

WAYS TO STRENGTHEN THE BANKING SYSTEM AND IMPROVE MONETARY POLICY

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Abstract: *The economy of Uzbekistan is among the rapidly developing countries. In this process, the development of the banking system and the improvement of the monetary policy are among the important tasks. This article analyzes the ways of strengthening the banking system and improving the monetary policy in Uzbekistan. Also, the directions of the monetary policy aimed at controlling inflation, stabilizing the exchange rate, optimizing the interest rate policy and expanding the credit system will also be covered.*

Key words: *banking system, market mechanism, monetary policy, liberalization, exchange rate, inflation*

The new stage of economic reforms aimed at liberalizing the economy and increasing the role of market mechanisms, which began in 2017, determined the priorities for the development of the banking system and monetary policy in the medium term. One of the important decisions in this direction was the practical steps related to the gradual liberalization of the domestic currency market by introducing the principles of formation of market mechanisms of the national currency exchange rate.

At the same time, the successful implementation of the reforms regarding the liberalization of the foreign exchange market is closely related to the improvement of the monetary policy, the strengthening of the activities of commercial banks, and the effectiveness of the banking system development measures.

Based on this, shortly after the announcement of the decree of the President of the Republic of Uzbekistan "On the first measures to liberalize the currency market" "On development measures" was adopted and the Complex of measures on the development of monetary policy in 2017-2021 and gradual transition to the inflation targeting regime was approved. One of the next important steps in this regard was the adoption of the decree of the President of the Republic of Uzbekistan dated January 9, 2018 "On the

fundamental improvement of the activities of the Central Bank of the Republic of Uzbekistan". In this decree, the task of ensuring price stability is defined as the main goal of the Central Bank, and appropriate measures are provided to ensure the independence and institutional development of the Central Bank. It should be noted that the correct acceptance and support of the changes in the monetary and credit sphere by the population and business entities is of great importance in the new realities that are forming during the revision of the economic policy implementation approaches.

The banking system is the heart of any economy. A reliable and modern banking system is necessary to ensure stable economic growth in the country. The following ways are important for strengthening the banking system in Uzbekistan:

Banks should organize their activities on the basis of modern technologies. In particular, it is necessary to expand electronic banking services, improve customer service through digital banking and mobile applications. This, in turn, improves customer convenience and strengthens confidence in the banking system.

The capital base of Uzbek banks plays an important role in ensuring their stability and reliability. By expanding the capital base, banks will be able to finance large projects. Attracting foreign investments and expanding the opportunities of banks to enter international markets is also one of the ways to strengthen the capital base.

An effective control system is necessary for the stability of the banking system. The Central Bank should regularly monitor the activities of financial institutions and improve financial risk management systems. It is also necessary to establish effective risk management to minimize the risks in the credit policy of banks. Openness and transparency are important for the effective functioning of the banking system. This creates an environment of confidence for bank customers and investors. Privatization of state-owned banks and public disclosure of financial indicators is an important step towards increasing the transparency of the system.

By strengthening competition in the banking sector in Uzbekistan, the quality and volume of services can be increased. In particular, reducing the number of state-owned banks and increasing the share of the private sector will stimulate competition. The entry of foreign banks also creates the ground for the introduction of innovative services.

Monetary policy is the main tool for ensuring macroeconomic stability. Several measures can be taken to make this policy more effective in Uzbekistan:

Controlling inflation is one of the main goals of monetary policy. The Central Bank should strengthen monetary policy measures to keep inflation at a low level. Among other things, it is important to keep interest rates at an acceptable level and avoid excessive money emission.

The exchange rate has a direct impact on indicators of the economy related to foreign trade and investments. The Central Bank should continue the policy of currency exchange rate liberalization, but at the same time, it is necessary to strengthen the means of protection against speculative actions. A stable foreign exchange policy creates favorable conditions for foreign investors.

The level of interest rates in Uzbekistan directly affects the opportunities for entrepreneurs and residents to get loans. The central bank should adjust the interest rates within the framework of monetary policy to develop entrepreneurship and increase economic activity. Easing medium and long-term loans will help economic growth.

Bank loans are an important source of financing the economy. In order to expand the credit system in the country, it is necessary to reduce the cost of credit resources and direct them to more sectors. Increasing access to loans, especially for small and medium-sized businesses, can be the main driver of economic growth.

To conclude, Uzbekistan is becoming a socio-economically developing and competitive country in recent years. After all, it was justified by the leader of our country that without forming a competitive economy, deepening democratic reforms in our country and implementing the targeted tasks envisaged in the concept of civil society development, it is impossible to bring our economy to the level of developed democratic countries in the future. In Uzbekistan, the banking system and strengthening the monetary policy is important for the economic development of the country. Sustainable development in the banking system is ensured by digitalization, expansion of the capital base, strengthening of security measures and stimulation of competition. In monetary and credit policy, inflation control, exchange rate stabilization, and credit expansion are important directions.

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