



ENSURING THE ECONOMIC SECURITY OF THE BANKING SYSTEM IN THE REPUBLIC OF UZBEKISTAN

Ismailova Nasiba Komildjanovna

Tashkent Institute of Finance, Department of "Finance". Uzbekistan, Tashkent City

E-mail: ismailovank1275@gmail.com

ABSTRACT	KEY WORDS
<p>This article is devoted to the socio-economic nature of bank security, external and internal threats to the economic security of banking business, economic security indicators of the banking system, the degree of protection of financial interests of banks by the Central Bank, the level of competition in the banking market in the country, the Central Bank analyzed the quality level of regulation and control of banking activities, the level of capitalization of the state banking system, indicators of financial security, including the budget deficit, the stability of the country's national currency. Also, attention is paid to the reforms implemented by the Central Bank in the Republic of Uzbekistan to improve the economic security of the banking system.</p>	<p>economic stability, economic security, external and internal threats to the economic security of banking business, indicators of the level of economic security of the banking system, the level of competition in the banking market, the level of the quality of regulation and control of banking activities by the Central Bank, the state banking system level of capitalization, stability of the national currency, liquidity in the foreign exchange market.</p>

Introduction:

"Development Strategy of New Uzbekistan for 2022-2026" aimed at creating the necessary political-legal, socio-economic and scientific-educational foundations for the reforms to be implemented in our country in the next five years based on the principle "From Action Strategy to Development Strategy" "About" was approved by the Decree of the President of the Republic of Uzbekistan No. PF-60 of January 28, 2022. In this development strategy, great attention is paid to the economic security of the state in the country [1].

The economic security of the state is considered a separate element of the economic system that ensures the security of the state, protecting the society and the state from internal and external threats and risks in the economic sphere. protection of human vital needs and interests is understood.

The banking sector plays an important role in ensuring the effective functioning of the national economy. The banking system controls a large part of monetary resources, ensures their movement, distribution and redistribution, helps the emergence and development of financial and economic relations between economic entities. Inadequate performance of the main functions of the banking

system disrupts economic relations between economic entities and is considered one of the main threats to the country's economic and national security.

In a general sense, the financial and economic security of the banking system is the most effective use of financial resources to ensure the stable operation of the bank, and the prevention of threats affecting the stability of the banking system.

2. Research Methodology

Scientific observation, analysis and synthesis methods are effectively used in the article. Also, the indicators for assessing the bank security of the country recommended in the regulatory documents of the International Monetary Fund (IMF), the World Bank (The World Bank) were used.

3. Analysis and Results

The main goal of ensuring the economic security of the banking system is to achieve the maximum stability of its activity, as well as to create the basis and prospects for the development of the banking system regardless of objective and subjective threat factors, this is especially true in the real conditions of unexpected financial situations. The greater risk of the banking sector is related to the loss of the bank's own resources and income, or the occurrence of additional costs as a result of the implementation of certain activities, financial operations. The risks of threats to the economic security of the credit and banking sector are diverse, and we can study them by dividing them into external and internal parts.

Table 1 Types of threats to the economic security of banking business [2]

External threats	Internal threats
1. Threats arising from changes in the economic, political and social spheres of the country.	1. Threats related to the risk of transferred credit policy of banks.
2. Threats caused by unfavorable market conditions.	2. Threats caused by the low quality of bank management.
3. Threats related to corrupt situations in the banking sector.	3. Threats related to disruption of the liquidity activity of the credit organization.
4. Threats associated with fluctuations in world markets on a global scale.	4. Threats related to violation of banking legislation.

The level of economic security of the banking system is determined by: (we will consider some of their indicators)

1. Level of competition in the banking market.

In this regard, a number of works are being carried out in Uzbekistan, currently, as of May 1, 2023, the number of commercial banks operating in the banking market of our country has reached 34, of which 2 commercial banks "APEX BANK" and "LIFE BANK" joint-stock companies in March 2023 received a license to operate. One of the main issues of banking theory is the optimal structure of the banking market. Banking market structuring criteria can be objects of operations, customer groups, geography of banking activity, level of concentration of banks, etc.

According to the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" No. PF-5992, the reform of the banking sector in the Republic of Uzbekistan as one of its main directions, complex transformation of commercial banks with a state share, introduction of modern standards of banking

work, information technologies and software products, sale of a package of state shares in banks to investors with the necessary experience and knowledge on a competitive basis, as well as a state share reduction of the share of the state in the banking sector was determined by simultaneously reforming commercial banks and enterprises.

In 2023, the process of privatization of large banks with a high state share will be brought to a logical conclusion, in particular, the shares of banks with a state share, Village building bank, People's bank, Mikrokreditbank, Contact Bank, Agro Bank and Nation Bank, will be put up for public auction (IPO) and Europe In cooperation with the Bank of Reconstruction and Development, the transition to the active phase of transformation processes in Asaka Bank was determined. But it should be noted that at the global level, there is a general decrease in the number of banks, and the number and type of other financial institutions is increasing.

2. The level of quality of regulation and control of banking activities by the central bank.

The Bank Supervisory Committee of the Central Bank is a collegial body established on the basis of the requirements of the Law "On the Central Bank of the Republic of Uzbekistan" and is permanently functioning. Documents submitted by banks for approval by this Committee in the direction of the authorization procedure, including registration of amendments to the charter of credit organizations, licensing of credit organizations, removal from the state register and initial approval and payment registration of organizations, as well as issues related to accreditation of the representative office and authorization of repo operations are considered.

Regarding the review of the financial situation, the results of remote and on-site studies on the fulfillment of the requirements of prudential standards in credit organizations, in particular, the results of the thematic studies on the existing risks in the banks activities will be discussed. It should be said here that prudential regulations were not observed, reserves against financial losses were not created, financial condition was insolvent, false information was provided to the Central Bank by distorting the report data. Due to the fact that Turkistonbank and Hai-tek banks had licenses to carry out banking activities, licenses were revoked from payment organizations such as "International Eco Pay", "Panda Internet Technology", "Ugnis" because they did not start their activities within the deadlines set by the law.

Table 2 Information on non-performing loans (NPL) of commercial banks as of April 1, 2023 [3]

billion soums

№	Name of the bank	Credit portfolio	Non-performing loans (NPLs)	Share of problem loans in total loans
Total		408 167	14 342	3,5%
State-owned banks		334 767	12 920	3,9%
1.	Agrobank	47 866	1 908	4,0%
2.	Asaka bank	37 002	1 617	4,4%
3.	Mortgage bank	32 679	969	3,0%
4.	People's bank	21 758	2 249	10,3%
5.	Village building bank	20 627	926	4,5%
Other banks		73 400	1 422	1,9%
7.	Ravnak bank	309	236	76,5%
8.	Madad invest bank	196	27	13,8%
9.	Eron Soderot bank	20	1,2	6,1%
10.	O'zagroeksportbank	0,5	0,4	80,4%
11.	Trast bank	3 706	199	5,4%
12.	Tenge bank	2 821	95	3,4%

If we look at the data on non-performing loans (NPL) of commercial banks, we can see that the share of non-performing loans in total loans is higher in state-owned banks than in other owned banks, i.e. compared to total loans, it is 3.9%, 12,920 billion soums, while in other banks this figure is 1.9%, 1,422 billion soums. Most of the problem loans are accounted for by preferential loans.

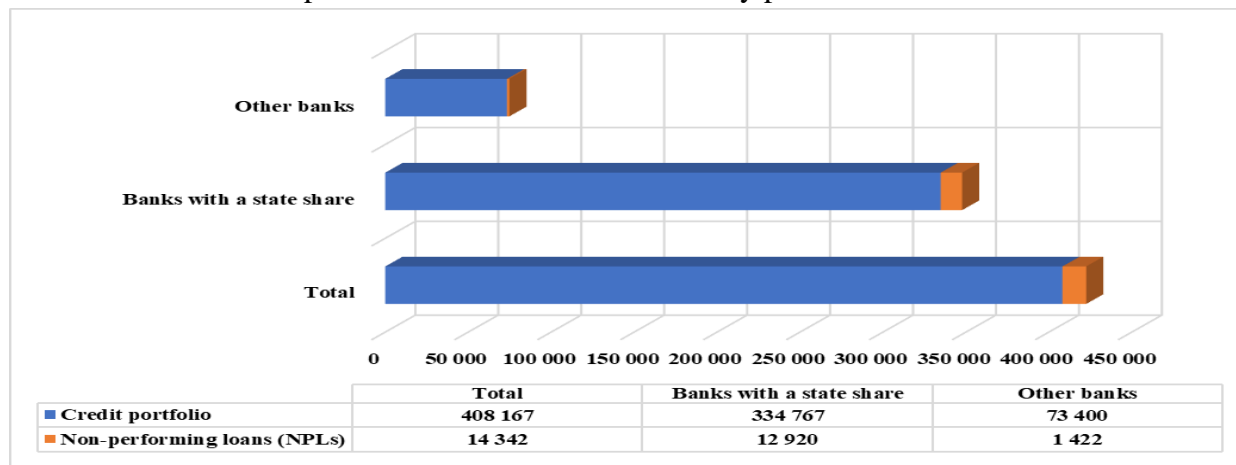


Figure 1. Information on non-performing loans (NPL) of commercial banks with a state share, billion soums [3]

Preferential lending (loans with interest rates lower than market interest rates) and directive lending (loans determined by local government bodies and state agencies) are being used, which have a negative impact on the competitive environment and cause inefficient distribution of financial resources. 60% of the loans allocated in the banking system correspond to loans allocated on the directive basis, and due to the influence of this factor, the share of problem loans in the loan portfolio of commercial banks remains at a high level. As of 2022, the share of problem loans in Uzbekistan (4.9 percent) will be higher than that of the Commonwealth of Independent States (CIS) countries (5.9 percent) and the countries of Central Asia and the Caucasus (5.2 percent). was below average. In industry and agriculture, problem loans have increased significantly.

3. Capitalization level of the state banking system

The priorities of the Banking System Reform Strategy of the Republic of Uzbekistan for 2020-2025 are to increase the minimum requirements for the capital of banks and to attract strategic foreign investors with the necessary experience, knowledge and influence to the capital of banks with a state share.

Tabl 3 The degree of monadity of the total capital of the banking system [3]

Indicator name	01.04.2022		01.04.2023	
	billion soum	share, in percent	billion soum	share, in percent
Tier I capital	65 465	86,0%	75 223	85,8%
Basic capital	65 270	85,7%	75 185	85,7%
Additional capital	195	0,3%	38	0,0%
Tier II capital	10 677	14,0%	12 469	14,2%
Total regulatory capital	76 142	100%	87 692	100%
Level of capital adequacy	17,6%		17,2%	
Level I capital monadity level	15,2%		14,8%	

It can be seen from these data that the level of capitalization of commercial banks in our country is increasing. In 2022, the size of the main capital of commercial banks will be 65 trillion. exceeded soums, by April 2023, this indicator will reach 75 trillion. more than soums. This is a positive situation. The initial results of the macro stress test showed that the banking system is stable. By the end of 2024, in the main and moderate scenarios, the level of capital adequacy of banks will be higher than the minimum regulatory capital standard (13 percent) and it shows that they can better withstand various shocks. However, in a dangerous scenario, that is, in the case of a sharp deterioration of the economy and a significant depreciation of the exchange rate, there is a high probability that the ratio of regulatory capital of the banking system will fall below the regulatory limit of 13 percent. Significant credit losses and risk-adjusted asset growth may cause banks to fail to meet regulatory capital requirements. Nevertheless, losses resulting from bank capital shortfalls do not pose a significant risk, and the banking system has sufficient protection to cover these losses.

According to the newly established regulation, the value of the minimum authorized capital for all commercial banks was set at 100 billion soums. As a result, all banks, especially private banks, increased their capital in order to fulfill the new regulatory requirement set by the Central Bank.

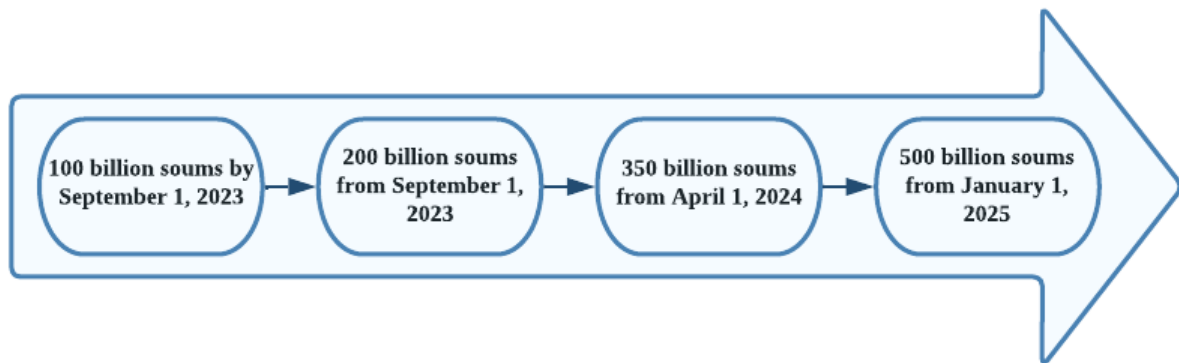


Figure 2. The minimum amount of charter capital of commercial banks to be formed by 2023-2025 [4]

In 2022, the capital adequacy ratio increased sharply. Assets of banks with a large state stake have grown rapidly thanks to the government's supportive lending programs.

4. Stability of the National Currency

In previous periods, restrictions in the currency policy, distrust of the population towards the national currency, a relatively high level of inflation, as well as a lack of alternative savings instruments caused a high degree of dollarization of deposits in banks. In recent years, the provision of relatively high real interest rates in the economy, the stability of the national currency exchange rate and the high interest rates offered by banks on deposits in the national currency serve to increase the deposits in the national currency [5].

During 2023, the decrease in aggregate demand and the high level of regulated price increases will have a downward effect on the formation of prices in consumer markets, and pressures on the exchange rate due to fiscal incentives and external factors can create price-increasing effects. Taking into account the above factors, the inflation rate is forecast to be around 7-8 percent this year [6].

4. Conclusion and Suggestions

The following conclusions can be drawn here. A number of measures are being implemented to improve the economic security of the banking system, including:

➤ The Central Bank is improving the quality of control over the activities of banking institutions and continuous monitoring is being carried out, one of the main elements of the inflation targeting regime is the openness of the decisions made in the monetary and credit sphere and ensuring transparency in this regard [7].

➤ The development of an effective communication policy and timely communication of decisions made in the field of monetary policy to the general public in an understandable language are of great importance in the formation of inflationary expectations of the population and business entities [8].

➤ It should be noted that in order to continuously ensure liquidity in the domestic currency market, the Institute of Market Maker was introduced in our country, and 2 commercial banks are operating as market makers in the domestic currency market. Despite the benefits granted to commercial banks that have received market maker status, their number is not increasing significantly [9].

Based on the conclusions, the following recommendations can be made:

➤ It is necessary to develop measures by the Central Bank to increase the activity of commercial banks as “market makers” and their role in determining the exchange rate [10].

➤ The Central Bank should constantly maintain the inflation targeting system, because the formation of short-term and long-term expectations among the population and businesses is directly related to compliance with the inflation target discipline of the Central Bank.

➤ Gradual elimination of the methods of preferential lending (loans with interest rates lower than market interest rates) and directive lending (loans determined by local government bodies and state agencies), which have a negative impact on the competitive environment and cause inefficient distribution of financial resources. It is necessary to take steps to abandon the stage [11].

Literature

1. Decree No. PF-60 of the President of the Republic of Uzbekistan dated January 28, 2022 “On the development strategy of the new Uzbekistan for 2022-2026”.
2. Petrova Olga Sergeevna Economic security of the banking system//Bulletin of the Pskov State University. Economy. Right. Control. 2015. URL: <https://cyberleninka.ru/article/n/ekonomicheskaya-bezopasnost-bankovskoy-sistemy>
3. The official reports of Data base The Central Bank of the Republic of Uzbekistan in 2023 - www.cbu.uz
4. Law of the Republic of Uzbekistan on banks and banking activities.
5. Ismailova N. K. Importance of financial security in financial globalization //Экономика и бизнес: теория и практика. – 2019. – №. 4-3. – С. 37-40.
6. Ismailova N. K. Issues of providing investment security in Uzbekistan //Международный журнал гуманитарных и естественных наук. – 2019. – №. 5-4. – С. 122-125.
7. Исмаилова Н. К. Обеспечение бюджетно-налоговой безопасности-залог безопасности национальной экономики //Экономика и бизнес: теория и практика. – 2018. – №. 1. – С. 50-53.

8. Ismailova Nasiba Komildjanovna. (2022) PUBLIC DEBT AND FINANCIAL SECURITY OF UZBEKISTAN. E Conference Zone. 2022/6/11. 107-109.
9. Sharapova, M. A. (2021). Issues of improving the financing of public education in the republic of Uzbekistan. Theoretical and Applied Science, (4), 115-119.
10. Sharapova, M. A. (2020). Practice of budget financing of public education system. Scientific electronic journal "International Finance and Accounting". No. 3
11. Sharapova, M. A. (2018). The role of budget control in the use of social spending. Economics and Business: Theory and Practice, (1), 101-104.