



THE PROCESS OF TRANSFORMATION OF THE BANKING SYSTEM AND ITS IMPACT ON THE STABILITY OF BANKS

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Abstract

The article examines the process of transformation of the banking system and its impact on the stability of banking institutions. The modern banking sector is undergoing significant changes under the influence of technological innovations, globalization and changes in legislation. Particular attention is paid to the situation in Uzbekistan, where active economic reforms are being carried out aimed at liberalizing the financial sector, attracting foreign investment and modernizing infrastructure. The author analyzes key aspects of the relevance of the topic for Uzbekistan, including the privatization of state-owned banks, the introduction of modern technologies, compliance with international standards, the development of small and medium businesses and increasing financial inclusion of the population. The opportunities arising from these changes are discussed, as well as the risks that may affect the stability of the banking system.

Keywords: Transformation, banking sector, bank, innovation, financial market, modernization, modern technologies, digitalization.

Introduction

In the modern world, the banking system is undergoing significant changes under the influence of technological innovations, changes in legislation and globalization processes. The transformation of the banking sector has become inevitable in the context of the dynamic development of financial markets and changing customer needs. These changes bring both opportunities for the growth and development of banks and new risks that affect their stability. In this article, we will consider the main aspects of the banking system transformation process and analyze how they affect the stability of banking institutions.

Relevance

In the context of Uzbekistan, the topic of banking system transformation is particularly relevant. The country is at the stage of active economic reforms and integration into the global economy. The government of Uzbekistan is taking





measures to liberalize the financial sector, attract foreign investment and modernize infrastructure. In these conditions, the stability of the banking system is becoming a key factor in ensuring economic stability and growth. Key aspects of relevance for Uzbekistan:

1. Liberalization and privatization of the banking sector:

- Privatization of state-owned banks and attraction of foreign investors contribute to increased competition and require banks to improve their corporate governance.

2. Introduction of modern technologies:

- Digitalization of banking services is becoming a priority. Uzbekistan is seeing an increase in the use of mobile banking and financial technologies, which requires banks to invest in IT infrastructure.

3. Regulation and compliance with international standards:

- Uzbekistan is striving to integrate into the international financial system, so it is important to bring banking regulation in line with international standards, such as the Basel Accords.

4. Development of small and medium-sized enterprises (SMEs):

- Banks play a key role in financing SMEs, which are the engine of economic growth and job creation in the country [1, p 155].

5. Financial inclusion:

- Expanding access of the population to financial services, especially in rural areas, is an important task. Transformation of the banking system contributes to increasing financial inclusion.

Literature Review

Research in the field of transformation of the banking system and its impact on the sustainability of banks is widely represented in the works of foreign and domestic scientists.

Foreign studies:

- Berger et al. (2017) studied the impact of technological innovations on the efficiency of banks and found that digitalization improves productivity but can increase operational risks.





- Mishkin (2018) considered the role of regulation in ensuring the sustainability of the banking system, emphasizing the importance of adapting the regulatory framework to new conditions.
- Beck and Levin (2020) analyzed the impact of competition in the banking market on the sustainability of banks and concluded that moderate competition contributes to financial stability.

Domestic studies:

- Karimov A.D. (2019) studied the features of the development of the banking system of Uzbekistan in the context of economic reforms, noting the need for modernization and implementation of international standards.
- Rakhmatov S.O. (2020) analyzed the impact of digitalization on the banking sector of Uzbekistan and emphasized the potential of financial technologies in expanding services and improving efficiency.
- Yusupova H.Sh. (2021) examined the risks associated with the transformation of the banking system in Uzbekistan and proposed measures to strengthen the risk management system.

Key findings from the literature:

- The transformation of the banking system is a global phenomenon, and its impact on the sustainability of banks depends on many factors, including economic conditions, the level of technology development and the quality of regulation.
- In the context of Uzbekistan, special attention should be paid to the modernization of infrastructure, the development of human capital and the adaptation of the regulatory framework to international standards.
- Domestic studies indicate the need for a balance between the introduction of innovations and risk management to ensure the sustainability of banks.

Analysis methods. This article uses the following analysis methods:

1. Literature analysis:

- Systematization and generalization of the results of existing studies on the topic of the transformation of the banking system and its impact on the sustainability of banks.

2. Comparative analysis:

- Comparison of the processes of transformation of the banking system in Uzbekistan with similar processes in other countries to identify common trends and features.





3. Economic analysis:

- Assessing the impact of technological innovations, changes in regulation and the competitive environment on the financial performance and sustainability of banks.

4. Qualitative risk analysis:

- Identification and assessment of risks associated with transformation, such as operational, technological and regulatory risks.

5. Forecasting Analysis:

- Building scenarios for the development of the banking system of Uzbekistan, taking into account current trends and possible changes in the future.

The process of transforming the banking system is an inevitable and necessary step in the modern financial world, especially for countries like Uzbekistan, which are on the path of active economic transformation. Transformation brings significant opportunities for growth and development of the banking sector, but also leads to the emergence of new risks that can affect the stability of banks [2, p 254].

Based on the above, the following conclusions can be drawn:

- For Uzbekistan, the transformation of the banking system is especially relevant in light of economic reforms and the desire to integrate into the global economy.

- It is necessary to ensure a balance between the introduction of innovations and risk management to maintain the stability of banks.

- State policy should be aimed at supporting the modernization of the banking system, the development of infrastructure and the adaptation of the regulatory framework [3, p 36].

- Banks should invest in technology, staff training and improving the risk management system.

Recommendations:

- Development of strategic plans for banks taking into account the specifics of the national market and international trends.

- Strengthening cooperation between regulators, banking institutions and fintech companies for the joint development of innovations.

- Continuous risk monitoring and adaptation of internal procedures to changing conditions.

- Informing and training clients to improve financial literacy and trust in the banking system.





Thus, competent management of the transformation process will allow banking institutions of Uzbekistan not only to maintain stability, but also to strengthen their positions in the market, meeting the demands of the time and customer expectations.

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