
Transformation Process of Commercial Banks in Uzbekistan

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Annotation: This in the article in our country done being increased wide extensive commerce of banks transformation process and in it achievements , shortcomings problems about thought is conducted .

Key words: transformation, digitization, authorized capital, privatization, digital bank.

INTRODUCTION: In our country, investments are needed for the development of various branches of the economy, so commercial banks are financial institutions that collect these financial investments and direct them to various branches of the economy. Therefore, without a system of commercial banks, which are organized and have a high result of their activity, the economy will be somewhat limited in achieving high results and its activity. Therefore, the level of capital adequacy of commercial banks is very important. We must take into account that the capitalization of commercial banks requires the implementation of a transformation process in banks at a new stage of the economy.

LITERATURE ANALYSIS AND METHODOLOGY: As Chris Skinner says in his book *The Future of Banking: Banking is a digital marketplace based on¹ virtual financial relationships formalized through electronic transactions. Therefore, banking technology is not only an opener of new opportunities, but also an integral vital component of banking - it is both its strength and its weakness. The power lies in the ability of the financial sector to use, implement and support technology. The downside is the challenge of transitioning from legacy operations and infrastructures to fully e-business. Digitization opens up new opportunities for banks to put the customer at the center of the information development process. The emergence of digital banking channels such as telephone (t-banking), internet (e-banking) and mobile (m-banking) banking has changed the way customers receive services and challenged traditional banking methods. Governments and regulators have started banning the use of cash (the use of cash in payments can help spread the coronavirus), forcing people to switch to digital payment methods. Jabonun and Al- Tamami also pointed out that banks do not need to provide a large physical space for the mass customer because the customer can get the services they need through digital platforms².*

The transformation of commercial banks has risen to the level of the President of the Republic of Uzbekistan The Decree "On the Banking System Reform Strategy of the Republic of Uzbekistan" envisages the following tasks for the implementation of the banking system reform strategy of the Republic of Uzbekistan for 2020-2025:

without a state share in the total volume of assets of the banking system from the current 15 percent to 60 percent by 2025;

1. Skinner K. To Budushchee Bank / K. Skinner. Predislovie. - 2007.

² Jabnoun, N. Izmerenie vosprinimaemogo kachestva obslujivaniya v kommercheskikh bankakh OAE // Mejdunarodnyi zhurnal trgovli i menedzhmenta, Vol. 13 No. 2, p. 29-53.

- to increase the share of banks' liabilities to the private sector in the total amount of banks' liabilities from the current 28 percent to 70 percent by the end of 2025;
- By 2025, attracting at least three strategic foreign investors with the necessary experience, knowledge and reputation to the capital of at least three banks with a state share;
- to increase the share of non-bank credit organizations in the total lending volume from the current 0.35 percent to 4 percent by 2025³.

So, the main goal of the transformation process is privatization, reducing the state share in commercial banks, that is, development of competition between commercial banks.

Transformation in banks is an inevitable process in which financial services begin to adapt to new conditions and advantages in the society of the digital economy, according to which, through the introduction of digital technology in banks, the standard of living of people in society is improved, convenience is created, the quality of financial services is improved and the security of information is ensured is a tool that serves to provide⁴. Therefore, privatization of commercial banks while reducing the state share is very important in the modern economic process in our republic. The reason is to increase the competitive tolerance of commercial banks and to reduce the need for public resources of commercial banks.

RESULTS: Gradual privatization of state shares in "Ipoteka-bank" ATIB, "Uzsanoatkurilishbank" ADB, "Asaka" ADB, JSC "Aloqabank", "Kishloq Kurilish Bank" ADB and "Turonbank" ADB until 2025 in our country with the support of international financial institutions implied. At the same time, it is planned to preserve the state's share in the authorized capital of "National Bank of Foreign Economic Activity" JSC, "Agrobank" ADB and "Mikrokreditbank" ADB⁵. As an implementation of the above decree, on December 12, 2022, representatives of the OTP Bank of Hungary and the heads of the official organizations of Uzbekistan signed a sale and purchase agreement on the terms of privatization of "Ipoteka-bank"⁶.

In terms of assets, the market share of "Ipoteka-bank" is 8.5 percent, and the number of retail customers is more than 1.6 million. Also, the bank is the fifth largest bank in Uzbekistan with 39 branches operating as regional centers, 193 customer service points and important corporate clients.

"The entry of a large international bank like OTP Bank into the domestic market will help to strengthen competition, improve corporate governance standards and increase the quality of banking services," said Finance Minister Timur Ishmetov⁷.

In the process of ensuring the execution of the decree, it is envisaged not only to reduce the state share in commercial banks, but also to increase the assets of commercial banks that do not have a state share, and to attract foreign investors in commercial banks. Banks such as TBC Bank, Anor Bank (digital banks), Tenge Bank, and Ziraat Bank in our country are examples of this.

Bank, part of TBC Bank Group PLC of Georgia. It became known in January 2019 that TBC Bank of Georgia is planning to enter the financial market of Uzbekistan with its own digital bank. This year, the bank bought 51% of the shares of the Payme payment service for \$5.5 million. TBC Bank started its operations in Uzbekistan in October 2020 and became the number one bank in Uzbekistan. Another digital bank, Anorbank, was also established in the same year.

DISCUSSION: The implementation of the transformation process of commercial banks in Uzbekistan has created many conveniences. As a result:

³Decree of the President of the Republic of Uzbekistan, dated 12.05.2020 No. PF-5992.

⁴ Bekmurodov A. THE IMPACT OF TRANSFORMATION PROCESSES ON THE ACTIVITIES OF COMMERCIAL BANKS. An International Multidisciplinary Virtual Conference on Humanity and Science Congress Seoul, South Korea conferencepublication.com. October, 30th 2021.

⁵ www.gazeta.uz until 2025, the state share in a number of banks will be privatized. *Economy* May 13, 2020.

⁶ www.cbu.uz.

⁷www.cbu.uz.

Due to the liberalization of the foreign exchange market, cash problems were solved;

- this created conditions for the introduction of ATM infrastructure and modern payment systems;
- opportunities to use banking services for the population and business entities have expanded;
- the system of working with customers is changing, the types of modern banking services are increased and digitized;
- Banking service centers are being established in order to bring banks closer to the population and create convenience.
- Problems:
 - financial and human resources are used inefficiently as a result of the high level of state participation in the banking system, corporate management and risk management systems are not properly established in them;
 - performance of traditional "development banks" by banks with state participation, providing loans to priority programs, sectors and enterprises with state shares at rates lower than market rates;
 - the fact that lending is growing at a high rate, and as a result, it has a negative effect on the indicators of liquidity and capital adequacy, which represent the level of stability of banks;
 - incorrect formation of price signals in the financial market as a result of the high share of preferential loans, as well as the negative impact on the operation of transmission mechanisms of monetary policy;
 - weakness of the banking system's tolerance to currency, credit and liquidity risks as a result of the high level of dollarization, as well as the concentration (concentration) of loans and deposits in large enterprises and separate sectors of the economy;
 - the business models of state -owned banks are mainly focused on serving corporate clients, the role of non-bank financial organizations is weak, as well as the low level of financial popularity due to the lack of development of innovations and information systems, created the need to implement fundamental reforms in the system.

CONCLUSION: In conclusion, the transformation process of commercial banks and the transition to work in the digital banking system is a worthy response to the development of new information technologies and the global digitization race. If the above-mentioned problems are eliminated, we think that the banking system will develop further and make it possible for our country's economy and banking-financial system to rise to the level of world standards.

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