system that meets international standards, attract idle funds from households and businesses, and effectively allocate these resources to satisfy public demand and improve living conditions. To achieve this goal, the government has prioritized ensuring the stability of the banking system, improving banking supervision and management methods, and fostering the development of deposit, credit, and investment activities within banks. Furthermore, steps are being taken to promote competition among banks. Specifically, the Presidential Decree of the Republic of Uzbekistan, "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025," outlines the creation and implementation of a "roadmap" for banking system reform. This includes improving the current state of the banking sector, addressing challenges and obstacles hindering its development, defining the objectives and priorities of reforms, and enhancing the efficiency and financial stability of the banking system. Additionally, the strategy emphasizes the need to widely adopt modern service solutions based on information and financial technologies, ensure adequate information security, and implement measures to reduce human involvement in the provision of financial services. These efforts aim to modernize and strengthen the banking system as a key driver of economic progress.

Literature Review

Numerous scholarly works have been studied in relation to this research topic. Notably, the article "An Assessment of Alternative Social Banking Systems using T-Spherical Fuzzy Topdematel Approach" by F.Ozdemirci, S.Yuksel, H.Dincher, and S.Eti highlights that "for an alternative banking system to succeed, effective risk analysis must be prioritized. Moreover, the recruitment of qualified personnel, clear communication with investors and users about the processes, and proper design of the alternative banking system are critical. Additionally, enhancing technological infrastructure plays a significant role." These scholars explain that improving the welfare of society through the development of alternative banking systems requires ensuring security, engaging skilled professionals, developing financial products, conducting risk analysis, and upgrading technical infrastructure [2].

Similarly, in D.Musinov's article, "Ensuring the Stability of the National Banking System and the Possibility of Applying Foreign Experience in Uzbekistan," the focus is on the banking sector as a traditional industry aimed at supporting entrepreneurship, profitability, and meeting economic demands. The study examines the national banking system of Uzbekistan in the context of economic liberalization, addressing challenges such as inadequate banking services and the need to advance theoretical frameworks for banking services. Proposals are developed to resolve these issues [3].

Professor F.Kholmamatov, in his article "Current Analysis and Current Issues of Ensuring the Financial Stability of the Banking System in Uzbekistan," discusses the financial stability of Uzbekistan's banking system, highlighting recent challenges and difficulties. His analysis emphasizes the importance of continuous monitoring, proactive regulation, and prudent risk management practices to ensure the long-term stability of Uzbekistan's banking system amid evolving domestic and global dynamics [4].

Research Methodology

In the research process of this article, various methods were utilized to study the development of the banking system and the improvement of the quality of banking services. These include monographic research to analyze foreign experiences, as well as economic methods such as analysis and synthesis, and statistical analysis. The findings from monographic studies served as a basis for deriving insights and recommendations regarding the enhancement of banking practices.

Analysis and Results

During the years of independence, the fundamental changes aimed at developing the banking system in our country have yielded the anticipated results. Today, banks have established strong relationships with entrepreneurs, acting not only as service providers but also as close partners. Banks provide significant support to entrepreneurs aspiring to establish their businesses. In essence, the necessity for a banking system capable of earning public trust and delivering comprehensive financial services is becoming increasingly evident. The development of the banking system in our country is closely linked to the volume and quality of services provided, which aim to improve public welfare. The increased engagement of the population with financial services, the growth in the number of entrepreneurial entities, and the promotion of economic stability and financial inclusion have led to a rise in the demand for banking services. As a result, the banking system has seen growth in deposit mobilization and the expansion of credit services, as illustrated in Table 1.

Years (year) January- December to the situation in accordance with)	Indicators Name			
	Bank assets, total (billion soums)	Credit deposits, total (billion soum)	Attractive made general deposits (billion soum)	Total capital (billion sum)
2019	272727	211581	91009	51031
2020	366121	276975	114747	58351
2021	444922	326386	156190	70918
2022	556746	390049	216738	79565
2023	652157	471406	241687	97079

Table 1: Information on Key Indicators of Banking System Performance in Our Country

Source: Central Bank of the Republic of Uzbekistan, "Banking System Performance Indicators" Statistics [5]

Bank assets amounted to 272,727 billion UZS in 2019, rising to 652,157 billion UZS by 2023. During this period, a 2.4-fold increase was observed. The stability of this growth indicates the expansion strategy of banks and the improvement of the economic environment, which were driven by factors such as the growth of the loan portfolio (large loans directly impact bank assets), the increase in investments, and the expansion of other income-generating assets.

The loan portfolio increased from 211,581 billion UZS in 2019 to 471,406 billion UZS by 2023, marking a 2.2-fold growth. The higher growth of the loan portfolio compared to assets shows the increasing role of banks in financing the economy. This growth is influenced by the yearly increase in lending volumes, focusing on financing entities operating in various sectors of the economy, improving credit quality management, and the increase in the share of low-risk loans.

Deposits amounted to 91,009 billion UZS in 2019, growing to 241,687 billion UZS by 2023, representing a 2.65-fold increase. The growth in deposits indicates increased public trust in banks, reflecting a growing demand for banking services. This has been effectively achieved through the diversification of services for attracting deposits, offering attractive interest rates on deposits, and maintaining a balance between deposits and loans.

Capital stood at 51,031 billion UZS in 2019, rising to 97,079 billion UZS by 2023, reflecting a 90% increase. The growth in capital is attributed to the reinvestment of net profits, increases in charter capital, or the issuance of additional shares. These measures have contributed to enhancing the financial stability and capacity of banks.

In our opinion, the main reasons for the increase in all indicators in this Table 1 are as follows: First, the collection and safekeeping of funds—banks accepting deposit funds from individuals, enterprises, and other organizations, while providing quality financial services. Second, lending—banks allocating credit resources to clients and stimulating economic activity. Third, the accurate execution of payment and settlement systems. Fourth, the effective allocation of funds to various investment projects.

Moreover, the banking system can be recognized as the financial backbone for expanding

the socio-economic infrastructure. This is because the banking system maintains a high level of capital adequacy and asset quality, ensures the consistency of economic growth rates, actively participates in structural changes, and contributes to the development of entrepreneurship.

Conclusion and Recommendations

In conclusion, banks play a decisive role in investment and financing production projects in developing countries. Through this, new jobs are created, and economic growth is stimulated. In developing countries, banks are the main source of financing for small and medium-sized businesses and bringing the population into the system through deposits and loans. Increasing the efficiency of the banking system is an essential factor in ensuring the growing demand for affordable and quality financial services for entrepreneurial entities and the population, which is the most important factor for economic development. In particular, it is advisable to give serious attention to improving bank regulation and management activities, conducting a real and thorough analysis of the results achieved by the banking system, ensuring its financial stability, liquidity, and gaining customer trust. In this regard, the following measures are proposed within the framework of the strategy:

First, expanding the scope and improving the quality of banking services by attracting advanced international experience and technologies;

Second, improving management in banks through the introduction of best practices and standards of corporate governance, ensuring the accountability and transparency of bank management bodies, and ensuring the proper disclosure of information by them;

Third, increasing the commercialization of banking activities, ensuring the financial stability of the banking system, and abandoning subsidized lending to improve the effectiveness of monetary and credit policy instruments;

Fourth, increasing the role of commercial banks as financial intermediaries by mobilizing savings for investment and directing them to the most efficient sectors from both financial and economic points of view;

Fifth, creating the necessary conditions to attract strategic foreign investors and ensuring the gradual integration of the financial system into international financial markets through the consistent liberalization of banking activities and aligning them with best international practices;

Sixth, creating favorable conditions for the development of non-bank credit institutions, including the development of competition in this segment, creating the appropriate prudential regulation norms, and simplifying access to financial services.

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