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DEVELOPMENT OF THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN IN THE CONDITIONS OF ECONOMIC REFORM

ZAYNALOV Djaxongir

Doctor of Economics, Professor

Samarkand Institute of Economics and Service

ORCID ID: <https://orcid.org/0000-0001-5141-544X>

e-mail: dz50@mail.ru

KHOTAMKULOVA Madina

Student of Samarkand Institute of

Economics and Service

e-mail: khotamkulova18 madina@gmail.com

Abstract. *The article analyzes the current situation in the banking sector of Uzbekistan, shows the presence of a number of systemic problems that impede development of the banking sector in accordance with economic transformations and needs of society. The necessity of reformation the banking system of the country is scientifically substantiated, the main directions are determined and the effectiveness of its implementation is assessed.*

Key words: *modernization of the economy, financial intermediation, banking system, risk management in banks.*

Formulation of the problem. The banking system of Uzbekistan is an integral part of the country's financial system, is the circulatory system of the economy. The development of the banking and financial system in our country, increasing stability, effective cash flow is one of the necessary conditions for the openness and competitiveness of the economy. The development of banking

Аннотация. *В статье анализируется текущая ситуация в банковском секторе Узбекистана, показано наличие ряда системных проблем, препятствующих развитию банковского сектора в соответствии с экономическими преобразованиями и потребностями общества. Научно обоснована необходимость реформирования банковской системы страны, определены основные направления ее реализации по повышению эффективности и обеспечению финансовой стабильности банковской системы, снижению государственной доли в банковском секторе, повышению доступности и качества финансовых услуг.*

Ключевые слова: *модернизация экономики, финансовое посредничество, банковская система, управление рисками в банках.*

infrastructure is a factor that ensures the consistency of an effective mechanism associated with the flow of financial resources moving between economic entities, satisfying their financial needs. Therefore, reforming the banking system based on the development of the financial market, expanding the sphere of services in banks, as well as attracting money from the population to bank savings is

one of the priority tasks for the development of the country's economy. As part of the implementation of the State Program, approved by 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], a Comprehensive Plan of Measures for Reforming the Banking System was developed and approved, and it yielded results. At the same time, an analysis of the current situation in the banking sector shows the presence of a number of systemic problems that impede the development of the banking sector in accordance with economic transformations and the needs of society, such as a high share of the state's presence in the banking sector, insufficient quality of management and risk management in banks with state participation, low level of financial intermediation in the economy.

Analysis of recent research and publications. For the study, the works of domestic and foreign scientists were studied: A.V. Vakhobov, E.J. Dolan, E.F. Zhukov, J.R. Zainalov, A.V. Kotov, O.I. Lavrushina, V. Ten etc.

The purpose of the article. The hypothesis of the work consists in the scientific substantiation of reforming the country's banking system and assessing the effectiveness of its implementation. The practical significance of the work lies in the fact that the main provisions and conclusions of the work can be used in the development of financial and economic policies by local authorities in relation to the development of the banking system, as well as in the possibility of improving financial and credit support for the real sector of the economy.

Presentation of the main research material. With the creation of commer-

cial banks on a joint-stock basis, the amount of banks' own funds increased significantly. For three years, enterprises and cooperatives bought shares of commercial banks and their effective demand decreased by the same amount. Of course, these funds are now used to finance the needs of enterprises, but on a repayable basis. Thus, in particular, the creation of commercial banks influenced the improvement of the material and financial balance of the economy.

The increase in the share of banks' own funds in the total volume of their credit investments increased the stability of the banking system. After all, these funds can be used to cover losses, the probability of which was growing at the first stage of the transition period to the market. And for shareholders, money invested in the capital of commercial banks began to serve as a source of additional profit.

To maximize this profit, banks must be completely independent in decisionmaking, an impartial approach to lending, giving preference to highly profitable and competitive borrowers. While receiving dividends on invested capital, shareholders at the same time could not qualify for concessional lending.

Credit intermediation was the main task of commercial banks. To this end, they found in the money market and bought temporarily free funds on conditions acceptable to both sides and provided them to needy enterprises. The lender of last resort was the Central Bank of the republic. By expanding or narrowing lending to commercial banks, they have a direct impact on the mass of money in circulation.

An equally important task of the banking system is intermediation in payments. The importance of this issue has in-

creased especially in the market economy. Calculations mediated the relationship in which goods are exchanged for money. Needless to say, the importance of uninterrupted settlement for sellers is essential. As for buyers, timely payment for goods is an indicator of their financial stability, on which relations with both counterparties and banks largely depended in determining the creditworthiness of borrowers.

It should be noted that the problem of the timeliness of settlements lay mainly on the side of the payers themselves, who had to have funds to pay off all their obligations. The task of the banks was to create an efficient payment mechanism. Gone are the days when banks were entrusted with constant and abundant "lubrication" of this mechanism by issuing payment loans. Many enterprises could not do without such "lubrication", and without receiving it, they delayed payments. As a result, in the years under review, the mutual indebtedness of enterprises has increased significantly. This greatly complicated the situation of suppliers, who were forced to increase demand for credit in order to compensate for the shortfall in receiving funds from payers.

Factoring operations of banks contributed to the mitigation of payment difficulties, but they were still underdeveloped at that time. More promising is the legalization of commercial lending, i.e. organization of circulation of bills.

Commercial banks satisfied the needs of state, private, joint-stock enterprises, and public organizations. At the same time, self-employed enterprises, tenants, and farmers were not adequately included in the sphere of banking services. Many banks, to put it simply, did not get their hands on them.

To expand and facilitate credit servicing of these spheres of labour activity of the population, it was advisable to restore the credit cooperation that existed in our country until 1930 as an independent type (along with production and consumer). Credit cooperation is still successfully functioning in many countries with different levels of development. But in our republic, preference was given to credit unions and microcredit banks. Thanks to this, tenants, farmers, and other self-employed persons living both in the city and in the countryside had access to a loan from these banks. The creation of a wide network of such banking entities throughout the country brought them closer to the population, made it possible to solve several problems: first, to accumulate funds of citizens, which were kept in stockings, egg-boxes, etc.; secondly, to make it easier for them to obtain loans for the development of their labour activity. Finally, the creation of credit unions and microbanks has made it possible to further democratize banking by introducing the population to it. Knowing well the property status of their clients, these banks accordingly began to build credit and interest rate policies. They had the right to participate in the creation of similar banks, to receive loans from other banks of their choice. And banks have become more confident in the repayment of loans.

The means of including credit institutions in solving the problems of state monetary policy were the regulatory requirements of the Central Bank for these institutions. They were of an economic nature and were aimed primarily at protecting the interests of creditors and bank depositors.

The central bank constantly monitored commercial banks' compliance with

regulations because they were risky and some banks were tempted to overstep its boundaries. The effectiveness of banking supervision largely depended on the reliability of the materials on the basis of which it was carried out. In this regard, the creation of independent audit firms, designed to confirm the correctness of the balance sheets of commercial banks, the compliance of their operations with the current rules, acquired great importance. The presence of external audit has become a more solid basis for the relationship of commercial banks with their partners, who should have been confident in the stability of banks.

The granting to the Central Bank of the republic of the right to issue licenses to conduct banking activities should not have led to a decrease in exactingness, the establishment of numerous exceptions to the rules. As a result, unequal competitors could appear on the money market, i.e. banks operating in different modes. Not to mention the fact that banks will be created in this or that territory, which could establish the most favourable conditions for them. Competition in this matter could lead to a weakening of the exactingness and financial instability of banks, and hence to their bankruptcy, with corresponding negative consequences for the economy. The only reasonable alternative to such competition was the observance of uniform requirements throughout the country in the creation and operation of banks. Of course, such requirements had to be worked out with the participation of all commercial banks. Uniform requirements were also necessary for the effective supervision of the activities of commercial banks. After all, then many of them created branches in the regions of

the republic, and this process is still going on.

In the conditions of the emergence of a market economy, the complication of the banking system, the rapid expansion of the number of commercial banks and the variety of their operations, it was necessary to constantly improve the content and methods of banking supervision.

A characteristic feature of this period was the creation of credit and financial organizations that discussed individual sectors of the economy. This specialization was due to the need to finance certain industries and sectors of the national economy (automobile industry, aircraft construction, agriculture, etc.). Subsequently, specialized banks expanded the range of their operations and clients in accordance with the requirements of the business environment and a new level of development of the republic's economy.

The established banks were distinguished by a wide variety of banking methods. This was determined by the fact that they were completely independent in the conduct of credit policy, were not bound by centrally issued instructions on lending, conducting a number of other operations. The democratization of the banking system sharply reduced its assistance to the prompt resolution of banking issues.

The processes of formation of the Central Bank of the Republic of Uzbekistan as a regulatory and supervisory body of the banking sector continue. A qualitative update of the legislative base, provisions, which are being carried out in accordance with international banking practice, began to be carried out.

Banks on a share basis began to vary greatly in size: their authorized funds fluctuated up to several million soums. The organization of small commercial

banks was one of the most effective means of countering gigantomania in banking. Small banking institutions were much better able than large ones to resolve issues of local, territorial importance, related, for example, to meeting the needs of the population.

At the same time, the main volume of credit and settlement operations was carried out until recently by state specialized banks: Uzpromstroybank, Agroprombank and Zhilsotsbank, which had over a dozen branches in almost all regions and districts of the country, which significantly exceeded the number of commercial banks. In such conditions, it was difficult to expect significant competition between banks on a share basis with specialized banks throughout the country in the coming years.

This process intensified after the provision of incentives for opening banks with a share of individuals' capital of at least 50% [2]. 1997 went down in the history of the development of the banking sector in connection with the introduction of information systems into the activities of banks. Until that time, almost all calculations on the territory of the republic were carried out during the day. Since March 1997, new software has been introduced and all calculations have been transferred to automatic mode. This allowed payments within the republic to pass within 15 minutes, and within Tashkent within 3 minutes.

A settlement mechanism is being developed and a modern system of inter-bank electronic payments is being introduced. The banks were given a unique opportunity for those times to equip departments with modern computer and telecommunication equipment. As already mentioned, they were exempted from paying a number of taxes, so that

the freed up funds could be used to modernize equipment. All this contributed to the emergence in the country of qualitatively new consumers of financial and economic information - domestic foreign investors.

The country's banks in 1998 began to gain strength so much that it began to facilitate their work in accordance with the Basel recommendations. Based on the recommendations of the Basel Committee on Banking Supervision and International Practice, a set of regulations was developed to regulate the activities of commercial banks within the framework of international financial reporting standards. At the same time, the principle of early identification of problems in the balance sheet of a commercial bank and taking preventive measures to prevent the depletion of capital and reduce the bank's liquidity in order to give financial stability to commercial banking structures was used.

Carrying out further liberalization of foreign exchange policy in 1999-2000, Uzbekistan began to develop and introduce a mechanism for the sale of foreign currency in the over-the-counter foreign exchange market.

This mechanism involves the purchase of foreign currency by authorized banks from their clients on a contractual basis at a free exchange rate, based on supply and demand in the foreign exchange market.

It should be noted that the years 2000-2010 in the activities of banks were generally characterized by serious achievements in strengthening the banking system. The creation of an efficient banking sector with a modern infrastructure was carried out. The banking system was faced with strategic tasks that were supposed to determine the prospects for the

development of the banking sector in Uzbekistan. The first was to increase the financial stability of banks and expand the range of financial services in the domestic market. The second is the activation of the banks of Uzbekistan in the international capital market.

During this period, the 1st President of Uzbekistan Islam Karimov pays even more attention to the development of the country's financial and banking system, its strengthening and qualitative improvement of its activities so that its stability and stability can withstand crises. In this regard, important decisions were made to increase the level of capitalization of a number of leading banks (JSCB "Uzpromstroybank", JSCB "Asaka", etc.). Decree of the President of the Republic of Uzbekistan "On measures to further expand the activities of JSCB" Microcreditbank "to support business entities" qualitatively changed the activities of this bank, turning it into one of the main credit centers for financing small businesses and private entrepreneurship.

Each year of this period became a new stage in the overall progressive development of the country's banking and financial system.

At the same time, it is still too early to talk about a complete recovery of the credit system: a significant number of banks are problematic and had a not entirely positive capital value, the total capital of banks is insufficient for large-scale servicing of the economy, bank assets in real terms did not reach the required size, bank loans did not take their due place in the development of the real sector of the economy and the economic environment for the banking business leaves much to be desired.

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. The government has taken a decisive step to stimulate the development of small business, private entrepreneurship and expand their foreign economic activity. Nevertheless, a Consolidated Stabilization Fund in freely convertible currency is being created, which has become not only a serious instrument for the further development of the over-the-counter foreign exchange market, but also an important factor contributing to the development of cooperation between the private sector and the banking sector, the partnership has gradually improved the quality of banking services, engendered competition in banking environment, business entities received financial and credit support, which laid the foundation for a balanced policy of lending to banks, a careful study of customer requests and a quick response to the needs of their business. These positive trends made it possible in 2002 to improve the reliability and efficiency of the mechanism for protecting household deposits in banks. In order to implement this mechanism within the framework of the Law of the Republic of Uzbekistan "On guarantees of protection of citizens' deposits in banks"[3]. The Fund for Guaranteeing Citizens' Deposits in Banks was founded, whose members (except for the People's Bank) were all commercial banks operating in the republic. Reliability, high quality of service, partnership with clients have become the main principles in the work of banks in Uzbekistan. Along with this, the main thing during this period was the decisiveness of the measures taken to im-

prove the institutional framework for the functioning of the banking system. Moreover, the adoption of policy documents in 2002 aimed at liberalizing banking activities predetermined an increase in the efficiency of its activities. They were based on the principles of a systematic and phased process of liberalization of banking activities, which made it possible to strengthen public confidence in domestic banks. This was a great achievement in the field of creating a stable and reliable banking system. It should be noted that the effect of liberalization depended on the stage of development and is closely related to the level of development of the state regulation system.

At the initial stages, in the conditions of the unformed institutional foundations of market relations, liberalization did not have a significant impact on economic growth and, in accordance with the starting conditions and the shocks of the transition period, its impact was negative. However, with the formation of new institutions, it has become the main factor in GDP growth.

The processes of liberalization and reform covered all aspects of the economy and directions of economic policy. At the same time, it was important to monitor the achieved level of liberalization of the economy as a whole. For this purpose, various liberalization indices were used, periodically determined by international rating agencies in various countries.

One of these indices, most often used in macroeconomic analysis, was the index of economic freedom, which characterizes the effectiveness of reforms in the sphere of economic liberalization. This index was developed and is still being developed by the international rating agency The Heritage Foundation in 178

countries of the world. It shows the "advancement" of economic reforms in general. The index is ranked in the range from 0 to 100, where a value of 0 corresponds to the level of lack of economic freedom.

At the same time, it would be wrong to view liberalization as the main source of economic growth. Moreover, rapid and insufficiently thought-out reforms during the transition period can do more harm than good. A cross-country analysis of the relationship between liberalization and growth, carried out at the Center for SocioEconomic Research, showed that at the initial stage of the change in the index of economic freedom (up to about 60%), the growth of liberalization does not have a significant impact on the level of economic development, and only after passing this range can one expect significant growth in GDP per capita.

Consequently, liberalization in itself was not a sufficient condition for the prosperity of the economy; it is necessary to create other factors and conditions that affect the dynamics of economic development.

This conclusion was obtained by Russian economists. Studies conducted on the example of 28 countries with economies in transition, including China and Vietnam, aimed to assess the relationship of GDP dynamics with the main factors and conditions in the first ten years of the transition period. The list of analyzed factors included the starting conditions (the initial level of income of the population, the degree of distortion of the structure of the economy, the available public debt, etc.), the level of development of formal and informal institutions, as well as the parameters of the economic policy pursued in the countries. The results showed a weak impact of liberalization

on GDP dynamics at the initial stage of the transition period (1989-1995). Other factors (for example, inflation) had a significantly stronger effect on GDP dynamics than the liberalization index [4].

The years 2002-2004 became the years of development of the banking regulation system with a special emphasis on further liberalization and deepening of reforms, on the achievement of which the direction of the future development of banks depended - strengthening public confidence in all banking activities, turning banks into a financial support for the reforms carried out in the republic.

Over the years, the processes of corporatisation of enterprises have intensified and their forms of ownership have changed. Banks, following the concept of their development, improved their strategies in accordance with the requirements of a new stage of economic development. The expansion of the resource base and the increase in the level of capitalization were carried out mainly due to during this period, the main emphasis was placed on the money supply, based on the inflow of foreign exchange, but this did not give a complete picture of the real need of the economy for monetary resources. Therefore, special attention should be paid to the expansion of the tools used, such as: pledges and the promptness of the funds provided.

Of no small importance was the increased role of interest rates in the conduct of monetary policy, which, in turn, turned the refinancing rate into a real instrument. This presupposes the modification of a number of approaches and mechanisms, primarily the money supply. At the same time, it was advisable to consider the possibility of expanding the elements of the financial market (securities) accepted as collateral. Then we

could only talk about such instruments of the non-state sector as corporate bonds and other securities, which should have contributed to a more even formation of liquidity and its inflow, firstly, not in export industries, but, secondly, in the area of strategically important industries. contributing to their development.

With adequate optimization of the regulatory framework for derivatives, creating the possibility of using optimal forms and methods of covering such transactions, for example, the use of NOTs, which allow splitting the total loan amount into parts, which will significantly increase the ability of lenders to re-finance individual loan shares in the market, providing the necessary liquidity.

Factors related to the continuation of the process of liberalization of the foreign exchange market and the creation of the necessary conditions for ensuring the convertibility of the soum on current international transactions began to have a direct impact on the work of banks. In October 2003, the Republic of Uzbekistan accepted the obligations of Article VIII of the Agreement of the International Monetary Fund, as a result of which, relying actually on its own resources and without attracting external borrowings, the measures taken contributed to the expansion of the activities of domestic entrepreneurs who received access to the conversion of the national currency. The number of exchange offices was increased, the procedure for buying foreign currency was simplified.

It was a stage of intense and productive work. The policy of the Central Bank, along with curbing inflation and preventing sharp fluctuations in the exchange rate of the national currency, was aimed at stimulating exports and efficient use of foreign exchange resources. The

favourable pricing environment for the main export goods of Uzbekistan in world markets, as well as the implementation of an export-oriented foreign exchange policy, contributed to an increase in export volumes and an increase in gold and foreign exchange reserves.

Work on reforming the banking system continued intensively. Its main directions were: strengthening the corporate governance system by enhancing the role of shareholders in bank management; increasing the financial stability of banks by improving the quality of their assets, including foreign currency; further improvement of banking and expansion of the types of banking services provided; increasing the role of commercial banks in investment processes and improving the mechanism of access of entrepreneurial structures of all forms of ownership to credit resources, including through international financial organizations.

In the conditions that began in 2005-2006. reviving the economy, reducing inflation, it was important to strengthen the national currency and thereby ensure the rate of real GDP growth. The most important macroeconomic indicator that is used in world practice to compare the levels of economic development of different countries is the gross domestic product (GDP). Since 2000 the economy of Uzbekistan is developing at a high and stable pace. In the last seven years, the annual GDP growth has ranged from 3.8% to 7.3%.

World Bank estimates obtained using purchasing power parity support the conclusion that the country's economy is growing steadily. GDP per capita increased from \$ 1516 in 2000. to \$ 1869 in 2004 and \$ 171.416 billion in 2014 [5].

It is also appropriate to note here that the forecasts of a number of international organizations about a slowdown in the rates of economic development of Uzbekistan, made by them 2-3 years ago, did not justify themselves. According to the forecast of the International Monetary Fund, it was assumed that GDP growth in Uzbekistan will be in 2005. at the level of 7.0%. In 2006, according to the estimates of the same organization, economic growth was projected at 4.0%, which turned out to be noticeably lower than the actual value of this indicator - 7.3%.

If in 2000-2003 the GDP growth rate was about 4%, then since 2004, they increased to 7% or more. At the same time, the rates of GDP growth in the last three years are distinguished by a higher level of stability than in individual CIS states, in particular, in Ukraine and Russia.

The high rates of economic development were facilitated by the expansion of both internal and external demand. The growth in domestic demand was reflected in the growth of retail turnover (from 2.1% in 2002 to 7.3% on average over the past four years). The emphasis on the priority development of the service sector is beginning to bring its results, as can be seen from the dynamics of paid services, the growth rates of which increased from 8.6% in 2002 to 19.3% in 2006 and significantly outstripped the GDP growth rates for the entire analyzed period [6].

Expansion of external demand manifested itself in outstripping export growth rates, which amounted to about 18% in 2006. Since 2003, the rate of export growth has consistently outstripped the rate of GDP growth, reflecting the process of increasing the competitiveness of the national economy. At the same time, it is important to note the qualitative changes in the structure and geography

of exports, where favorable growth trends of finished products have remained - in the last three years alone, the share of machinery and equipment in the structure of exports increased from 5.9% to 10.1%, and the share of food products - from 2.7% to 7.9% [6].

In addition, 2005-2006 became a period of increasing the level of capitalization of banks and attracting them to participate in investment processes and structural transformations of the economy. Exemption of banks from tax on profits received from the provision of investment loans to domestic enterprises for a period of more than three years and directed to increase equity capital, was considered by the government as another reserve for increasing banking activity. In addition to this, expenses of commercial banks for opening mini-banks created in accordance with approved state programs were excluded from the taxable base.

In the same period, the emphasis was on the implementation of specific measures to strengthen monetary circulation and increase the stability of the national currency, its exchange rate. This significantly activated the population, which readily demonstrated their confidence in banks by opening deposit accounts with them. The volumes of the banks' deposit base increased. The banking services market was formed, the line of banking products was replenished with new types, for example, leasing. The development of retail services contributed to the creation of banks with a wide attraction of international banking and financial capital. The banking market of the republic was seriously changed as a result of the formation of banks with 100% private capital. Private banks intensified competition in the service mar-

ket, which became one of the most important stages in the development of the domestic banking system. The government and the Central Bank began to stimulate their development in every possible way, providing tax incentives and technical support for personnel training.

Stimulation of the development of private banks in the republic contributed to increased competition, improved quality of provided banking services, and efficient market distribution of financial resources. This, in turn, had a positive impact on the development of private entrepreneurship.

Currently, the economy of the Republic of Uzbekistan faces the challenge of supporting progressive structural changes. It is also necessary to take into account the fact that the economy is becoming more and more open, and therefore cross-border risks may increase. Therefore, the monetary policy should provide for the use of emergency mechanisms that provide instant liquidity at acceptable price parameters and facilitated procedures. In connection with the current economic and social trends, there is an objective need to reduce some administrative barriers and other obstacles.

The development of monetary policy is closely related to the presence in the banking system of the optimal amount of money that enterprises need for investment. However, the relatively low capitalization of banks and related standards do not allow banks to fully meet the investment demand of the non-financial sector. The need of enterprises for funds is compensated by self-financing and (or) external borrowing. Temporary tax breaks for credit institutions, including for their shareholders when channeling funds for the capitalization of banks, as well as raising funds through an IPO (Ini-

tial Public Offering), help stimulate the growth of capitalization. The involvement of resources withdrawn from the economy, for example, part of pension savings, etc., can have a great effect. In addition, it is necessary to reduce the temporary non-core responsibilities of credit institutions, to optimize the reporting process for territorial divisions. Legal entities and individuals should have more opportunities to purchase securities of commercial banks, in particular, through the use of credit resources and simplification of the registration process by the Central Bank of the issue of securities of commercial banks.

The world experience in overcoming low capitalization and maintaining it at a level that ensures the stable operation of the banking system still consists of two main approaches. In the first approach, the main source of capital growth should be own profit in combination with foreign capital - this is how banks of practically all countries of Central and Eastern Europe act. The second approach should involve the intensification of government measures to increase the capitalization of banks - this method was used by the governments of Japan, Norway, Chile, etc. etc.

In modern conditions, the following actions can be envisaged in monetary policy: first, to optimize tax incentives for funds aimed at capitalizing banks, and secondly, to increase the investment of financial resources in the banking sector. In addition, in order to maintain the interbank trading system, it is necessary to consider the mechanism for the sale of securities of commercial banks by banks with state participation. This can be done through subsequent sales of banking shares by the state, which are likely to be valued at a higher price level, which will

make this operation even more economically feasible.

The implementation of these measures, in our opinion, can stimulate both an outrunning growth in the capitalization of the banking sector and the full-scale participation of banks in the implementation of programs of economic transformations in the country.

In Uzbekistan in 2006-2007 credit policy has undergone a number of changes. This period was marked by the possibility of the emergence of mortgage lending. The benefits of this form of banking were quickly appreciated by the citizens of Uzbekistan. A new source of funds and forms of their social protection, especially for young people, was supported by two important laws: "On consumer credit" [7] and "On mortgage" [8].

The provisions of the Law of the Republic of Uzbekistan "On Consumer Credit" [7] are aimed at protecting the rights and interests of consumers and have significantly expanded the possibilities of the population to improve their living conditions, which contributed to a significant increase in consumer lending in banks.

In October 2006, the Law of the Republic of Uzbekistan "On Mortgages" came into force. Its adoption marked a new stage in the development of bank mortgage lending, defining the legal mechanism for issuing loans for the acquisition of real estate. The main purpose of the document was to regulate relations arising from the application of real estate pledge. The appearance on the consumer market of a new type of services - mortgages - helped to improve the living conditions of the population. Within the framework of the existing decree of the President of the Republic of Uzbekistan dated February 16, 2005 "On the further

development of housing construction and the housing market” [9], a number of new mechanisms are being introduced in the system of long-term mortgage lending for housing construction; lending.

The banks' strategies were focused primarily on strengthening cash circulation, creating cash reserves in branches, and increasing the efficiency of their activities.

The implementation of the measures of the Presidential Decree “On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025” [1] contributed to the further reform and liberalization of the banking system, thereby ensuring sustainable growth and a significant increase in the level of capitalization. At the same time, the priority areas were strengthening monetary circulation, increasing the stability of the national currency and its exchange rate, stimulating an increase in household deposits in bank deposits. The modern benefits provided by the government to the country's commercial banks, the constant stimulation of their striving for development predetermined the formation of the banking and financial market, in which credit institutions began to develop and offer their new instruments in order to track the bank's development trend and predict the prospects for cooperation.

An example is the fact that the assignment of a rating by one of the largest rating agencies was a guideline for foreign investors in choosing a partner bank when making investments, assessing risks and determining the volume of capital investments.

In the context of a consistent deepening of economic reforms, expansion of integration processes and increased competition in the market of banking prod-

ucts, banks have been and still remain the main source of financing for the real sector of the economy, the development of small business and, therefore, these are new jobs, which results in an increase in the welfare of the population of the republic.

In recent years, the basis for the development of the entire banking sector has been the far-reaching and more than once approved in practice decrees and decrees of the President of the Republic of Uzbekistan, decrees of the Cabinet of Ministers of the Republic.

The increase in the number of banks that have received an assessment of sustainable by the largest international agencies is a practical embodiment in the practice of the Decree of the President of the Republic of Uzbekistan Sh. Mirziyoyev "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" and achieving high international rating indicators.

Also of undeniable importance are the new requirements of the Basel Committee on Banking Supervision and the ways of their implementation in practice, and this is the minimization of credit and operational risks, consolidated supervision, approaches to risk management and their assessment.

The principles of the Basel Committee on Banking Supervision are aimed at developing a system of banking risk management and a system of supervision over banks.

The criteria put forward allow the banking supervisory authorities to choose the method of assessing the risks arising in banking, which most contributes to the current development of the level of banking development and the characteristics of the markets in which these banks operate.

The main goal of banking supervision in the Republic of Uzbekistan is to ensure the stability of the banking system, which has been proven in the context of the global financial and economic crisis. In turn, the stability of the banking system is an increase in the confidence of the population and investors in the country's banking system, it is the protection of the interests of depositors, it is an increase in prosperity.

The well-coordinated work of this chain depends on the state and directions of the transparent policy of the Central Bank of the republic.

On the part of the Central Bank, requirements for the republic's commercial banks are imposed on the basis of the recommendations of the Basel Committee in the field of banking risk management. This, in turn, meant strengthening the role of credit institutions in economic reforms by ensuring the stability of the banking system and improving the quality of its services.

These factors were the key to ensuring the stability of the banking system and its activity in the processes of economic reforms.

Undoubtedly, all this not only increased the level of capitalization of banks, but also strengthened the confidence of the population and business entities in the banking system and the legalization of their income, which will undoubtedly increase the volume of deposits in deposit accounts and reduce the out-of-bank circulation of cash.

For 2010-2011 a great deal of work has been done to further strengthen liquidity and increase the stability of the country's financial and banking system. The aggregate capital of commercial banks in 2010 increased by 36% and the achieved capital adequacy level of 23%

was 3 times higher than generally accepted international standards.

Until 2012 more than half of the operating commercial banks of the republic were rated "stable" from leading international rating agencies such as Fitch Ratings, Moody's and Standard & Poor's [10].

Positive changes took place in the credit and investment activities of banks. It is characteristic that the share of loans issued from internal sources in the total loan portfolio of commercial banks is 85.1%. External borrowings were attracted mainly on a long-term basis solely to finance investment projects to modernize strategic sectors of the economy, support small businesses and private entrepreneurship.

The highest appraisal was given to the activities of commercial banks in the financial rehabilitation of bankrupt enterprises transferred for debts to the balance sheets of banks. The introduced mechanism provides for the restoration of production activities at bankrupt enterprises, additional investment by banks in modernization, technical and technological renewal of production, financial recovery, the introduction of new types of products and management methods, as well as restoration and creation of new jobs. Thus, efficient, operating at a higher technological level, updated production facilities become much more attractive for new investors, who are already actively purchasing them from banks today.

Until 2012, out of 147 bankrupt enterprises transferred to the balance sheets of commercial banks, 140 enterprises were restored, of which 64 enterprises were sold to new investors. The banks invested 156 billion soums on their modernization and technological re-equipment, over 21

thousand jobs were created. The volume of production at the restored enterprises amounted to 460 billion soums, products worth over 165 million dollars were exported [11].

All this confirmed the need not only to strengthen, but also to deepen the interconnection and interdependence of national financial systems. A practical solution to this problem will be the basis of global trends in the future. Against this background, any changes in regulation in international financial markets will have an impact on the development of national financial sectors.

Conclusions. If we sum up the impact of the increase in the number of banks that received the rating of the "best" by international agencies, then we can trace the positive results, which are cited in all speeches of the President of the Republic when analyzing the main macroeconomic indicators. Therefore, the purposeful work of commercial banks to further improve mechanisms and increase lending to small businesses and private entrepreneurship, ultimately, serves to increase the welfare of the population and, most importantly, the power of the country. Development of retail banking products, both for the population and for entrepreneurs, is becoming an important area of the banks' activity in 2008-2020. Banks have structured their work in this direction, proceeding from the "golden" principle of world practice: the attractiveness of services for the population is proportional to the increase in the availability of loans to entrepreneurs. Ongoing reforms have stepped up the activities of banks in line with the previously adopted laws that are of great social importance and contributed to improving the living standards of the country's population - "On consumer credit" and "On mort-

gage". The coronavirus pandemic, which has hit the entire global economy, continues to test our strength. The crisis came to us from the outside. Its origins are not within the country, but are hidden in the imbalances of the world economy. The crisis could not be avoided and everything was foreseen. The world's leading economies have spent trillions of US dollars to overcome the coronavirus crisis. But the situation did not change for the better overnight. The crisis has consistently drawn the American continent, Europe and Asia into its orbit. The response of most states to the emerging global crisis was the adoption of packages of stimulating economic measures. Uzbekistan became one of the first states in the world that promptly responded to the growing turbulence of the global economy and began to implement proactive measures. To preserve the stability of the financial system, we have provided banks with additional liquidity. This was done to ensure the economic activity of small businesses and large enterprises. The amount of guaranteed compensation for deposits of individuals was increased. The government helped to reduce the risks of the banking sector associated with external borrowing and capital adequacy. Several billion soums were allocated to support housing construction and solve the problems of equity holders. To maintain business activity, unprecedented financial support was provided to small businesses. Work continued to drastically reduce administrative barriers. A new Tax Code was put into effect, which significantly reduced the rates on main taxes for enterprises making investments, temporary measures were introduced to reduce taxes and fees, and tax collection for certain enterprises was suspended. Tax preferences were also

provided. Hundreds of billions of soums have been allocated for the development of the agro-industrial complex and the implementation of infrastructure projects. In general, additional resources have been directed to the country's economy for anti-crisis purposes, which has become a powerful incentive to overcome the consequences of the global crisis. Responding to the challenges of new realities both in the republic itself and in the world banking community, commercial banks of Uzbekistan for 2017-2021. expanded the range of services offered, launched new banking products on the market and at the same time actively generate international standards for the activities of financial institutions. It should also be noted that commercial banks took an active part in preventing the factors of the coronavirus crisis. Along with this, the commercial banks of Uzbekistan in the context of anticrisis

management began to act as specific credit institutions, which, on the one hand, attracted temporarily free funds from the economy, and on the other hand, satisfied the financial needs of enterprises, private entrepreneurship and the population at the expense of attracted funds. In recent years, in the republic, as in the world banking practice as a whole, international and domestic experts have noted the presence of the main tendency - a departure from specialization and deepening of the universalization of banking activities, which predetermines the very content of the bank's operations and the essence of credit relations. Consequently, the anti-crisis measures and their implementation required the acceleration of the process of commercialization of banking activities, and the formation of large corporate enterprises became quite natural.

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