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MODERN METHODS OF LIQUIDITY MANAGEMENT IN THE BANKING SYSTEM OF UZBEKISTAN

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Abstract: This article scientifically examines the theoretical foundations, practical mechanisms, and modern methods of liquidity management in the banking system of Uzbekistan. Effective liquidity management in the banking sector plays a crucial role in ensuring financial stability, maintaining the solvency of banks, and providing continuous financing to the real sector of the economy. The study investigates the internal and external factors affecting the liquidity of commercial banks, the monetary instruments employed by the Central Bank, and the liquidity management mechanisms widely used in international banking practice. The research focuses on contemporary approaches to liquidity management and their significance in enhancing the stability and efficiency of the banking sector.

Keywords:
Banking system, liquidity, liquidity management, commercial banks, financial stability, Central Bank, monetary policy, LCR, NSFR, ALM, stress testing, asset and liability management, banking risks, digital banking technologies.

Introduction.

In the context of ongoing changes in global financial markets, the acceleration of globalization processes, and the widespread adoption of digital technologies in the banking sector, effective liquidity management has become one of the most important areas of commercial banking operations. The stability of the banking system largely depends on its liquidity position, and maintaining an adequate level of liquidity is essential for banks to fulfill their obligations on time, perform their financial intermediation functions efficiently, and provide continuous financing to the real sector of the economy. Liquidity refers to a bank's ability to meet its short-term financial obligations in a timely manner and at minimal cost. In modern banking practice, liquidity is considered not only a key determinant of an individual bank's performance but also a crucial factor influencing the stability of the entire financial system. The experience of the 2008 global financial crisis and its aftermath clearly demonstrated the importance of effective liquidity management. As a result, international banking practice introduced new prudential standards under the Basel III framework, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).In recent years, structural reforms implemented in Uzbekistan's banking sector have significantly strengthened the financial capacity of the banking system. As of October 1, 2025, the total assets of commercial banks amounted to 866.8 trillion UZS, the loan portfolio reached 582.2 trillion UZS, deposits totaled 371.5 trillion UZS, and total capital amounted to 130.4 trillion UZS. The 29 percent annual growth in deposits indicates the strengthening of the banking system's

resource base. As of January 1, 2026, the total assets of the banking system reached 924.8 trillion UZS, loan disbursements amounted to 604 trillion UZS, deposits reached 417.3 trillion UZS, and total capital increased to 135.3 trillion UZS. These indicators demonstrate the high growth rates of the banking sector and highlight the increasing importance of liquidity management issues. According to the Central Bank's Money Market and Liquidity Review, the average liquidity surplus of the banking system in the fourth quarter of 2025 amounted to 32 trillion UZS, representing a 49 percent increase compared to the third quarter. In December 2025, the average liquidity surplus reached 41.7 trillion UZS. This situation reflects the effectiveness of the monetary policy measures implemented to manage liquidity within the banking system. At the same time, the expansion of lending activities, changes in the structure of deposits, foreign exchange risks, and the influence of international financial markets require further improvement of liquidity management mechanisms. In particular, the formation of a stable long-term funding base, the coordination of assets and liabilities, and the implementation of liquidity forecasting systems based on digital technologies remain among the most pressing challenges facing the banking sector today.

Liquidity management in the banking system is an essential component of ensuring financial stability. The ability of commercial banks to fulfill their obligations fully and on time is directly dependent on their liquidity position. In modern economic conditions, bank liquidity serves not only as an indicator of an individual bank's financial health but also as one of the key determinants of the stability of the entire banking system. Therefore, liquidity management has become one of the priority areas of bank management and financial supervision. In economic literature, bank liquidity is defined as a bank's ability to convert its assets into cash with minimal losses within a short period and to meet its current and future financial obligations. According to the scientific views of economists such as Frederic S. Mishkin, Peter S. Rose, and Anthony Saunders, maintaining an adequate level of liquidity strengthens the financial security of banks, increases the confidence of investors and depositors, and promotes economic growth. Conversely, liquidity shortages may lead to a decline in solvency, increased financial losses, and the emergence of systemic risks within the banking sector. In recent years, institutional reforms implemented in Uzbekistan's banking sector have significantly enhanced the financial capacity of the banking system. In particular, the continuous growth of bank assets, loan portfolios, and deposits has strengthened the role of the banking sector in the national economy. At the same time, the expansion of lending activities, changes in international financial markets, and the rapid growth of digital financial services require the introduction of more advanced liquidity management techniques. The process of bank liquidity management is aimed at balancing assets and liabilities, forecasting cash flows, ensuring the stability of the resource base, and minimizing financial risks. In modern banking practice, the effectiveness of liquidity management largely depends on the proportionality between the maturities of assets and liabilities. Financing long-term loans through short-term liabilities may increase liquidity risk. Therefore, the proper formulation of asset and liability management strategies is of critical importance.

In international banking practice, modern approaches to liquidity management have been developed within the framework of the Basel III standards, which focus on monitoring both short-term and long-term liquidity positions of banks. The introduction of these standards was driven by the necessity to strengthen banking sector resilience following the global financial crisis. As a result, banks have increasingly focused on maintaining a higher share of high-quality liquid assets, diversifying funding sources, and continuously monitoring liquidity risks. In the Republic of Uzbekistan, a number of reforms have also been implemented to develop the banking sector in accordance with international standards and improve liquidity management mechanisms. The

Central Bank pays particular attention to maintaining an optimal level of liquidity in the banking system through the effective use of monetary policy instruments, reserve requirements, refinancing operations, and open market operations. These measures contribute to ensuring the continuity of banking operations and strengthening financial stability. The application of stress-testing methodologies also plays a significant role in liquidity management. This approach enables the assessment of banks' liquidity positions under various macroeconomic and financial shocks. In particular, it evaluates banks' ability to maintain financial stability in situations such as massive deposit withdrawals, sharp interest rate fluctuations, or instability in foreign exchange markets. Such analyses allow banks to identify potential risks in advance and develop appropriate preventive measures. Digital transformation is creating new opportunities for liquidity management within the banking sector. The use of artificial intelligence, Big Data, machine learning technologies, and advanced analytical platforms enables banks to forecast cash flows more accurately, analyze customer financial behavior, and assess future liquidity needs. As a result, the quality and speed of decision-making improve, while operational risks are reduced. Analysis shows that the expansion of the deposit base and the growing public confidence in the banking system have become major sources of liquidity in Uzbekistan's banking sector. However, factors such as the insufficient share of long-term funding resources in some banks, the rapid growth of loan portfolios, and dependence on external financing sources may create liquidity risks. Therefore, improving risk management systems, diversifying funding sources, and expanding long-term financing opportunities remain among the most important priorities for the banking sector. Overall, the wider implementation of modern liquidity management methods, the adoption of internationally recognized mechanisms, the development of technology-based monitoring systems, and the strengthening of prudential supervision will contribute to enhancing the financial stability of Uzbekistan's banking sector. In turn, this will strengthen the role of the banking system in supporting economic growth and ensuring the country's financial security.

Conclusion

In conclusion, the introduction and improvement of modern liquidity management methods in Uzbekistan's banking system represent one of the key factors in ensuring the financial stability of the banking sector. Bank liquidity plays a decisive role in enabling commercial banks to meet their obligations fully and on time, finance the real sector of the economy, and effectively perform their financial intermediation functions. Therefore, liquidity management is of strategic importance not only for individual banks but also for maintaining the stability of the entire financial system. The findings of the study indicate that the reforms being implemented in Uzbekistan's banking sector, particularly the transformation of the banking industry, the adoption of international standards, the expansion of digital technologies, and the improvement of prudential supervision mechanisms, have positively contributed to enhancing the effectiveness of liquidity management. The steady growth of bank assets, deposits, and capital demonstrates the strengthening of the financial capacity of the banking system. At the same time, effective management of liquidity risks requires maintaining a balance between assets and liabilities, expanding long-term funding sources, diversifying financing channels, and regularly conducting stress-testing exercises. The effective application of Basel III standards, liquidity monitoring systems, and modern risk management mechanisms, which are widely used in international practice, contributes significantly to strengthening the financial stability of banks. In the context of digital transformation, the use of artificial intelligence, Big Data, and forecasting models is taking liquidity management to a new level. These technologies enable banks to accurately forecast financial flows, identify potential risks in advance, and improve the effectiveness of managerial decision-making. Overall, the wider

adoption of modern liquidity management methods, the development of management mechanisms aligned with international standards, and the implementation of innovative technologies in Uzbekistan's banking system will contribute to the sustainable development of the banking sector, reduce financial risks, and support the country's long-term economic growth.

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