STATE OF THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN AND PROSPECTS FOR ITS DEVELOPMENT

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Abstract: This article examines the indicators of the banking system of the Republic of Uzbekistan, presents analytical tables of the main indicators of the activities of state banks, identifies problems and shortcomings in the work of banks over the last period of time and suggests directions for reforming the country's banking system

Key words: bank, levels of the banking system, branches, commercial banks, assets, liabilities, equity capital, profitability of the banking sector, interest margin, ROA and ROE

The banking system of Uzbekistan is two-tier. The upper level is represented by the Central Bank of Uzbekistan, and the lower level is represented by commercial banks and microcredit organizations

As of January 1, 2024, there were 35 commercial banks operating in the country (of which 10 were state-owned and 9 with foreign participation), 696 branches of commercial banks, 1,816 banking service centers and 3,723 24-hour self-service points (with ATMs and information kiosks), as well as seven representative offices of foreign banks - National Bank of Pakistan, Commerzbank, Landesbank Berlin (Germany), JP Morgan Chase Bank (USA), Export-Import Bank and Shinhan Bank (Korea), Export-Import Bank of China.

Information on the main indicators of the banking sector								
	billion soums							
Name of indicator	01.10.2023 y.			01.10.2024 y.			share in% of total Nominal increase	in % Real growth (excluding devaluation)
	total	of them in foreign currency	share in% of total	total	of them in foreign currency	share in% of total		
Amount of assets	615 802	279 135	45%	738 721	314 711	43%	20%	18%
Credit investments	451 610	204 016	45%	515 641	225 317	44%	14%	12%
Deposits	221 335	71 206	32%	286 947	76 637	27%	30%	28%
Total capital	89 030	390	0,4%	109 170	407	0,4%	23%	23%

Based on the data presented in the tables, the following conclusions can be drawn:

- **Assets**. By the beginning of March 2024, assets amounted to 648.6 trillion soums, and liabilities - 549.6 trillion soums. State banks own 67.4% of assets, which is equal to 437 trillion soums, 70.1% of the loan portfolio - 331.2 trillion soums and 50.7% of deposits - 120.6 trillion soums. The remaining assets belong to 25 private banks.

- **Loans.** In the first quarter of 2024, the total balance of loans from commercial banks increased by 1.5% and amounted to 478 trillion soums. In particular, loans to individuals increased by 40% compared to the first quarter of last year.
- **Deposits.** As of April 1, 2024, the total volume of deposits amounted to 243 trillion soums, which is almost 30 trillion soums more than in the same period last year.

    - Share of problem loans. Increased to 4.4%, including loans for a period of more than 90 days, reaching a volume of 20.9 trillion soums. According to the Center for Economic Research and Reforms, in the third quarter of 2024, stability was observed in the rating of large banks in Uzbekistan, which indicates an increase in the stability of the banking system.
    - Already as of 10/01/2024, there is a real increase in the amount of assets, credit investments, deposits and total capital by an average of 20-22%. assets and liabilities of commercial banks increased over the year by 20%, but the equity capital of these banks - by 23 %. The net profit of commercial banks increased by 50 billion soums, but ROA and ROE tend to decrease due to the growth rate of banks' expenses exceeding their income on interest and non-interest operations

In the third quarter of 2024, stability was observed in the rating of large banks in Uzbekistan, which indicates an increase in the stability of the banking system. The updated rating of the largest banks in Uzbekistan for the third quarter of 2024 shows different dynamics. Of the 17 large banks, four failed to maintain their positions, three improved their results, and 10 banks maintained their positions, indicating increased competition in the banking secto Kapital bank, Trast bank, Aziya Alyans bank, Hamkor bank, Ipak Yo'li bank and Orient finance bank remained in the top 6 ranking of large banks. Mikrokreditbank showed the best result, improving its position by two lines and taking 11th place in the ranking. "O'zsanoatqurilishbank" improved its position by 1 line in terms of financial inclusion and asset quality, and in terms of liquidity by 3 lines, which made it possible to improve the overall rating by 1 line.. Of the large banks with a state share, People's Bank rose to 1st position in the overall ranking due to an improvement of 1st position in financial inclusion and liquidity and 2nd position in management efficiency.

According to the “Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025”, there are several main measures, the ultimate goal of which is to increase customer interest in banking products - including through customer focus.

An analysis of the banking sector showed that in the banking sector of Uzbekistan there is both stability and a number of problems that require attention. The need to improve liquidity and financial inclusion is important to ensure customer and investor confidence. In our opinion, the main directions for reforming the banking sector in the Republic of Uzbekistan can be;

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ensuring the financial stability of the banking system by improving the quality of the loan portfolio and risk management, maintaining moderate growth in lending volumes, and pursuing a balanced macroeconomic policy;

reduction of the state share in the banking sector through a comprehensive transformation of commercial banks with a state share, the introduction of modern banking standards, information technologies and software products;

increasing the accessibility and quality of financial services through the concentration of government presence, taking targeted measures on underserved and vulnerable segments, widespread introduction of remote services for the population and small businesses, and development of a network of low-cost service points.

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