

THE MAIN PROBLEMS WITH THE REPUBLIC OF UZBEKISTAN'S BANKING SYSTEM

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Urinov Komil

*Karshi engineering and Economics Institute
Student of the Faculty of Economics*

Abstract: *In today's world, one of the most popular economic topics is the study of the banking system. Banking institutions are deeply embedded in our daily lives. They keep the economy running while remaining invisible to the general public. However, this is not an excuse to ignore their concerns and needs, which must be handled and met. One of the most critical and challenging jobs is to build a sustainable, adaptable, and efficient financial infrastructure.*

Keywords: *Central Bank of the Republic of Uzbekistan, bank, banking system, infrastructure, economy, credit, deposit*

Introduction. It is impossible to envisage modern society and the economy without financial institutions. They are deeply ingrained in modern man's life. They provide the economy with the essential resources and services, as well as play a significant social role.

What is a bank? A bank is an institution that conducts transactions with money and its derivative financial instruments primarily to provide paid financial services to consumers.

They redistribute resources in the economy by attracting free monies in their accounts (deposits) and distributing them to those in need temporarily (loans). Banking organizations produce non-cash money with the aid of this type of credit mechanism, which is essential for the realization of economic connections.

One of the most significant indicators of economic reform implementation is the construction and growth of the credit and banking system. This is because the banking system is the key backbone element of any sort of economy since it collects and distributes free monetary resources. The proper operation of the banking system influences not just the economy's efficiency, but also the country's overall economic growth.

In Uzbekistan, 31 commercial banks are active. However, if you ask any chief accountant or business owner what the fundamental difference between one bank and another is, and why the employee picked this or

that bank, the only answer will be "work near to home." Bank product offerings, bank tariffs, and even bank digital advances are not essential factors for selecting banks. Furthermore, everything is dependent on the owner's or chief accountant's level of personal contact with one or more bank managers.

Furthermore, as a result of the Central Bank's excessive patronage, commercial banks have become clone banks, with everything being the same: the range of financial services, their pricing, conditions, personnel qualifications, and speed of operations.

In other words, there are numerous financial institutions, but they differ little in terms of the services they provide. As a result, there is no competition because none of them can offer something unique to the market, such as a fundamentally new product, even if their short-term business goals are aligned.

In such a situation, even large-scale involvement of foreign banks in the Uzbek banking segment, as well as the involvement of foreign specialists, will not change anything, because the Central Bank's instructions and regulations apply equally to everyone and everyone is required to strictly comply with them.

Uzbekistan is revamping its banking industry.



The Central Bank appears to encourage banks to introduce modern digital technologies by any means possible; however, in the atmosphere of the "everything that is not allowed is prohibited" policy, no one takes the

initiative and everyone waits for the Central Bank's recommendations and procedures, even if these procedures are purely internal.

Another Achilles' heel for Uzbek financial institutions is the lack of a "long money" market, which has lately become especially severe for private banks due to government agency limitations on the freedom to pick a depository bank. What exactly is long money? Long money, or money that can be attracted to bank accounts for 3-5- 10 years, will enable them to develop their investment policy based on their risk and earnings tolerances.

Conclusions. Based on the President of Uzbekistan's decree dated April 3, 2020, and the Central Bank's recommendations, commercial banks restructured the current debts of 70% of legal entities and individuals for a total of 2.6 trillion soums, deferring payment of the principal amount of loans until October 1, 2020. In other words, commercial banks have completely lost their main source of replenishment of "working capital" - loan repayments - and this, combined with a decrease in banks' revenue from the sale of banking products due to a decrease in population business activity during April-May 2020, has resulted in a very serious "weight loss" of banks' balance sheets, as well as a decrease in the volume of banks' passive liabilities - resources for conducting active operations. Under these circumstances, the Central Bank resolved on June 11, 2020, to raise the average usage ratio of needed reserve reserves to 0.75. That is the Central Bank.

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