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THE NECESSITY OF INTERNATIONAL CREDITS IN THE DEVELOPMENT OF UZBEKISTAN'S ECONOMY

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Annotation: This article is dedicated to a deeper analysis of the role and significance of international credits in the development process of Uzbekistan's economy in recent years. Since achieving independence, Uzbekistan has faced significant issues related to strengthening the resource base of commercial banks. High interest rates on bank deposits have further exacerbated this issue. Throughout the article, the possibilities of enhancing the welfare of the population through the use of international credit lines are examined, and the relevant pressing issues are discussed in detail.

Keywords: international credit, international financial institutions, World Bank, International Monetary Fund, Asian Development Bank, foreign investments, commercial banks' resource base.

Since the early days of its independence, the Republic of Uzbekistan has been actively working to solidify its international position and reveal its economic potential through collaborations with international financial institutions. Notably, Uzbekistan's full membership in the World Bank and the International Monetary Fund in September 1992 was a significant step in integrating with the global community. These international financial institutions are recognized as supporting the economic development of countries. The issue of attracting international credits to Uzbekistan's economy is directly linked to the problem of high inflation rates and the costliness of internal resources of banks. Moreover, several legislative initiatives have been implemented to establish the legal basis for international credit relations. For instance, laws such as the "On Attracting Foreign Capital" enacted on August 29, 1996, the "On Foreign Economic Activity" on May 26, 2000, and the "On Investments and Investment Activities" on December 25, 2019, have been adopted. These legislative efforts have been instrumental in strengthening Uzbekistan's position in international financial cooperation [1].

In the current global economic landscape, the extensive initiatives to modernize Uzbekistan's economy, foster sustainable industrial and economic growth, and mitigate inflation are tightly connected to the imperative of attracting investments through international credit lines. These initiatives are critical as they aim to accelerate the transformation processes within our national banks and establish the necessary conditions for the effective integration and management of international credits into the Uzbek economy. An essential aspect of this process is enhancing the competitiveness of local commercial banks and establishing a robust competitive environment [2].

International credits enter our nation predominantly through commercial banks, which act as the principal financial conduits. Therefore, ensuring the safety, stability, and liquidity of these banks is paramount to advancing Uzbekistan's economic development. This necessity is underscored by the President of the Republic of Uzbekistan's directive outlined in the "Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025." This strategy is

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focused on improving Uzbekistan's standing in the World Bank's "Doing Business" rankings, particularly under the "Getting Credit" indicator, where past performances have highlighted areas for improvement [3].

The strategy is tailored to develop a contemporary banking system that increases the banks' attractiveness to investors and introduces new standards in banking services. Critical actions under this strategy include the systematic liberalization of banking activities and their alignment with the finest international practices. These measures aim to attract strategic foreign investors and facilitate the phased integration of the financial system into global financial markets.

Banks' integration into international financial markets enables them to access new and cost-effective resource pools. This accessibility significantly eases the influx of international credits, creating favorable conditions for such inflows. Furthermore, establishing strategic objectives with international financial institutions and foreign banks in both the long and short term is crucial for reinforcing Uzbekistan's integration on a global scale [4]. This strategic alignment involves ensuring all domestic economic entities engage in international financial, currency, and trade relations based on principles of equality and aligned with the nation's strategic interests.

Additionally, the strategy supports the resolution of existing national issues through international cooperation, where financial, technical assistance, and guidance play pivotal roles. By leveraging global best practices and resources, Uzbekistan aims to enhance its economic stability and growth, thereby contributing to its overarching goals of economic modernization and integration into the international economic community [5].

As of March 31, 2023, the International Monetary Fund (IMF) has published official data regarding the remaining balances of credits provided to various countries. According to this data, Argentina holds the highest debt, which amounted to 34,226,713,750 Special Drawing Rights (SDRs) on the stated date. By April 10, 2023, Argentina had reduced its debt by 975,000,000 SDRs, bringing the balance down to 33,251,713,750 SDRs. Other countries like Egypt and Ukraine also feature prominently in this list. For Uzbekistan, the debt level remained consistent at 275,600,000 SDRs on both dates [6].

Loans from the IMF are crucial for stabilizing and progressing the economies, especially in developing countries. In Uzbekistan, these loans are predominantly utilized in the housing sector to facilitate the provision of homes. Currently, the country offers mortgage loans on preferential terms to improve housing availability, supported by funds from international financial institutions like the Asian Development Bank (ADB), thereby aiding the stable economic development of the nation [7].

In Uzbekistan, mortgage financing is managed by the "Uzbekistan Mortgage Refinancing Company" PLC, which addresses the issue of long-term lending in the commercial banking sector through refinancing terms. The commercial banks receive these loans at an interest rate of 12.5%, and after adding their margins, offer them to customers for home purchases at 5% interest and for home renovations at 4% interest.

Additionally, mortgage loans for secondary market housing are provided to citizens with monthly incomes not exceeding 15 million UZS at an interest rate of 17.5% for up to 20 years. These loans are aimed at improving living standards and enhancing housing conditions for the population [8].

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The strategic deployment of financial resources from international institutions such as the International Monetary Fund (IMF) and the Asian Development Bank (ADB) has a profound impact on the economic landscapes of developing countries like Uzbekistan. These loans serve as crucial pillars for economic stability and growth, providing necessary financial support to address both cyclical economic issues and long-term developmental objectives.

In Uzbekistan, the focus of such financial support has been notably effective in the housing sector. The provision of mortgages at preferential rates, facilitated through international loans, has directly contributed to improving housing accessibility for a significant portion of the population. This approach not only meets immediate housing needs but also stimulates related industries, from construction to home furnishing, thereby broadening the economic impact [9].

Moreover, the conditions attached to these loans – aimed at fostering transparency and efficiency within the banking sector – encourage reforms that align with global best practices. This not only optimizes the use of borrowed funds but also enhances the overall financial health of the country's banking system. By improving the operational standards of banks, these reforms increase the trust and reliability among international investors and local depositors alike.

Furthermore, the use of international credits for economic stability enables the government to allocate more resources towards other critical areas such as education, healthcare, and infrastructure development. This redistribution of resources helps in addressing the socio-economic disparities and elevating the general quality of life for the Uzbek populace.

The effective management and utilization of these international loans underscore a strategic vision that goes beyond mere financial assistance. It is about integrating Uzbekistan more closely into the global economic system, enhancing its competitiveness, and preparing the nation for future challenges and opportunities. As such, the role of international credits is not just in immediate economic relief or stabilization but in laying down the foundations for sustained socio-economic development and progress.

In conclusion, the support from institutions like the IMF and ADB is invaluable, not only for its direct financial benefits but for its broader implications on national development strategies. These credits facilitate vital transformations within the economy, propelling Uzbekistan towards greater economic resilience and prosperity, ensuring that the country's growth trajectory aligns with its long-term development goals.

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