

IMPORTANCE OF COMMERCIAL BANKS IN THE ECONOMY

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ARTICLE INFO.

Keywords: loan deposits, high liquidity, liquidity ratio, private capital, bank balance sheet, bank asset, deposit, loan portfolio.

Abstract

This is the importance of commercial banks in the economy is described in the article and analyzed based on statistical data. The strategy for the reform of the banking system in the Republic of Uzbekistan for 2020-2025 includes priority issues and information about the increase in the number of customers as a result of offering high-quality banking services to the population of commercial banks. Also, the article provides statistical data on the amount of loans allocated in 2023 and active credit policy planned in 2024 at "Milliy Bank" JSC, as well as summaries and suggestions on further improvement of the importance of commercial banks in the economy.

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Introduction

In a market economy, while the role of commercial banks in the economy is expanding, the failure of any one bank to strengthen confidence in the entire banking system can lead to negative macroeconomic consequences, such as a reduction in the money supply, disruption of the payment system, and the creation of very large and unexpected government liabilities. possible The transition process of the Republic of Uzbekistan to a socially oriented market economy, as a component of many important economic reforms, requires the implementation of deep changes in the banking system and the creation of a whole mechanism of regulating the economy through monetary and credit instruments [1].] On the one hand, it is important to have a scientific understanding of the world practice, which includes various principles, approaches and specific forms of regulation through monetary and credit instruments, and on the other hand, to apply the world practice in the current conditions of the economy of Uzbekistan. it is necessary to select the most effective elements, to scientifically adapt them to the conditions of Uzbekistan.

At the same time, commercial banks rely on the following core principles and values in the process of performing their tasks as the basis of the banking system:

- financial security-commercial banks implement a reasonable and appropriate banking risk policy, which ensures that their assets grow in a stable manner;
- reputation, in which banks strive to maintain the reputation of a reliable and reputable credit and financial institution;

- an individual approach, in which bank employees deal with each client individually, fully satisfy his needs for banking services, and try to create the most favorable conditions for doing business;
- offer customers reliable, convenient and quality banking services, etc. [2]

During the consistent reform of the financial sector, a number of measures have been implemented, as a result of which the necessary legal conditions are being created for conducting advanced banking business and strengthening the competitive environment in this sector. In particular, the "Regulations of the Central Bank of the Republic of Uzbekistan", "On Banks and Banking Activities", "Regulation of Currency", which conform to international standards and create an attractive legal environment for foreign investments in the financial sector. "On" and "On Payments and Payment Systems" are among them.

In fact, we can understand the reforms in the banking system as a clear evidence of the strategy for the reform of the banking system of the Republic of Uzbekistan for 2020-2025, and the following issues are included in it: [3]

- to increase the share of assets of banks without a state share in the total volume of assets of the banking system from the current 15 percent to 60 percent by 2025;
- increasing the share of liabilities to the private sector in the total volume of banks' liabilities from the current 28 percent to 70 percent by the end of 2025;
- By 2025, attracting at least three strategic foreign investors with the necessary experience, knowledge and influence to the capital of at least three banks with a state share;
- increasing the share of non-bank credit organizations in the total volume of lending from the current 0.35 percent to 4 percent by 2025, etc.

Accelerating the process of privatization of the banking system, which is being carried out, determines the main directions of liberalization of banks by attracting domestic and foreign investments, commercializing their activities, and most importantly, increasing their trust. Also, in 2025, it is planned to increase the share of the private sector in the banking system of Uzbekistan from the current 18% to 60%, as a result, it will create an opportunity to further increase competition between banks.

Analysis and results: Today, 35 commercial banks are operating across Uzbekistan. The role of commercial banks in improving the well-being of the population, providing appropriate services and ensuring economic stability in the country is incomparable. During 2022, banks in Uzbekistan allocated loans in the amount of 203 trillion soums or 22 percent more than last year. 68 percent (137.8 trillion soums) of allocated loans are corporate and 32 percent (65.3 trillion soums) are allocated to individuals. 37% of the granted loans (or 51 trillion soums) are revolving loans allocated to companies to replenish working capital. As of January 1, 2023, the total balance of credit deposits of commercial banks amounted to 390 trillion soums, of which 74% were corporate loans, and 26% were retail loans. The balance of the total loan portfolio increased by 20% or 63.7 trillion soums compared to the same period last year, in particular, corporate loans by 13% (32.2 trillion soums) and household loans by 45% (31.5 trillion soums 'm) is considered increased. Today, the population's demand for auto loans is increasing, that is, we can see that auto loans have increased by 10.9 trillion soums in the structure of loans allocated to the population, and compared to 2021, it has doubled. We can see that commercial banks are in a sufficient position to meet the population's demand for housing, as mortgage loans have increased by 10.6 trillion soums (30 percent). Also, the share of problem loans in the banking system is January 1, 2023 reached 3.6 percent (14 trillion soums) and decreased by 1.6 percent compared to the same period last year. The importance of commercial banks in the economy in Uzbekistan big from banks one at "Uzmilliybank" JSC in the country when analyzed through the work done being increased wide scope economic in reforms efficient participation enough, big investment and social projects is financing. In 2023, to increase bank assets and participation in the economy of Uzbekistan,

to form a solid resource base and its rational use, as well as continued the implementation of the bank's effective risk management policy. As of January 1, 2024, the bank's assets increased by 118 trillion soums, the loan portfolio reached 95.3 trillion soums, and the total capital reached 17.7 trillion soums. The bank has more than 1,500 clients in the corporate segment, and more than 80,000 clients in the small and medium business segment, with a turnover of 266 trillion soums and It amounts to 32 trillion soums. In 2023, more than 320 billion soums of loans were allocated to about 21,000 young people, in particular, preferential loans of 120.7 billion soums were allocated for the development of entrepreneurship. That's it at the same time, a mortgage loan of 20.6 billion soums in order to solve housing-related issues of young people and Education loans of 178.6 billion soums were allocated. Based on the information given above, we can say that commercial banks, as a result of fulfilling their obligations, are able to increase the trust of customers.

Table 1. Table of liquidity dynamics of the banking system in 2022-2023. (billion soums)

Banking system liquidity dynamics		
Indicator name	10/1/2022	10/1/2023
Highly liquid assets (billion s.o.m.)	112,937	83,961
Percentage of ratio of highly liquid assets to total assets	21.5%	13.6%
Liquidity coverage standard (<i>min. requirement 100%</i>)	211.7%	161.9%
Net stable funding criterion (<i>min. requirement 100%</i>)	115.9%	111.4%
Instant liquidity criterion (<i>min. requirement 25%</i>)	107.0%	82.2%

According to the above table, as of October 1, the amount of highly liquid assets of the banking system amounted to 112.937 billion soums, and on October 1, 2023, it amounted to 83.961 billion soums. The ratio of highly liquid assets to total assets reached 21.5% on October 1, 2022, and 13.6% in the same period of 2023, and decreased to 7.9%. based on the requirements of the instant liquidity norm, its activities are organized based on the minimum requirements.

In particular, "Uz milliy bank" JSC occupies a leading position in the financial services market in the development of retail business. Today, the bank offers 11 types of attractive deposits to the population. As a result, the amount of people's funds in the bank reached 1.5 trillion soums during the year and reached 9.5 trillion soums as of January 1, 2024. In order to meet the needs of the population, the following types of loans are offered: consumer loans, auto loans, microloans, overdrafts and educational loans. In densely populated areas, mini-banks are established in order to use banking services, and they provide all types of retail loans. Individuals will be able to monitor their credit status, schedule regular payments, pay principal and interest payments online through the National application without going to the bank. Also, the program for obtaining microloans online through the bank's mobile application has been launched. This, in turn, plays an important role in increasing the trust and demand of customers to the bank.

In 2024, the bank will continue the policy of active lending to the leading sectors of the economy. For this purpose, it is planned to direct the main part of the loan funds to the following sectors of the economy:

- ✓ 11.5 trillion soums for the development of the service sector and entrepreneurship;
- ✓ 10.2 trillion soums to support export-oriented enterprises;
- ✓ for the development of industry - 6.6 trillion soums;
- ✓ to support agriculture — 1.2 trillion soums;
- ✓ 4 trillion soums for the retail market segment and 3 trillion soums for mortgages;
- ✓ to develop the transport sector - 1.8 trillion soums.

The success of commercial banks depends to a large extent on how well the services provided by them meet the financial needs of the client, on how high-quality and competitive they are. Commercial banks of the Republic of Uzbekistan are trying to use all the opportunities available to them, because the application of modern technologies ensures saving time and money for customers.

Conclusions and suggestions

As a conclusion, it can be said that at the same time, the importance of commercial banks in the economy is expanding in the context of digitalization of education. In this regard, commercial banks meet market requirements. It is related to the implementation of new types of services, taking into account the demands and offers of customers, introducing new methods of providing services to them, using new credit tools, and establishing various credit institutions has been implementing projects. Ensuring high and stable economic growth and competitiveness of the country's banking system and its important structural part has been commerce banks of activity stability positive results are being achieved by providing.

One of the main problems in the banking system is that the main part of bank capital in our country belongs to the state. It has a certain effect on healthy competition and service quality in the banking sector. A long-term strategy for the development of the banking and financial system is being developed with the support of international financial institutions. It shows the need to gradually reduce the share of state banks due to the influx of private and foreign capital into the banking system, which will serve to improve the competitive environment in the field, and to significantly increase the activity of commercial banks, the quality and culture of lending.

In general, in increasing the position of commercial banks in the economy, the following are important:

firstly: to further increase the penetration of banks in each region and increase the popularity of financial services;

secondly: attract managers with more international practical experience to banks;

thirdly: credit portfolio and risks manage quality lending by improve volumes of growth moderate ensure level;

fourth: to further expand the attraction of additional domestic and foreign investments in the capital of banks;

In short, when commercial banks offer customer-friendly banking services in a convenient and popular way, customers' trust in the bank will increase and the role of commercial banks in the economy will be further improved.

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