



The Formation of the Banking System in Our Country

Rashidova Dilfuza Elmuradovna¹, Akhmedov Ahmadjon Bakhidir o'g'li²

¹ Assistant of the Samarkand Institute of Economics and Service

² Student of Samarkand State University named after Sharof Rashidov

Abstract: This article presents the author's research, proposals and recommendations on the stages of formation and development of the banking system of Uzbekistan.

Key words: bank, central bank, commercial bank, banking services, credit, credit, cash, plastic cards.

It is more difficult to determine when and how the first banks appeared. The fact is that at present banks are universal financial organizations that carry out various operations depending on the nature of their activities. For example, foreign banks belonging to the first category provide their customers with more than 300 different services. Since all these transactions and services did not originate at the same time and in the same place, the definition of the "starting point" of banking requires careful research and the inclusion of certain ideas on their basis. You have some idea of the history of banks.

The most "old" bank operations are money deposit operations. It is known that even in the most ancient countries there were operations for accepting deposits. For the first time such work was done by wealthy people with a certain reputation and trust, as well as church institutions in European countries. For example, the famous Greek temples (such as Delphi, Ephesus) once served as special banking institutions. Over the years, since those ancient times, in some cases, interest has also been charged on invested money or property. An analysis of the existing literature on the origin of banks shows that the main or initial basis for the emergence of banks is, firstly, the preservation of money, and secondly, the possibility of exchanging money.

The need to exchange money arose separately. Europe is a prime example. In the Middle Ages, there was no single system of coins. Trade was conducted through the coins of different countries, cities and even individuals. All coins had different weights, shapes and denominations. Therefore, specialists who deal with coins and can carry out an exchange are located with their exchange offices in places where there is active trade. Therefore, the word "bank" comes from the Italian word "banco", which means a table in front of the money changer. Similar operations were carried out much earlier in Ancient Greece, Rome, in the East.

Those who were involved in the operations of storing and exchanging money understood that the accumulated wealth - money is inefficient, idle, and knew that if at least part of the cash was put into temporary use, significant profits could be made. Thus, loan (credit) transactions were given on the basis of collateral with conditions for repaying money for a certain period and paying interest. Houses, ships, valuables, livestock, and slaves were accepted as collateral.

Since the services of a bank, or rather a depository, can be used by several persons connected with each other by mutual settlements, there is gradually a need for operations to provide settlement services to customers. Initially, they were implemented as follows. Each contributor has his own score sheet in the form of a table with his name recorded by the contributor. The movement of money (incoming or outgoing) was reflected in this table. The entire operation was carried out on the

oral or written order of the depositor-banker. Appropriate changes have been made to the tables of persons participating in mutual settlements. These simplest services were the first forms of cashless payments.

All of the above operations initially existed separately, and later were merged within the boundaries of the same organizations that we used to call a bank. In Western Europe, the transition from ordinary exchange offices to banking houses took place in the 16th and 17th centuries.

Many economists tend to see the essence of banking in loan (credit) operations.

It should be borne in mind that each country has its own peculiarities of legal tariffs for banking activities. So, in 1979, a new banking law was adopted in England, which has centuries-old banking traditions. It pays special attention to the definition of the term "bank". British legislators simplified the definition of a bank, that is, they noted that a bank could mean any company recognized as a bank by the Bank of England. True, in turn, the Bank of England established criteria that have generally recognized banking characteristics from the point of view of world experience. In particular, they must prove that the company applying for the status of a bank accepts deposits, issues loans, carries out export-import financial transactions, currency exchange, provides investment services and provides financial advice.

For many years, the development of society, the growth and improvement of the relevant commodity-money relations led to an expansion in the volume of operations and services provided by banks, an increase in the demand for money from members of society. The volume of functions and operations performed between banks in order to coordinate the implementation of the interests of the state, individuals and legal entities, ensure economic growth and stability of the state while meeting the needs of the state and members of society, is distributed, i.e. banks were formed acting on behalf of the state, protecting the interests of the state, and banks working with individual members of society, or banks that combine both of the above areas (the latter include the State Bank of the former Soviet era).

Currently, the two-tier banking system is the most widespread system in the world and includes a state central bank and a network of commercial banks.

As the bank of banks, the Central Bank ensures the stability of banking and financial institutions. First of all, it should prevent the occurrence of financial confusion, when most financial institutions and banks are faced with financial problems, and banks are unable to meet their obligations to depositors. To resolve this issue, the Central Bank, first of all, performs regulatory and control functions in relation to the second level - the system of commercial banks. The duty of the central bank is not to interfere in the day-to-day activities of commercial banks. The Central Bank should monitor the regulatory management of commercial banks, ensure their solvency and liquidity, and protect the interests of depositors. All this is carried out with the help of a system of control norms and brought to the level of commercial banks.

The central bank exercises control over the money supply by pursuing monetary policy and must create conditions for inflation, low unemployment and economic growth. In this case, the Central Bank acts as an issuing bank, i.e. has the right to issue banknotes and withdraw them from circulation.

The Central Bank again provides the opportunity to conduct settlements between commercial banks.

The second level of the banking system is a network of independent commercial banks, which are the main link in servicing the national economy and the population. They carry out operations related to the implementation of various settlement and credit operations and the provision of services to legal entities and individuals on the basis of an agreement, as well as various other banking services.

The number of commercial banks may differ in each country. For example, in Sweden the State Bank controls about 40 commercial banks, while in the US there are about 13,000 commercial banks, and in Switzerland there is one financial institution for every 10,000 inhabitants. By the

beginning of 1995, there were 2,486 commercial banks licensed by the Central Bank of Russia to carry out banking operations in Russia.

Without focusing on the history of the development of the banking system, it is appropriate to focus on the banking system that has developed and improved after the Republic of Uzbekistan gained independence. The declaration of independence of our Republic on September 1, 1991 created the basis for the introduction into our Republic of the levers of a market economy recognized by countries all over the world. That is why it was necessary to create in our republic a modern banking system that meets the requirements of a market economy.

Prior to independence, Uzbekistan's banking institutions were part of the banking system of the former Soviet Union. At the same time, these banks could not operate outside the framework of the former union banking system. The banking system included 3 types of banks: the State Bank of the USSR, the Construction Bank of the USSR and the Bank for Foreign Trade of the USSR, the State Labor Savings Banks. In the banking system of the former Soviet Union, the State Bank occupied a monopoly position, and at the same time it was considered an issuing institution, a center for providing services for short-term lending and settlement operations for the population. The monopolization of issuing functions, as well as the functions of servicing clients on accounts and loans, turned the State Bank into a body of state administration and control.

During the period of administrative regulation, credit relations were superficial in the management of the economy. Both the management and control of credit resources and the movement of funds were under the monopoly influence of the state bank. This, in turn, led to the narrow development of the banking system of the former Union. Republican banks, operating on the basis of centralized banking management, managed the movement of funds in a narrow volume, but control over its management was in the hands of the State Bank of the former Union.

A number of shortcomings of the centralized banking system became apparent as soon as the first steps towards a market economy were abandoned.

The first stage of the reorganization process began with the creation of a new state bank structure. The restructuring model includes:

- Creation of a two-tier banking system: the Central Bank of Issue and specialized state banks that directly serve the population;
- transfer of specialized banks in full to self-financing and self-financing;
- improvement of credit relations, methods and forms with legal entities and individuals within the economic system, etc.

In the process of improving the banking system, the state bank, while maintaining its central position in the credit system, transferred the functions of issuing loans to enterprises and organizations and making settlements with them to specially specialized banks. That is, the function of the bank to carry out issuing activities along with lending activities will be terminated.

The State Bank became an institution managing the activities of specialized banks and pursuing a single monetary policy for all banks. As a result of the improvement of the banking system, special specialized banks were created: the Industrial Construction Bank, the Communal Bank for Construction and Social Development, the Agro-Industrial Bank, the Foreign Economic Activity Bank, the Savings Bank, and relations between banks and farms became closer, specialized state-owned banks retained a certain managerial level. In the process of improving the banking system, very important results were achieved, but the existing banks could not fully express the features of economic relations, so further improvement of the banking system became an objective necessity.

Since 1988, a two-tier banking system has been created. But during this period, the role of the Central Bank in central planning was still high, and almost all industries were under state control.

The real basis for creating a two-tier banking system in the Republic of Uzbekistan was created on February 15, 1991 on the basis of the Law "On Banks and Banking Activities". According to this law, state administration bodies should not interfere in the activities of the Central Bank of the

Republic. He reports only to the Supreme Assembly of the Republic. The implementation of this law began mainly after our Republic gained independence. Due to the fact that Uzbekistan has chosen a phased path of transition to a market economy, the main tasks in the field of monetary policy at the 1st stage are the following:

- creation of a two-tier banking system under the leadership of the Central Bank, including a wide range of independent commercial and private banks, creation of favorable conditions for opening branches and representative offices of large foreign banks in the territory of the republic;
- ensuring stable monetary circulation;
- sharp restriction of unreasonable growth of credit and cash supply;
- Creation of the necessary economic and organizational conditions and opportunities for the introduction of the national currency of the Republic of Uzbekistan, etc.

Thus, the first stage in the creation of an independent banking system in Uzbekistan includes the period from 1991 to 1994, when the base was created for the introduction of the national currency into circulation and the foundation was laid for a two-tier banking system. During this period, measures to create an independent banking system of our country were carried out on the basis of the Law of the Republic of Uzbekistan "On banks and banking activities", adopted on February 15, 1991. This law determined the legal basis for the formation of banking institutions that correspond to the tasks of the transition to market relations.

In accordance with this law, on the basis of the republican institution of the State Bank of the former USSR, the Central Bank of the Republic of Uzbekistan was established, which was entrusted with the tasks of regulating money circulation in the republic, creating a system of commercial banks and organizing a payment system. The functions of lending and investing in various sectors of the national economy were assigned to the newly created specialized commercial banks.

The second stage in the creation of an independent monetary and banking system includes 1994-1996, when the national currency was put into circulation and the legal foundations for a two-tier banking system were created. In 1994, the introduction of the national currency - the sum - into circulation was considered a clear stage in the formation of an independent monetary and banking system in our country, and at this stage the tasks facing banks were clarified. During this period, the Central Bank focused on ensuring macroeconomic stability, and on this basis, creating favorable conditions for economic growth, measures were identified to create a completely new payment system in the country.

Of great importance in the development of the activities of specialized commercial banks is the resolution of the Cabinet of Ministers "On measures to improve the banking system and stabilize foreign exchange relations" dated March 18, 1994. The main directions for improving the banking system through the application of the best practices of the Republican banking practice are determined. Since 1994, the process of developing a new accounting system and its application in banks has begun.

In 1996, in accordance with the Decree of the President of the Republic "On measures to develop the banking audit system", the process of introducing international accounting standards in the banking system was further improved, and among the most prestigious audit companies in the world, Arthur Andersen, Deloitte & Touche, Kay PMG (KRMG)", Ernest & Young, Coopers & Lybrand were invited to audit the activities of leading commercial banks. Another characteristic aspect of the development of the banking system is that in order to strengthen the legal foundations of the banking system and adapt it to the requirements of the time, a new draft law "On the Central Bank of the Republic of Uzbekistan" was adopted. and "On banks and banking activity".

The adoption of the laws "On the Central Bank of the Republic of Uzbekistan" dated December 21, 1995 and "On Banks and Banking Activities" dated April 25, 1996, which determine the legal norms of banking activities, made the banking system created a solid legal base in the field of approximation to world standards.

The third stage of the formation of the banking system includes 1997-2000, it provides for the privatization of banks and improving the quality of management in joint-stock commercial banks, as well as strengthening control over the activities of banks. This process is activated with the adoption of the Decree of the President of the Republic of Uzbekistan dated April 24, 1997 "On measures to stimulate the creation of private commercial banks." According to this Decree, a number of benefits are established for opening commercial banks with a share of individuals in the authorized capital of at least 50 percent. As a result, the number of private banks has increased dramatically in recent years, reaching 20, including those that were originally authorized to carry out banking operations. At present, almost half of the commercial banks operating in the country are private banks.

Along with attracting private capital to the banking system, measures were also taken to further strengthen the corporate governance system of banks. In particular, the adoption of the Decree of the President of the Republic of Uzbekistan "On measures to improve the activities of joint-stock commercial banks" dated October 2, 1998 was of particular importance. This decree defines a set of measures to enhance the role of shareholders and the board of the bank in the management of commercial banks.

As a result of the reforms carried out on the basis of this decree, a comprehensively strong banking system, modern banking control in accordance with international standards, and an effective mechanism for regulating the activities of banks have been created in our country.

Based on the Decree of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to reform the banking system" dated January 15, 1999, in the field of mobilizing the stability of the banking system, expanding the participation of banks in lending, the tasks of developing the economy and developing a competitive environment in the field of banking services were determined. In 1991-2000, the beginning of measures to liberalize and reform the banking system in order to bring the banking system closer to international standards marked the fourth stage in the development of the banking system. This stage is based on the Decree of the President of the Republic of Uzbekistan "On measures to further liberalize and reform the banking system" dated March 21, 2000 and "Additional measures to reform the banking system" of the Cabinet of Ministers, which began with the adoption of a decision on March 24, 2000.

Based on these documents, the following were identified as the main tasks of this stage:

- further liberalization and reform of the banking system, increasing the independence of commercial banks;
- stimulating the development of the banking system and its branches;
- attracting free funds to the bank and strengthening the protection of the interests of depositors;
- expanding the process of lending by banks to enterprises operating in a particular sector of the economy, in particular farms, farms, small and medium-sized businesses;
- transformation of banks into active participants in investment processes;
- formation of mutually beneficial partnerships between banks and clients;
- increase public confidence in the banking and financial system;
- Such tasks were set as expansion of cooperation with foreign banks and other financial institutions, liberalization and expansion of foreign exchange relations.

In short, the banking system of our country, which includes 37 commercial banks under the leadership of the Central Bank of the Republic of Uzbekistan, fulfills the above tasks and is an active participant in market reforms.

List of references

1. Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan". December 21, 1995;

2. Law of the Republic of Uzbekistan "On the protection of information in the automated banking system" dated April 4, 2006 O'RQ- No. 30;
3. Decree of the President of the Republic of Uzbekistan No. PF-5296 on measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan dated January 9, 2018;
4. Decree of the President of the Republic of Uzbekistan PQO-3620 on additional measures to increase the popularity of banking services dated March 23, 2018;
5. Regulation of the Central Bank of the Republic of Uzbekistan dated May 12, 2018 No. 3010 on approval of the regulation on the procedure for conducting operations through an electronic trading platform in the interbank money market;
6. Afonina S.V. Electronic version: - St. Petersburg: Peter, 2004 - 450 s;
7. Balabanov A.I., Borovkina V. Banks and banking: a textbook. 2nd ed. - St. Petersburg, Niter, 2007. - 448 p.;
8. Rudakova O.S. Banking electronic services. M.: University textbook, 2009.400s;
9. <http://www.cbu.uz> (Central Bank of the Republic of Uzbekistan);
10. <http://www.gov.uz> (state portal of the Republic of Uzbekistan);