

Development of the Banking System of the Republic of Uzbekistan

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ABSTRACT

This article discusses the stages of development of the banking system of the Republic of Uzbekistan, the latest developed Strategies aimed at reforming and further development of the banking system, as well as the main problems hindering its development. Based on the analysis of the Strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, the conclusions are concluded. In particular, banks are an important component of the market economy, so their study is necessary for the concept of the essence and ways of development of the economic system, which determines the relevance of this study.

KEYWORDS: *banking system, reforms, systemic risks, Strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025, priority areas, monitoring*

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INTRODUCTION

The banking system is a set of different types of national banks (from ital. banco - bench, bench, table - on which money changers laid out coins) and credit institutions operating within the framework of the general monetary mechanism; an integral part of the credit system [1]

A bank is a monetary institution that regulates the turnover in cash and non-cash form.[2]

Uzbekistan's banks had to go through a long evolutionary path of development, overcome considerable difficulties to become a powerful system affecting the national economy today.

1991 marked the beginning of the formation of a number of banks, which, acting in the changed conditions of the development of the economy of Uzbekistan, gradually acquired new features, mastering modern methods of work. The adoption of the Law of the Republic of Uzbekistan "On Banks and Banking activities" was the basis for the formation of a two-tier banking system and the creation of the Central Bank of the country with the

assignment of new functions to it. He was tasked with regulating money circulation and the payment system, forming commercial banking structures.

The main results of the reforms of the banking system of the Republic of Uzbekistan carried out during 1993-2010:

- the introduction of the national currency — souma into circulation on July 1, 1994 became an important milestone in the formation of an independent banking system and in the development of the economy of Uzbekistan as a whole;
- The Law of the Republic of Uzbekistan "On Banks and Banking activities", adopted in 1996, specified the legal aspects of the activities of the second level of the banking structure — commercial banks.
- encouraging the inflow of private capital into the banking sector intensified after the release in 1997 of the Decree of the President of the

Republic of Uzbekistan "On measures to stimulate the creation of private commercial banks". It provided for the provision of benefits for opening banks with a capital share of individuals of at least 50%;

- The Decree of the President of the Republic of Uzbekistan on increasing the authorized fund of "Microkreditbank" qualitatively changes the activities of this bank, turning it into one of the main credit centers for financing small business and private entrepreneurship;
- since July 1, 2001, small businesses have been able to export goods (works, services) of their own production for cash foreign currency through the cash desks of bank institutions with the transfer of foreign currency earnings to their accounts in accordance with the established procedure. A Consolidated stabilization Fund in freely convertible currency is being created, which is becoming a rather serious tool for the further development of the over-the-counter foreign exchange market in Uzbekistan;
- In 2002, within the framework of the Law of the Republic of Uzbekistan "On Guarantees of Protection of Citizens' deposits in banks", the Fund for Guaranteeing Citizens' Deposits in Banks was founded, whose members, except for Hulk Bank, were all commercial banks operating in the Republic.
- 2005-2006 - the period of increasing the level of capitalization of the country's banks and attracting them to participate in investment processes and structural transformations of the economy;
- In October 2006, the Law of the Republic of Uzbekistan "On Mortgage" came into force. The main purpose of the document was to regulate the relations arising from the application of the pledge of real estate;
- by 2010, commercial banks of Uzbekistan began to act as specific credit institutions that attract temporarily available funds of the economy, as well as meet the financial needs of enterprises with the funds raised by private entrepreneurship and the population;[3]

Currently, the banking system of the Republic of Uzbekistan provides a traditional range of banking services - lending, deposit operations, etc. 31 commercial banks, 13 of which have state participation in the capital, their capital is more than 87% of the total capital, and assets - more than 85% of the total assets of the banking system.[4]

The main systemic risks hindering the development of the banking system are:

- low ratings in the section "Obtaining loans" in the World Bank rating;
- lag in the transformation of the largest commercial banks;
- provision of loans to priority programs, sectors and enterprises with state participation at below-market rates;
- the presence of high dollarization of assets and liabilities;
- the presence of unevenness in the distribution of loans to individuals and corporate loans;
- insufficient development of non-bank credit institutions and microfinance institutions.

By Decree of the President of the Republic of Uzbekistan No. UP-5953 dated March 2, 2020, as well as taking into account the main conclusions and recommendations of the World Bank based on the results of studying the current state of the country's banking system, the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025 was approved, which defines the goals, objectives and priorities of the development of the banking system, directions of transformation and reform of the banking system in the period 2020-2025.

The priority directions of reforming the banking system of the Republic of Uzbekistan are: improving the efficiency and financial stability of the banking system, the availability and quality of financial services, as well as reducing the state share in the banking sector. In connection with these areas, which are a key factor in economic development, the Strategy provides for the implementation of certain measures.

And also in order to increase the position of the banking system of the Republic of Uzbekistan in international ratings, 4 laws and 2 resolutions of the President of the Republic of Uzbekistan have been adopted.

The reform of the banking sector increases the need to improve the Fund's activities. In this regard, a financial model will be developed to increase the sustainability of the Fund's activities, as well as a gradual transition to differentiated commissions on sureties (guarantees).

In order to assess the success of the efforts made and the timeliness of achieving the goals set for the reform of the banking sector, this Strategy has certain targets, as well as systematic monitoring of the

implementation of the Strategy by the Ministry of Finance and the Central Bank of the Republic of Uzbekistan.

In conclusion, based on the analysis and the studied data, it can be said that since the acquisition of independence in the banking system of the country, all the developed plans for the next year have been implemented at a noticeable pace, while playing an important role in the development of the banking system, as well as relevant at the present time, not only in the Republic of Uzbekistan, but also in all countries of the world, a clearly developed plan, adoption and enforcement of Laws, with additions based on the results of the previous period.

List of sources used:

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