CAPITAL FORMATION IN BANKING SECTOR OF UZBEKISTAN

Shaydanov T. R.

Branch of Russian Economic University after G.V. Plekhanov in Tashkent

Abstract

Urgent need of utilization of the private or foreign capital in banking sector of the country is dictated by modern conditions of integration of economy of the Republic of Uzbekistan into the world market. Currently, the Republic has a high export potential (textiles, jewelry, fuel-energy complex, fruit-vegetable and wine-vodka products, manufacture of building and decoration materials, etc.), it is necessary to develop and adopt foreign investing practices and bank loans to stimulate further breakthrough manufacturing of integrated products and reprocessing raw materials, both the Western, Eastern, and Asian credit institutions, while deciding the gain experience of financial lending institutions for the period of independence.

MAIN PART

As you know, the President of Uzbekistan Islam Karimov November 12, 2010 in his paper "The Conception of further deepening of democratic reforms and formation of civil society in the country" at a joint session of Legislative Chamber and Senate of Oliy Majlis, noted, "Our financial and banking system has proved its reliability and stability in the financial and economic crisis. However, its further strengthening is also associated with involvement in the banking and financial sector of private capital through the formation of legislative base to establish private banks and financial institutions such as leasing, insurance companies, credit unions, microfinance institutions, based on private property". It is believed that one of the main priorities of economic policy of the government is to create favorable conditions in the country to attract private investment, both domestic and foreign. The grade of economy achievements in this area argues high appreciation of international organizations.

The creation of joint bank would allow the use of advanced foreign experience. We believe that the first step creating an enabling environment was created, so the potential of CIZEZ "Navoi" allow the banking system of Uzbekistan to reach a new level of development, namely: -firstly, capital formation in lending institutions would use advanced methods of crediting to extend reproduction in existing enterprises; -secondly, share holding banks (on the base of the Islam Development Bank loan) provide a more balanced and productive allocation of financial resources in business capital; -thirdly, the geopolitical location and the further liberalization of economic legislation will create the preconditions with the opening of clearing house, which implies a concentration of capital in the region and the nativity of a new medium to the Asian financial center of world-class in the total; -fourthly, foreign credit institutions can maintain to local banks to extent capitalization and develop the collective investment fund; -fifthly, the entry of foreign banks will expand prospects of access to international financial markets. Liberalization of financial legislation and the receipt of foreign credit institutions not only specifies the new potential and deals successfully with problems. The practice of many countries shows us that participation of foreign banks may attend major account. There is a possibility that national banking sector will maintain primarily small and medium businesses to financial sector, while large businesses will go to banks with foreign capital participation. This fact will affect the profitability of commercial banks in the country. For example, in China 80% income of the banking and financial institutions receive 20% of customers. Foreign banks have applied to rather aggressive policy of fas-
cinating of major accounts in Turkey, India and foreign parts. The countries with developing economy, foreign lending organizations often accredit small business and entrepreneurship unwillingly, as well as farms, which is a negative factor in relation to the tasks set by the President of the Republic. For example, in Mexico, foreign capital is controlled by more than 80% of the banking and credit institutions, TNC and large serving foreign clients, virtually credited domestic industries. In many Latin American countries government have enacted legislation to enforce banks with foreign participation to review positively credit policy review in relation to small and private business. The foreign financial organizations can begin a policy of "pulling" qualified experts from national banks, instead of preparing for a new staff, which ultimately affects the state of non-positive banking sector. Such precedent occurred in the banking and financial sector of China.

- fourthly, foreign banks are leaving and roll in business, if the head office believe that the yield is insufficient. These cases occur in Russia, Kazakhstan and many countries in Latin America and Indonesia, where banks with foreign capital left the market due to low profitability. The foreign credit institutions depend on the state of the global financial market, as a significant proportion of their assets invested in stocks and other financial instruments. However, it should be noted that the foundation for the banking and financial market has been created for the period of independence. No doubt the attraction of foreign capital into the banking sector of the republic will anchor point for the start of a new qualitative stage of formation of the banking sector of the country. The preference is founded not only in the format of technological innovation, but also on streamlining and improving the quality of corporate management, improving ways of risk components, increasing the transparency of banks, the real potential of the correct evaluation of their activities, maintaining the highest standards of internal controls, increase the potential access to international financial markets. In this case also, the presence of foreign capital in the banking sector an incentive to increase the supervision and control, the development of the regulatory framework meets the new standard for the functioning of banks.

REFERENCES