

REFORMING THE BANKING SYSTEM – TRENDS AND POTENTIAL OPPORTUNITIES

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Abstract:

This article examines the transformational processes of the banking system, their importance in the development of the bank's business activities, the potential capabilities of bank employees, and following global trends. The improvement of the banking system takes place throughout the entire period of its formation, new opportunities appear, and the requirements for the activities of credit institutions change. Improving institutional quality is an important factor in reducing the risks of the banking system.

Keywords: reformation, transformation, banking system, international financial institutions, trend, banking product, customer orientation.

Over the 32 years of independence, Uzbekistan's economy has turned from an import-substituting agricultural-industrial economy into an export-oriented industrial-agricultural one, with a higher level of product processing, that is, with a higher added value. Moreover, the share of high-tech industries in the overall technological structure of the manufacturing industry is growing. This has already been noted in the ratings of international organizations.

According to the forecast of a number of organizations such as the IMF, the United Nations, and the World Bank, global economic growth is expected to slow down over the past decades due to a number of factors such as the pandemic, geopolitics, the related food and energy crisis, a sharp increase in inflation, an increase in the debt burden, and climate change¹.

As known, investment lending and project financing are associated with a high risk of losing financial resources. In this regard, bank lending often acts as an additional source to existing financial resources. Thus, it should be noted that the analysis of the sources of financing of an investment project can significantly affect its cost,

¹ KPMG report "Diagnostics of the internal and external environment", 2023

feasibility and effectiveness, therefore, a balanced approach should be taken to evaluating various mechanisms for financing investment activities².

At the same time, an analysis of the current situation in the banking sector shows the presence of a number of systemic problems that hinder the development of the banking sector in accordance with economic transformations and the needs of society, such as a high proportion 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 economy³.

To date, Uzbek banks are working closely with international financial institutions to introduce leading foreign practices, develop new banking products and services, increase the potential of banking employees, attract investment, and privatize banks with a state share.

As part of the strategy for reforming the banking system, the main directions have been identified, one of which is to increase the efficiency of the banking system by creating equal competitive conditions in the financial market, lending exclusively on a market basis, reducing banks' dependence on government resources, modernizing banking services, creating effective infrastructure and automating banks' activities, as well as phasing out non-core functions of banks.

Today, the role of the banking system cannot be overestimated. Traditionally, commercial banks, providing services to the public, ensure the relationship between lenders and borrowers, they coordinate the interests of numerous financial entities, it is thanks to them that capital is redistributed, free funds are accumulated necessary for economic development and meeting the needs of society. Without a proper level of development of the banking system, economic development is impossible as such. For the successful transformation of state-owned banks, it is necessary to build and implement a new, customer-oriented banking business system. It is also necessary, first of all, to improve the material and technical base, to provide technical support in terms of developing the potential of bank employees.

Considering the above, it can be concluded that the reform of the banking system of the Republic of Uzbekistan has a generally positive effect on the country's economy, the country's banks are strengthening their positions in the international

² Z.V. Chebotareva, "Sources of financing for investment projects", Eurasian Union of Scientists (EUS) № 3 (48), 2018

³ Decree of the President of the Republic of Uzbekistan, dated May 12, 2020, No DP-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan"



market. Successful privatization of banks will help to build a new business model and implement the following innovations:

- maximum automation of corporate business processes;
 - new innovative credit products and services;
 - launching new online products and updating remote service;
 - flexible pricing and underwriting service for the issuance of securities (IPO/SPO, corporate bonds);
 - strategic planning and capitalization of banks;
 - transition to data-based management, digital modernization of risk-based profitability management processes;
 - cost optimization to ensure growth;
 - implementation of ESG principles;
 - closure of branches, digitization of activities and launch of new targeted products.
- Based on the above, it follows that the reform of the banking system is an important factor and the foundation for sustainable economic development.

List of used literature

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