Tasks outlined to boost investment activities of banks



President of the Republic of Uzbekistan Shavkat Mirziyoyev held a meeting on October 25 on the priority tasks of reforming the banking system and increasing the investment activity of banks.

Banks are instrumental in development of entrepreneurship and financial support for production. Therefore, particular emphasis is placed in the country on

improving the financial stability of banks and their role in society.

In recent years, 8.4 trillion soums have been allocated from the state budget to commercial banks to finance programs, 400 million US dollars to replenish working capital, and 1.7 billion dollars to increase registered capital. In general, over the past two years, 3.3 billion of public funds have been allocated to shore up the capitalization of banks.

At the meeting, the President criticized the ineffective use of these funds, the poor level of banks to facilitate the implementation of promising projects and create new jobs, enhance the income of customers and the banks themselves.

For example, more than half of the credit resources of private banks is formed by deposits, whereas in state-owned banks the figure barely reaches 10 percent. More than 50 percent of the loan portfolio of public banks accounts for five major state-owned enterprises. Outdated software is still being used, resulting in the quality of banking services that hardly meet contemporary requirements.

In order to promote healthy competition in the sphere, the state's presence in the activities of banks is phasing out. In particular, the percentage of loans issued under government programs is equated to refinancing rate, while the fixation of rates will be completely liberalized from 2021. This will push banks to expand their customer base, search for new forms and methods of attracting resources and providing loans.

Yesterday, the President of Uzbekistan signed a resolution envisaging additional measures to improve the crediting of projects implemented as part of state programs for development of family entrepreneurship, in accordance with which, in order to accelerate and efficiently transform the state-owned banks, their corporatization is assigned to the Ministry of Finance.

At the meeting, the Ministry of Finance and the Central Bank were instructed to

complete, together with the World Bank, the elaboration of a strategy for the long-term development of the banking sector.

President Shavkat Mirziyoyev analyzed the current state of commercial banks and expounded on upcoming relevant measures.

Today, 70 percent of bank deposits are short-term deposits, and 90 percent of loans are issued for long terms. In some banks, current expenses are 60-70 percent higher than revenues.

The meeting served to discuss issues of financial recovery and ensuring the stability of banks.

The Head of the state instructed the executives to strengthen the customer focus of banks, expand services for various categories of citizens, and simplify lending. The necessity was emphasized of improving services via the internet and mobile applications, applying the scoring model widespread abroad and automated loan allocation.

Shavkat Mirziyoyev stressed the significance of improving the organizational structure of banks, enhancing corporate governance and the activities of supervisory boards. The necessity was noted of expanding the participation of the private sector in the banking sector through increasing its investment attractiveness.

"From now on, in the matter of attracting resources the banks are to "care for themselves". Only in this way they can become a financial institution with a modern management system that meets market conditions", the President insisted.

It was noted that particular attention at the meeting was paid to the personnel issue. Corporate Center for Retraining Banking Workers that is being organized at the Central Bank, and Tashkent Financial Institute should seriously address this problem. Instructions were given on encouraging bank employees to work with clients efficiently, and introducing indicators to evaluate their performance.

Following the meeting, presentations were made on the plans of Sanoatqurilishbank and Halq Bank for 2020 and the future.

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