

PROSPECTS FOR THE REGULATION OF COMMERCIAL BANKS AND CREDIT INSTITUTIONS BY THE CENTRAL BANK

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ANNOTATION

The article analyzes promising directions for the development of regulation and supervision by the Central Bank of the Republic of Uzbekistan over the activities of commercial banks and credit institutions.

The prospects for regulation of commercial banks by the Central Bank (CB) are associated with enhanced supervision and digitalization, which will help ensure financial stability, protect the rights of consumers and investors, and improve the accessibility of financial services.

Keywords: Central Bank of the Republic of Uzbekistan, commercial banks, shares, market model, development trends.

Banks accumulate monetary income and savings in the form of deposits, performing a mobilization function whereby savings are transformed into loan capital, which banks use to provide credit to legal entities and individuals. Ultimately, through banks, savings are transformed into capital.

This year, Uzbekistan's economy continues to grow at a pace exceeding the projections outlined in the baseline scenario of the main directions of monetary policy for 2024 and the period of 2025–2026.

According to the baseline scenario, under the influence of tight monetary policy and fiscal consolidation, real GDP growth in 2025 is projected at 5.5–6.0%, in 2026 at 5.5–6.5%, and in 2027 at 6.0–6.5%. Maintaining relatively tight monetary policy conditions will help normalize consumer demand and reduce inflation to 6.0–7.0% in 2025, and bring it closer to the 5% target in 2026–2027.

Under any macroeconomic development scenario, monetary policy measures will be aimed at ensuring price stability and reducing inflation to the target level of 5%, which is the primary objective of the Central Bank.

Strategic goals of regulation:

- Strengthening the stability of banks (taking into account realized risks and potential new challenges), restoring buffer reserves, maintaining financial stability, and protecting the interests of creditors and depositors.

- Promoting the development of lending and encouraging its structure to assist in the long-term improvement of banks' risk profiles. For example, financing priority projects aimed at ensuring the technological sovereignty and structural adaptation of the economy serves this goal.
- Enhancing the efficiency of banking operations, improving the quality of banking products and services for customers, and fostering competition to reduce the social costs associated with the banking sector's activities.
- Reducing the burden of excessive regulation, including through the optimization of bank financial reporting.

Currently, the Central Bank, together with experts from international financial institutions and foreign central banks, is developing measures to align the mandatory reserve requirement instrument with global standards. These measures include expanding the base for mandatory reserves, proportionally reducing reserve ratios, and gradually transitioning to the practice of calculating requirements for foreign currency liabilities in foreign currency.

Taking into account the specific characteristics of the national economy, the study of the features and effectiveness of monetary policy regimes shows that targeting inflation is the most suitable approach for the Central Bank to achieve and maintain stability as a priority goal in the medium term. Based on this, the legal foundations and key economic conditions for the gradual reorientation of the principles and methods of implementing monetary policy toward inflation targeting have been established.

The Central Bank is focusing on strengthening the foundations of forecasting and analysis, improving monetary policy instruments and transmission channels, as well as enhancing communication policies and increasing public trust.

Overall, the Central Bank will continue an active monetary policy aimed at reducing inflation to the 5% target and ensuring price stability in the medium term. Monetary conditions will be maintained at a sufficiently tight level to achieve a steady decline in inflation, and necessary measures will be promptly taken using monetary policy instruments in case of any emerging inflationary risks.

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