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PROSPECTIVE BANKING REFORMS ARE THE SOLUTION FOR THE ECONOMIC GROWTH IN EMERGING ECONOMIES LIKE UZBEKISTAN

Abstract: Today the banking system is one of the fastest growing segments of the world economy. World financial markets which responsible for the total amount of the bank facilities are also developed under international banking reforms. International capital movement in types of money, security, cash, technology even by the help of the banking sector. For the fulfillment of the sustainable economic growth each country are mainly settlement cooperation with World Bank, IMF, EBRD, ABRD and etc. based on total banking reforms. In our country this reforms and prospective changes evidenced by the growth rates of key performance indicators such as assets, capital, credit investments and volumes of investment operations. When main macroeconomic indicators are stable FDI increase due to investment climate or attractiveness for the foreign investors of Uzbekistan.

Key words: Bank, reforms, integration, investment climate, macroeconomic stability, cooperation.

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INTRODUCTION

Particular attention is paid to the strengthening and qualitative improvement of the banking and financial system, as well as the representation of commercial banks as a driving force of the economy and their turning into large investment institutions. The financial and economic stability of the country depends largely on the effective functioning of the banking and financial system. On behalf of the Bank Association and the banking community, let me sincerely congratulate you on the beginning of the conference on the issues of sustainable development of the banking and financial sector and the further deepening of the ongoing reforms in that country.

Consistent and targeted reforms in the banking system of Uzbekistan not only provide reliable protection from negative impacts and consequences of the global financial crisis, but also achieve significant and qualitative changes in the activities of banks, expand the volume of lending to the real sector of the economy, and facilitate banking and financial services. The stable and reliable functioning of the banking system of the country, its growing influence on the global financial market, as well as our bold steps towards modernization of the country are

recognized by the world community as well as a number of authoritative international financial institutions.

METHODS

In this research paper work it is used qualitative described method with secondary date from various sources like, central bank, banking association, Uzbekistan information agency, and ministry of foreign affairs.

URGENCY

Relevance of the current research paper work is identifying banking reforms in Uzbekistan. Discuss obtain data with the prospective partnership and cooperation with world class institutions. The next idea of the paper is find out innovation ways of development and provide transparency economic policy for investors and attract foreign direct investors into the country.

RESULTS

It should be noted that the increase of the capitalization level of large banks in the Republic of Uzbekistan is largely due to the practice of many foreign countries, not primarily to the maintenance of

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liquidity of banks, but also to reinvestment and expansion of investment activity of banks, the priority directions of structural transformations in the

economy, increasing the volume of crediting, modernization, technical and technological renewal.

Table 1. Uzbekistan macroeconomic indicators in views of World Rankings

Markets	Last	Reference	Previous	Range	Frequency	
Currency	8453	May/19	8453	1455 : 8453	Daily	
Overview	Last	Reference	Previous	Range	Frequency	
GDP Annual Growth Rate (%)	5.3	Mar/19	5.1	3.6 : 9.8	Quarterly	
Unemployment Rate (%)	6.9	Dec/18	7.2	6.3 : 8.3	Yearly	
Inflation Rate (%)	14.3	Dec/18	14.4	2.4 : 14.4	Yearly	
Interest Rate (%)	16	Apr/19	16	9 : 300	Daily	
Balance of Trade (USD Million)	-3200	Dec/18	-2102	-3200 : 2016	Quarterly	
Current Account (USD Million)	-3231	Dec/18	1429	-3231 : 2621	Yearly	
Current Account to GDP (%)	-7	Dec/18	2.8	-7.98 : 9.18	Yearly	
Government Debt to GDP (%)	23.6	Dec/18	24.1	9.21 : 59.38	Yearly	
Government Budget (% of GDP)	0.5	Dec/18	0.7	-2.9 : 2	Yearly	
Corporate Tax Rate (%)	7.5	Dec/18	7.5	7.5 : 20	Yearly	
Personal Income Tax Rate (%)	23	Dec/18	23	22 : 29	Yearly	

Source: trading economics official data

Economic Indicators for Uzbekistan including actual values, historical data charts, an economic calendar, time-series statistics, business news, long term forecasts and short-term predictions for Uzbekistan economy which indicated in table 1 [1].

The trend towards a decline in lending to the real sector in many developed and emerging economies is increasing year by year, and the volume of loans issued by commercial banks to the real sector of the economy grows year to year.

DISCUSSION

1.1. In views of Global Risk Assessment Companies

It is noteworthy that over the years, the international rating agency Moody's has been awarded

the "Stable" rating only among the CIS countries by the banking system of Uzbekistan. This, in turn, is closely linked to the assessment of our entire economy. The positive rating given by international rating agencies such as Moody's, Fitch Ratings, and Standard & Poor's, as of the end of 2011, was 13 of Uzbekistan's commercial banks, all commercially active banks have a positive rating.

Table 2. Global Ranking Companies about Uzbekistan

Agency	Rating	Outlook	Date
Moody's	B1	stable	Feb 13 2019
S&P	BB-	stable	Dec 21 2018
Fitch	BB-	stable	Dec 21 2018

Source: trading economics official data

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Standard & Poor's credit rating for Uzbekistan stands at BB- with stable outlook. Moody's credit rating for Uzbekistan was last set at B1 with stable outlook. Fitch's credit rating for Uzbekistan was last reported at BB- with stable outlook. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Uzbekistan thus having a big impact on the country's borrowing costs. This page includes the government debt credit rating for Uzbekistan as reported by major credit rating agencies [2].

1.2. World class cooperation

It should be noted that, according to the financial stability and the national banking system development indicators developed on the basis of international requirements, the value of the banking system's performance and development is "high". At the same time, according to recent research by the International Monetary Fund, Uzbekistan is the leader among CIS countries in the number of commercial banks, which corresponds to 100 thousand adults. In 2013, the network of branches of commercial banks expanded further, and as of January 1, 2014 their number

reached 837. One more example of success achieved in reforming and liberalizing the banking system was the World Bank's and International Finance Corporation's (IFC) Annual Performance Report 2014. The relay has risen to 24 positions.

1.3. Projects

In particular, over the past five years, more than 900 new housing units have been built in 159 rural districts of the country on standard designs, and more than 33,500 individual homes with a total area of 4 million 500 thousand square meters have been commissioned.

1.4. Current Reforms

Modern banking system development and the reforms being implemented in this direction. In 2014, the main focus of the reform of the banking system and further improvement of sustainability was the adoption of the Resolution of the President of the Republic of Uzbekistan dated November 26, 2010 № PP-1438, "Reforming and increasing the stability of the financial and banking system of the republic in 2011-2015.

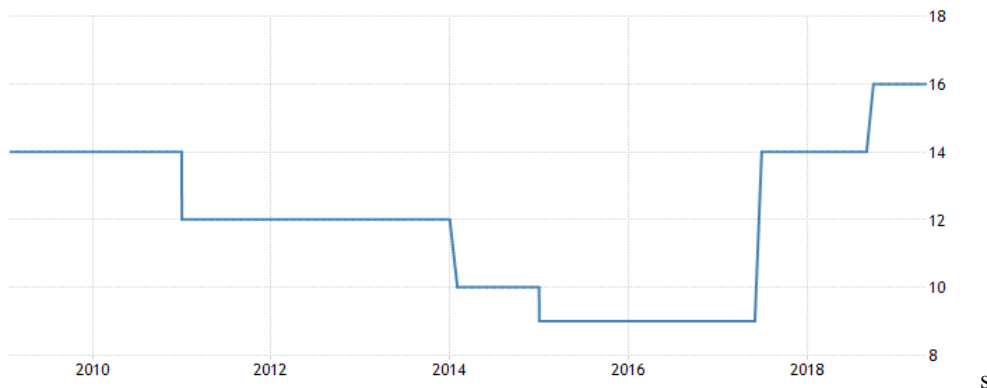


Figure 1. Benchmark interest rate in Uzbekistan (2010-2018) [3]

The benchmark interest rate in Uzbekistan was last recorded at 16 percent. Interest Rate in Uzbekistan averaged 32.15 percent from 1994 until 2019, reaching an all-time high of 300 percent in March of 1995 and a record low of 9 percent in January of 2015 as fig 1.

Implementation of the measures outlined in the "Comprehensive measures on priority directions of achieving international rating indicators". It is specifically:

1. Further improvement of the system of regulation and supervision of commercial banks activity based on new recommendations of the Basel Committee on Banking Supervision, introduction of norms, criteria and standards used in international practice in the assessment of banks activity;

2. Further increase of level of capitalization of commercial banks, strengthening and diversification of the resource base, further intensification of

attraction of free money resources of population and business entities to long-term deposits;

3. Increasing the investment activity of commercial banks, increasing the volumes of crediting of projects for modernization and technical and technological re-equipment of production;

4. Expansion and improvement of the quality of services rendered by banks, increasing the number of online service providers online;

5. Improvement of the quality of assets and credit investments of banks, further development of the Bank's risk assessment system;

6. Further improvement of the convenience and efficiency of the use of plastic cards, issued by commercial banks, in particular, the further development of the payment system through the Internet;

7. Carrying out appropriate work on training and retraining of personnel with modern knowledge and skills in the field of banking management;

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8. Implementation of measures aimed at further improving the business environment in the banking and finance sphere;

9. Further improvement of the regulatory framework of the Bank and ensuring its compliance with international requirements and principles;

10. The financial and banking system of the Republic will be aimed at continuation of the ongoing measures to perfect the accounting and financial reporting system in accordance with the International Financial Reporting Standards (IFRS).



Figure 2. Spot exchange rate of Uzbekistan

The USD UZS spot exchange rate specifies how much one currency, the USD, is currently worth in terms of the other, the UZS. While the USD UZS spot exchange rate is quoted and exchanged in the same day, the USD UZS forward rate is quoted today but for delivery and payment on a specific future date. This page provides - Uzbekistani Soum - actual values, historical data, forecast, chart, statistics, economic calendar and news. Uzbekistani Soum - actual data, historical chart and calendar of releases - was last updated on May of 2019 [4].

As for the potential of the securities market in our country in order to further expand investment activities of commercial banks, modernize production, as well as attract domestic and foreign investments into the country's economy:

- To take appropriate measures to further increase the volume of the total capital of commercial banks and fulfill the set parameters;

- Introduction of clear mechanisms of deep analysis of the bank risk assessment and management in order to ensure the growth of commercial banks' assets, including the further growth and quality of credit portfolios;

- Implementation of effective measures to improve the quality of investment projects' expertise in banks, including the transparency of the expertise process, and to take into account all the potential factors and risks.

- Further introduction of new types of bank deposits, deposit certificates and corporate bonds to increase the long-term bank's resources, and further

improving the existing types of loans on terms, amounts, types of currency and payment;

- Improving the legal framework regulating asset securitization, enhancing prudential supervision over this activity in order to prevent the emergence of "financial bubbles", increasing the transparency of securitized assets and paying attention to their level of security;

- Complex implementation of international standards in the practice of commercial banks and other issuers of emerging stock markets with a view to increasing the level of information transparency for potential investors;

- Activation of secondary market of commercial banks' securities, expansion of subordinated debt volumes;

- Further intensification of participation of banks in establishment of emission and underwriting syndicates, rating and collective agencies, joint investment institutions with the purpose of development of investment and financial infrastructure of emerging securities markets;

- Expanding the list of securities, the subject of mortgage, and regular announcement of the list;

- Organization of the procedure of non-withdrawn certificate of deposit certificates, strengthening of its legal bases; [5]

1.5. Application of the new standards

In accordance with the changes, which include information on innovative approaches to banking activities, development of retail business and implementation of corporate governance in banks,

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development of electronic commerce in banking services? The publication also includes introduction of Basel III standards in the banking system. Reforms reflect new and ample information reflecting the evolutionary stages of evolving the banking and financial system during the course of the developments in Uzbekistan and the global economy from 1991 to 2016.

At the same time, reforms in the banking system, the banking system's functions and the principles of its formation are considered on the example of the Central Bank of the Republic of Uzbekistan as one of the most important institutions involved in the management of the bank. The successful implementation of the Anti-crisis program, initiated by the First President of the Republic of Uzbekistan Islam Karimov, serves as an important factor in the socio-economic development of the country.

1.6. Modern Banking in higher education system

Modern day's wide range of professional banking finance education systems has been implemented in Uzbekistan. The main focus of this issue is focused on the evolution of banking, finance and credit relations, interaction between commercial banks and subjects of small business and private entrepreneurship, modern methods and means of bank service. Major approaches also addresses the issues of forming and improving the legislative framework regulating the activities of banks. [6]

1.7. Banking and Finance Academy of Uzbekistan as a locomotive

At the Banking and Finance Academy of Uzbekistan a scientific-practical seminar with the participation of representatives of the Ministry of Finance, the State Tax Committee, the Central Bank, the Tashkent State Economic University, the Institute of Finance, the Tax Academy, professors and lecturers, researchers and listeners held. It was attended by President of the Republic of Uzbekistan Shavkat Mirziyoyev at the enlarged session of the Cabinet of Ministers dedicated to the main results of socioeconomic development of the country in 2016 and the most important priorities of the economic program for 2017.

The Strategy of Action on five priority directions of development of the Republic of Uzbekistan for 2017-2021, proposed by the head of our state Shavkat Mirziyoev, is to further improve the effectiveness of the ongoing reforms in the country, to bring the state and society to a new level, in order to liberalize their spheres. Presentations on further improvement of monetary policy, reduction of tax burden and simplification of taxation system, introduction of new types of insurance services, attraction of foreign investments and loans and their efficient use were held [7].

1.8. Economic stability during Global financial crisis

One of the negative impacts of the global financial and economic crisis has been demonstrated by the decline in the solvency of banks and financial institutions. - In the world's leading stock markets, large indices of companies and market value of shares have fallen dramatically, resulting in unemployment and social uncertainty associated with sharp decline in production and economic growth in many countries due to these factors.

In this complex situation, additional funds were channeled to the capital of the country's major commercial banks, based on the anti-crisis program developed by the President and requirements of the Decrees and resolutions adopted in the country. It is noteworthy that in the USA, Europe and CIS countries, the capital of commercial banks is directed to liquidity and purchase of problematic bank assets.

This mechanism, which has no analogues in the world practice, provides additional investments by banks for restoration of bankrupt enterprises, modernization, technical and technological renewal of production, financial rehabilitation of enterprises, and establishment of new types of products and implementing modern methods of management, restoring jobs and creating new ones.

Presidential Decree "On Measures to Increase the Financial Stability of Enterprises of the Real Sector of the Economy" of November 18, 2008 serves as a guideline in this regard. In particular, according to this document, 173 inefficient enterprises have been transferred to the balance of commercial banks since 2009. Thanks to the bank-directed investments, 120 of them were fully recovered and sold to new owners. In sphere loans for financial support of the real sector of the economy have increased 44 times over the past 13 years, and as of July 1, 2014.

4.9. The benefits for the society

Today, 26 commercial banks in Uzbekistan, 843 branches in Uzbekistan, more than 4,200 mini-banks and specialized cash desks provide high-quality banking services to individuals and legal entities. Banks' service indicators show that the banking services utilization rate is 49.7 per 100,000 (adult) population, with a "high level" and Individuals - Accounts Indicators for 1,000 adults comprise 1028 units and have a "high" (more than 1000) ratings. According to the results of research by the International Monetary Fund, Uzbekistan is the leader among the CIS countries in the number of commercial banks with a population of 100,000. Funding of social issues such as social sector development, job creation and employment, housing construction and improvement of settlements, education and upbringing and healthcare system, highlighted the attention of banks operating in our country in the center. [8]

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4.10 Central bank reforms

By the decree signed by the President of the Republic of Uzbekistan Shavkat Mirziyoev, measures have been taken to radically improve the activities of the Central Bank. As part of the ongoing reforms, the priorities of the activity of the Central Bank were:

Firstly, it is planned to radically improve the monetary policy and its instruments by means of step-by-step implementation of the principles and mechanisms of inflation targeting in order to prevent unreasonable inflationary expectations.

Secondly, it is expected that monetary policy will be shaped on the basis of deep study of inflation factors and full formation of the balance of payments accounting and analysis system.

Thirdly, it is planned to improve the system of risk management and evaluation of commercial banks, which will identify the mechanisms of regulation and control of the banking system.

Fourthly, it is said that the development of the banking system, as well as commercial banks and business entities, will form mutually beneficial partnerships as an important component of sustainable economic growth in the long term.

Fifthly, there is a system of efficient information exchange of commercial banks with further development of the payment system, including remote banking services, which allow fast account management and banking operations in real-time mode.

Sixth, it is planned to implement a set of measures to strengthen the financial stability of non-banking credit organizations, as well as to strengthen control over their activities.

Seventh, the protection of the rights and legitimate interests of consumers of banking services, increasing the level of financial literacy and disclosure

of the population and entrepreneurship is a priority. [9]

According to the data, the internal conditions and effectiveness of the monetary policy in 2019-2021 will largely depend on the fiscal policy. In the future, the main directions of comprehensive reform in tax and budget spheres will cover:

- Improvement of the budget system;
- Indexing of wages and equivalent payments based on inflation level;
- improvement of tax administration;
- reducing the difference in tax burden on small and large enterprises;
- wider use of value added tax, tax cuts;
- Optimization of tax burden in the economy through consolidation of compulsory payments and abolishment of some.

CONCLUSION

Taking into account it should be noted that, by the intention of the Uzbek President to the development of the banking system and the creation of favorable macroeconomic conditions in the country, positive results have been achieved in the development and reform of the banking system. Society, investors and government are come into one platform to make business more visible and wide partnership among sectors. Banking reforms which support all changes in macroeconomic scale like money transfers, payments into account, state expenditures and procurements, foreign trade, bank reserves, stable security markets, integration with commercial banks in sectors of agriculture, manufacturing, tourism, education, retail, transportation, infrastructure, medicine and social sphere are directly targeted for the prospective life development of the Uzbek nation.

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