

WAYS TO IMPROVE THE BANKING SYSTEM OF UZBEKISTAN

Ziyadullayeva Mohira Tagayevna

assistant teacher of the Samarkand institute of economics and service

Kurasheva Sumbula Maxsudovna

a student of the Samarkand Institute of Economics and Service, Group 324, The World Economy and International Economic Relations.

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Abstract. *This work studies ways to improve the banking system in the Republic of Uzbekistan, existing problems and proposals for their solution. The work analyzes the current state of the banking system of Uzbekistan, considers such urgent issues as increasing the efficiency of commercial banks, introducing digital technologies, improving the quality of financial services and increasing the financial literacy of the population. Also, based on the experience of foreign countries, proposals and recommendations for the further development of the banking sector have been developed. Based on the results of the research, practical proposals have been put forward aimed at forming a stable and competitive banking system in Uzbekistan.*

Keywords: *banking system, financial stability, digital banking services, commercial banks, reforms, Uzbekistan, financial literacy.*

ПУТИ СОВЕРШЕНСТВОВАНИЯ БАНКОВСКОЙ СИСТЕМЫ УЗБЕКИСТАНА

Аннотация. *В данной работе рассматриваются пути совершенствования банковской системы Республики Узбекистан, существующие проблемы и предложения по их решению. В работе проведён анализ текущего состояния банковской системы Узбекистана, рассмотрены такие актуальные вопросы, как повышение эффективности деятельности коммерческих банков, внедрение цифровых технологий, улучшение качества финансовых услуг и повышение финансовой грамотности населения. Также, на основе опыта зарубежных стран, разработаны предложения и рекомендации по дальнейшему развитию банковского сектора. По результатам исследования выдвинуты практические предложения, направленные на формирование устойчивой и конкурентоспособной банковской системы Узбекистана.*

Ключевые слова: *банковская система, финансовая устойчивость, цифровые банковские услуги, коммерческие банки, реформы, Узбекистан, финансовая грамотность.*

Introduction

In recent years, significant changes have taken place in Uzbekistan's banking system.

The economic reforms initiated by the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, along with the liberalization of the financial sector and integration with the global financial system, have had a major impact on the country's banking sector. However, it cannot be said that there are no shortcomings or problems within the banking system. Therefore, this article will thoroughly examine the existing shortcomings and issues in the banking sector.

In Uzbekistan, great attention is being paid to the banking system, as emphasis is placed on reforming and modernizing it.

On May 12, 2020, the President of Uzbekistan adopted Resolution No. PQ-5992, which approved the Strategy for Reforming the Banking System for 2020–2025.¹

This strategy was developed jointly by the Central Bank and the Ministry of Finance, in cooperation with the World Bank, based on an analysis of the banking systems of other countries and accompanied by conclusions and recommendations. The strategy pays special attention to the current problems and urgent issues identified within the banking system. In particular, due to the high level of state participation in the banking sector, financial and human resources are being used inefficiently, and corporate governance systems are not properly established. State-owned banks often act as traditional "development banks" by providing loans at interest rates below market levels to priority programs, sectors, and enterprises with state ownership. This has led to a sharp increase in lending volumes, which in turn negatively affects key indicators of bank stability such as liquidity and capital adequacy. Furthermore, a high degree of globalization, along with the concentration of loans and deposits in large enterprises and certain sectors of the economy, has made the banking system vulnerable to currency, credit, and liquidity risks. The business models of state-involved banks are mainly focused on serving corporate clients, while their role as financial institutions is relatively limited. In addition, the underdevelopment of innovation and information systems has resulted in a low level of financial inclusion, highlighting the need for large-scale reforms within the system.

In recent years, Uzbekistan's banking system has undergone significant reforms, and the processes of integration with international financial institutions have accelerated. However, a deeper analysis of the current situation reveals that there are still unresolved problems and untapped opportunities within the system. The diversification of services provided by banks remains insufficient. Most commercial banks still mainly offer traditional services such as lending, accepting deposits, and providing settlement and payment operations. The process of digital transformation is progressing slowly. A large part of the population, especially clients living in remote areas, cannot yet access modern banking services. To address this issue, banks need to strengthen cooperation with fintech companies, create innovative financial products, and widely implement "digital financial literacy" programs. In credit policy, the risk assessment system is not operating effectively. This is especially evident in the difficulties faced by small businesses and startups in obtaining loans. It is necessary to introduce modern methodologies for assessing creditworthiness, such as artificial intelligence-based credit scoring systems. Doing so would not only improve the quality of the credit portfolio but also ensure more efficient allocation of banking resources. The level of interbank competition remains low, and tariffs for many services continue to be relatively high. To strengthen the competitive environment, it is important to create more favorable conditions for foreign investors and increase the share of the private sector in the banking industry. Enhancing the attractiveness of Uzbekistan's market for international banks would help introduce innovative financial technologies and modern management practices. The level of integration between the banking system and the real sector of the economy also remains low. Banks tend to focus on short-term financing, which limits the implementation of large-scale investment projects.

¹ <https://lex.uz/en/docs/6972970?ONDATE=13.05.2020>

Therefore, it is necessary to form a long-term resource base by attracting pension funds, insurance companies, and other institutional investors to the banking sector. In addition, it is essential to pursue a more active policy aimed at increasing financial inclusion—that is, ensuring access to banking services for all segments of the population. According to statistical data, the share of people without bank accounts is still significantly high. This, in turn, contributes to the persistence of a large informal economy.

Conclusions and suggestions

In conclusion, improving Uzbekistan's banking system is a crucial factor in ensuring sustainable economic growth and creating a competitive financial environment that meets international standards. Over the past few years, large-scale reforms have been implemented to modernize the sector, strengthen market principles, and expand integration with the global economy. Despite these achievements, several challenges remain that require systematic and innovative solutions.

Further development should focus on accelerating digital transformation. The use of modern financial technologies, expansion of online and mobile banking, and improvement of cybersecurity will enhance service quality and accessibility, especially for rural populations. It is also essential to improve credit policy through advanced risk assessment methods, including artificial intelligence-based scoring systems. This will increase the efficiency of credit allocation and ensure better support for small and medium enterprises.

Strengthening financial inclusion is another key priority. Expanding access to banking services, promoting financial literacy, and encouraging the use of non-cash transactions will reduce the informal economy and foster greater public trust in financial institutions. At the same time, increasing competition in the sector by attracting foreign investors and supporting private banks will stimulate innovation and bring the system closer to global standards.

Developing long-term funding sources is equally important. Cooperation with pension funds, insurance companies, and institutional investors will help form a stable financial base for investment projects. Additionally, continuous training and development of qualified banking specialists are vital for maintaining progress and efficiency in the system. Overall, consistent and innovative reforms—centered on digitalization, transparency, financial inclusion, and human capital—will allow Uzbekistan's banking system to become more stable, modern, and internationally competitive.

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