

PRIORITY DIRECTION AND LIBERALIZATION OF THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN

Abstract. The banking system is one of the most financially powerful parts of any country. Therefore, the establishment and reform of the banking system has been one of the main reforms in every developed or developing democratic society. Any healthy tax system should be based on fundamental principles such as equality, accuracy, convenience and economy in taxation, as well as efficiency and budget adequacy, advanced by the leader of the classical economic school, Adam Smith. Historical experience shows that the lack of these foundations leads to the loss of confidence of taxpayers in the state tax system and creates a disaffected attitude towards paying taxes. Based on these historical facts, the improvement of tax administration was defined as one of the main directions in the Action Strategy initiated by President Shavkat Mirziyoyev. On this basis, a number of viable projects have been implemented and this momentum is being continued. As a result, the complex and burdensome tax system, which has been an obstacle to the country's development for years, has been fundamentally renewed. This article describes in detail the operation of the banking system in Uzbekistan and the process of its liberalization.

Keywords: banking system, credit, bonus, customer right, liberal system, action strategy, etc.

Introduction. The development of the banking and financial system in our country, increasing stability, and efficient circulation of funds is one of the necessary conditions for the openness and competitiveness of the economy. In this regard, the implementation of the five priority areas carried out in 2017-2021 in accordance with the Decree of the President of the Republic of Uzbekistan "On the strategy of actions for the further development of the Republic of Uzbekistan" is considered an important factor in the development of the banking and financial system. The III-direction of the strategy is devoted to "Priority directions of development and liberalization of the economy", which are aimed at "Further strengthening of macroeconomic stability and maintaining high rates of economic growth." At the same time, reforming the banking system based on the development of the financial market, expanding the scope of services in banks, as well as attracting funds from the population to bank savings was also noted as one of the priority tasks. As is known, the development of banking infrastructure is a factor that ensures the consistency of an effective mechanism associated with an increase in the number of customers through the expansion of banking services.

Literature analysis and methods. Scientific research on the development of banking infrastructure can be observed in the works of Russian scientists such as A.V. Kotov, E.F. Zhukov, O.I. Lavrushin, G.P. Zhuravlev. O.I. Lavrushin in his scientific work pays special attention to the structuring of the banking infrastructure. Interestingly, his views have not changed to this day. He proposes to divide the banking infrastructure into two blocks (internal and external infrastructure). As the scientist notes, the function of the internal block is to ensure the internal stability of the bank, and the function of the external block is to interconnect the bank with the external environment. Based on this division, we propose to group part of the internal block as follows:

- 1) legislative norms that determine the status of a credit institution, a list of operations that are performed by them;
- 2) internal rules for fulfilling the requirements of legislative acts, protecting the interests of depositors and clients of the bank, in general, carrying out operations of methodological support;
- 3) accounting, reporting, analysis system based on modern communication systems, computer data processing, banking management system;
- 4) the management apparatus of the bank.

If O.I. Lavrushin grouped banking infrastructure, dividing it into internal and external blocks, A.V. Kotov, on the contrary, defines banking infrastructure as “a set of institutions that create the necessary conditions for banking activities and assist in providing them to consumers”. A similar approach in relation to the banking infrastructure is given in the textbook "Money, credit, bank" edited by the scientist-economist E.F. Zhukov, who is similar to the scientific views of O.I. Lavrushin, i.e. E.F. Zhukov divides the banking infrastructure into four areas - informational, methodological, scientific and personnel. Also, in order to ensure the continuity of payments, the introduction of innovative products, ensuring the availability of banking services and the development of a competitive environment in the payment services market, as well as the implementation of the tasks noted in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021, a Resolution of the President was adopted Republic of Uzbekistan No. PP-3945 “On the establishment of the National Interbank Processing Center of the State Unitary Enterprise “Main Informatization Center of the Central Bank of the Republic of Uzbekistan”.

Results. The adoption of these government documents, the implementation of measures in the banking system is one of the main factors in the development of the banking system, aimed at fundamentally reforming the country's banking system. In the third direction “Priority directions for the development and liberalization of the economy” of the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP4947 “On the strategy of actions for the further development of the Republic of Uzbekistan”, as well as in paragraph 122 of the action plan for the implementation of this strategy, the task was set to increase the volume and the coverage of cashless payments, in particular, the introduction of a modern electronic form of payments in the economic spheres and the stimulation of business entities, as well as the reduction of non-banking turnover. In this regard, it is advisable to carry out the following to expand the volume of cashless payments, infrastructure development:

- adoption of regulatory legal acts on the development of the banking infrastructure in the country and the improvement of the system for providing remotely controlled services to the population;
- improving the provision of innovative services, i.e. remote control of clients' own funds, ensuring the possibility of managing funds within 24/7;
- introduction of digital banking services in banks, improvement of the payment system through QR codes, QIWI system, NFS, as well as an increase in the number of “cash-in” and “cash-out” ATMs and improvement of money transfer to settlement accounts and bank plastic cards using cash-in ATMs;
- improving the quality and increasing the number of financial services provided to the population, while special attention should be paid to the provision of remote banking services to the population, while expanding the provision of loans in online mode and setting the optimal interest rate;
- commercial banks, not limited to providing loans and attracting deposits, need to introduce new types of services into practice based on an analysis of the needs and demand of the population. In this case, it is necessary:
 - develop a special plan for innovation activities for the bank;
 - increase the types of innovative services;
 - to improve scientific research in ensuring innovative activity;
 - studying the needs of the bank's clients, effective and efficient cooperation with them, as well as the formation of an up-to-date model of the relationship between banks and their clients, the implementation of a favorable banking policy for clients, having deeply studied the weaknesses in the quality of the services provided to them.

The Strategy of Actions put forward by the President of Uzbekistan and adopted in consultation with our people as a practical document defining the "Great Uzbek Way" has created a foundation for us to step forward in the perspective of the nation's development. This is recognized by prestigious international financial institutions, organizations such as the World

Bank, which is at the forefront of a number of reforms, and the International Monetary Fund. In particular, Cyril Muller, the vice-president of the World Bank: "This is a very powerful, certainly historical document. "It represents the beginning of a new era in Uzbekistan, and it describes new worldviews and approaches that define a new dynamic in the country's development," he said. Indeed, today our country is becoming a country of democratic changes, broad opportunities and practical work. This process is the biggest result of our reforms. Clarity of the goal serves as the most important criterion that ensures the effectiveness of actions. If we look at the actions carried out in the direction of economic development and liberalization of the action strategy, a fair, transparent and long-term new tax administration has been created in order to strengthen the foundation of economic stability. First of all, the types of taxes were reduced from 16 to 9, control forms from 13 to 2.

The new version of the Tax Code, which came into force in 2020, was the main factor in bringing the tax administration to a new stage. The following innovations were introduced in the tax legislation with the Code. First, the number and types of taxes and fees, as well as individual tax regimes, were optimized. In particular, 9 types of taxes, and for small enterprises (turnover up to 1 billion soums), a separate tax regime in the form of a tax has been preserved. Secondly, the principle of working on the basis of cooperation with taxpayers was introduced as the priority tasks of tax authorities. That is, it was determined that tax authorities must cooperate with taxpayers in order to properly implement tax legislation. Thirdly, due to the widespread use of modern information technologies, tax administration, in particular, the system of refund of value added tax, has been fundamentally changed. As a result of these reforms, the number of VAT payers increased 20 times (from 6.9 thousand to 140.7 thousand) in 2016-2021. Its revenues increased from 6.9 trillion soums in 2016 to 20.4 trillion soums in 2020. This indicator is expected to be 25.3 trillion soums in 2021.

The level of uncertainty is very large, however. The recovery could be delayed by a resurgence of infections, a slower-than-expected rollout of vaccines, or new containment measures, as well as slower growth in Uzbekistan's main trading partners and fluctuations in commodity prices, notably the price of gold. The humanitarian and economic impact of the pandemic slowed Uzbekistan's transformation to a modern market economy. As the pandemic abates, Uzbekistan will need to secure strong, sustainable, and inclusive growth to narrow the income gap relative to other emerging economies and achieve the Sustainable Development Goals. The authorities will need to continue with wide-ranging structural reforms to help achieve this, including by reducing the role of the state in the economy and creating an environment conducive to strong private sector growth, while expanding the social safety net to protect vulnerable households. The authorities' commitment to continued sound macro-economic policies is welcome, but the withdrawal of fiscal stimulus should be gradual as the pandemic subsides. The authorities are committed to ensure fiscal sustainability, by adopting a set of fiscal rules and reducing the budget deficit in the coming years to place public debt on a downward path. With this, the risk of public debt distress is assessed to remain low. At the same time, the government should create room—by further improving revenue administration and spending efficiency—to allow for a further expansion of the social safety net and additional investment in healthcare and education. Monetary policy remains appropriately focused on lowering inflation, and the CBU should continue to allow exchange rate flexibility. Further improvements are needed in the CBU's supervisory capabilities to better monitor banks and effectively respond to possible banking sector difficulties. Adherence to sound policy frameworks and close coordination among policymakers are essential to maintain macro-financial stability.

Discussion. In the near-term, macro-economic policies need to stay focused on protecting lives and livelihoods and supporting the recovery. This will need to come mainly from fiscal policy, and fiscal buffers can be used if downside risks materialize. Looking further ahead, policies should focus on maintaining macroeconomic stability. Despite the increase in public debt in recent years, Uzbekistan is at a low risk of debt distress. Fiscal policy will need to be gradually tightened in the coming years, after the pandemic subsides, to ensure sustainability. Monetary policy should

remain focused on reducing inflation, while allowing exchange rate flexibility. The pace of structural reforms will need to be accelerated. Reforms have been on the right track and progress understandably slowed due to the pandemic. The agenda is still large, however, and further progress is crucial for achieving strong, sustainable, and inclusive growth. Near-term efforts should focus on strengthening institutions, administrative capacity, governance, the social safety net, and financial intermediation, but most of all on creating an environment conducive to private sector job creation. Medium-term reforms should focus on reducing the role of the state in the economy, improving public service delivery, and further enhancing the social safety net, including pension reform, as well as land and energy sector reforms.

In the process of transition to a market economy and deepening of market relations in our country, liberalization, democratization of all spheres of socio-political and economic life, acceleration of structural changes in the national economy are the main driving forces of macroeconomic balance. As we know, the word Liberalization is derived from the word Liberalism (French: libéralisme), which means freedom to control oneself, one's behavior, one's property. At present, according to liberal ideas, the free market mechanism creates the most favorable conditions for effective economic activity and the regulation of social and economic processes; At the same time, regular government intervention is needed for the market and competition to develop normally. In developing countries, economic liberalization is more likely to mean liberalizing or "opening up" their economies to foreign capital and investment. The three fastest growing economies today; Brazil, China, and India have achieved rapid economic growth over the past few years or decades, from partial "liberalization" of their economies to foreign capital. The Republic of Uzbekistan has also paid special attention to economic liberalization since the early years of independence. The transition of Uzbekistan to a system of market relations has become the basis for the development of private property and the free movement of commodity-money relations. In this regard, a number of reforms have been carried out in the country. For example, the Law of the Republic of Uzbekistan "On denationalization and privatization of property" of November 19, 1991, the "Strategy of actions" of the Republic of Uzbekistan, adopted on February 7, 2017, the Republic of Uzbekistan It is worth mentioning the Presidential Decree of January 17, 2017 "On accelerating the sale of state-owned property for business purposes and further simplification of its procedures." The third direction of the action strategy adopted in 2017, called "economic development and liberalization", also indicates the importance of liberalization of the economy for the development of the economy of the Republic. The strategy envisages institutional and structural reforms aimed at strengthening macroeconomic stability and maintaining high economic growth, increasing the competitiveness of the national economy, modernization and accelerated development of agriculture, reducing state participation in the economy, aimed at further development and liberalization of the economy. to continue the protection of private property rights and further strengthen its priority position, stimulate the development of small business and private entrepreneurship, integrated and balanced socio-economic development of regions, districts and cities, improve the investment climate implementation of reforms, such as active investment, has been identified as a priority.

Conclusion. The most recent and important news in this regard is the decision of the Cabinet of Ministers dated September 22 of this year "On measures to further improve the accounting of taxpayers and simplify the procedure for compensation of value added tax" with the decision was approval of the regulation on the procedure for special registration of value added tax payers with tax authorities. This regulation established the procedure for special registration of VAT payers in tax authorities based on tax risk assessment. According to the new regulation, starting from December 23 of this year, the risk level of taxpayers during special VAT registration will be determined by automatic programs without the participation of the human factor. Applications for special registration are processed within 7 days. If the application is not processed within this period, a special registration certificate will be issued automatically. Based on the results, they are categorized as high, medium or low tax risk. Efforts in the direction of improving the system of correct accounting of VAT and refund of negative amount are being intensively continued. In

particular, in order to check the authenticity of the amounts taken into account to increase tax revenues, to create an electronic program "Takhgap" aimed at automatically detecting breaks in the VAT chain (when VAT is not paid in full (or at all) by each of the participants) and eliminating unjustified amounts taken into account work is in progress. These new criteria and our actions are important as they are aimed at protecting entrepreneurs working legally in the market and preventing future liability risks. Fourth, the ugly experience of overcharging has been completely abandoned. In case of such cases, the procedure of paying interest for each delayed day along with the return of the overpayment amount was put into practice. This year alone, over 3 trillion soums of prepayments accumulated over the previous years were reduced by 40 percent. Fifth, the procedure for collecting tax debt from debtors was abandoned. This allows taxpayers to manage their funds independently. Sixthly, the authority to delay the payment of taxes or provide the possibility of payment in installments was given to the state tax service bodies and local councils of People's Deputies. Recently, in accordance with the norms of the newly revised Tax Code, 171 entities were given the opportunity to pay a total of 688 billion soums of tax in installments. Of this, 560 billion soums (81%) were given the opportunity to pay tax in installments by state tax service bodies, 128 billion soums (19%) by local councils of People's Deputies.

Today in Uzbekistan, there is an opportunity to freely operate in a wide and equal competitive field for entrepreneurship, and an attractive investment environment is emerging. In order to further improve the investment environment of our country, to ensure the introduction of the principles of fair competition, and to regulate the practice of granting tax and customs benefits, amendments and additions were made to 45 legal documents. A number of tax and customs benefits have been removed from practice through certain legal documents that have been declared invalid. As a result, 84 different ineffective tax credits were canceled. The number of enterprises founded by foreign investors increased 2.6 times in 4 years and reached 13.2 thousand.

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