

## TYPES OF BANKING SYSTEM IN UZBEKISTAN

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**Annotation:** Nowadays it is worth noting the changes that have occurred under the influence of the pandemic in the banking sector of Uzbekistan. As in the rest of the world, the pandemic in Uzbekistan has stimulated the transformation of banks towards digitalization, the development of remote banking services, and the restructuring of customer service algorithms

**Key words:** commercial, annual, growth, devaluation, assets, digital, investment,

Over the past years, there has been a development dynamic of the sector. 55 new credit organizations have appeared, including 4 commercial banks (Poytakht Bank, Tenge Bank, TBC Bank, Anor Bank), 33 microcredit organizations and 18 pawnshops. The assets of commercial banks grew, which in 2020 increased by 120% compared to 2017. The average annual real growth of assets (excluding devaluation) was 24.1%.

The volume of lending also expanded. As of January 1, 2021, the total volume of loans increased by 150% compared to 2017. Real growth of loans averaged 38.6% per year. The volume of loans to individuals increased by 304%, the volume of loans to industry increased by 126% and the volume of loans in the trade and services sectors increased by 280%.

In November 2019, Uzpromstroybank was the first commercial bank to issue Eurobonds on the London Stock Exchange in the amount of 300 million Eurobonds. In October 2020, the National Bank for Foreign Economic Relations raised \$300 million from the London Stock Exchange. In November, Ipoteka Bank also issued \$300 million in Eurobonds.

As a result of the ongoing reforms, the growing investment attractiveness of the financial sector of Uzbekistan has attracted the interest of foreign investors. In 2018, a joint-stock company, managed by the Swiss company ResponsAbility Investments and specialising in development investments, bought out a 7.66% stake in Hamkorbank from IFC. In 2019, Halyk Bank of Kazakhstan established a subsidiary of Tenge Bank in Tashkent. TBC Bank (Georgia) opened its branch in Tashkent as the first digital bank in Uzbekistan. In 2020, Deutsche Investitions- und Entwicklungsgesellschaft mbH, DEG and Triodos Investment Management invested in the authorised capital of Ipak Yuli Bank through the purchase of new issued shares in the amount of \$25 million.

Although the positive trends in the banking sector of Uzbekistan have strengthened in recent years, however, the share of funds received from the government remains high in commercial banks with state assets.

The banking system of Uzbekistan is characterized by a high concentration: 84% of all bank assets still belong to banks with state shares, and 64% to 5 state-owned banks (National Bank, Asaka Bank, Promstroy Bank, Ipoteka Bank and Agrobank). The share of deposits of state-owned banks in loans is 32.9%. For comparison, in private banks this figure is about 96%. At the same time, deposits of individuals account for only 24% of total deposits in the banking system, which is 5% of GDP.

Therefore, the banking sector needs to deepen reforms by reducing public participation and strengthening the role of the private sector. In this regard, last year the President issued a decree on reforming the banking system of Uzbekistan, which provides for the privatisation of state-owned banks. The decree stipulates that by 2025 the share of non-state banks in the total assets of banks will increase from the current 15% to 60%, the share of banks' liabilities to the private sector from 28% to 70%, and the share of non-bank credit institutions in lending from 0.35% to 4%. In particular, Ipoteka Bank, Uzpromstroybank, Asakabank, Aloqabank, Qishloq Qurilish Bank and Turonbank will be privatised

The Project Bureau for the transformation and privatization of state-owned commercial banks has been established under the Ministry of Finance of the Republic of Uzbekistan. The organization has the right to engage international consultants and enter into agreements with international financial institutions and

potential foreign investors. To support the privatization of Ipoteka Bank, IFC has allocated a loan of \$35 million in 2020. The EBRD advises Uzpromstroybank on privatization, improvement of treasury operations, asset management. The bank has introduced underwriting, which allows to conduct credit operations without the participation of employees.

It is expected that the privatization of the banking sector in Uzbekistan in the coming years will increase its competitiveness and will actively contribute to attracting foreign investment in its development.

In conclusion, it is worth noting the changes that have occurred under the influence of the pandemic in the banking sector of Uzbekistan. As in the rest of the world, the pandemic in Uzbekistan has stimulated the transformation of banks towards digitalization, the development of remote banking services, and the restructuring of customer service algorithms. In particular, as of January 1, 2021, the number of users of remote services amounted to 14.5 million (among them 13.7 million are individuals, 822 thousand are business entities), which is 30% more than in the same period last year. The issuance of licenses by the central bank for digital banks and branches has also contributed to the further digitization of the financial and banking system

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