



THE ROLE OF THE BANKING SYSTEM IN UZBEKISTAN'S ECONOMY AND MEASURES TO IMPROVE ITS INTERNATIONAL RATING

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Abstract: This article is about the organization of the banking system of Uzbekistan, the organization of monetary relations and their promotion to the international rating. In particular, in the organization of these actions, a proposal and recommendations were developed based on international experience.

Keywords: banking system, foreign banks, private banks, deposits, liquidity ratio, loans, problem loans, dollar rate, currency risk, conversion, preferential loans, monetary policy, restructuring.

Аннотация: Данная статья посвящена созданию банковской системы Узбекистана, организации денежно-кредитных отношений и их повышению до международного рейтинга. В том числе, разработаны предложения и рекомендации по использованию мирового опыта в организации этих действий.

Ключевые слова: банковская система, иностранные банки, частные банки, депозиты, коэффициент ликвидности, кредиты, проблемные кредиты, уровень долларизации, валютный риск, конверсия, льготные кредиты, денежно-кредитная политика, реструктуризация.

Annotatsiya: Ushbu maqola O'zbekiston bank tizimini tashkil etilishi, pul-kredit munosabatlarini tashkil qilinishi hamda ularni xalqaro reytingga ko'tarish to'g'risida. Shu jumladan, ushbu harakatlarni tashkil qilishda jahon tajribalariga tayanish, ulardan foydalanish to'g'risida taklif hamda tavsiyalar ko'rsatib o'tilgan.

Kalit so'zlar: bank tizimi, xorijiy banklar, xususiy banklar, depozitlar, likvidlik koeffitsiyenti, kreditlar, muammoli kreditlar, dollarlashtirish darajasi, valyuta riski, konvertatsiya, imtiyozli kreditlar, pul-kredit siyosati, restrukturalizatsiya.

INTRODUCTION

The banking system of Uzbekistan plays a central role in the country's economy. Through banks, monetary and credit relations are carried out, investments are attracted, and business entities are financed. Currently, there are 33 banks operating in Uzbekistan: 12 are state-owned, 15 are private, and 5 are banks with foreign capital participation. According to recent data, the total assets of the banking sector amount to approximately \$39 billion, with about 82% of these assets concentrated in state-owned banks.

At the same time, there are several threats to the stability of the banking sector, such as the high level of non-performing loans, the elevated degree of dollarization, and insufficient transparency in the eyes of international rating agencies. For these reasons, comprehensive and systematic reforms are necessary to improve Uzbekistan's banking system and enhance its standing in

international rankings. To implement such key objectives, the President of Uzbekistan signed a decree approving the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025. This strategy was developed based on the 2017–2021 Action Strategy for the Five Priority Areas of Development of the Republic of Uzbekistan, particularly under the State Program for the Year of Science, Enlightenment, and the Development of the Digital Economy. Additionally, the strategy incorporates the key findings and recommendations of the World Bank regarding the current state of the national banking system.

The current situation indicates that despite several reforms, Uzbekistan's banking system still faces a number of issues. The most prominent is the dominant role of the state, which reduces competition among banks and lowers financial efficiency. Another major issue is the high level of dollarization: both individuals and businesses often prefer to open deposits and obtain loans in foreign currency, which undermines trust in the national currency. Furthermore, access to financial services in remote regions remains limited or unavailable. Additionally, some banks still do not comply with international financial reporting standards, which results in a lack of trust among foreign investors.

International credit rating agencies such as Moody's, Fitch, and S&P evaluate banking systems based on the following criteria:

- The quality of the credit portfolio
- Liquidity levels
- Capital adequacy
- Currency risks and risk management systems
- Transparency of financial reporting
- Corporate governance standards

Currently, most national banks in Uzbekistan have ratings at the “B+” or “BB-” level, which are considered moderately risky. To improve these ratings, banks must enhance their financial stability, strengthen internal management systems, and adopt modern auditing practices. These shortcomings still persist in the national banking sector. In recent years, various efforts have been made to improve the banking system. For example, state banks such as O'zsanoatqurilishbank, Asaka Bank, and Ipoteka Bank are undergoing privatization processes, which are expected to promote competition in the sector. To enhance public convenience, digital banking services are being actively expanded — including mobile apps, online loan platforms, and QR-code payment systems. These tools offer significant benefits for residents of rural and remote areas, helping to reduce time, expenses, and the potential for corruption.

The relationship between banks and clients is being simplified — the procedures for opening accounts and applying for loans have become easier. These developments positively impact international ratings, though further deep structural reforms remain necessary. To address these challenges, Uzbekistan can adopt models from successful foreign banking systems. For instance, Germany has introduced ESG (Environmental, Social, and Governance) standards, and banks there are actively involved in financing ecological and social projects. In Singapore, a highly favorable environment has been created for fintech companies, and the competitiveness of startup banking services is increasing. Uzbekistan should take full advantage of such international experience to strengthen its own banking infrastructure.

In conclusion, several actions must be taken to improve Uzbekistan's international banking rating and boost public confidence in the financial sector. First, the share of the private sector

should be increased. Privatizing state-owned banks would increase competition, allow for more favorable loan and deposit conditions for the population, and promote a freer financial market. Second, efforts should be made to reduce the level of dollarization by encouraging loans and deposits in the national currency. This will help restore public trust in the Uzbek sum. Third, banking services should be expanded to rural regions. While building branches in these areas may be expensive, an effective alternative is to develop and simplify mobile banking services so that even older citizens can easily use them. Raising the population's financial literacy would also contribute positively to the sector. Fourth, banks must thoroughly assess clients' creditworthiness before issuing loans to reduce the risk of non-performing loans. Lastly, banks must operate with complete transparency and prepare reports in accordance with international standards — this will significantly improve investor trust and help raise the reputation of Uzbekistan's banking sector in the long run.

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