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STATE AND PROSPECTS OF INTERACTION OF THE BANKING SECTOR WITH THE REAL SECTOR OF THE ECONOMY OF UZBEKISTAN

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Abstract: The article explores the features of development and modern problems of interaction between the banking sector and the real sector of Uzbekistan. The current trends in lending to the real sector by commercial banks of Uzbekistan are considered and the necessary measures are identified for further development of the interaction of the banking sector with the real sector in modern conditions.

Keywords: banking sector, real sector, cash flows, corporate lending, banking reform, liberalization.

The traditional role of the banking system as one of the main and integral elements of the country's economy is to increase the overall efficiency of production, lending to the economy, redistributing capital, making payments and settlements of business entities. Another important component of the economy is the real sector, i.e. the sphere of material production, including industry, agriculture, transport, communications, etc. In any normally developing society, the real sector, as a rule, produces most of the GDP and determines the sustainable development of the economy as a whole.

The degree of development problems. Many scientists of Uzbekistan dealt with the problems of formation and development of the financial and real sectors of the economy: Sh. Abdullaeva, I. Almardonov, A. Baymuratov, I. Raxmanov, D. Tadjibaeva, J. Isakov, L. Zoirov, T. Karaliev and others.

At the same time, most of the studies contain either a general conceptual analysis of macroeconomic processes or their individual aspects: an analysis of sectoral problems in terms of management structures; analysis of lending problems; personnel management, etc. Thus, many theoretical and practical issues related to the study of the nature of interaction between the banking and real sectors of the economy and the development of a specific investment policy in Uzbekistan are not sufficiently covered.

This gives grounds to note the poor study and particular relevance of studying the problems of the relationship between the real and banking sectors of the national economy of Uzbekistan, searching for possible ways to improve the efficiency of their interaction.

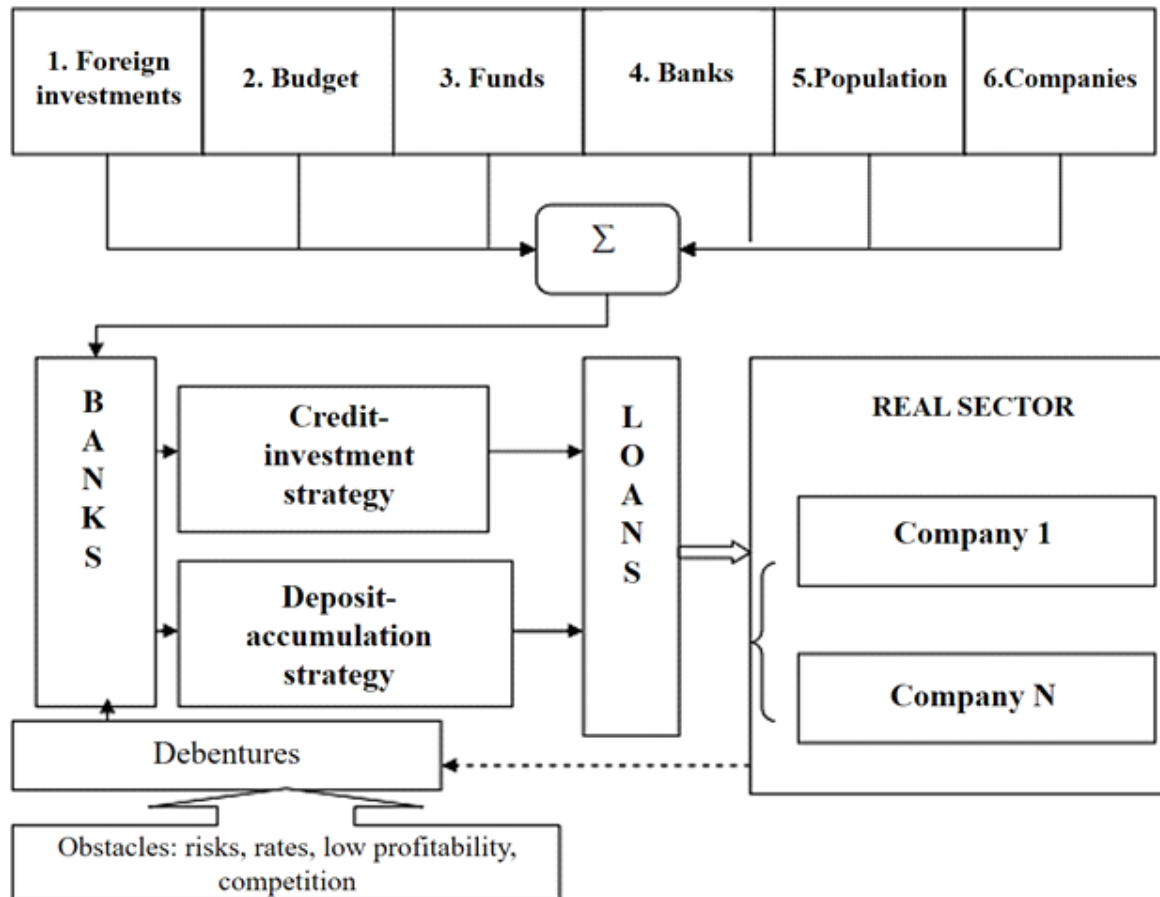


Figure 1. Interaction of economic agents when lending to enterprises by banks

In modern conditions, there is a need to give a new impulse to the interaction between the banking and real sectors of the economy, taking into account the assessment of the cumulative impact of endogenous and exogenous factors on deepening asymmetry in interaction and determining the directions of its transformation in order to achieve sustainable positive macroeconomic effects.

Figure 1 shows the existing interaction between enterprises and banks. Here, the directions of the arrows reflect the cash flows entering the bank, and the dashed lines indicate a relatively low degree of use of the potential capacity of the source.

The main feature of the financial flows presented in the figure is the presence of reasons for the gap between the banking and industrial sectors, which then impede lending to enterprises.

The main directions of monetary policy for 2021 and the period of 2022-2023 reflect a set of measures that will be implemented by the Central Bank in the coming years, including measures, principles and instruments that will need to be taken in the face of changing external and internal macroeconomic conditions.

When developing the main directions, first of all, emphasis was placed on the fulfillment of the tasks defined by the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" to ensure price stability and the Decree of the President of the Republic of Uzbekistan "On improving monetary policy with a phased transition to inflation targeting" to bring monetary policy in line with the standards of the inflation targeting regime, achieve an inflation target below 10% in 2021 and 5% target in 2023.

In 2021, inflation in Uzbekistan is planned to be kept within 9-10 percent, and GDP growth could reach up to 5.5 percent. Earlier, the State Statistics Committee of the Republic reported that inflation in the country at the end of 2020 decreased to 11.1 percent against 15.2 percent a year earlier, GDP growth amounted to 1.6 percent against 5.8 percent at the end of 2019.

Monetary policy measures were aimed at gradually increasing the efficiency and effectiveness of its instruments.

A high level of capitalization of commercial banks is considered one of the main criteria for the stability of the banking system and is the level of provision of banks with their own funds. The high level of capitalization of banks creates the necessary conditions for meeting the needs of the national economy in financial resources, as well as for the proper protection of household deposits and creditors' funds.

As a result of the measures taken to increase the capitalization of banks, the total capital of commercial banks during 2017 increased by 2.3 times, and as of January 1, 2018 amounted to 20.7 trillion. UZS, including the total amount of the authorized capital increased by 2.8 times and amounted to 16.3 trillion UZS.

In 2018-2020, the number of credit organizations increased to 55, including 4 commercial banks (Poytaxt Bank, Tenge Bank, TBC Bank, Anor Bank), microcredit organizations up to 33 and pawnshops up to 18.

As of January 1, 2021, the assets of commercial banks reached 366.1 trillion, an increase of 120% compared to 2017. During this period, the average annual real growth (excluding devaluation) amounted to 24.1%.

In accordance with the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan", the Law of the Republic of Uzbekistan "On banks and banking activities" and the Decree of the President of the Republic of Uzbekistan dated 10.24.2019. № DP-4498 "On additional measures to improve the procedure for lending to projects implemented within the framework of state programs for the development of family business" The Ministry of Justice registered (30.12.2019 for № 3022-3) Resolution of the Board of the Central Bank of the Republic of Uzbekistan on 21.12.2019. № 31/1 "On the introduction of amendments and additions to the Regulations on the procedure for allocating loans under the program" Every Family is an Entrepreneur".

The results of 2020 show that bank loans remain a catalyst for the country's economic development.

An analysis of the sources of financing loans to the economy shows an accelerated growth in the share of loans from non-residents with a simultaneous reduction in the share of deposits in the structure of total sources of financing. Thus, in 2020, funds from

non-residents account for 36% of all sources of funding, which is the largest figure over the past 7 years.

The real growth of loans averaged 38.6% per year. As of January 1st 2021, the total volume of loans issued to the economy amounted to 277 trillion UZS and increased by 150% compared to 2017.

The average annual real growth rate of deposits over this period amounted to 18.5%.

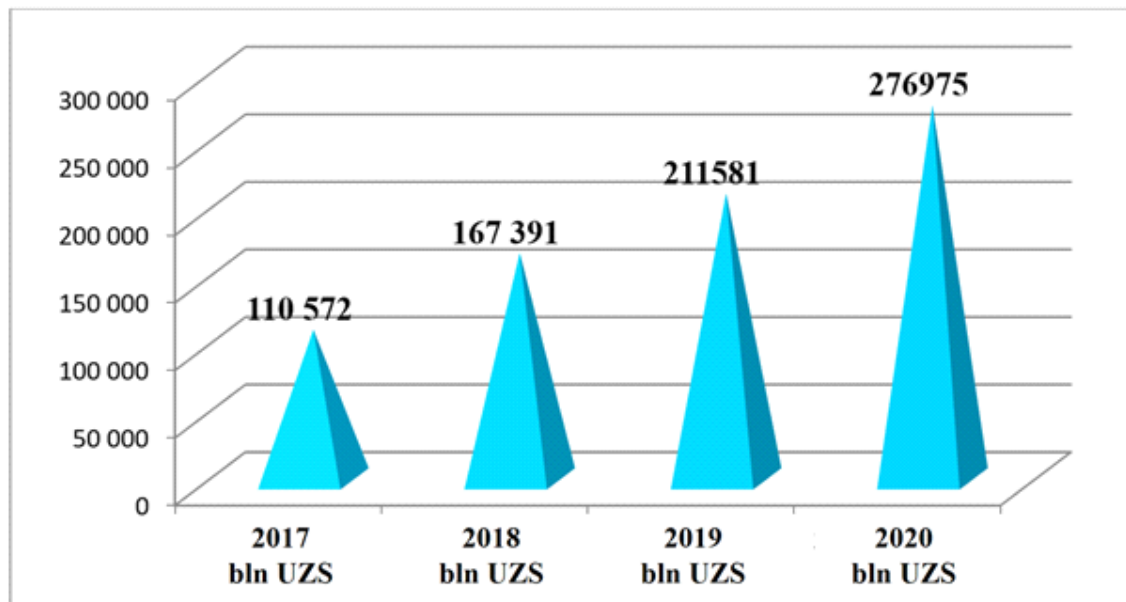


Figure 2. Loans directed to the real sector of the economy

As of January 1st 2021, the balance of loans to the economy amounted to 277 trillion. UZS, which is 30.9% more compared to 2019 and 150% compared to 2017.

Without revaluation of loans in foreign currency, the real growth of loans amounted to 24.9%. The share of foreign currency loans in the total loan portfolio decreased from 62.3% in 2020 to 49.9%.

The ongoing investment policy of the banking system has an effect in ensuring financial and economic stability by modernizing the technical and technological renewal of the economy, a sharp increase in its competitiveness, increasing its export potential, organizing new industries based on innovative and energy-saving technologies, and developing industries for the production of new types of products that are in demand on the world market.

In particular, for the modernization, technical and technological renewal of production, the organization of the production of competitive products based on modern technologies, commercial banks in the context of industries allocated 35.7% of loans to industry, and 18.9% of loans to individuals from commercial banks in 2020.

In the investment activities of banks, the main attention is paid to ensuring timely and full financing of projects included in the programs for the development of industries, localization and development of regions.

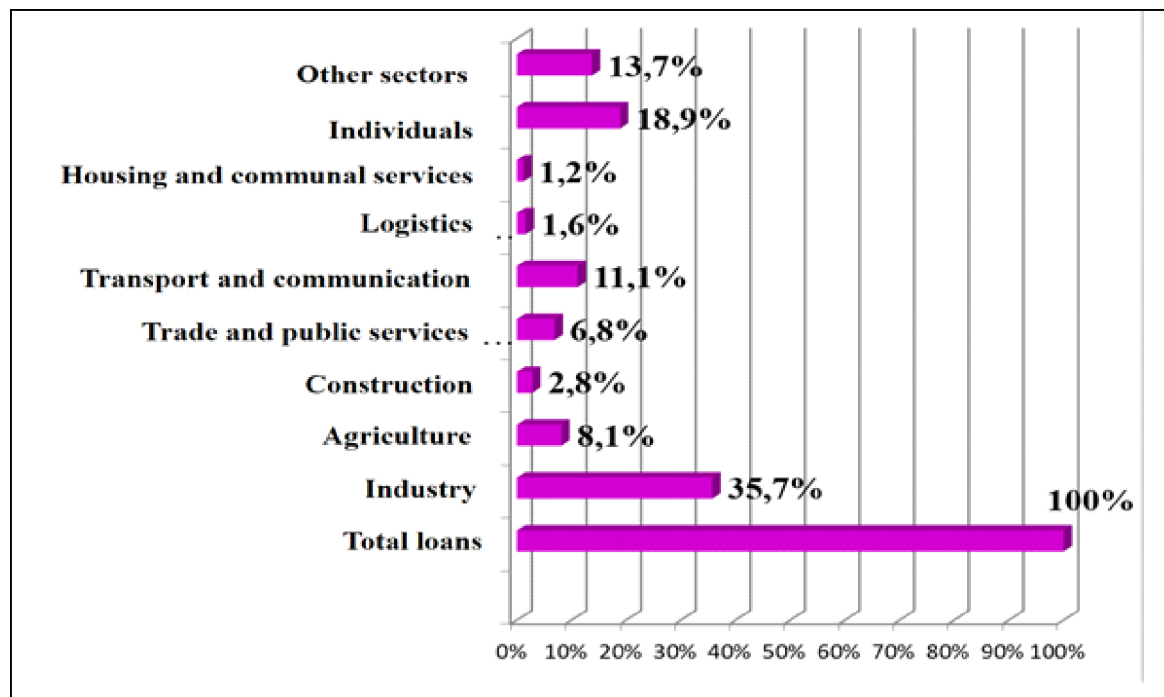


Figure 3. Information on commercial bank loans by industry for 2020

Purposefully studying the practice of interaction between the real and banking sectors of the economy of Uzbekistan and other countries, as well as the existing problems, it is advisable, from our point of view, to define and structure the latter as follows:

- problems and obstacles depending on the state of the banking sector, ie. internal problems of the banking sector:
 - at the level of the banking system;
 - at the level of an individual bank;
- problems and obstacles depending on the state of the real sector:
 - at the macro level;
 - at the level of an individual enterprise;
 - other objectively existing obstacles.

Thus, the improvement of the banking system should correspond to the tasks of implementing the structural policy of the state, since this is the only way to increase the role of the banking sector in the development of the economy, reducing the effect of problem nodes in the interaction of the banking and real sectors of the economy.

It should be noted that the reason and the main factor influencing the process of interaction between the banking and real sectors of the economy is the asymmetry of information.

The asymmetry of information lies in the fact that potential participants in the interaction have a large amount of information available, which is not possible to understand with a limited amount of funds and time, as well as the lack of competent

personnel, which can also threaten each of the participants with making the wrong decision and subsequent irrational behavior based on incomplete or inaccurate information.

In addition, given that the demand on the part of enterprises for long-term sources of investment financing in the current conditions of economic development has increased significantly (the need to modernize obsolete production facilities, their technical re-equipment, new construction of industrial facilities and infrastructure), then the need for banking sector entities to obtain data is increasing. of a strategic nature, on the basis of which it is possible to more accurately determine the future of both the subject and the industry or region in which it operates.

Thus, foreign experience shows that the subjects of the banking sector, on the basis of paid information from statistical, information, rating and consulting agencies, with a certain degree of accuracy, evaluate not only the individual solvency of the client, but also the state of affairs in the industry, affecting the prospective position of the latter.

Under these conditions, the urgency of forming an internal system of rating and information support based on the collection of information not only on the current state of the subjects of the banking and real sectors of the economy, the level of industry risks, but also on the ratio of supply and demand for banking resources at the micro, microand macro levels is increasing.

In general, it can be noted that, by examining theoretical and practical aspects, the following measures are recommended for further development of interaction between the banking sector and the real sector:

- in order to increase the degree of financial needs of the real sector of the economy with banking services, it is expedient to develop a methodology that allows assessing the financial needs of the real sector of the economy in settlements, financing and placement of temporarily free funds;

- and determining the qualitative parameters of financial resources that need to be additionally attracted to meet the needs of business entities in banking services, it is necessary to assess the sufficiency of the resource base of the banking system.

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