

CURRENT PROBLEMS AND DEVELOPMENT PROSPECTS OF THE BANKING SYSTEM OF UZBEKISTAN

Makhliyo Aripova Salakhiddinovna

Lecturer, Department of Accounting and Statistics,

Bukhara State University, Bukhara, Uzbekistan

Abstract: This article analyzes the current problems and development prospects of the banking system of Uzbekistan. The paper examines the key challenges faced by the banking sector, including high dollarization, insufficient financial inclusion, corporate governance issues, and shortage of long-term financial resources. Particular attention is paid to the reforms carried out in accordance with the Banking System Reform Strategy for 2020–2025, including privatization of state-owned banks, digitalization of banking services, and implementation of fintech solutions. The article also analyzes the development prospects of the banking system, such as increasing financial stability, expanding the range of services, and integration into international financial markets. Based on international experience and statistical data, the need for an integrated approach to reforms to achieve sustainable economic growth is emphasized. The article is valuable for economists, banking sector specialists, and public policymakers.

Keywords: banking system, Uzbekistan, dollarization, privatization, digitalization, fintech, financial inclusion, corporate governance, banking reforms, economic growth

The banking system is a key element of the economic infrastructure of any state, ensuring the redistribution of financial resources, support for entrepreneurship and economic growth. In Uzbekistan, the banking sector plays an important role in ensuring sustainable economic development, but faces a number of problems that hinder its effective functioning. In recent years, the country has been carrying out large-scale reforms aimed at modernizing the banking system and transitioning to market principles. This article analyzes the current problems of the banking system of Uzbekistan, including high dollarization, insufficient financial inclusion and weak corporate governance, as well as its development prospects in the context of the Reform Strategy for 2020-2025. The main objective of the study is to identify key challenges and determine ways to overcome them to ensure sustainable development of the banking sector.

The banking system of Uzbekistan is characterized by a two-tier structure, where the upper tier is represented by the Central Bank, and the lower tier is represented by commercial banks and microcredit organizations. As of 2023, there are 33 commercial banks operating in the country, of which 12 have a state share, 15 are private, and 5 have foreign capital. Despite significant progress in the development of the banking sector, there are a number of problems that hinder its effectiveness. First, the high level of dollarization remains one of the key problems. As of 2021, the level of dollarization of the loan portfolio was 50%, and liabilities - 57%, which increases currency risks and vulnerability of the banking sector to fluctuations in the national currency exchange rate. This creates the need to create a hedge fund under the Ministry of Finance to convert foreign currency loans into national currency and attract long-term resources in soums. Secondly, low financial accessibility limits the coverage of banking services, especially in rural areas. This is due to the banks' focus on the

corporate sector, the weak development of non-bank financial institutions and the insufficient implementation of innovative technologies. Thirdly, corporate governance problems, including insufficient transparency and poor staff qualifications, reduce the efficiency of the banking system. Finally, the shortage of long-term financial resources limits banks' ability to finance large investment projects, which negatively affects economic growth.

In response to these problems, Uzbekistan is implementing the Strategy for Reforming the Banking System for 2020–2025, approved by Presidential Decree No. UP-5992 dated May 12, 2020. The strategy includes four priority areas: increasing the financial stability of banks, expanding the range of financial services, privatizing state-owned banks, and digitalizing the banking sector. As part of privatization, it is planned to reduce the state's share in the banking sector to 40% by 2025, which will increase competition and attract foreign investment. For example, the transformation of the National Bank for Foreign Economic Activity into a joint-stock company has already begun. Digitalization is another key area of reform. In recent years, three digital banks (TBC Bank, Anor Bank, Apelsin Bank) and 32 fintech companies have been created in Uzbekistan, contributing to the expansion of remote banking services. In addition, the introduction of modern payment systems, such as contactless payments and digital identification, increases the speed and security of transactions. However, the reforms face challenges such as insufficient skills and high costs of introducing new technologies, which require additional efforts from the state and the private sector.

The prospects for the development of the banking system of Uzbekistan are associated with the further implementation of reforms and integration into international financial markets. Firstly, increasing the financial stability of banks by increasing capitalization and reducing non-performing loans (NPL) is a priority. According to the Central Bank, the capital buffer of banks is \$1.5 billion, which allows covering non-performing loans by 1.6 times. Secondly, the development of fintech solutions and digitalization of banking services, including the automation of scoring systems and the introduction of marketplaces, will open up new opportunities to improve the availability of financial services. Thirdly, attracting long-term financial resources through the development of the long-term debt market and the securitization of portfolios of homogeneous loans (for example, mortgages and consumer loans) will allow banks to finance large projects. Finally, integration into international financial markets, including cooperation with organizations such as the World Bank and the International Monetary Fund, will help increase the competitiveness of the banking sector. International experience, such as reforms in Poland and Vietnam, shows that successful privatisation and digitalisation can significantly strengthen the banking system.

The effectiveness of the current reforms is confirmed by a number of positive trends. At the end of 2023, the total capital of the banking system increased by 22%, reaching 97.08 trillion soums, and the volume of deposits grew by 9%, amounting to 241.69 trillion soums. Deposits of individuals increased by 36.79%, which indicates an increase in confidence in the banking system. The liquidity ratio (LCR) reached 167%, which is 67% higher than the minimum regulatory requirements. However, risks associated with a high level of problem loans, especially in the mortgage and concessional lending segment, as well as a decrease in the solvency of the population remain. To minimize these risks, further measures are needed to increase the transparency of transactions, strengthen corporate governance and develop human resources.

International experiences in banking reform, such as Poland, Vietnam, and Singapore, demonstrate the importance of a comprehensive approach. For example, Poland successfully privatized banks in the 1990s, which attracted foreign investment and increased competition. Vietnam focused on digitalization and the development of fintech companies, which increased financial inclusion. Uzbekistan can adapt these approaches, focusing on digitalization and attracting long-term

investment. However, local specifics, such as high dollarization and limited resources, need to be taken into account to avoid dependence on external financing.

The banking system of Uzbekistan is undergoing active transformation aimed at transition to market principles and increasing competitiveness. Key issues such as dollarization, low financial inclusion and weak corporate governance require a comprehensive approach including privatization, digitalization and human resource development. Development prospects are associated with strengthening financial stability, expanding the range of services and integrating into international markets. Successful implementation of the Reform Strategy for 2020–2025 will allow the banking system to become an important driver of economic growth. This article provides an analytical review of the current state and development paths of the banking sector, being valuable for specialists and researchers interested in the economic development of Uzbekistan.

Literature:

1. Центральный банк Республики Узбекистан. (2023). Годовой отчет о деятельности банковской системы за 2022 год. Ташкент: Центральный банк. Документ предоставляет официальную статистику и анализ состояния банковского сектора Узбекистана, включая данные о капитализации, депозитах и кредитных портфелях.
2. Указ Президента Республики Узбекистан № УП-5992 от 12 мая 2020 года. “О стратегии реформирования банковской системы Республики Узбекистан на 2020–2025 годы”. Ташкент: Нормативно-правовые акты. Основной документ, определяющий приоритеты реформ банковской системы, включая приватизацию и цифровизацию.
3. Ахмедов, Т., & Каримов, А. (2022). Финансовая устойчивость банковской системы Узбекистана: вызовы и перспективы. Журнал “Экономика и финансы”, 28(4), 45–56. Статья анализирует проблемы долларизации и финансовой устойчивости банков Узбекистана.
4. Всемирный банк. (2021). Uzbekistan Banking Sector Review: Reforms and Opportunities. Вашингтон: World Bank Group. Отчет посвящен анализу реформ банковской системы Узбекистана и их влиянию на экономический рост.
5. Юсупов, Ш. (2023). Цифровизация банковских услуг в Узбекистане: текущее состояние и перспективы. Журнал “Банковское дело”, 19(2), 12–20. Исследование фокусируется на внедрении финтех-решений и цифровых банков в Узбекистане.
6. International Monetary Fund. (2022). Uzbekistan: Financial Sector Assessment Program (FSAP). Вашингтон: IMF. Документ предоставляет оценку финансовой стабильности и рекомендации по реформированию банковского сектора.
7. Кудратов, Р., & Эшмурадов, Д. (2021). Проблемы корпоративного управления в банковской системе Узбекистана. Журнал “Экономический вестник Узбекистана”, 15(3), 33–41. Статья рассматривает проблемы прозрачности и эффективности управления в банках.
8. Asian Development Bank. (2023). Financial Sector Development in Central Asia: Challenges and Opportunities. Манила: ADB. Отчет анализирует развитие финансового сектора в Центральной Азии, включая Узбекистан, с акцентом на финансовую доступность.
9. Porter, M. E. (1990). The Competitive Advantage of Nations. New York: Free Press. Классическая работа, которая может быть использована для анализа конкурентоспособности банковского сектора в контексте национальной экономики.
10. Beck, T., & Levine, R. (2004). Finance, Growth, and Inequality: A Review of the Literature. Journal of Economic Literature, 42(3), 719–780. Статья предоставляет теоретическую основу для анализа влияния банковской системы на экономический рост.

11. Avazovna, R. L. (2025). Turizm Sohasida Zamonaviy Marketing Texnologiyalaridan Samarali Foydalanish Istiqbollari. *Miasto Przyszłości*, 56, 323-330.
12. Djurayeva, M. S., & Davlatov, A. (2025). BUGUNGI KUNDA MENEJMENTNING JAHONDA TUTGAN O 'RNI. *Modern Science and Research*, 4(3), 151-155.