

## IMPORTANCE OF COMMERCIAL BANKS IN OUR COUNTRY

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**Abstract:** The role and importance of commercial banks in the economy was researched in the article. Introduction of innovations of commercial banks in order to improve service quality, performance of commercial banks as a financial intermediary, importance of private sector financing and contribution to sustainable development of our country's economy were analyzed and suggestions and conclusions were given on this topic.

**Key words:** Commercial banks, economic growth, financial market, lending system, economic stability, financial intermediation, banking infrastructure, international banking practice.

### Introduction

Under the current conditions of transitioning to a digital economy, commercial banks serve as an integral part of the state economy, playing a significant role in managing the financial system and ensuring its stability. In our country, commercial banks make a substantial contribution to economic development by accelerating economic growth, efficiently managing financial resources, and supporting the private sector. Commercial banks act as financial intermediaries for all sectors of the national economy. Specifically, they perform tasks such as attracting deposits from the population and utilizing these funds to extend loans to other business entities. This contributes to the improvement of the population's well-being and satisfaction of their needs, as well as fostering the growth of the national economy. The rights, development goals, and strategies of commercial banks are defined in the Law of the Republic of Uzbekistan "On Banks and Banking Activities" and the Decree of the President of the Republic of Uzbekistan "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025"[1].

### Analysis and Results.

The development of our country's banking system depends on the volume of financial services provided by commercial banks. This is because commercial banks implement the services listed in Table 1 to enhance the well-being and living standards of the population. These services are not only aimed at the general public but are also extended to business entities and large enterprises, thereby contributing to the economic development of our country.

Table 1.

### *Types of Services Provided by Commercial Banks:*

To individuals	To legal entities
<ul style="list-style-type: none"> <li>• Money transfers</li> <li>• Deposits</li> <li>• Bank cards</li> <li>• Credit products</li> <li>• Conversion practices</li> <li>• Mobile banking</li> <li>• Individual safes and cells</li> <li>• Billing and cashier services</li> <li>• Acceptance of payments</li> <li>• Making utility payments</li> <li>• Savings certificates</li> <li>• Safe property management</li> </ul>	<ul style="list-style-type: none"> <li>• Loan products, including in foreign currency</li> <li>• Leasing</li> <li>• Factoring</li> <li>• Conversion practices</li> <li>• Internet banking</li> <li>• Individual safes and cells</li> <li>• Billing and cashier services</li> <li>• Foreign credit lines</li> <li>• Project financing</li> <li>• Conclusion of an insurance contract on behalf of insurance organizations</li> <li>• Certificates of deposit</li> <li>• Safe property management</li> </ul>

**Source:** Central Bank of the Republic of Uzbekistan, *"Types of Services Provided by Commercial Banks"*[5]

It should be noted that Uzbekistan ranks 67th in the "Getting Credit" indicator of the World Bank's Doing Business ranking[2].

In Uzbekistan, a banking license issued by the Central Bank is required to conduct commercial banking activities. This license is indefinite and cannot be transferred to third parties. Commercial banks with their own license additionally provide the following services. First, banks ensure the efficient use and safety of your funds by accepting your money as a deposit and paying interest to increase your savings. Second, through bank cash desks and mobile applications, it is easy to make payments for purchases, services rendered, completed works, fines, and more. Third, for non-cash payments, it is possible to open an account in commercial banks for other production or insurance purposes. This is the most convenient payment method for purchases made in online stores. Funds deposited into the bank account are stored securely.

The main goal of every organization is to generate profit, and similarly, the main goal of commercial banks is also to make a profit. The composition of the income earned by commercial banks in exchange for the services they provide is presented in Table 2.

Table 2.

**Composition of income of commercial banks**

Earnings from interest:	Non-interest income:
<ul style="list-style-type: none"> <li>• loans</li> <li>• loans to other commercial banks</li> <li>• investments</li> <li>• stock repurchase agreements</li> <li>• accounts in the central bank</li> <li>• investments in debt obligations</li> <li>• leasing operations, etc</li> </ul>	<ul style="list-style-type: none"> <li>• billing and cashier services for customers</li> <li>• providing bank guarantees</li> <li>• providing services for clients' currency contracts</li> <li>• conversion practices</li> <li>• brokerage and depository services</li> <li>• practices with plastic cards</li> <li>• sound management practices</li> <li>• factoring services</li> <li>• deposit and others</li> </ul>

**Source:** Central Bank of the Republic of Uzbekistan, "Composition of Commercial Banks' Income"[5].

Today, commercial banks are considered one of the key financial sectors in our country. This is because commercial banks continue to provide their services to various sectors of the economy. On the other hand, the increasing demand for financial services encourages the expansion and development of commercial banks.

Table 3.

**The main indicators of the activity of commercial banks**

years (as of January-December of the year)	total assets (billion soums)	total loans (billion soums)	total deposits (billion soums)	total capital (billion soums)
2020	3 815 299,7	2 946 748,8	1 187 207,1	663 673,8
2021	4 778 366,2	3 616 606,6	1 544 352,7	762 516,2
2022	6 014 133,4	4 232 842,0	2 220 184,2	900 751,3
2023	7 119 359,1	5 178 506,4	2 588 390,6	1 042 270,6

**Source:** Central Bank of the Republic of Uzbekistan "main indicators of the activity of commercial banks"<https://cbu.uz/uz/statistics/buletin/1589794/>[5]

In Table 3, we can clearly observe the growth of commercial banks through the increase in their key indicators. The total assets have increased by 1.9 times in 2023 compared to 2020. This can be attributed to the expansion of banks' financial capabilities, state programs supporting the economy, including increased financing for loans, the introduction of new services by commercial banks, and the expansion of their operational volumes.

The total volume of loans has increased by 1.8 times in 2023 compared to 2020. This indicates that the increase in lending volume is aimed at restoring and developing the economy, with significant funds directed toward construction and infrastructure projects.

The total volume of deposits in 2023 increased by 2.2 times compared to 2020. This growth can be attributed to the increased trust of the population in banks, the preference for

national currency deposits, the rise in interest rates, and the increase in the volume of deposits from both legal entities and individuals.

The total amount of capital increased by 1.6 times in 2023 compared to 2020. During this period, the capital volume grew due to bank profits, new investments, and the issuance of shares. There was also an increased need to strengthen the banks' capital base.

In our opinion, all these figures have shown significant growth, with the highest increase observed in deposits. This reflects the growing trust of the population in the banking system and the increasing interest in saving funds. While capital growth has been slower, it continues to show steady progress. These increases demonstrate the effectiveness of the economic and financial policies being carried out by both state and commercial banks.

#### **Conclusion and Recommendations**

In conclusion, the formation of the banking and financial system in our country, as well as the increase in the investment attractiveness of commercial banks, depend on the rational decisions made by the government regarding the modernization of the country's banking sector. Only then will banks be able to increase commercial efficiency, provide quality financial services, and shape medium and long-term strategies. Therefore, when expanding commercial banks, the following objectives should be pursued:

First, banks play a crucial role in financing entrepreneurs and large enterprises. Therefore, it is necessary to increase economic activity through special credit programs for small and medium-sized businesses.

Second, in ensuring financial stability, commercial banks manage cash flows that are important for the stability and development of the national economy. In this process, it is essential to perform accounting accurately and ensure security.

Third, in attracting investments, commercial banks act as intermediaries for foreign and local investments and direct them to various sectors of the economy. In this process, it is appropriate to finance innovative projects while considering the associated risks.

Fourth, commercial banks providing favorable interest rates to clients and diversifying services, as well as expanding the scope of online services, is the most viable solution.

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