



UUT:338.98.675.

## LEGAL BASIS OF THE ACTIVITY OF COMMERCIAL BANKS

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### ANNOTATION:

The article describes the legal basis of the establishment of commercial banks, in which it is explained that commercial banks are regulated on the basis of several basic legal normative documents and the activities of banks are organized on the basis of these laws. Also, commercial banks are effectively organized being done legal of the foundations to himself special aspects according to conclusions given. .

**Key words** :statute capital , bank founders , credit contract, bank control, bank assets, legal foundations, economic foundations

### Аннотация:

В статье описаны правовые основы создания коммерческих банков, в которой поясняется, что коммерческие банки регулируются на основе нескольких основных нормативных правовых документов и деятельность банков организуется на основе этих законов. Также даются выводы по конкретным аспектам правовых основ эффективной организации коммерческих банков.

**Ключевые слова:** Уставной капитал, банковские учреждения, кредитный договор, банковский контроль, банковские активы, правовые основы, экономические основы.

### Introduction

On the territory of the republic, banks carry out their activities on the basis of a license issued by the Central Bank. The process of transition of the Republic of Uzbekistan to a socially oriented market economy requires the implementation of deep changes in the banking system as a component of many important economic reforms and the creation of a whole mechanism of regulating the economy through monetary and credit facilities.[1]

The legal bases of the establishment of commercial banks are regulated on the basis of several basic legal normative documents. Including:



1. On amendments and additions to the Law of the Republic of Uzbekistan "On Banks and Banking Activities". April 19, 2023 L.R.U-831.

2. Decision of the management of the Central Bank of the Republic of Uzbekistan "On amendments and additions to the decision on approving the instructions on the organization of activities related to cash transactions by banks in the Republic of Uzbekistan." March 29, 2023, Issue 8/6

3. Resolution of the Senate of the Oliy Majlis of the Republic of Uzbekistan "On the report on the activities of the Central Bank of the Republic of Uzbekistan in 2022". June 2, 2023 No. SQ-742-IV

Through these documents, you can learn the basics of commercial banks. In accordance with the legislation, the Central Bank performs its duties as a supervisory body over commercial banks. According to it, the Central Bank regulates and controls the activities of banks, microcredit organizations, pawnshops and credit bureaus in order to maintain the stability of the financial-banking system, to ensure the protection of the interests of depositors, borrowers and creditors.[2]

**Analysis and results** : According to the Law of the Republic of Uzbekistan on Banks and Banking Activities, the minimum amount of authorized capital of banks is gradually increased as follows:

One hundred billion soums by September 1, 2023;

two hundred billion soums from September 1, 2023;

Three hundred and fifty billion soums from April 1, 2024;

five hundred billion soums from January 1, 2025 ;

In order to reduce the level of dollarization of the banking system of Uzbekistan, a hedge fund is being established under the Ministry of Finance, and a "policy of caution" is being carried out when attracting foreign currency loans.[4] In 2025, it is planned to reduce the share of the government in the banking sector to 40 percent. Today, the level of dollarization of the credit portfolio of banks is 50 percent, liabilities are at the level of 57 percent, which leads to an increase in the currency risk and vulnerability of the banking sector with a significant depreciation of the national currency rate. In order to reduce the level of dollarization, a special hedge fund is being established under the Ministry of Finance for the conversion of loans in foreign currency into national currency. In addition, taking into account possible internal and external risks, it is



envisaged to attract long-term resources in soums from abroad, as well as conduct a "policy of caution" in attracting resources in foreign currency. The total capital of banks is at the level of 6.2 billion dollars (66 trillion soums), of which 81 percent is the capital of state banks. "If we talk about the financial stability of banks, in the previous period of this year, the growth of assets with a high level of risk was 21% - from 317 trillion soums to 383 trillion soums, the growth of their total capital was 14% - 66 reached trln soums. The capital adequacy ratio fell by 1.2 percent to 17.2 percent, which meets the minimum requirements. Through such documents, it is possible to study the basics of commercial banks' activities. Also, in 2025, it is planned to increase the share of the private sector in the activity of banks from 18 percent to 60 percent. We will consider the camera of the measures implemented in the banking system according to the table below .

**Share of commercial banks in terms of credit investments.[4]**

**(Table 1) [4]**

Name of pointers	01.02.2021		01.02.2022		change, in percent
	billion, soum	share, in percent	Billion soum	Share in percent	
Total credits	277755	100%	324139	100%	16.7%
Industry	102665	37.0%	115761	35.7%	12.8%
Agriculture	28502	10.3%	35210	10.9%	23.5%
Construction site	7452	2.7%	9380	2.9%	25.9%
Trade and general service	20353	7.3%	26818	8.3%	31.8%
Tranport and communication	26744	9.6%	27866	8.6%	4.2%
Development of material and technical support	3921	1.4%	3588	1.1%	-8.5%
Household utility service	4338	1.6%	2140	0.7%	-50.7%
Citizens	54707	19.7%	69605	21.5%	27.2%
Other sectors	29073	10.5%	33770	10.4%	16.2%

In the data of Table 1 above, the percentage change of the share of commercial banks in terms of credit investments during the period from February 01, 2021 to February 01, 2022 is expressed in percentages, according to which the volume of loans allocated to individuals increased from



19.7% to 21.5% on February 01, 2022 compared to February 01, 2021. as well as the amount of loans allocated for the construction sector We can see that it has increased from 2.7% to 2.9% on February 01, 2022 compared to February 01, 2021. In housing and communal services, the eca has decreased from 1.6% to 0.7%.

### **Conclusion and suggestions**

In summary, it can be said that the Uzbek banking system has been carrying out reforms related to the implementation of services that meet the market requirements, taking into account the demands and offers of clients, introducing new ways of providing services to them, using new credit facilities, and establishing various credit institutions.[3]

In general, the role of the legal basis of commercial banks' activity in ensuring the stability of the banking system is important as follows:

*firstly:* Identifying and preventing cyber security risks related to payment systems and taking effective measures against cyber threats and financial fraud

*secondly,* to develop the activity of the interbank REPO market in order to ensure the effective redistribution of short-term resources between banks;

*thirdly:* identify existing risks within the risk-based control system of banks, conduct studies on the financial stability of the banking system and the dynamics of credit risks in banks;

*fourth:* to improve the quality of the credit portfolio and risk tolerance, to ensure a stable level of credit growth;

*fifth:* to further expand the attraction of internal and external investments in addition to the capital of banks;

As we have said, we need to make credit system by trade rules, increase bank system without source of the government banks, modernization systems in bank sectors, create an available infrastructure and automation of the activity can improve the efficiency of the banking system.

### **Used literatures**

1. Z. Mamadiyrov, M. Makhmudova, M. Kurbanbekova. Banking. Textbook. T.: Innovative Development Publishing House, 2021, 143 pages
2. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 "On the development strategy of New Uzbekistan for 2022-2026" No. PF-60.



3. Decree No. PF-5992 of the President of the Republic of Uzbekistan dated May 12, 2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025".
4. [www.sbu.uz](http://www.sbu.uz) is the official website of the Central Bank of the Republic of Uzbekistan