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FACTORS ENSURING THE SOLVENCY OF BANKS IN THE MODERN ECONOMY

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Abstract: *This article discusses the factors ensuring the solvency of banks in the modern economy, focusing on the role of contemporary banking services in the economic landscape. It highlights reforms in the banking system and the convenience offered to the public and business entities through advanced technologies. Remote services such as internet banking, SMS banking, and mobile banking facilitate financial transactions for clients, enhancing their accessibility and convenience. Additionally, systems for managing corporate and organizational bank accounts remotely have been introduced, significantly increasing the popularity and appeal of such services.*

Keywords: *credit, lending, deposit, cash desk, capital, pawnshop, currency market, internet banking, SMS banking, mobile banking, microloan, loan (credit).*

Introduction. Ensuring Bank Solvency: A Key Factor for Economic Stability.Bank solvency is critical for maintaining economic stability. In the context of the modern economy, various mechanisms are being implemented to enhance the solvency of banks. Ensuring solvency relies on factors such as advanced banking services, information and communication technologies, and increased customer trust. The integration of technology simplifies banking services, improves liquidity, and accelerates cash flow. Technological advancements have significantly expanded the capabilities of the banking system.Services such as internet banking, mobile banking, and SMS banking provide convenience for customers while enhancing bank liquidity. In the New Uzbekistan Development Strategy, accelerating digital transformation and improving the quality of banking services are prioritized. Presidential decrees by Shavkat Mirziyoyev outline tasks to expand remote services and integrate innovative technologies. These measures strengthen bank solvency and contribute to economic growth.

For banks, ensuring liquidity, securing payment infrastructure, and strengthening oversight mechanisms are essential for improving solvency. As banks strive to reduce non-performing loans through measures like managing credit risk and ensuring asset recovery, modern technologies assist in analyzing customer data and assessing risk levels. This progress not only bolsters bank operations but also supports overall economic development.

Analysis and results

The Essence of the Banking System: An Analytical Overview.The essence of the banking system, its financial operations, and existing challenges have been studied extensively by numerous foreign economists. Scholars such as E.F. Zhukov, S. Peter Rose, G.G. Korobova, V.I. Kolesnikov, O.I. Lavrushin, Frederic Mishkin, and Z.G. Shirinskaya have made significant contributions to this field through their scientific works. In Uzbekistan, researchers like Yo.A. Abdullaev, Sh.Z. Abdullayeva, F.M. Mullajonov, A.A. Omonov, T.M. Qoraliev, and I.R. Toymukhammedov have provided valuable insights into the management and analysis of commercial banks.This article is dedicated to analyzing the essence of Uzbekistan's banking system, focusing on the primary operations of commercial banks and exploring opportunities to enhance their efficiency. With the development of market relations, the demand for effective methods to manage non-performing loans in commercial banks has grown significantly. By addressing these challenges, the article aims to contribute to the advancement of the banking sector in Uzbekistan.

Optimal Strategies for Managing Non-Performing Loans in Commercial Banks.Experts in this field have proposed optimal strategies for managing non-performing loans (NPLs). Researcher S.V. Kuznetsov (2008) defines a non-performing loan as one where the borrower fails to meet contractual obligations or delays payments, highlighting the financial risk it poses to banks. Studies by Yu.Yu. Platonov and S.E. Zaichenko (2011) reveal that an increase in NPLs can negatively affect the quality of bank assets and lead to additional expenses. A.V. Slavyansky (2009) considers NPLs as a financial risk arising from a borrower’s non-compliance with contractual terms. O.A. Yusupova (2016) emphasizes that delays in loan payments may result not only from the borrower’s financial condition but also from negligence.These analyses underscore that effectively managing NPLs in commercial banks is crucial not only for improving bank assets but also for minimizing credit risks. Remote management systems for enterprises and organizations enhance the efficiency of banking services by enabling online management of bank accounts, thereby strengthening solvency. Through remote management, companies can execute financial transactions swiftly and effectively, accelerating cash flow in the economy and fostering financial stability.

The Growing Importance of Strategic Management in Enterprises.The significance of strategic management in enterprises is increasing as their responsibilities expand, and their role in ensuring economic stability becomes more prominent. Modern management systems determine the efficiency of enterprises, making the implementation of advanced techniques and technologies a pressing task. In line with contemporary demands, many enterprises must develop growth strategies and establish clear concepts for their development. The long-term success of an enterprise is directly linked to an effective strategy. A lack of or deficiencies in strategy can hinder an enterprise from maintaining a stable position in the market.

Although modern science has accumulated considerable experience in strategic planning, many strategies still fail to adapt to changes in the external and internal environment, highlighting the need for developing mechanisms for strategic stability. In the strategic management system, historical performance indicators are used to forecast the future activities of enterprises. The extrapolation method, which evaluates activities based on trends observed in past periods, serves as a foundation for strategic assessment.When assessing an enterprise's future stability, integral indicators reflecting development trends are employed, and an expanded system of metrics is utilized for in-depth analysis and resource identification. This approach enables a precise evaluation of the enterprise's future efficiency and sustainability, laying the groundwork for long-term success and adaptability in a competitive environment.

The New Uzbekistan Development Strategy (2022–2026): Key Directions and Objectives.As a logical continuation of the Action Strategy for 2017–2021, the New Uzbekistan Development Strategy for 2022–2026 encompasses key areas aimed at deepening structural transformations in the national economy. These include enhancing economic potential, supporting entrepreneurship, promoting innovations, and encouraging export capacity. One of the primary goals of this strategy is to develop the manufacturing sector and orient Uzbekistan's economy toward the production of high value-added goods.To achieve this, tasks have been set to increase competitiveness across various sectors of the economy, support production and service enterprises, and implement modern management mechanisms.This strategy reflects the country's commitment to fostering sustainable economic growth, technological advancement, and an improved business environment, paving the way for a diversified and competitive economy in the years ahead.

Focus on Financial Sector Reforms in the New Strategy.The new strategy places special emphasis on reforming the financial sector and banking system. It outlines effective measures to introduce modern financial technologies for banks, simplify financial services for the population and business entities, and strengthen the solvency of the banking system.These measures aim to accelerate cash flow and ensure financial stability, forming a solid foundation for the stability and development of the country's economy. By addressing key challenges in the financial sector, the strategy seeks to enhance the overall economic resilience and promote sustainable growth in Uzbekistan.

Research Methodology

Theoretical and Methodological Basis of the Article. The theoretical and methodological foundation of this article is built upon general economic literature, scientific articles, and the research of economists focused on improving the solvency of banks in the modern economic environment. During the process of scientific analysis, comparative evaluations were conducted based on interviews with scholars and industry specialists, incorporating their written and verbal opinions, expert assessments, and observations.A systematic approach to economic processes, combined with the author's experience, underpins the analysis. Alongside general economic methods, specialized approaches were utilized to systematize data, including comparison, compilation of theoretical and practical materials, and systematic analysis. These methods ensured a comprehensive study of the topic and provided a robust framework for deriving conclusions and recommendations.

Analysis and Results

The analysis highlights several key findings regarding the solvency of banks in the modern economic environment:

1. Modern Financial Technologies

The integration of financial technologies such as internet banking, mobile banking, and SMS banking has significantly improved the convenience and efficiency of banking services. This has not only enhanced customer satisfaction but also contributed to the liquidity and solvency of banks.

2. Impact of Strategic Reforms

The implementation of strategic reforms, as outlined in the New Uzbekistan Development Strategy (2022–2026), has fostered structural changes in the banking system. These reforms emphasize the adoption of innovative solutions, strengthening financial stability, and simplifying access to financial services for both businesses and individuals.

3. Non-Performing Loans (NPLs) Management

Effective strategies for managing non-performing loans have been identified as critical for improving the asset quality of banks. Comparative analysis shows that banks leveraging advanced analytics and customer data management systems are better equipped to mitigate credit risks and reduce the proportion of problematic loans.

4. Economic Growth and Cash Flow Acceleration

Strengthening solvency through modern banking practices has contributed to the acceleration of cash flow within the economy. This, in turn, has supported economic stability and fostered sustainable development.

5. Challenges and Recommendations

While significant progress has been made, challenges such as adapting to dynamic external and internal economic environments and ensuring compliance with global standards remain. Recommendations include:

- Expanding digital banking services and enhancing customer education on their use.
- Strengthening risk assessment frameworks to better predict and manage financial vulnerabilities.
- Promoting international collaboration to align domestic banking practices with global best practices.These results underline the importance of continuous innovation, effective risk management, and strategic planning to ensure the long-term solvency and stability of banks, thereby contributing to broader economic development goals.

Maintaining Customer Trust and Enhancing Accessibility in Modern Banking

In the modern economy, retaining customer trust and making services widely accessible are critical for banks. By providing fast and high-quality services, banks strengthen customer trust, which is a key factor in ensuring solvency. The growing competition among banks in Uzbekistan has prioritized the task of improving banking products and services. Customers now demand higher quality services, pushing banks to adopt new technologies and modern service models.Despite these advancements, marketing research remains underutilized in modern banking operations. Continuous study of customer behavior is essential to increase the popularity of services and tailor them to market needs. Following the global financial crisis, trust in banks declined, underscoring the importance of improving customer monitoring systems and establishing long-term relationships with clients.

To operate effectively in a competitive environment, commercial banks must reassess their marketing strategies and leverage digital technologies to introduce new types of services. Terms like "digital economy" and "internet banking" have become deeply ingrained in society, reflecting the profound integration of information technologies into everyday life. These developments emphasize the need for banks to embrace digital transformation and adapt to the evolving expectations of their customers to maintain a competitive edge and contribute to economic stability.

The Digital Economy and Its Impact on Banking and Solvency

The digital economy encompasses electronic commerce, remote services, and mobile payments conducted via the internet. Over the past 20–30 years, payment systems and digital financial services have evolved significantly, from ATMs and bank cards to 24/7 service systems. For banks, digital transformation is now a critical condition for successfully operating in the market, requiring the adoption of new business models. Transitioning to a digital environment drives innovations in banking services, marketing, and sales, while enabling the expansion of customer bases.

The growing popularity of tools such as mobile and contactless payments, digital currencies, and P2P services has introduced competitive challenges to traditional business models. Key components of digital banking services now include mobility, customer focus, and personalized offers.

State Support in Strengthening Bank Solvency

State support plays a crucial role in reinforcing the solvency of banks. As part of ongoing reforms in the banking system, the Uzbek government has prioritized supporting banks through state capital. Notably, the 2020 banking reform strategy outlines the privatization and transformation of several state-owned banks by 2025.This strategy channels financial assistance toward strategic banks that remain under state ownership, enhancing their solvency and stability. These measures not only bolster the financial health of banks but also contribute to the broader goals of modernizing Uzbekistan's banking sector and adapting it to the demands of the digital economy.

Reforming Uzbekistan's Banking Sector: Priorities and Strategic Directions

In accordance with a decree by President Shavkat Mirziyoyev, key priorities for state-owned banks include ensuring economic stability, enhancing competitiveness, and improving the quality and efficiency of banking services. Under the privatization program for 2020–2025, major banks such as "Ipoteka Bank," "Uzsanoatqurilishbank," and "Asaka Bank" are slated for privatization, while state shares will be retained in banks deemed strategically important. Additionally, the government has prioritized financial support for "Agrobank," "People's Bank," and "Microcreditbank" by designating them as agent banks for subsidized development loans. Within the framework of economic modernization, stabilizing banking activities and increasing customer trust through modern banking services have become critical. The demand for digital services continues to grow, reflecting the shift toward a technology-driven financial ecosystem.

Uzbekistan's banking reforms aim to improve service quality, transform state-owned banks, attract private capital, and implement modern management standards. These measures are designed to turn commercial banks into active financial intermediaries driving economic development. While the sector comprises 31 commercial banks, the 13 state-involved banks still hold a dominant share. Efforts are ongoing to balance state and private capital in the banking sector, modernize financial operations, and meet the evolving needs of the economy and its participants.

Reforms and Innovations in Uzbekistan's Banking Sector Since 2017

Since 2017, significant reforms have been undertaken to liberalize the currency market, remove outdated restrictions, and foster a competitive environment. Laws such as the "Law on Banks and Banking Activities" and the "Law on Payments and Payment

Systems" have been adopted, setting objectives to finance investment projects and support entrepreneurship through preferential financial assistance.The Central Bank, leveraging international experience, has collaborated with foreign countries to digitally transform commercial banks and introduce modern technologies. Remote services have enabled banks to expand their customer base and provide faster, more efficient services.These initiatives not only aim to modernize the banking system but also create a conducive environment for sustainable economic growth, enhancing financial inclusion and technological advancement in Uzbekistan's banking sector.

Enhancing Liquidity and Strategic Development in the Banking Sector

Measures to manage liquidity, increase capitalization levels, and strengthen regulatory oversight are being actively implemented. During the privatization process from 2020 to 2025, the allocation of state support may influence the future development strategies of banks. According to Fitch Ratings, state assistance is primarily directed toward strategically important banks, highlighting its political significance.Financial support plays a crucial role in ensuring the solvency and financial stability of state-owned banks. These efforts are aimed at fostering a robust and sustainable banking system that can effectively contribute to the broader economic development of Uzbekistan.

Conclusion. The ongoing reforms in Uzbekistan's banking sector, including the liberalization of the currency market, digital transformation, and modernization of financial services, have laid the foundation for a more competitive and sustainable financial system. By implementing measures to enhance liquidity, increase capitalization, and strengthen oversight, the sector is better positioned to meet the demands of a modern economy.State support, particularly directed toward strategically significant banks, has been instrumental in ensuring financial stability and solvency. The adoption of new technologies, expansion of remote banking services, and focus on customer centric solutions have improved the quality and accessibility of banking services, fostering trust and reliability within the financial system. Privatization efforts, coupled with the integration of international best practices, are expected to further strengthen the sector’s capacity to drive economic growth. However, the successful implementation of these strategies requires continued emphasis on innovation, effective risk management, and alignment with global standards. These initiatives collectively aim to transform Uzbekistan's banking sector into a key driver of economic development and modernization.

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