

**MODERN APPROACHES TO OPTIMIZING AND ENHANCING THE EFFICIENCY
OF REGIONAL BANKS IN UZBEKISTAN***Jumayev Bahodir Raxmatullayevich**Intern Lecturer at Asia International University**bahodirjumaev96@gmail.com*

Abstract: This article examines modern approaches to optimizing and enhancing the efficiency of regional banks in Uzbekistan. The study analyzes factors such as digitalization, ecosystem models, risk assessment methods, and financial inclusion. Practical examples from Uzbek banking practices are provided to demonstrate their contributions to regional economies. The results indicate that the introduction of AI, blockchain, and targeted products plays a decisive role in improving the competitiveness of banks. By combining regulatory reforms and technological innovations, the socio-economic potential of regional banks can be strengthened.

Keywords: regional banks, optimization, efficiency, digitalization, financial ecosystem, credit risks, AI, blockchain, Uzbekistan.

Introduction. During Uzbekistan's economic reforms, regional banks have played a crucial role in shaping the financial infrastructure of provinces, supporting small and medium-sized businesses, and providing accessible services to the population. As of 2023, 12 regional banks operate in the country, accounting for 25% of the total banking system's assets. However, global digitalization trends, intensified competition from major banks (e.g., Sberbank, Alif Bank), and rising customer demands compel regional credit institutions to rethink their operational strategies. For instance, while mobile banking users have tripled over the past five years, only 40% of regional banks have fully implemented digital platforms, highlighting issues such as inadequate technological infrastructure and a shortage of skilled personnel.

State programs aimed at expanding financial inclusion (e.g., the "Youth – Our Future" initiative) have created new opportunities for regional banks. However, improving their efficiency requires innovative approaches, enhanced risk management mechanisms, and personalized customer solutions. The purpose of this study is to identify modern methods (e.g., AI, blockchain, ecosystems) to expand the capabilities of regional banks in Uzbekistan, analyze their practical implications based on financial reports and expert interviews, and propose future development directions. The relevance of this research lies in the need to strengthen the role of regional banks in balanced economic development and adapt digitalization to local economic conditions.

Research methodology. This study employs a mixed methodology combining qualitative and quantitative analyses:

1. Qualitative Analysis:

Reviewed reports from the Central Bank of Uzbekistan, the Ministry of Finance, and the "Association of Regional Banks" (2020–2023).

Conducted case studies of five regional banks (e.g., Qishloq Qurilish Bank, Agrobank) to examine successful practices such as digital microcredit systems and agro-ecosystems.

Held 15 semi-structured interviews with bank executives and financial experts to identify technological barriers and future trends.

2. Quantitative Analysis:

Compared financial indicators such as NPL (non-performing loans), ROI (return on investment), and digital service adoption rates using statistical data.

Analyzed balance sheets of Asaka Bank and Hamkorbank (2021–2023) to assess the impact of digitalization on revenue streams.

3. Comparative Analysis:

Benchmarked Uzbek practices against international models (e.g., India's NABARD, Germany's Sparkassen system).

Data sources included scientific literature, official statistics, and expert evaluations. Limitations include restricted access to certain banks' financial reports and a lack of long-term data for evaluating new technologies.

Analysis and results. A detailed analysis of Uzbekistan's regional banks reveals multifaceted challenges: technological lag, inefficient resource allocation, and low adaptability to macroeconomic factors. For example:

High Agricultural Credit Risks: Qishloq Qurilish Bank reported a 15% NPL ratio for agricultural loans in 2023, double that of major urban banks (e.g., Sberbank: 7%) and exceeding IMF standards (5%). Causes include:

Seasonal and climate-dependent agriculture: 30% of cotton-focused loans face delayed repayments due to climate change.

Weak monitoring systems: 80% of loans rely on paper documentation, hindering real-time risk assessment.

Lack of AI-driven credit scoring: Only 25% of regional banks use AI-based risk models; others depend on traditional methods (guarantors, collateral).

Technological Lag:

Mobile banking: Agrobank's app supports only basic functions (account viewing, transfers), while Alif Bank offers advanced features like automated loan approvals.

ATM distribution: Rural areas like Fergana have 2 ATMs per 10,000 people, compared to 8 in Tashkent, limiting cashless transactions.

Customer-Centric Weaknesses:

Standardized products: Hamkorbank's microcredit programs lack customization for farmers' seasonal needs.

Poor client segmentation: Banks often treat customers homogeneously, neglecting age, profession, or income-based services.

Regulatory Impact:

Tax incentives under the 2021 financial inclusion program boosted rural bank branches but stricter capital requirements (e.g., minimum capital raised to 100 billion UZS) strained smaller banks, leading to three regional bank closures (2020–2023).

Comparative Insights:

India's NABARD reduced agricultural credit risks by 40% through state subsidies and agro-expert partnerships, suggesting actionable solutions for Uzbekistan.

Key Results:

AI and Data Analytics: Ipak Yuli Bank demonstrated that AI-driven risk assessment could reduce bad loans by 20%.

Specialized Ecosystems: Agrobank's agro-ecosystem (loans + insurance + agronomic advice) increased farmers' incomes by 25% and doubled demand for advisory services.

Regulatory Collaboration: Subsidized microcredit programs, as in India, could triple regional banks' social impact.

Blockchain Potential: Adopting blockchain (e.g., Russia's Sberbank) could enhance microcredit transparency and boost client trust by 40%, contingent on IT infrastructure and skilled personnel.

Conclusions and recommendations. Conclusion:

The inefficiency of regional banks stems from technological gaps, poor risk management, and inflexible services. However, case studies like Agrobank and Asaka Bank show that digital investments and ecosystem models can expand customer bases and revenues.

Recommendations:

AI Integration:

The Central Bank should fund AI-based credit scoring systems.

Launch "Big Data" training programs for regional banks.

Specialized Ecosystems:

Develop integrated packages (credit + insurance + agrotech) for agricultural banks.

Tourism-focused banks (e.g., Ipak Yuli Bank) should create payment and loyalty systems for hotels.

Public-Private Partnerships:

Offer tax incentives for opening branches/ATMs in remote areas.

Establish subsidy systems for rural loans, inspired by India's NABARD.

Workforce Development:

Train bank staff in blockchain and digital security.

Collaborate with tech universities to develop fintech specialists.

Regulatory Reforms:

Reduce capital requirements for small banks (e.g., minimum capital to 50 billion UZS).

Target 80% financial inclusion by 2027.

Final Statement:

Regional banks should be viewed as drivers of socio-economic progress. Digitalization, innovative products, and state-supported reforms can position them as pillars of sustainable development.

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