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# Management of Liquidity and Financial Indicators of the Banking System of the Republic of Uzbekistan and Opportunities for Improving its Efficiency

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**Abstract:** This article examines the system of financial indicators of the banking system of the Republic of Uzbekistan and the issues of their effective management. The study analyzes the theoretical and practical aspects of assessing the financial stability, liquidity, profitability, capitalization, and asset quality of commercial banks. Special attention is paid to the role of financial indicators in ensuring the sustainable development and competitiveness of the banking system under conditions of economic reforms and digital transformation. The research evaluates the current state of the banking sector of Uzbekistan based on key financial indicators, identifies existing problems in their management, and studies international approaches and best practices in banking performance assessment. The article also highlights the importance of risk management, prudential supervision, and the effective allocation of banking resources in improving financial performance. Based on the analysis, practical recommendations are developed for enhancing the efficiency of financial indicator management in commercial banks, strengthening financial stability, increasing investment attractiveness, and improving the overall effectiveness of the national banking system. The findings of the study may serve as a theoretical and practical basis for improving banking management mechanisms in Uzbekistan.

**Keywords:** Banking System, Financial Indicators, Financial Stability, Liquidity, Profitability, Capitalization, Asset Quality, Risk Management, Commercial Banks



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## 1. Introduction

In recent years, large-scale reforms aimed at modernizing and increasing the efficiency of the banking system have been consistently implemented in the Republic of Uzbekistan. These reforms are focused on strengthening the financial stability of commercial banks, expanding the scale of banking services, improving corporate governance, ensuring transparency, and introducing modern digital technologies into banking practice. In this context, the effective management of financial indicators has become one of the key factors determining the sustainable development and competitiveness of the national banking system.[1]

Financial indicators serve as important analytical tools for assessing the operational efficiency, liquidity, solvency, profitability, capitalization, and asset quality of banks. Through these indicators, it becomes possible to evaluate the current financial condition of banks, identify existing risks, and determine strategic directions for future development. Moreover, the effective management of financial indicators contributes to strengthening public confidence in the banking sector, increasing investment attractiveness, and ensuring macroeconomic stability.[2]

The growing integration of Uzbekistan into the global financial system and the expansion of market mechanisms require commercial banks to operate in accordance with international standards and best practices. Under such conditions, improving the methodology for assessing and managing banking financial indicators becomes especially important. In particular, issues related to capital adequacy, liquidity management, credit risk reduction, and increasing profitability remain among the priority areas of banking reforms.[3]

This article studies the theoretical foundations and practical aspects of the system of financial indicators of the banking system of the Republic of Uzbekistan. The research analyzes the current state of financial indicators in commercial banks, examines existing problems in their management, and proposes scientific and practical recommendations aimed at improving the efficiency of banking activities. The study also considers international experience in banking performance assessment and explores possibilities for adapting advanced approaches to the national banking system.

The scientific significance of the research lies in the development of approaches aimed at improving the mechanisms for managing financial indicators in commercial banks, while its practical significance is reflected in the possibility of applying the proposed recommendations to strengthen the financial stability and efficiency of the banking system of Uzbekistan.[4]

#### **Literature Review**

The issues of assessing and managing financial indicators in the banking system have been widely studied by foreign and domestic economists. In economic literature, financial indicators are considered one of the main tools for evaluating the efficiency, stability, liquidity, profitability, and risk level of commercial banks. Theoretical and methodological approaches to banking performance assessment have evolved together with changes in the global financial system and the increasing complexity of banking operations.

Among foreign scholars, Frederic S. Mishkin emphasized that the stability of the banking system depends largely on the effective management of bank assets, liabilities, liquidity, and capital adequacy. According to his views, financial indicators play a crucial role in identifying banking risks and ensuring the soundness of financial institutions. Similarly, Peter S. Rose and Sylvia C. Hudgins highlighted that profitability, liquidity, and asset quality indicators are essential for evaluating the operational efficiency and competitiveness of commercial banks.[5]

Research conducted by Timothy W. Koch and S. Scott MacDonald focused on risk management and performance measurement in banking institutions. Their studies underline the importance of balancing profitability and risk through effective monitoring of financial indicators. In addition, Edward W. Reed and Edward K. Gill examined the role of banking ratios and prudential indicators in maintaining financial sustainability and public confidence in the banking sector.

International financial institutions also pay significant attention to the assessment of banking financial indicators. Recommendations of Basel Committee on Banking Supervision concerning capital adequacy, liquidity coverage, and risk-weighted assets have become internationally recognized standards for banking supervision and financial stability assessment. The implementation of Basel principles has strengthened risk management systems and improved the transparency of banking activities in many countries.[6]

In Uzbekistan, scientific research on banking system efficiency and financial indicator management has expanded in recent years as a result of ongoing banking reforms. Uzbek economists and researchers have analyzed issues related to strengthening the deposit base of commercial banks,

improving liquidity management, increasing profitability, and ensuring financial sustainability. Their studies emphasize the necessity of adapting international banking practices to the specific conditions of the national economy.

Despite the existence of extensive research on banking financial indicators, certain issues remain insufficiently explored. In particular, there is a need for comprehensive studies aimed at improving the integrated system of financial indicators in Uzbekistan's banking sector, enhancing their management mechanisms under digital transformation conditions, and strengthening the practical application of modern risk assessment methods. Therefore, this study seeks to contribute to the existing literature by analyzing the current system of financial indicators in the banking sector of Uzbekistan and developing recommendations for their more effective management.

## 2. Materials and Methods

This study investigates the system of financial indicators of the banking system of the Republic of Uzbekistan and the mechanisms for their effective management through the application of theoretical, empirical, and comparative research methods. The research is based on both qualitative and quantitative approaches to provide a comprehensive assessment of banking performance and financial stability.[7]

The main materials used in the study include statistical data and analytical reports published by Central Bank of the Republic of Uzbekistan, annual reports of commercial banks operating in Uzbekistan, regulatory and legal documents related to banking activities, and publications of international financial organizations. In addition, scientific articles, monographs, textbooks, and research papers of foreign and domestic scholars on banking management and financial performance assessment were used as theoretical sources.

The research applies several scientific methods. The comparative analysis method was used to examine differences and similarities between international banking practices and the current banking system of Uzbekistan. The statistical analysis method was applied to evaluate the dynamics of key financial indicators, including capital adequacy, liquidity ratios, profitability indicators, asset quality, and banking risk levels. The system analysis approach enabled the study to assess interrelations among various financial indicators and their impact on banking stability and efficiency.[8]

Furthermore, methods of economic analysis and synthesis were employed to identify existing problems in the management of banking financial indicators and to formulate practical recommendations for improving management efficiency. The logical analysis method was used to interpret theoretical concepts and develop conclusions regarding the effective management of banking performance indicators.

The study also incorporates elements of trend analysis to evaluate changes in the financial condition of Uzbekistan's banking sector during recent years, especially in the context of economic reforms and digital transformation processes. International standards and recommendations related to banking supervision, particularly the principles of the Basel Committee on Banking Supervision, were considered as methodological benchmarks in assessing banking stability and risk management practices.

The reliability of the research findings is ensured through the use of official statistical sources, internationally recognized analytical approaches, and comparative evaluations based on modern banking theory and practice.[9]

## 3. Results and Discussion

The analysis of the financial indicators of the banking system of the Republic of Uzbekistan demonstrates that significant structural and institutional reforms carried out in recent years have positively influenced the stability and efficiency of commercial banks. The modernization of banking activities, improvement of prudential supervision, expansion of digital banking services, and

strengthening of capitalization have contributed to the growth of key financial performance indicators.

The study revealed that the capitalization level of commercial banks has shown a stable upward trend. The increase in bank capital has enhanced the resilience of the banking system against external economic shocks and strengthened compliance with international prudential requirements. In particular, the capital adequacy ratio of most commercial banks remained above the minimum regulatory requirements established by the Central Bank of the Republic of Uzbekistan and international banking standards. This situation indicates the relative financial stability and solvency of the national banking sector.[10]

Liquidity analysis shows that Uzbek commercial banks maintain sufficient liquid assets to meet short-term obligations. The improvement in liquidity indicators has been influenced by the expansion of the deposit base, growth in public confidence in banks, and the implementation of effective monetary and supervisory policies. At the same time, the study identified that certain banks continue to face liquidity management challenges due to the high concentration of short-term liabilities and dependence on state-supported financial resources.

The Central Bank's main focus in its activities in 2025 was directed toward mitigating demand-side pressures on inflation in the economy, encouraging household savings activity, ensuring that inflation reaches the established target level in the medium term, optimizing the financial stability indicators of the banking system, reducing the negative impact of potential risks, and strengthening the resilience of banks, as well as preventing cyber threats and fraud in banking services and payment operations.[11]

In March–April of the reporting year, due to a decline in core inflation, the overall inflation rate recorded its lowest level in recent years. However, in the second quarter, the liberalization of energy resource prices and the introduction of value-added tax on medical services and pharmaceuticals led to a significant increase in the inflation rate.

Particular attention was paid by the Central Bank to ensuring that financial stability indicators in the banking system remain at an optimal level, as well as to mitigating the negative impact of potential risks arising from external economic developments and strengthening the resilience of banks. In this regard, commercial banks have been regularly subjected to stress tests under various scenarios, and measures have been taken to reduce risks to their capital and liquidity in the future. Based on the results of these stress tests, all necessary measures to ensure the financial stability of commercial banks were implemented in a timely and high-quality manner.[12]

The increasing scale of the financial sector in the economy, on the one hand, contributes to ensuring inclusive economic growth, while on the other hand creates conditions for the rise of potential risks related to financial stability. In this context, it is of great importance to ensure the stable growth of banking system assets and, through a balanced approach to economic growth, to eliminate potential distortions in the structure of assets.

In 2025, the Central Bank's main focus in these Table 1. areas was directed toward ensuring the alignment of economic financing with GDP growth, improving the quality of the loan portfolio, and reducing risks associated with asset concentration.

**Table 1. Dynamics of Banking System Liquidity**

<b>Indicators</b>	<b>01.01.2024</b>	<b>01.01.2025</b>	<b>01.01.2026</b>
<b>Highly liquid assets (billion UZS)</b>	96,909	133,229	189,082
<b>Ratio of highly liquid assets to total assets, %</b>	14.9%	17.3%	21.1%
<b>Liquidity Coverage Ratio (minimum requirement – 100%)</b>	164.8%	193.8%	207.5%
<b>Net Stable Funding Ratio (minimum requirement – 100%)</b>	111.8%	115.3%	119.9%

<b>Instant Liquidity Ratio (minimum requirement – 25%)</b>	87.4%	112.3%	134.7%
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The data presented in the table indicate that the liquidity position of the banking system of the Republic of Uzbekistan improved significantly during 2024–2026. In particular, the volume of highly liquid assets increased from 96.9 trillion UZS in 2024 to 189.1 trillion UZS in 2026, which reflects the strengthening of banks' ability to meet their short-term obligations and maintain financial stability.[13]

The ratio of highly liquid assets to total assets also demonstrated a steady upward trend, increasing from 14.9% to 21.1% over the analyzed period. This growth shows that commercial banks have expanded the share of liquid resources within their asset structure, thereby reducing liquidity risk and improving resilience against possible financial shocks.

The Liquidity Coverage Ratio (LCR) exceeded the minimum regulatory requirement of 100% throughout the entire period and increased from 164.8% in 2024 to 207.5% in 2026. This indicates that banks possess sufficient high-quality liquid assets to withstand short-term stress scenarios and fulfill their financial obligations effectively. The continuous growth of this indicator reflects improvements in liquidity risk management practices within the banking sector.

Similarly, the Net Stable Funding Ratio (NSFR) remained above the established minimum requirement and increased from 111.8% to 119.9%. This situation confirms that banks are improving the stability of their funding sources and increasing the share of long-term financial resources in their liabilities structure. A stable funding base contributes positively to sustainable banking operations and reduces dependence on short-term borrowing.[14]

The Instant Liquidity Ratio also showed substantial growth, rising from 87.4% in 2024 to 134.7% in 2026, significantly exceeding the minimum requirement of 25%. This demonstrates the strong capacity of banks to meet immediate payment obligations and reflects the overall strengthening of liquidity management mechanisms.

The Table 2. analysis confirms that the banking system of Uzbekistan has achieved positive results in maintaining liquidity and financial stability during the analyzed period. The improvement of liquidity indicators reflects the effectiveness of ongoing banking reforms, prudential supervision measures, and risk management policies implemented by Central Bank of the Republic of Uzbekistan. At the same time, further enhancement of liquidity forecasting systems, diversification of funding sources, and expansion of long-term deposits remain important priorities for ensuring the sustainable development of the banking sector.

**Table 2.** Banking System Income and Expense Indicators

<b>Indicators</b>	<b>01.01.2024</b>	<b>01.01.2025</b>	<b>01.01.2026</b>
<b>Return on Assets before tax (ROA)</b>	2.6	1.4	2.2
<b>Return on Equity before tax (ROE)</b>	14.2	6.6	12.4
<b>Ratio of net interest income to total assets</b>	4.4	4.4	4.1
<b>Ratio of net interest income on loans to total loan portfolio</b>	6.2	6.4	6.3
<b>Ratio of net interest income to total liabilities</b>	5.2	5.2	4.8
<b>Ratio of net interest margin to total assets</b>	4.9	4.9	4.5

The indicators presented in the table show the dynamics of profitability and income efficiency within the banking system of Uzbekistan during 2024–2026. The analysis demonstrates that despite certain fluctuations, the banking sector maintained overall profitability and operational stability.

The Return on Assets (ROA) indicator declined from 2.6% in 2024 to 1.4% in 2025, before

recovering to 2.2% in 2026. This decline in 2025 may be associated with increased operational costs, changes in interest rate policies, higher provisions for credit risks, or temporary reductions in banking efficiency. However, the subsequent improvement in 2026 indicates a recovery in banking profitability and more effective utilization of banking assets.

A similar trend can be observed in the Return on Equity (ROE) indicator, which decreased significantly from 14.2% in 2024 to 6.6% in 2025, then increased again to 12.4% in 2026. Since ROE reflects the efficiency of capital utilization, the sharp decline in 2025 suggests lower returns generated from shareholders' equity. Nevertheless, the recovery in 2026 demonstrates improvements in banking performance and profitability management.

The ratio of net interest income to total assets remained relatively stable at 4.4% during 2024–2025, slightly decreasing to 4.1% in 2026. This indicates that banks preserved stable interest-based income generation despite changes in market conditions and competitive pressures.

The ratio of net interest income on loans to the total loan portfolio showed moderate stability, fluctuating between 6.2% and 6.4%. This reflects the continued importance of lending operations as the primary source of banking income and demonstrates relatively effective management of credit activities.

At the same time, the ratio of net interest income to total liabilities declined from 5.2% to 4.8% by 2026, while the ratio of net interest margin to total assets decreased from 4.9% to 4.5%. These changes may indicate rising funding costs, stronger competition in deposit markets, or narrowing spreads between lending and deposit interest rates.

The analysis shows that the banking system of Uzbekistan maintained a positive level of profitability during the analyzed period, although certain indicators experienced temporary declines. The recovery of ROA and ROE in 2026 reflects improvements in banking efficiency and financial management. To further strengthen profitability, commercial banks should focus on improving asset quality, optimizing operational expenses, diversifying income sources, and enhancing risk management mechanisms. Such measures would contribute to increasing the sustainability and competitiveness of the national banking system.[15]

#### 4. Conclusion

The conducted study on the system of financial indicators of the banking system of the Republic of Uzbekistan and the ways of their effective management allows drawing several important conclusions.

First, the analysis of liquidity indicators shows that the banking system has demonstrated a stable strengthening of its liquidity position over the period under review. The growth of highly liquid assets, as well as the improvement of liquidity coverage, net stable funding, and instant liquidity ratios, confirms that commercial banks are increasingly capable of meeting their short-term and long-term obligations. This indicates the effectiveness of prudential regulation and liquidity management policies implemented by the Central Bank of the Republic of Uzbekistan.

Second, the assessment of profitability indicators reveals a mixed but generally positive trend. While ROA and ROE experienced a temporary decline in 2025, their recovery in 2026 demonstrates improved efficiency in asset and capital utilization. At the same time, the slight decrease in net interest margins suggests growing pressure on banking profitability due to competition, changes in interest rate structures, and increasing funding costs.

Third, the study confirms that income and expense management in commercial banks is becoming more sensitive to credit risk, operational efficiency, and macroeconomic conditions. Despite this, interest income remains the main source of profitability, indicating the continued importance of lending activities in the banking sector of Uzbekistan.

Overall, the results of the research show that the banking system of Uzbekistan is developing in a stable direction and gradually aligning with international standards of financial stability and

performance evaluation. However, there remain several challenges, including the need to further improve asset quality, enhance risk management systems, diversify income sources, and optimize the structure of liabilities.

In conclusion, the effective management of financial indicators is a key factor in ensuring the stability, profitability, and competitiveness of the banking system. Strengthening analytical approaches, improving monitoring systems, and implementing advanced international practices will contribute to the sustainable development of the banking sector and the overall financial stability of the national economy.

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