

ENSURING THE FINANCIAL STABILITY OF THE BANKING SYSTEM AND RAISING THE STATUS OF THE BANKING SYSTEM OF UZBEKISTAN IN INTERNATIONAL RATINGS

Umida Abdugafforovna Ganieva*

*Senior Teacher

Tashkent Institute of Finance

Email Id: Bek.ganiev.91@mail.ru

DOI: 10.5958/2249-7307.2022.00007.X

ABSTRACT

The regulatory and legal framework for ensuring the financial stability of the banking system of the Republic of Uzbekistan, the impact of cardinal economic reforms in banking activities in the country are considered. Examples of the analysis of the indicator of the banking system relative to the macroeconomic indicator of the country are presented, as well as the factors of ensuring financial stability and growth of capitalization of the banking system are established.

KEYWORDS: *Financial Stability, Reforms in Banking, Banking System, International Ratings.*

1. INTRODUCTION

Ensuring the stability of the banking system is one of the key tasks of the economic policy of countries, regardless of their economic level. This is due to the fact that the history of financial crises shows that for the most part the banking system was the source of their development, both at the level of individual national economies, and at the regional and global levels. Therefore, today it is important to identify negative trends in ensuring the stability of banking systems. It is necessary to find methods and models that could take into account the influence of the maximum number of factors that have both a positive and a negative impact on the stability of the banking system. In addition, it is necessary to build an integrated index that accumulates both positive and negative manifestations in the behavior of individual indicators.

The measures taken to reform and strengthen the banking and financial system of the republic contributed to an increase in the level of capitalization of banks, an increase in the scale of lending to the economy, an expansion of the range of banking services provided, as well as an increase in the role of the banking system in the development of the country's economy.

At the same time, the tasks of further improving the quality of banking services and fundamentally improving the working methods of commercial banks in order to establish full-fledged partnerships with business entities, strengthening the confidence of the population and business entities in the banking system as a reliable institutional partner continue to remain relevant.

In addition, the results of the stress testing of commercial banks conducted by the Central Bank of the Republic of Uzbekistan for their stability and adaptability in the context of the liberalization of the domestic foreign exchange market revealed a number of shortcomings that have a negative impact on the financial condition and foreign exchange position of

banks, the consequences of which adversely affect the liquidity of banks. [1]

In accordance with the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017 - 2021, and with the Decree of the President of the Republic of Uzbekistan dated September 2, 2017 No. P-5177 "On priority measures of liberalizing foreign exchange policy", as well as in order to ensure the financial stability of the banking system, improving the assessment of banking risks, taking into account international practice, introducing modern principles and mechanisms for regulating and supervising the activities of commercial banks, The Central Bank of the Republic of Uzbekistan was instructed to ensure, on a systematic basis, the development and implementation of measures to introduce universally recognized modern norms, standards and performance indicators into the activities of commercial banks further improvement of the independent assessment of the indicators of the banking and financial system both on the basis of the assessment of international rating organizations and in accordance with the national rating system, ensuring compliance with the requirements for capital adequacy, liquidity and stability of commercial banks within the requirements of international principles of banking supervision, improving the management system and assessment of banking risks, including risk management systems in commercial banks, taking into account the recommendations of the Basel Committee on Banking Supervision, with the involvement of technical assistance and experts from international financial institutions, increasing the level of competitiveness of banks and turning banks into a system operating on the basis of an advanced banking practice, as well as improving financial literacy and the level of protection of the rights of the population in the field of banking and financial services. [2]

According to the Decree of the President of the Republic of Uzbekistan "On measures to further develop and increase the stability of the banking system of the republic" dated September 12, 2017 No. DP-3270, developed by the Association of Banks of Uzbekistan, the Central Bank of the Republic of Uzbekistan together with the Ministry of Finance, the Ministry of Economy of the Republic of Uzbekistan, and other interested parties ministries and departments, commercial banks A set of measures for the further development of the banking and financial system based on best banking practices for the period 2017-2021. [3] This set of activities is carried out for the following purposes:

- Increasing the level of capitalization of commercial banks
- Maintaining the level of liquidity of commercial banks
- Further institutional development of the banking system,
- Improvement of management and banking risk assessment system
- Implementation of efficient banking activities, offering customers modern banking services
- Improving the quality of services provided using advanced information and communication technologies
- Improving the quality of the loan portfolio of commercial banks
- Creation of favorable conditions for doing business
- Expansion of cooperation with international financial institutions
- Strengthening the financial stability of non-bank credit institutions, ensuring further growth in volumes, improving the quality of their services and protecting the rights of consumers of financial services
- Further improvement of the system of training and retraining of personnel in the field of financial and banking activities

A detailed development plan is specified in Appendix No. 1 to the Decree of the President of

the Republic of Uzbekistan dated September 12, 2017 No. DP-3270

By Decree of the President of the Republic of Uzbekistan dated September 2, 2017 No. 5177 “On priority measures to liberalize foreign exchange policy”, the problem of maintaining the stability of the banking system and increasing its resistance to risks, including through the adoption of effective preventive measures to mitigate the possible negative impacts of liberalization of foreign exchange policy on the financial condition of banks is defined as one of the priority areas of state policy in the field of further liberalization of the foreign exchange market.

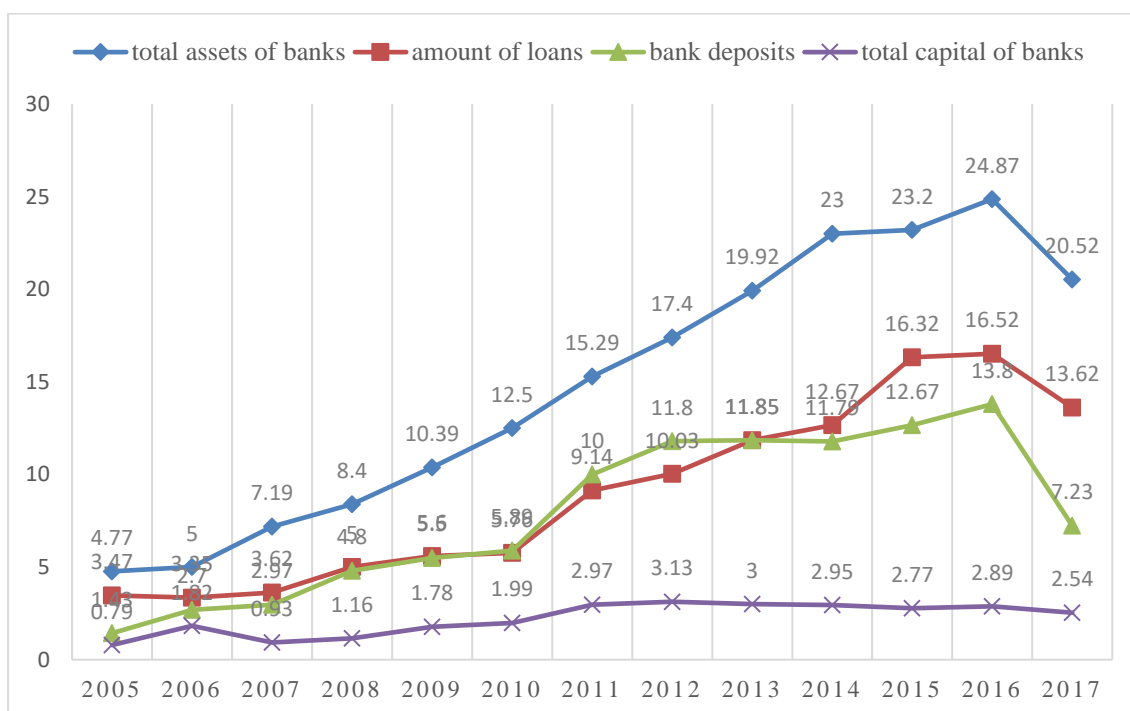


Figure 1. The ratio of the main indicators of the banking system to the GDP of the Republic of Uzbekistan in 2005 and 2017 The analysis shows that in 2005-2017, not all indicators of the banking system of Uzbekistan grew dynamically, while the growth rates of indicators are ambiguous (Fig. 1). It should be noted that for the three main indicators of the banking system, total assets, the volume of loans issued and the attraction of deposits for 2005-2016, there was a steady increase in indicators, but at the end of 2017, as a result of the adoption by the Government of the country of the course towards the liberalization of monetary policy, the value of these indicators decreased significantly. The total assets of the country's banking system in 2016 - 24.87 billion US dollars, in 2017 amounted to 20.52 billion US dollars, the volume of loans issued decreased from 16.52 to 13.62 billion US dollars, the volume of attracted deposits, from 13.80 to 7.23 billion US dollars. One of the key indicators of the banking system of the Republic of Uzbekistan - the total capital of commercial banks for 2005 - 2017 increased from 0.79 billion US dollars to 2.54 billion US dollars.

The value of this indicator reached its maximum in 2012 - the total capital of the banking system amounted to 3.13 billion US dollars, since this year there has been a steady decline. But the value of this indicator over the past 6 years shows a downward trend, which is an alarming sign of the development of the banking system. This is largely becoming relevant, given that the international rating agencies "Mood's", "Standard & Poor's" and "Fitch Rating" when assigning stability ratings to commercial banks evaluate the main economic and financial indicators for their compliance with international standards. In the course of research for the express assessment of the characteristics of the financial stability of the

banking system of our country, we will focus on the ratio of the capital of the banking system to its assets. It should be noted that this indicator shows us what part of the assets of the banking system is financed by its capital. At the same time, we recognize that this indicator cannot serve as a full-fledged analytical indicator of the financial condition of the banking system, but the dynamics of the indicator allows us to assess the trend in the development of the banking system. [4]

2. CONCLUSION

The financial stability and stability of the country's banking system is ensured under the influence of many external and internal factors. The external sustainability factors include: the organic and adaptability of the banking legal framework to international legislation and the level of its development, as well as the organ city of the established norms and standards of banking activities to international requirements and norms. External factors also include the development of banking infrastructure according to international standards. The internal factors of the financial stability of the banking system include the efficiency (profitability) of banking activities, ensuring capital growth, dividend policy, the structure and quality of assets, as well as the structural composition, balance and optimal ratio of the structure of liabilities of each individual commercial bank of the country's banking system. [5,6,7]

The methodology for ensuring the growth of capitalization of financial and credit organizations is quite complex and multifaceted. Nevertheless, ensuring the financial stability of financial and credit organizations remains one of the key factors in the growth of the value of such organizations. The activities of financial and credit organizations have their own specifics, which must be taken into account when developing the concept of assessment and the methodology for its implementation, with an emphasis on factors to ensure financial stability. The most promising indicator of the modern banking management system is the development of organizational and methodological mechanisms for managing the bank's value, aimed at ensuring the growth of equity capital, the level of capitalization. [8,9]

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