

## **DEVELOPMENT OF FINANCIAL SERVICES IN THE REPUBLIC OF UZBEKISTAN**

**Jahongir R. Zaynalov\***; **Susanna S. Alieva\*\***

\*Professor,

Doctor of Economics,

Acting Head of the Department of Finance,  
Samarkand Institute of Economics and Service,  
Samarkand, UZBEKISTAN

Email id: [dz50@mail.ru](mailto:dz50@mail.ru)

\*\*Associate Professor,

Ph. D. in Economics,

Department of Finance,  
Samarkand Institute of Economics and Service,  
Samarkand, UZBEKISTAN

**DOI: 10.5958/2249-7315.2022.00333.1**

---

### **ABSTRACT**

*In paper examines the formation of the financial services market as a component in the structure of the financial market, shows the characteristics of the development of the financial services market in Uzbekistan. The financial services market plays a special role in the formation of a competitive economy of the country, since it is thanks to it that the mobilization of financial capital necessary for the implementation of a particular entrepreneurial activity, as well as its effective implementation, is ensured.*

**KEYWORDS:** *Financial Services, Financial Services Market, Securities Market, Insurance Market, Financial Services.*

---

### **INTRODUCTION**

The significance for the financial market of financial services lies in the fact that it organizes specific forms of movement of financial resources, which, thanks to the financial and credit mechanism, allow some business entities to make up for the lack of funds for the implementation of the chosen activity, and others to exercise property rights in relation to financial resources, being able to profit from it.

In modern reality, financial services act as the basis for the functioning of the economy of each state and the world economy as a whole. Any economic activity, one way or another, depends on the services provided by the financial sector. An objective prerequisite for the functioning of the financial services market is the need for mediation in the relationship between economic agents regarding the redistribution of financial resources.

In Uzbekistan, the formation of the financial services market took place during a difficult period of financial globalization, when its own institutional framework for market development was just being created. During this process, the country was exposed to the impacts of crises, the last of which, in its consequences, had a particularly negative impact on the entire financial system, its institutions and infrastructure.

### **ANALYSIS AND RESULTS**

In the Republic of Uzbekistan for quite a long time, the issues of providing financial services and

improving their quality remained without due attention. This sector of the economy received a special impetus to development after the adoption of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan “On the program for the development of the service sector for 2016-2020” [3]. This Decree approved priority areas and tasks for the development of the service sector: increase in GDP at the expense of the service sector, increase in services provided in rural areas by 2020; creating conditions for the rapid development of the service sector, carrying out reforms by improving the engineering and communication, road and transport infrastructure, establishing prompt and comfortable use of modern information and communication technologies in the service sector; stimulation to the formation of competition, assistance to the development of small and private businesses; diversification of various innovative services, ensuring the functioning of communication facilities; ensuring the technical capabilities of the population's accessibility to the telecommunications network, providing quality services on their basis, a complete transition to digital telephone and television systems, in particular, the provision of financial services with the introduction of the latest electronic payment technologies.

As a result, starting from 2018, the rapid expansion of the financial services sector began in Uzbekistan. So, in 2018, the volume of financial services was equal to 21,192.6 billion soums, the growth rate compared to 2017 was 125.8%. The liberalization of foreign exchange policy and the expansion of lending for promising investment projects increased the volume of financial services in 2018.

At the end of 2020, the volume of services provided, despite the impact of the outbreak of the coronavirus pandemic, amounted to 218,853.5 billion soums [4] (the growth rate was 102.3% or 25,155.7 billion soums). At the same time, the share of financial services amounted to 20.9% (45,817.3 billion soums, which is more by 11,780.7 billion soums than in 2019) of the total volume of services provided, and this sector is the most growing in the field services (see: fig. 1). The share of financial services, with the exception of insurance and pension services, occupies 91.5% of the total volume of financial services (see: fig. 2) At the same time, the share of investments in the service sector for 2020 amounted to 27.3% of their total volume and reached 55 305.4 billion soums, of which only 4.1% went into financial activities.

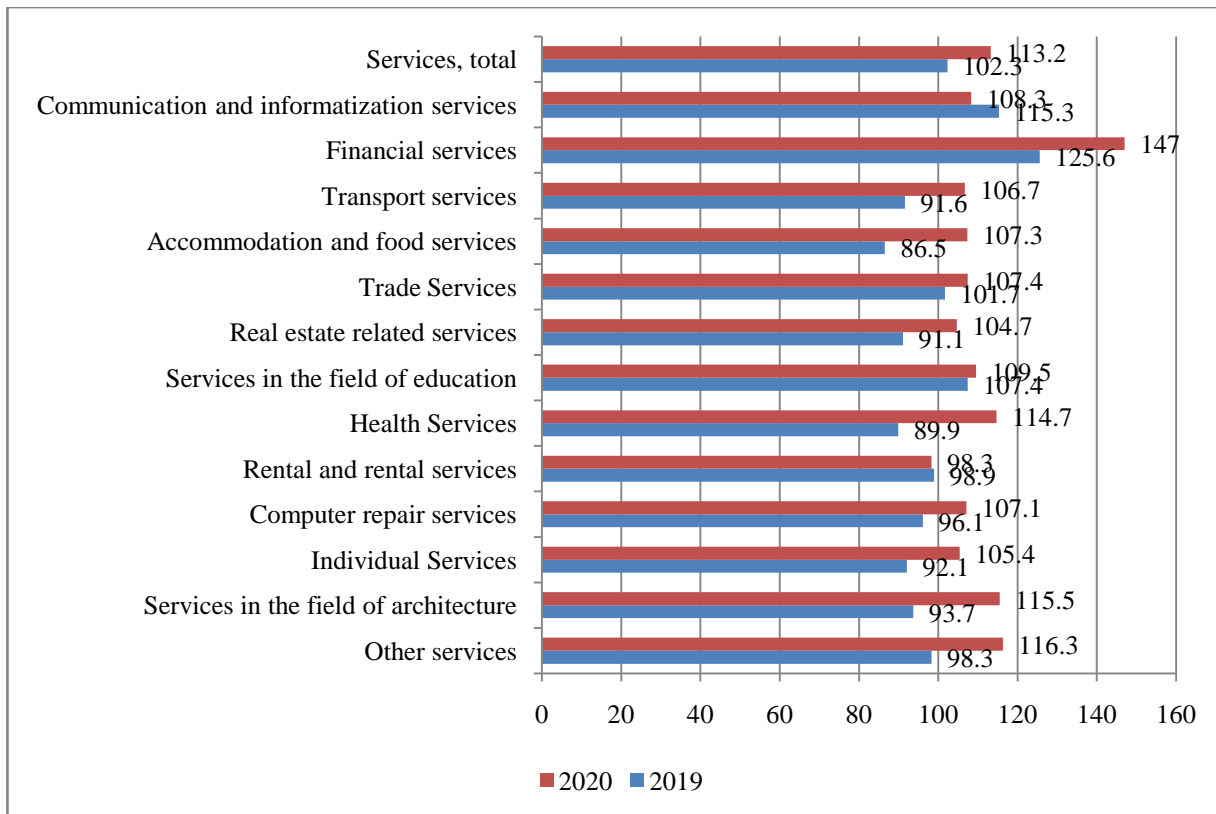


Fig. 1. Comparative characteristics of the growth rates of the provided market services by type of economic activity [4]

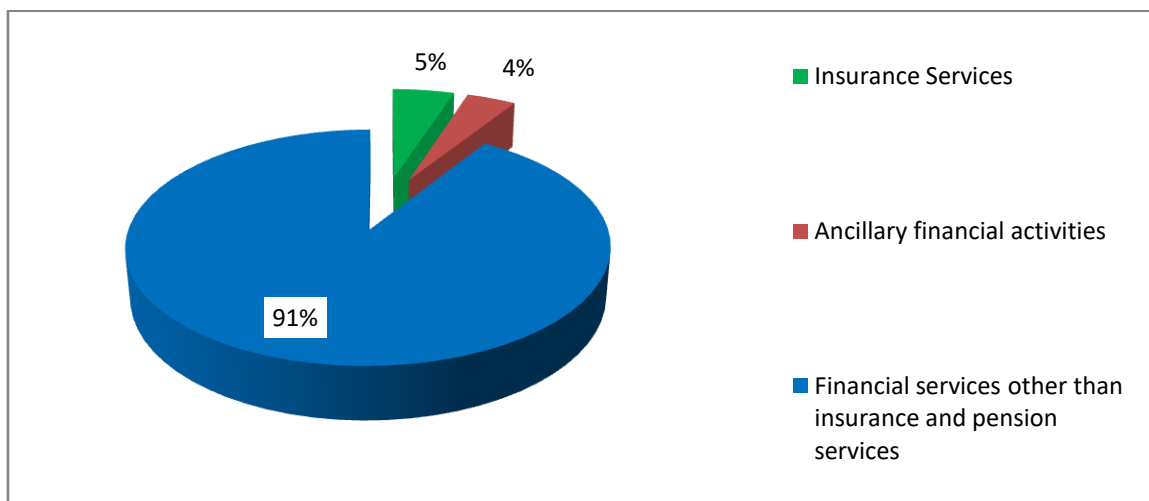


Fig. 2. The structure of financial services in Uzbekistan, %[4]

Financial services provided in Uzbekistan are divided into a wide range of activities, each of which occupies its own specific niche. In order to determine the effectiveness, quality and shortcomings of financial services, it is necessary to approach each sector individually. In the Republic of Uzbekistan, the main sectors providing financial services are: the banking sector, insurance, leasing, stock market, etc.

The largest niche in the field of financial services is occupied by the banking sector. In order to improve it, the government is carrying out reforms, both in the field of control and supervision

over the efficiency of the banking sector, and diversification of activities, international cooperation, and increasing the availability of services for the population. This is evidenced by the adoption of the new version of the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" [1], the Law of the Republic of Uzbekistan "On banks and banking activity" [2].

At the beginning of 2020, there were 30 head offices of commercial banks in the country (and at the beginning of 2021 - 32). They managed to open 850 bank branches, 595 mini banks, 457 banking service offices and 902 self-service points operating 24/7 [7].

For a wide coverage of the population with financial services, this method is very effective. This helped to significantly cover certain regions of the country with banking services and make banking services more portable, which contributes to the sustainable growth of the banking system. In particular, the number of regularly provided financial services is growing: in the fourth quarter of 2020, deposit operations were carried out in the money market in the amount of 22.7 trillion soums, which is more by 6.9 trillion soums or 44.1% compared to the third quarter (Fig. 3). In 2020, there was a slight slowdown in the growth rate of deposits of individuals in the national currency (a decrease by 13.5% compared to 45.1% in 2019), which is primarily due to the use of savings due to a decrease in income during the pandemic.

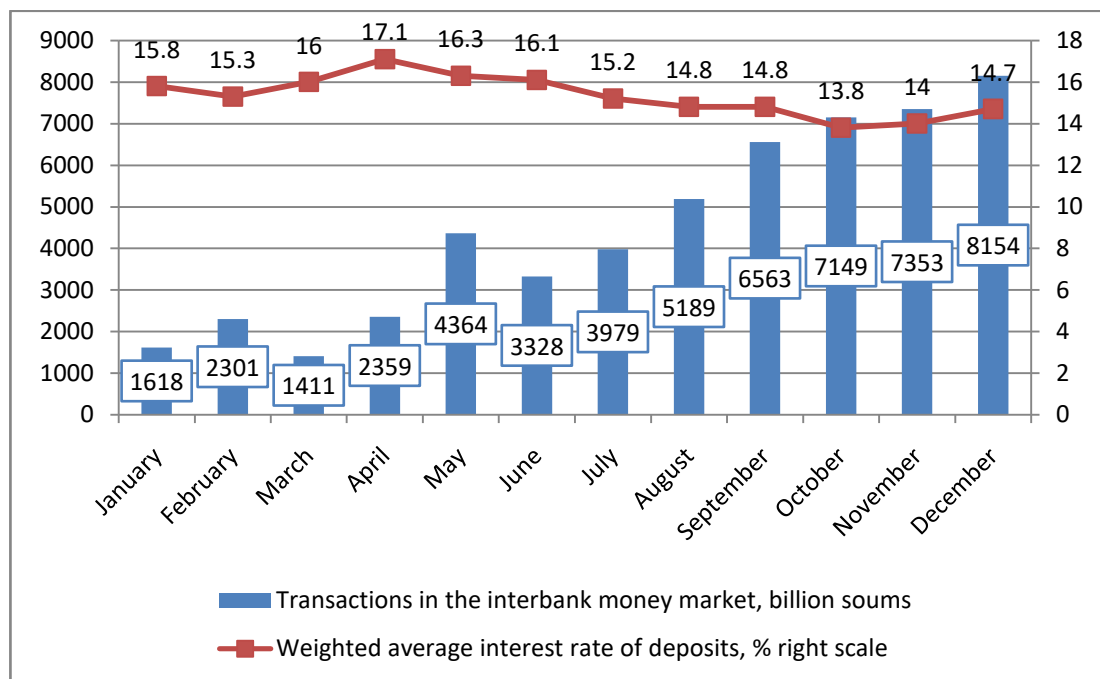


Fig. 3. Volume of transactions in the interbank money market (billion sum) and interest rates [8]

At the end of 2020, 36 insurance companies operate in the insurance market of the Republic of Uzbekistan, 28 of them in the general insurance industry and 8 in the life insurance sector, as well as 5 insurance brokers, 5 actuarial organizations and 22 assistant companies, adjusters and surveyors. In 2020, the gross authorized capital of insurers amounted to 782.4 billion soums (an increase of 138%) [6], the number of existing contracts amounted to 7.0 million soums, during the first quarter of 2020, insurance payments were made in a total of 176.9 billion soums, of which 141.2 billion soums by types of voluntary insurance and 35.8 billion soums paid by types of compulsory insurance.

Despite the COVID-19 pandemic and other factors, positive results were achieved in this area in 2020 compared to previous years.

In 2020, 48 lessors actively provided leasing services in the leasing services market of the republic, of which 18 were banks. The total portfolio of leasing operations amounted to 5 trillion. 673 billion soums, 5,875 new leasing transactions were concluded by lessors, their volume amounted to 1 trillion soums 852 billion soums, which is 33.7% or 943.2 billion soums less compared to the same period in 2019 [5]. This sharp deterioration was due to the spread of the COVID-19 pandemic and the resulting quarantine restrictions and costs.

## Conclusion

Despite clear improvements in the development of financial services within the country, there are a number of problems that remain unresolved. Examining the financial services market of Uzbekistan, we can conclude that a significant part of it remains unrealized. And the reasons for this are some negative factors that have a negative impact. For example:

- In the financial services market, there is a lack of a healthy competitive environment that has contributed to improving the quality of services, reducing prices and their further development;
- Among the population there is a high distrust to some financial institutions. For example: many people doubt the payment of insurance claims by insurance companies, which can sometimes be caused by insufficient qualifications of employees of insurance companies who do not provide correct information about any service, thereby reducing public confidence, or financial illiteracy of the population itself;
- It is necessary to increase the level of knowledge and experience of specialists, improve the system of training for the financial sector by introducing more practical training, the basis of which should be contracts concluded with enterprises and organizations, in accordance with which students could study the operations and services of financial institutions directly in their walls;
- It is necessary to improve the financial literacy of the population, starting from the school bench, to organize financial literacy classes in a playful way;
- Eliminate the problem of lack or insufficient information about financial services by developing the marketing of financial services.

The elimination of these problems would, if not achieve an exhaustive result in the development of financial services in Uzbekistan, then improve, improve it, expand the scale, and then financial services will become a lever for the development of the country's economy.

## REFERENCES:

1. Law of the Republic of Uzbekistan "On amendments and additions to the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" No. ZRU-582 of 11/11/2019
2. Law of the Republic of Uzbekistan "On Amendments and Additions to the Law of the Republic of Uzbekistan "On Banks and Banking Activities" No. ZRU-580 dated 05.11.2019
3. Decree of the Cabinet of Ministers of the Republic of Uzbekistan "On the program for the development of the service sector for 2016 - 2020" No. 55 dated February 26, 2016.
4. State Committee of the Republic of Uzbekistan on statistics. [www.stat.uz](http://www.stat.uz)
5. United Leasing Association. Leasing sector of Uzbekistan: Results of 2020 [electronic resource]. <http://assocleasing.ru/files/File/Otchet2020.pdf>
6. The current state of the insurance market and the results of the first quarter of 2020 [electronic resource]<https://www.uzdaily.uz/ru/post/52007>

7. Central Bank of the Republic of Uzbekistan [electronic resource] - [https://cbu.uz/ru/press\\_center/reports/134774/](https://cbu.uz/ru/press_center/reports/134774/)
8. Central Bank of the Republic of Uzbekistan [electronic resource]. <https://cbu.uz/upload/iblock/0c4/Obzor-DKP-4kv-2020-goda.pdf>