

IMPROVING THE SOCIO-ECONOMIC BENEFITS OF THE BANKING SYSTEM OF UZBEKISTAN



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Abstract: *The article aims to study the role and importance of the banking system of Uzbekistan in ensuring the interests of the state and the population. Banks play an important role in financing the country's economy, developing the investment climate, creating jobs, supporting entrepreneurship, and improving the living standards of the population. Also, reforms implemented through banks serve to effectively implement the state's macroeconomic policy. The main focus of the topic is on increasing the efficiency of banking services, making them accessible to a wide range of people, introducing digital technologies, and improving financial literacy. The more correctly and purposefully the activities of banks are organized, the stronger the socio-economic stability in the country will be.*

Key words: *Financial reforms, economic development, small and medium-sized businesses, consumer loans, mortgage policy, government programs, digital banking services, entrepreneurship support.*

1.INTRODUCTION.

In today's complex global economic environment, having a stable financial system is of strategic importance for every country. In particular, the banking system - as one of the country's economic "blood vessels" - serves as an important tool in developing the national economy, improving the investment climate and ensuring the well-being of the population.

The reforms implemented in Uzbekistan in recent years, supporting the private sector, encouraging entrepreneurship and liberalizing the activities of banks, are creating broad opportunities in all areas of the economy. The financial support mechanisms implemented through the banking system are aimed not only at financing infrastructure projects at the state

level, but also at creating favorable conditions for the population. At the same time, the expansion of digital banking services, consumer and mortgage loans, savings and investment instruments in the country serves to increase the financial activity of the population. This increases the volume of "working capital" in the economy, strengthens competition in the domestic market and strengthens confidence in the national currency.

This article analyzes the economic, social, and innovative benefits of the Uzbek banking system to the state and the population. It also presents proposals and conclusions on how to organize banking activities more effectively, improve the quality of services, strengthen the financial literacy of the population, and ensure financial equality for all segments of society.

2. LITERATURE REVIEW.

Scientific and practical literature on the banking system and its benefits to the state and the population has been widely published in recent years, both in Uzbekistan and internationally. The main literature on this topic is divided into three areas:

1. The scientific and theoretical foundations of the banking system, financial instruments, credit policy and macroeconomic development relations are widely covered in the works of doctors of economic sciences and specialists. In particular: I.A. Karimov's [1] speeches and reports on economic reforms emphasized the development of the banking system and its importance; such scientists as M.M. Mirakimov, Kh.Kh. Khaidarov, Sh.Kh. Toshpulatov [2,4] wrote scientific works on the banking system and financial markets; Textbooks on economics and finance ("Finance", "Banking", "Macroeconomics", "Investments") also form the main theoretical basis on this topic.

2. Resolutions and decrees of the President of the Republic of Uzbekistan: Documents adopted on reforms in the banking sector, digital banking, lending to the population, and mortgage programs are an important source. For example: "Strategy for the Development of the Banking System until 2030" (2020) [5]; Resolutions "On Measures to Expand Financing of the Population and Entrepreneurship"; Reports and analytical data of the Central Bank: the state and development directions of the banking system in the country are studied through annual economic analyses and financial stability reports; Higher educational institutions and scientific journals: Analytical articles are published in publications such as "Economic Development", "Finance and Banking", "Economy and Education", "Banking Journal".

3. There are reports and recommendations prepared by the World Bank, the International Monetary Fund (IMF), the EBRD, and the Asian Development Bank (ADB) on the banking sector of Uzbekistan. Documents such as the World Bank – Financial Inclusion Reports and IMF Country Reports analyze the state of financial inclusion, credit policy, and banking reforms in Uzbekistan.

To study the topic in depth, it is important to combine scientific, theoretical, and practical sources. Each literature covers different approaches - legal, economic, financial, and technological. This allows for a comprehensive analysis of the issue.

3.RESEARCH METHODOLOGY.

The methodology of this article is based on the analysis, assessment of the benefits of the banking system of Uzbekistan to the state and the population, and the development of practical proposals aimed at increasing its efficiency. The following scientific methods were used in the study:

- Historical analysis method. The processes of formation and development of the banking system in Uzbekistan, stages associated with economic reforms were studied. From a historical point of view, the impact of the activities of banks on the interests of the state and the population was analyzed;
- Economic and statistical analysis method. Based on official data from the Central Bank of the Republic of Uzbekistan, the State Statistics Committee, the World Bank and other organizations, indicators of the banking system (assets, loans, population deposits, digital services, etc.) were analyzed. This method studied the dynamics of financial services provided to the population and the state;
- Comparative analysis method. The experience of other developing countries (Kazakhstan, Georgia, Turkey, etc.) was studied for comparison with the banking system of Uzbekistan. In this way, international models and practices for increasing the efficiency of banking activities were analyzed;
- Sectoral analysis and systematic approach. Analyses were carried out on types of banking services (social loans, mortgages, small business loans, digital services). The impact of each type of service on the standard of living of the population and the economy was analyzed. The activities of banks were considered in connection with state policy and social development;

- Normative and legal analysis method. Laws, decrees, resolutions and strategic documents related to the banking system (the Strategy for the Development of the Banking System until 2030, financial inclusion programs, etc.) were analyzed;

- Development of practical recommendations. Based on the results of the analysis, practical proposals and recommendations were developed to further effectively organize the activities of the banking system and increase the benefits it brings to the population and the state.

This methodology ensures the scientific level of the article, allows for comprehensive coverage of the problem and drawing sound conclusions. This approach identifies targeted directions for in-depth analysis of the activities of the banking system and increasing its benefits for the state and the population.

4.ANALYSIS AND RESULTS.

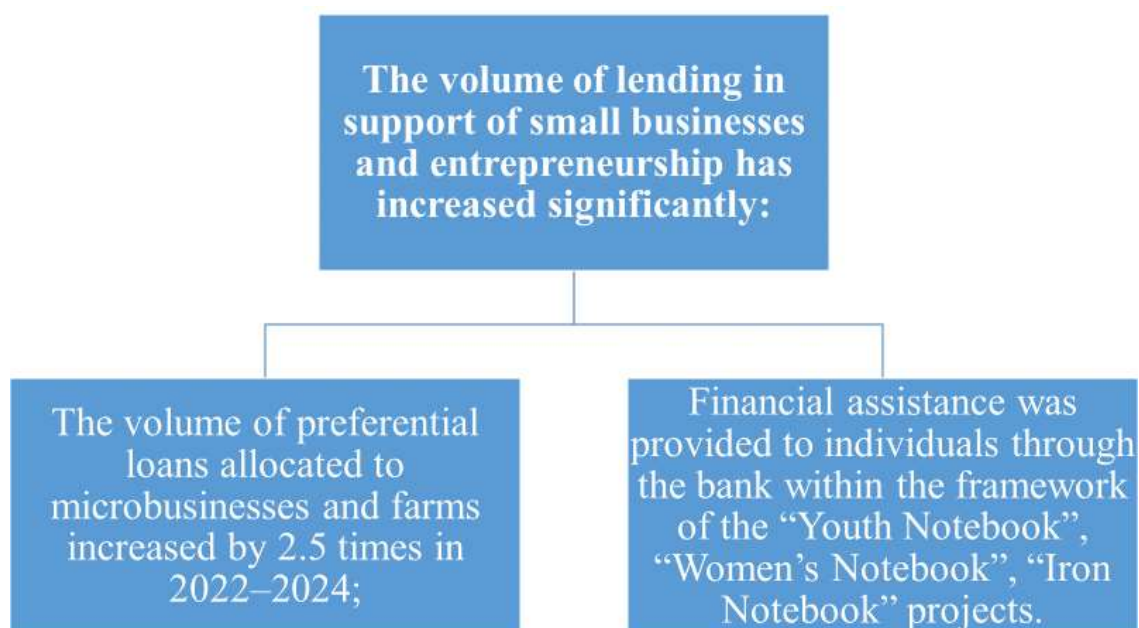
The role of the banking system in the economy, in recent years, the banking system in Uzbekistan has been gradually modernized. During 2020–2024, the total volume of banking assets in the country increased by almost 3 times. In particular:

- The assets of commercial banks amounted to 295 trillion soums in 2020, and by 2024 this figure exceeded 650 trillion soums;

- The volume of population deposits also increased by 2.5 times, which indicates that the population's confidence in the banking system is growing.

Banking services for the population are being radically updated:

- Consumer loans, car loans and mortgage opportunities have expanded;
- The level of access to banks for the population has become much easier through the provision of services through "BankID", "MyID", "online loans", mobile applications;
- In 2023, 70% of the population used digital banking services.



The image presents an infographic highlighting the growth of lending in support of small businesses and entrepreneurship in Uzbekistan. At the top, it states that the overall volume of lending has significantly increased. This central idea branches into two key developments. On the left, it emphasizes that preferential loans allocated to microbusinesses and farms rose by 2.5 times between 2022 and 2024. On the right, it notes that banks provided financial assistance to individuals under several social projects, including the “Youth Notebook,” “Women’s Notebook,” and “Iron Notebook.” Together, these measures reflect strong financial support for entrepreneurship and social welfare.

Revenues and taxes to the state budget are expanding through the banking system. Banks:

- Participate in financing state infrastructure (including mortgages and construction projects);
- Contribute to the diversification of the economy (through industry, agriculture and the service sector).

Results

- 1. The banking system of Uzbekistan is gaining strategic importance in ensuring the economy and the well-being of the population.
- 2. In recent years, digital banking services have expanded and the quality of services to the population has improved.
- 3. Loans allocated to business entities, especially preferential and guaranteed financing projects, are having a positive effect.
- 4. Nevertheless, gaps in financial literacy, lack of local banking infrastructure and access to credit remain.

The image presents the “Results” of an analysis of the banking system of Uzbekistan. It highlights four key findings. First, the banking system is becoming strategically important in supporting the national economy and improving citizens’ well-being. Second, digital banking services have grown significantly in recent years, leading to better service quality for the population. Third, loans directed to business entities, particularly preferential and guaranteed financing projects, have had a positive economic impact. Finally, the slide notes existing challenges, including gaps in financial literacy, insufficient local banking infrastructure, and limited access to credit, which continue to hinder broader financial development.

5.CONCLUSIONS AND SUGGESTIONS.

In recent years, the banking system in Uzbekistan has emerged as an important strategic mechanism for financing the economy, improving the quality of services to the population, and supporting entrepreneurship. The activities of banks serve to ensure financial balance between the state and the population, effectively allocate resources, expand financial inclusion, and strengthen economic stability.

At the same time, problems such as the low level of financial literacy, the lack of banking infrastructure in some regions, and the instability of credit policy remain relevant.

In order to further increase the benefits of the banking system for the state and the population, the following practical proposals are put forward:

1. Increasing financial literacy. Introducing financial education in schools and higher educational institutions; Explaining banking services to the population in simple language through the media and digital platforms.

2. Expanding banking infrastructure in rural areas. Establishing new branches, mini-banks, and mobile banking services; Increasing the number of POS terminals and ATMs.

3. Further development of digital banking. Introduction of a single electronic identification (E-ID) system in all banks; Simplification of online lending, deposit opening and payment services.

4. Expansion of preferential credit programs. Creation of special financial products for youth, women, small business entities; Development of guaranteed state-bank programs for citizens who do not have start-up capital.

5. Strengthening cooperation between state and private banks. Coordination of the participation of state and private banks in financing socially significant projects; Expansion of credit guarantee and subsidy mechanisms based on public-private partnership.

The banking system should be considered not only as a financial institution, but also as a strategic structure connecting society and the state. Providing convenient, simple and transparent banking services to the population will increase financial inclusion, activate the economy, and stabilize the state budget. Therefore, it is very important to consistently continue reforms in this direction.

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