

BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN: REFORMS AND VECTORS OF DEVELOPMENT

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***Abstract:** The article reviews the changes and development of the banking system of Uzbekistan, focusing on strategic reforms, measures taken and challenges facing this sector of the economy. Initiatives to increase efficiency, increase the availability of services, and reduce government participation in the system are described.*

***Keywords:** Uzbekistan, banking system, reforms, financial stability, availability of services, state participation, customer focus, digital technologies, international institutions, economic development.*

Uzbekistan's economic strategy is aimed at ensuring stability and active development of all sectors of the economy. It relies on domestic resources, allowing the country to successfully integrate into the global economy. The strategic priorities set out in the Development Strategy until 2030 have paved the way for the creation of a new model of the banking system focused on the needs of customers in financial resources.

Today's reform of the banking system continues to develop against the backdrop of increased transparency of the Central Bank of the Republic of Uzbekistan.

Important characteristics of the modern banking business in Uzbekistan include an increase in resource capital, expansion of the range of banking services, increased competition through the use of modern technologies, as well as active cooperation

with global financial institutions. Competition in the banking environment stimulates organizations to constantly develop new products, among which deposits play a key role. A variety of deposit strategies and the renewal of the product line contribute to an increase in active operations in commercial banks of Uzbekistan.

The importance of the development of small business and private entrepreneurship is emphasized by world experience. Their activities contribute to the increase in employment and income growth of the population. Banks actively support entrepreneurship, recognizing its ability to quickly adapt to market changes and meet the needs of consumers, which makes this sector a key source of saturation of the domestic market with goods and services.

It is known that Uzbekistan is actively implementing programs for the development of entrepreneurship and economic stability. One of the key initiatives is the "Every Family Entrepreneur" program, aimed at improving the standard of living of citizens through their active involvement in the entrepreneurial sphere.

Since 2019, significant measures have been taken to support low-income families by providing them with loans for the development of entrepreneurship. Against the background of the liberalization of monetary policy, the ability of legal entities to acquire foreign currency without restrictions stimulates international transactions. This creates a healthy banking system and promotes the introduction of innovative mechanisms.

The liberalization of the monetary system also contributes to an increase in exports. In 2022, Uzbekistan actively developed trade relations with 204 countries of the world, increasing exports by 115.9 percent, reaching a turnover of more than \$19 billion.

According to the Presidential Decree "On Priority Measures to Liberalize Foreign Exchange Policy", the liberalization of foreign exchange policy has enabled legal entities to acquire foreign currency for international transactions without restrictions, and individuals to freely sell and buy foreign currency through exchange offices and conversion departments of commercial banks.

Uzbekistan's foreign trade turnover in 2022 amounted to more than \$50 billion, while exports increased to \$19309.1 million, showing an increase of 115.9 percent.

To provide the economy with the necessary financial resources, steps are being taken to strengthen the stability of banks. Cooperation with international institutions such as the International Monetary Fund, the World Bank, the Asian Development Bank, the Islamic Development Bank, the Asian Infrastructure Investment Bank has grown to a new level. There is an office of the European Bank for Reconstruction and Development in Uzbekistan.

In 2022, the European Bank for Reconstruction and Development (EBRD) invested almost US\$900 million (€839 million) in 26 projects in the country, making it the main recipient of EBRD financing in Central Asia for three consecutive years. Investments have covered different sectors of the economy: from renewable energy sources to financial institutions. In the financial sector, the EBRD has increased trade finance limits by US\$210 million for Asakabank, Ipoteka Bank, the National Bank for Foreign Economic Activity of Uzbekistan and SQB Bank. The deal paves the way for private domestic businesses, including small and medium-sized enterprises (SMEs), to import essential goods, services and equipment, as well as to export their products.

Uzbekistan is directing its reforms towards innovative development based on information and communication technologies, as provided for in the National Concept of Digital Economy and the Digital Uzbekistan - 2030 program. Particular attention is paid to the development of the market for digital payment resources. An effective payment system has been created in the country, consisting of three main subsystems - interbank, intrabank and retail. The number of payment transactions carried out through the interbank payment system is constantly increasing. Currently, payments for 35 types of services are made through the clearing system.

In 2019, the Humo payment system was introduced, which became the second most important after the current UzCard. To date, more than 14,800,000 bank payment cards have been issued. The operator of the Humo payment system has

established relations with international payment systems (Visa, MasterCard, Union Pay International), which opens up the possibility of conducting transactions in foreign currency from Humo bank cards abroad and cards of foreign banks belonging to the above-mentioned systems on the territory of Uzbekistan.

To ensure the transparency and predictability of monetary policy, the Central Bank has significantly expanded the openness of financial indicators. For the first time, the official website presents data on the gold and foreign exchange reserves of Uzbekistan and monetary aggregates, as well as provides analytical materials on the activities of the banking sector and drafts of important regulatory documents.

Conclusion

In general, the banking system of Uzbekistan is in the process of active changes and reforms aimed at improving the efficiency, stability and availability of services. The country aims to reduce government intervention in the banking sector to promote competition and innovation.

The adoption of the banking reform strategy for the next five years is a step towards a more open, efficient and customer-oriented financial system. Increased interaction with international financial institutions, such as the European Bank for Reconstruction and Development, reflects the desire to attract expertise and resources to achieve these strategic goals.

The banking system of Uzbekistan is actively introducing digital technologies, improving the availability of services and payment systems for the population and business. Despite challenges, such as assessing the creditworthiness of customers and liquidity problems, the country is moving towards multifaceted changes focused on innovation and development based on international standards.

Legislative changes, the involvement of international institutions and consultants, as well as strategic partnerships with foreign organizations are important elements of the banking reform plan, which positions Uzbekistan as a country that keeps pace with global financial trends.

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