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## Indicators of the Banking System and Prospects of Credit Processes in the Management of the Country's Credit Rating

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**Abstract:** Reforms in the formation of a stable and effective economy in our country are now demonstrating their results. In particular, significant progress has been made in the implementation of deep structural changes in the economy, strengthening the growth of incomes, efficient foreign trade and investment processes, stable development of the banking and financial system. At present, the socio-economic development of the world is drastically different from the previous stages in terms of probation. In this case, the main and important aspects are intensifying the integration and globalization of national economies. This article discusses the banking system infrastructure, in particular, the theoretical infrastructure of the bank infrastructure, its elements, its characteristics and procedures for establishing. There are also problems with the formation and development of the banking infrastructure in the country and provides practical proposals for their elimination.

**Keywords:** Rating, Credit Rating, Rating Concept, Commercial Bank, Banking Infrastructure, Credit Operations, Collateral Registry, Solvency, Credit Security.

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### INTRODUCTION

In recent years, Uzbekistan is improving its condition in the ranking and indexes of Uzbekistan. At present, the socio-economic development of the countries of the world differs sharply from the previous stages in terms of its meaning. The most important aspect of this is the growing integration and globalization of national economies. The formation and functioning of the banking system of the Republic of Uzbekistan, the rise of financial and credit institutions to the international level largely depends on the solution of problems of financial management of banks, i.e. integrated management of bank capital and funds, banking services in general. Increasing the level of capitalization and strengthening the financial stability of commercial banks is a necessary condition for ensuring the stability of the country's banking system. Regular and adequate study and analysis of the practice of ensuring the financial stability of commercial banks is extremely relevant. This is due to the fact that these analyzes will provide an opportunity to develop scientific innovations and practical proposals aimed at improving the financial stability of banks. The formation and operation of the banking system of the Republic of Uzbekistan, in many cases, depends on the complex management of banking services, which is, the bank's services, in general to the international financial management. Unfortunately, the banking system remains 10-15 years behind the use of digital technologies, the introduction of new banking products and software development. Since 2020, a large-scale transformation program has been implemented in each bank. In this regard, it was special attention to the implementation of the capital, resource base and income of our banks.

We all know that the situation with the Coronavirus, which is widely spreading throughout the world, is affecting the world economy. The World Bank presented a new report on the economies of Europe and the Central Asian economy under the name "Fight against Covid-19". According to it, in the context of the pandemic, Uzbekistan's GDP growth is projected to decline sharply to 1.6% in 2020. It is noted that the incomes of the poorest people in the country can be reduced by more than 50% [2].

It should be noted that if the forecast of 1.6% GDP growth becomes a reality, it will be the lowest growth rate for the Uzbek economy since 1995. Therefore, during the period of the coronavirus pandemic in our country, all measures are being taken to support the population, sectors of the economy and businesses. The above situation requires an in-depth scientific analysis of the urgency of identifying problems in the creation and development

of banking infrastructure in line with the current stage of the study of the infrastructure of commercial banks and ways to overcome them.

## LITERATURE REVIEW

There are cases when the term "infrastructure" is used in several senses in the economic literature and practice. The term "infrastructure" was first derived from a military dictionary (Latin "infra" - under, "structure" - location) [12].

It was used in the scientific work of Western scholars in the late 1840s. In the twentieth century, the founder of the introduction of this term into economic circulation stressed the need to adapt the term "infrastructure" to the existing conditions of the surrounding world, which is necessary for the development of industry [11].

It should be noted that it belonged to the main infrastructure tools of the sectors that help to develop effective investments. In practice, the term "infrastructure" covers three levels:

1. Real material networks in which activities are carried out and which do not exist and are not economically viable (e.g. roads, e-mails).
2. Operations - the operation of the infrastructure network.
3. Infrastructure markets are a combination of supply and demand for the use of networks and competition between elements of infrastructure (leading to different loading of infrastructure networks) [7].

The infrastructure sector in the economy is diverse, with banking infrastructure playing an important role. Ideally, the banking process can be carried out without the use of infrastructure as an interaction of the subject (bank) and the object (client). But at the same time, banks have been using systems other than themselves since the early stages of development to increase the efficiency of their operations. The existing infrastructure gives the bank additional advantages. Since the middle of the last century, in Western literature, infrastructure has been understood as a general condition for the development of social production, aimed at creating favourable conditions for the development of private production [8].

Including P. Samuelson argues that the state invests in infrastructure because "... an increase in state-backed capital" (social additional capital) provides private investors with a certain amount of profit relative to non-monetary capital [8].

This means that the use of banking infrastructure in the development of the banking system is certain profitability of the Bank. This average value guarantees the minimum value of value in competition. Russia's scientists in the development of bank infrastructure paid special attention to the composition of the banking infrastructure in their scientific work. It is noteworthy that his views were never changed during this period. It offers to divide bank infrastructure into two parts (domestic and foreign banking infrastructure) [4].

The scientist noted that the task of the internal block is to provide internal stability of the bank, and the supply of the outside block with the country's external environment. Based on this division, it is proposed to group the internal block parts as follows:

1. the status of the credit institution, legislative norms that determine the list of operations performed by it;
2. internal rules on the implementation of operations providing for the fulfilment of the requirements of legislative acts, the interests of depositors and customers of the bank, the protection of its interest, in general, methodically;
3. based on modern communication systems, accounting, reporting, analysis, computer processing of data, management system of banking activities;
4. the bank's management apparatus.

O.I. Lavrushin has grouped the banking infrastructure allocating to internal and external blocks, the Uzbek economist - scientist A.V. Kotov described it as "the banking infrastructure, the sum of institutions that create the necessary conditions for the implementation of banking activities and facilitate the creation and delivery of banking services to consumers" [4].

A similar approach to bank infrastructure is another Russian economist scientist E.F.Jukov in the textbook "Money, Credit, Bank" under the edition. Explained to the scientific views of Lavrushin, i.e. banking infrastructure on four areas, methodological, scientific and human rights routes [3].

## MATERIALS AND METHODS

It is known that modern banking is closely linked to the creation of the necessary infrastructure. Therefore, our country focuses on work in this area, which is strengthening the relevant legal framework. In particular, the Laws of the Republic of Uzbekistan "On the exchange of credit information" and the Pledge Register is an important factor in ensuring and improving the capacity of the banking system. Based on the requirements of these laws, the State Unitary Enterprise "Collateral" was established at the Association of Banks of Uzbekistan

and the Central Bank State Unitary Enterprise "Credit and Information Center" and the Central Bank. In general, the most important task of the credit system, including commercial banks, in most cases, to provide banking services aimed at meeting the needs of the population and businesses that have not sufficient credit. However, this task is not capable of covering expenses in the internal potential of the regions that do not have enough money, especially for some banks at the level of some banks, especially for rural settlements, or at least add additional income. Interviews with representatives of economists and fields, expert assessment, process monitoring, economic phenomena, and processes, and a systematic approach to economic phenomena and processes, expert assessment, economic phenomenon and processes, expert approach, expert assessments, economic phenomena. Everything is connected and in general, the banking system, and the banking infrastructure, and other industries will not be separated from the economy, excluding them.

Their development depends on various factors. This means the need to determine the factors that affect the bank infrastructure, that is, to predict the activity, prevent the banking infrastructure, optimizing and increasing the efficiency of the banking business. In general, it is impossible to create strategies to improve their activities without taking into account the factors that affect the development of the banking system.

All factors affecting the bank infrastructure are divided into two groups: 5 factors are related to 5 factors (natural, political and economic, socio-cultural, technological, economic) and direct factors. The micro-level factors cannot be separated, as they directly affect bank infrastructure subjects and are not available for their uniformity and single comparisons, which is very diverse, which makes them harder. In addition, these levels of factors have very little influence on the entire banking infrastructure, and therefore risks in this direction may below.

In the economic literature, along with industry factors, the factors of additives are usually considered as part of one or another economic environment. Obviously, under the positive influence of macroeconomic factors, the development of the banking infrastructure is determined by the positiveness of the negative factor or impact of industry factors. During the reporting year, the number of branches of commercial banks increased by 3 to 850. As of January 1, 2020, the number of mini-banks in commercial banks was 1,020, and 907 self-service outlets operating 24/7. At present, there are 117 non-bank credit organizations in the country, including 56 microcredit organizations and 61 pawnshops [9].

## RESULTS AND DISCUSSION

At the same time, to regulate the activities of the interbank retail payment system "UzCard" and effectively organize its activities, in connection with the launch of the software package "Interbank universal netting information system" at the Central Informatization Center under the Central Bank banking functions were transferred from the Interbank Settlement Center of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan to the Settlement Center of the Central Bank of the Republic of Uzbekistan. This, in turn, contributes not only to the expansion of the banking infrastructure in the country but also to the strengthening of the competitive environment between them and the improvement of the quality and scope of banking services.

The number of accounts of customers kept in the database of bank depositors of Uzbekistan is growing from year to year. If their number was 3.6 million in 2010, by the beginning of 2019 their number exceeded 7.2 million. It should be noted that in recent years, the volume of transactions on the above services through the clearing system of the Central Bank in 2019 increased by 197.2% compared to 2018 and amounted to 20030.4 billion soums [9].

This, in turn, indicates the formation of centralized database systems. As a result of the work carried out, the resource base of the banking system of the country, the amount of capital and their liquidity are becoming stronger. We can see this from the table below.

**Table 1: Composition and dynamics of the total capital of commercial banks (billion soums) [9].**

<i>Indicators</i>	01.01.2018.		01.01.2019.		01.01.2020.	
	billion soums	share, (%)	billion soums	share, (%)	billion soums	share, (%)
Total capital	20676,1	100,0	26678,9	100,0	51030,7	100,0
Charter capital	16306,7	78,9	19673,2	73,7	41877,0	82,1
Additional capital	68,4	0,3	89,4	0,3	142,7	0,3
Reserve capital	1792,8	8,7	2937,6	11,0	3844,5	7,5
Retained earnings	2508,3	12,1	3978,8	14,9	5166,4	10,1

As can be seen from Table 1, as a result of measures taken to increase the capitalization of banks, the total capital of commercial banks increased 2.5 times in 2018-2020 and amounted to 51.0 trillion soums as of January 1, 2020, while the total authorized capital increased by 2, Increased by 6 times and amounted to 41.9 trillion soums.

**Table 2: The share of the banking system of the Republic of Uzbekistan in the economy (billion soums) [9].**

Indicators name	Over the years		
	01.01.2018.	01.01.2019.	01.01.2020.
Gross domestic product	302536,8	407514,5	511838,1
Bank assets	166631,8	214419,6	272726,9
Asset to GDP ratio, percent	55,1	52,6	53,3
Credit investments	110572,1	167390,6	211580,5
Loan investment to GDP ratio, percent	36,5	41,1	41,3
Deposits	59578,7	70001,4	91009,0
Deposits to GDP ratio, percent	19,7	17,2	17,8
Capital	20676,1	26678,9	51030,7
Capital to GDP ratio, percent	6,8	6,5	10,0

From the data in Table 2, it can be seen that the total assets of commercial banks of the country decreased. The share of bank assets in GDP fell from 55.1% to 53.3%, but the total value of bank loans to the real sector of the economy increased by 1.9 times, indicating the growing role of the banking system in stimulating economic growth. As of January 1, 2020, the total assets of commercial banks amounted to about 272.7 trillion soums, an increase of 1.6 times compared to 2018.

**Table 3: Balance of credit deposits of commercial banks (as of January 1) [9].**

Types of banking	2018		2019		2020	
	In soums, (trillion soums)	share, (%)	In soums, (trillion soums)	share, (%)	In soums, (trillion soums)	share, (%)
Banks with state share	97,78	88,43	148,60	88,83	185,63	88,38
Banks without state share in the capital	12,79	11,57	18,69	11,17	24,40	11,62
Total banks	110,57	100,0	167,29	100,0	210,03	100,0

Table 3 shows that at the end of 2018, the bulk of total lending by commercial banks, ie 88.83% of the total share of commercial banks with a state share, fell to 0.45% in 2019. At the same time, in 2019, there was a slight increase in the number of credit investments in the activities of banks without state shares in the capital (0.45%). The volume of lending to customers by state-owned commercial banks is declining compared to previous years. This means that banks have begun to work not only on the placement of loans but also on the use of their funds in other areas. This in turn increases competition between them.

**Table 4: Balance of credit deposits of commercial banks (as of January 1) [9].**

Credits (by term)	2018		2019		2020	
	In soums, (trillion soums)	share, (%)	In soums, (trillion soums)	share, (%)	In soums, (trillion soums)	share, (%)
Total loans	110,57	100,0	167,29	100,0	210,03	100,0
- short-term loans	4,76	4,30	8,64	5,16	17,95	8,55
- long-term loans	105,81	95,70	158,64	94,84	192,08	91,45

If we analyze the terms of loans, we can see that today the share of short-term loans in the activities of banks is growing. As can be seen from Table 4 above, the share of short-term loans in total loans of the country's banks is growing from year to year. We can note that in recent years, the share of short-term loans increased from 4.30% in 2017 to 8.55% as of January 1, 2020. So what is the reason for this? In our opinion, it is safe to say that the term of loans provided by banks to customers today is formed mainly from short-term sources. At the same time, the current situation, which is rich in changes, makes it necessary for banks to restructure loans. It should be noted that in our country during the coronavirus pandemic all measures are being taken to support the population, sectors of the economy and businesses.

In particular, in the framework of the Decree of the President of the Republic of Uzbekistan dated March 19, 2020, No. PF-5969, the indebtedness of legal entities in the amount of 7.9 trillion soums was delayed; The volume of additional restructuring payments on loans of organizations facing financial difficulties due to the measures taken to combat coronavirus in Uzbekistan and other countries and the sharp decline in economic activity is an additional 7 trillion soums;

- The volume of deferred payments on loans to be repaid by individuals and sole proprietors during the next 6 months of 2020 is 4.7 trillion soums [10].

In turn, the Central Bank of the Republic of Uzbekistan provided measures to delay payments on loans of legal entities and individuals, individual entrepreneurs facing financial difficulties by commercial banks until October 1, 2020, and penalties for collateral for overdue loans of borrowers, which negatively affected the quarantine regime. Established the procedure for the non-application of sanctions and recovery measures.

At the same time, it was noted that the amount of interest accrued and deferred on loans by commercial banks is not included in the total income in the calculation of income tax for the period in which the delay is provided.

This, of course, has a negative impact on the stability and liquidity of commercial banks. Therefore, the Central Bank of the Republic of Uzbekistan has taken measures to provide commercial banks with additional liquid resources in the amount of 2.6 trillion soums by easing the requirements for required reserves and introducing a special mechanism to provide them with the liquidity of up to 2 trillion soums for 3 years [9].

All this requires further improvement of the credit bureau "Credit Information Analysis Center" in the country. Because the solvency of the banks' customers means that the level of reliability needs to be constantly monitored. The results of the analysis show that the indicators of this organization have also increased significantly.

**Table 5: The number of legal entities and individuals based on the credit bureau, (at the end of the year) (in thousands) [9].**

Date	Legal entities	Individuals	Total
2014	839,0	2778,8	3617,8
2015	876,8	2918	3794,5
2016	1415,0	4164,0	5578,9
2017	589,8	7642,0	8231,8
2018	620,9	8189,7	8810,6
2019	685,7	9135,8	9821,5

In particular, according to Table 5, the number of credit information entities included in the database in 2018 increased by 11.5% to 9 million. 821.5 thousand, of which 685.7 thousand were legal entities and 9 mln. 135.8 thousand accounted for individuals and sole proprietors. Information on fulfilment of obligations on credit transactions in the State Register of Credit Information of the Central Bank and the database of Credit Bureau "Credit Information Analysis Center" LLC, other information to help determine the financial condition, solvency and discipline of credit information entities, risk management, credit plays an important role in improving lending procedures and increasing competition in the credit market.

## CONCLUSION

In summary, it can be seen from the above that the banks in our country are successfully developing and improving their growth rates. Also, the application of these examples in the commercial banks of the country will help to further strengthen and increase competition among them. The results of research conducted in the course of scientific research have shown that there are several pressing and unresolved issues in improving the practice of mortgage lending in our country, the main of which, in our opinion, are: The widespread introduction of market mechanisms for the provision of services in the banking system, the proliferation of new types of banking services for the population and businesses and specific measures to increase their popularity are leading to an increase in bank lending. This creates high credit risks in the banking system, and the Central Bank instructs banks to control such risks, identify them at an early stage and take measures to reduce their negative impact. At the same time, it is necessary to use advanced information technologies to assess the status of loans and the quality of banks' loan portfolios, improve the exchange of credit information, increase the effectiveness of banking supervision and generalize and process credit information. It should be noted that due to the establishment of the pledge register in the country, the financial and banking system of the country has been provided with infrastructure following international standards and the interests of creditors have been more reliably protected. To date, more than 215 users have been registered and a personal account has been opened for them to use the pledge register. The main users are all commercial banks, microcredit organizations and

pawnshops, as well as other businesses and individuals. 410,000 entries were made in the pledge register by users and more than 421,000 changes were made to these records, and more than 254,000 entries were removed from the pledge register after the fulfilment of pledge obligations, and about 4,700 copies were obtained from the pledge register.

In addition, in accordance with the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, as well as monetary policy, effective control over the sustainable operation of the banking system in general, the system of online banking and information exchange Improvement is identified as a priority of the Central Bank.

In conclusion, the reforms and measures taken to develop the banking system in Uzbekistan will help our banks to achieve the level of ratings of banks in developed countries. As a result of further development of the banking infrastructure, the attraction of deposits of the population to bank deposits, the resource base of banks will expand and the dynamics of per capita lending will increase. We hope that this, in turn, will serve as a basis for the satisfaction of the population's demand for the banking system and its services in the Republic, the elimination of certain differences in banking services in urban and rural areas.

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