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THE ROLE OF FOREIGN INVESTMENTS IN THE BANKING SYSTEM OF UZBEKISTAN

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Abstract. This scientific article analyzes the role and economic significance of foreign investment in the development of Uzbekistan's banking system. The study scientifically examines the impact of foreign capital participation on financial stability, the competitive environment, modern banking services, and investment activity in the banking sector. Opportunities for improving corporate governance in the banking system, implementing digital technologies, and widely applying international financial standards through foreign investment are also highlighted. The article analyzes the economic reforms being implemented in Uzbekistan to reform the banking and financial system, the transformation processes of state banks, and the importance of cooperation with international financial institutions.

Keywords. Foreign investments, banking system, financial stability, banking capital, investment climate, international financial institutions, banking services, digital banking system, corporate governance

Introduction. In the context of the globalization of the global economy and the integration of financial markets, the sustainable development of the banking system is considered one of the important factors for the country's economic growth. Especially in developing countries, foreign investment plays an important role in modernizing the banking sector, strengthening the capital base, and developing modern financial services. Foreign capital serves not only as a source of financial resources but also as a tool for implementing advanced management experience, innovative technologies, and international banking standards. In recent years, large-scale reforms have been implemented in Uzbekistan to liberalize the economy and reform the banking and financial system. In particular, the transformation of banks with a high state share, increasing the role of the private sector, and attracting foreign investors to the banking system have become priority areas of state economic policy. To this end, a number of measures are being implemented to organize banking activities based on international standards, improve corporate governance, and digitalize banking services. Today, cooperation with international financial institutions such as the World Bank, the International Monetary Fund, the Asian Development Bank, and the European Bank for Reconstruction and Development plays an important role in the development of Uzbekistan's banking system. Investments and credit lines allocated by these institutions serve to increase the capitalization level of banks, finance small businesses, and support infrastructure projects. Foreign investment also strengthens the competitive environment in the banking system and contributes to improving the quality and efficiency of financial services. Banks with foreign capital play an important role in introducing modern banking technologies, improving the risk management system, and providing innovative services to clients. As a result, the level of integration of the country's banking system into international financial markets is increasing. However, there are some problems in the process of attracting foreign investment to the banking sector of Uzbekistan. In particular, the high state share in the banking system, the insufficient level of financial transparency of some banks, and some institutional restrictions related to the

investment climate affect the activity of foreign investors. The purpose of this scientific article is to analyze the role and economic significance of foreign investment in the banking system of Uzbekistan, study international experience, and identify priority areas for attracting foreign capital to the banking sector. During the study, the impact of foreign investment on the stability of the banking system, the quality of financial services, and economic growth is scientifically evaluated.

Literature review. The issue of the role and significance of foreign investment in Uzbekistan's banking system is one of the current topics widely researched by economists and international financial institutions. In scientific literature, the influx of foreign capital into the banking sector is evaluated as an important factor in strengthening financial stability, increasing the level of bank capitalization, and implementing modern banking technologies. The impact of foreign investment on economic growth has been theoretically substantiated through the scientific works of economists such as John Maynard Keynes and Paul Samuelson. In their opinion, investments are one of the main drivers of economic development, and capital directed into the banking system ensures the effective distribution of financial resources. Scientific reports prepared by the World Bank and the International Monetary Fund on the advantages of foreign capital participation in the banking system are an important source. According to research by these organizations, foreign investment improves the quality of corporate governance in the banking system, strengthens the risk management system, and increases the efficiency of banking services. International financial institutions also emphasize that the participation of foreign investors leads to an increase in the quality of financial services by developing a competitive environment in the banking sector. In analytical reports published by the European Bank for Reconstruction and Development, attracting foreign investment into the banking sector of Central Asian countries was assessed as a crucial prerequisite for economic modernization. These studies note that the transformation of state-owned banks, increasing the share of the private sector, and implementing international standards are key factors for foreign investors.

Methodology. The article utilizes methods of analysis and synthesis, economic comparison, statistical analysis, induction, and deduction. During the study, the main financial indicators of the banking system of Uzbekistan, bank capital, loan portfolio and foreign investment volume were analyzed in relation to each other. Also, the activities of banks with foreign investment were compared with local banks and their financial efficiency was assessed. The information base of the study consists of reports from the World Bank, the International Monetary Fund, the Asian Development Bank, and the European Bank for Reconstruction and Development. In addition, data from the Central Bank of the Republic of Uzbekistan and the Ministry of Investment, Industry and Trade of the Republic of Uzbekistan were widely used. International experience was also studied during the research process. In particular, the reforms implemented to transform the banking system, introduce digital technologies, and improve the quality of financial services by attracting foreign investment into the banking sector of developing countries were analyzed. These experiences serve as an important methodological basis for assessing the development prospects of the banking system of Uzbekistan. Additionally, the study systematically examined problems and limiting factors related to attracting foreign investment into the banking sector. As a result, scientific and practical recommendations were developed to increase the investment attractiveness of Uzbekistan's banking system, strengthen financial stability, and strengthen integration into international financial markets.

Analysis and results. In recent years, Uzbekistan has been implementing large-scale economic reforms to reform the banking and financial system and attract foreign investment. In particular, the transformation of state-owned banks, increasing the role of the private sector, and expanding cooperation with international financial institutions contribute to increasing the investment attractiveness of the banking system. According to the Central Bank of the Republic of Uzbekistan, the capitalization level of the banking sector and lending volumes have demonstrated a steady growth trend in recent years. Foreign investment is primarily directed toward increasing bank capital, financing small businesses, supporting infrastructure projects, and developing digital banking services. Cooperation with the World Bank, Asian Development Bank, and European Bank for Reconstruction and Development is of particular importance in modernizing the banking system.

Table 1

Years	Foreign investments attracted to the banking sector (billion US dollars)	Number of projects with international financial institutions
2021	1.2.	18
2022	1.6.	24
2023	2.1.	29
2024	2.5.	34

Foreign investments attracted to the banking system of Uzbekistan and cooperation with international financial institutions

As seen from the table data, the volume of foreign investment attracted to the banking sector has been steadily growing in recent years. This indicates that the country's banking system is becoming increasingly attractive to international investors. In particular, the transformation of state-owned banks and the organization of corporate governance based on international standards serve to strengthen investor confidence. Foreign investment also has a positive impact on the process of introducing digital technologies into the banking system. In recent years, the development of mobile banking services, remote payment systems, and fintech platforms has significantly improved the quality of banking services. This expands the population's access to financial services.

foreign investment contributes to strengthening the financial stability of the banking system. In particular, cooperation with international financial institutions has expanded banks' access to long-term financial resources. This contributes to increasing the volume of lending to small businesses and entrepreneurship entities. However, some problems were also identified during the study. In particular, the high state share in the banking system, insufficient development of the corporate governance system in some banks, and restrictions related to financial transparency negatively affect the activity of foreign investors. There is also a need to improve international rating indicators and reduce investment risks. According to the research results, the active attraction of

foreign investment into the banking system of Uzbekistan serves as an important factor in ensuring the sustainable development of the financial sector, improving the quality of banking services, and strengthening the integration of the economy into international financial markets. Specifically, the acceleration of privatization processes in the banking sector and the widespread introduction of international standards will contribute to further increasing the confidence of foreign investors.

Suggestions and conclusions. The study results show that foreign investment plays a crucial role in developing Uzbekistan's banking system, strengthening financial stability, and expanding modern banking services. Foreign capital contributes to increasing the level of bank capitalization, implementing digital technologies, improving the quality of corporate governance, and strengthening integration into international financial markets. In particular, cooperation with international financial institutions remains an important factor in transforming the country's banking system and increasing its investment attractiveness. The study revealed that the quality of financial services, risk management systems, and the use of digital technologies in banks with foreign investment are relatively high. This will strengthen the competitive environment in the activities of banks and create more favorable conditions for foreign investors. It is necessary to improve corporate governance in the banking system based on international standards. Increasing the transparency of financial reporting, the widespread introduction of international auditing standards, and strengthening the risk management system will strengthen investor confidence. It is necessary to accelerate digital transformation processes in the banking sector. The introduction of modern fintech technologies, the expansion of mobile banking services, and the development of electronic payment systems will increase the attractiveness of the banking system for foreign investors. This will serve to improve the quality and efficiency of financial services. It is necessary to expand cooperation with the World Bank, Asian Development Bank, European Bank for Reconstruction and Development and other international financial institutions. It is important to further improve the investment climate and strengthen mechanisms for protecting the rights of investors. The stability of the tax system, legal guarantees, and transparency in the financial market are considered key factors in increasing the activity of foreign investors. In conclusion, foreign investment is of strategic importance in modernizing Uzbekistan's banking system and supporting economic growth. By actively attracting foreign capital to the banking sector, the quality of financial services will improve, the international competitiveness of the banking system will strengthen, and a solid financial base for the sustainable development of the economy will be formed. Therefore, it is important to consistently continue reforms to liberalize the banking system and increase investment attractiveness in the future.

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