

## Financial and Credit System in the Conditions of Market Economy

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**Annotation.** *In the article, the author talks about the effectiveness of the credit system, the mechanisms of education and the features of functioning, which largely determines the development of the state's economy. Also, about the modern credit system of the Republic of Uzbekistan.*

**Keywords:** *credit system, stock system, market, model, cash, campaign, process, issue.*

In the conditions of transition to a market economy, the monetary and financial leverage of economic regulation becomes important. In the monetary and financial-credit system, market mechanisms of economic regulation function effectively. The financial and credit system has a significant impact on the macroeconomic state of the economy and the development of the social sphere. In the development of any state a significant place is occupied by the credit system, which largely determines the

development of the economy, the growth of the potential of the state and the growth of the well-being of its population. [4] At the same time, the state itself should have an impact on the development of the credit system, on its formation, activity, and, accordingly, its location on the territory of states. The economic category of the financial and credit system includes a set of separate but interrelated elements of the financial system and credit system. Both financial and credit systems have their own educational mechanisms and features of functioning. The degree of security and stability of the national currency, including its purchasing power and exchange rate in relation to foreign currencies, is essential for the state of the financial and credit system of the state, which is of paramount importance for state sovereignty. The credit system is a functional subsystem of the market economy, mediating the processes of capital formation in the economic system

and its movement between the subjects and sectors of the economy.[1]

In Uzbekistan, as in most other countries of the world, there is a two-tier credit system: the Central Bank – banking institutions and non-bank credit organizations. The Central Bank is the issuing center of the country, has a monopoly right to issue and withdraw cash from it in the form of banknotes and coins.[7] Commercial banks are the basis of the credit system of Uzbekistan. Some of them arose on the basis of previously functioning specialized state-owned banks, which had a stable financial position and had an extensive network of branches, others were created practically from scratch.

In the two-tier credit system, the second link, in addition to commercial banks, in recent years, non-profit banks and non-bank credit organizations have become increasingly active. Non-profit banks in Uzbekistan, as in international practice, include investment banks, savings banks, savings and loan associations and credit unions, mortgage banks, land banks, merchant banks, etc.

A non-bank credit organization is a credit organization that has the right to conduct certain banking operations (investment insurance companies, pension and other funds). Permissible combinations of banking operations for non-bank credit organizations are established by the Central Bank of the Republic of Uzbekistan. Newly organized credit organizations are not allowed to work with individual deposits earlier than two years after the start of their activities.

The creation of a modern credit system in Uzbekistan was preceded by a long period, which was determined by the socio-economic conditions for the development of our country. The current credit system is close to the model operating in most industrialized countries. The least developed link in the country's credit system is specialized non-bank institutions.[2]

Commercial banks of Uzbekistan, in addition to performing their classic functions, are active participants in the stock market. In recent years, in order to increase their competitiveness, they have

significantly intensified their activities in this rapidly growing segment of the financial market.

At the first stages of the development of the stock market of Uzbekistan, the main attention of banks was paid to issuing and investment activities, which provided them with cheap financial resources and increased capitalization, as well as making profit by increasing the market value of shares or obtaining a steady return on invested investments.[6]

With the growth of turnover in the national securities market, commercial banks become one of the most active institutional participants. They purposefully expand the volume of emission activities, types of operations and range of services provided.

Proof of this can be the activities of banks in the corporate bond market, the active development of which can be observed in recent years. The emergence of new financial instruments allows banks to act not only as emission and investment structures, but also as major

“players” in a whole range of financial transactions.

The increasing complexity of financial operations and, accordingly, risks in financial markets require an adequate improvement of the supervisory functions of the Central Bank. Maintaining and strengthening effective oversight of the activities of commercial banks by the Central Bank remains an important task at this stage of development. In recent years, we have witnessed the growing financial and economic interdependence of countries and entire regions of the world. Banking business is a leader in the process of globalization. The global capital market, which has become the core of this process, is already a completely tangible reality for economic entities of the republic, including commercial banks.[5]

Thanks to the measures taken, the commercial banks of the republic are becoming more attractive to foreign investors. The fruits of this work have been the increased interest of reputable international organizations to the banks of Uzbekistan. This indicates that they

are trusted not only within the country, but also abroad. We can safely say that the banking sector of our republic is becoming more attractive to the global financial community. Considering that recently interest in emerging markets (emerging markets) has begun to rise again, it can be assumed that foreign investors are becoming more active in this sector of Uzbekistan's economy.

The modern credit system of Uzbekistan is the result of a long historical development and adaptation to the needs of the development of a market economy. The credit system mediates the entire mechanism of social reproduction and serves as a powerful factor in the concentration of production and centralization of capital, and contributes to the rapid mobilization of free cash and its use in the country's economy.[3]

The modern credit system was formed under the influence of such important processes as the concentration and centralization of banking capital, which led to the emergence of large banks, such as the National Bank for

Foreign Economic Affairs; specialization of credit and financial institutions and the complexity of the functional structure of the credit system; merging or merging banking monopolies and the formation of financial capital; the internationalization of banking, the emergence of transnational banks and financial groups.

Today, the state of the state's financial and credit system significantly depends on the degree of security and stability of the national currency, including its purchasing power and rate relative to foreign currencies, which is of paramount importance for state sovereignty. The smooth and efficient functioning of state bodies and institutions, the development of a sovereign state as a whole is directly dependent on the process of formation, distribution and use of centralized and decentralized funds that constitute the content of state financial activity. Equally important for him is the steady, reliable functioning of the country's banking system. Without such a system, the successful implementation of state

economic, social, political, legal, environmental and other programs and projects is impossible.

For any truly sovereign state, the management of the financial and credit system, the development and implementation of a unified monetary policy, protection, ensuring a stable national currency and the national banking system, financial activity issues are of strategic importance and are always relevant, making up part of the content of the concept of state security.

In a modern market economy there is often a contradiction, which is expressed in the following. A number of firms, companies, individual entrepreneurs and the general public have a problem in obtaining funds for their business or needs. This is expressed in the following: the expansion of production, the purchase of equipment, technologies, the purchase of residential premises, cars, etc. And at the same time, other entrepreneurs, companies of firms, have at the same time sufficient funds available, in the form of depreciation, temporarily free funds.

This contradiction eliminates the credit system.

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