

METHODS OF ENSURING LIQUIDITY OF COMMERCIAL BANKS IN UZBEKISTAN

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ABSTRACT: This article analyzes the methods of ensuring the liquidity of commercial banks in the Republic of Uzbekistan. It focuses on liquidity risk management strategies, regulatory approaches, and practical tools implemented in the banking sector. A comparative review with international practice is also conducted, and effective mechanisms are proposed for Uzbekistan’s banking system.

Keywords: commercial bank, liquidity, financial stability, liquidity risk, banking supervision

ANNOTATSIYA: Ushbu maqolada O‘zbekiston Respublikasida tijorat banklarining likvidligini ta’minlash usullari tahlil qilinadi. Asosiy e’tibor likvidlik xavfini boshqarish strategiyalariga, normativ hujjatlar asosidagi yondashuvlarga hamda banklar faoliyatida qo‘llanilayotgan amaliy vositalarga qaratilgan. Shuningdek, xalqaro tajriba bilan solishtirma tahlil o‘tkazilib, O‘zbekiston bank tizimi uchun samarali mexanizmlar taklif etilgan.

Kalit so‘zlar: tijorat banki, likvidlik, moliyaviy barqarorlik, likvidlik xavfi, bank nazorati

АННОТАЦИЯ: В статье рассматриваются методы обеспечения ликвидности коммерческих банков в Республике Узбекистан. Особое внимание уделено стратегиям управления ликвидностью, нормативно-правовой базе и применяемым инструментам. Проведен сравнительный анализ с международной практикой и предложены эффективные механизмы для банковской системы Узбекистана.

Ключевые слова: коммерческий банк, ликвидность, финансовая устойчивость, риск ликвидности, банковский надзор.

Introduction

Ensuring liquidity remains one of the key priorities for commercial banks, especially amid the transformation of financial markets, increased lending activity, and the growing influence of external economic factors. Liquidity determines a bank’s ability to meet its obligations on time, maintain solvency and stability under stress conditions, and retain the confidence of clients, investors, and regulators.

In Uzbekistan, where financial sector reforms are actively ongoing, liquidity management is of particular importance. The Central Bank of the Republic of Uzbekistan is steadily implementing international supervisory standards, including the requirements of Basel III, which has resulted in the tightening of liquidity regulations. Since 2024, there has been a significant increase in the Liquidity Coverage Ratio (LCR) – from 157.1% to 196.5% by May 2025 – as well as in the Net Stable Funding Ratio (NSFR) – from 111.0% to 116.4%. This indicates qualitative progress in liquidity management.

However, risks are also intensifying: according to the Central Bank, household debt has reached 34%, which may impact loan repayment rates and, accordingly, the liquidity position of banks. Moreover, several banks remain highly dependent on short-term funding sources, necessitating the adoption of more sustainable and flexible liquidity management tools.

In this context, the present study aims to analyze current methods for ensuring the liquidity of commercial banks in Uzbekistan, assess their alignment with international standards, identify existing challenges, and formulate scientifically grounded proposals to enhance the effectiveness of liquidity regulation in the country’s banking system.

Literature review

The issue of commercial bank liquidity occupies an important place in modern banking theory and practice. According to classical concepts presented in the works of John Hicks and later developed in the asset transformation model by Diamond and Dybvig, bank liquidity arises from the inherent mismatch between short-term liabilities and long-term assets. This fundamental characteristic necessitates the implementation of flexible and effective liquidity management methods, which is particularly relevant for developing financial systems such as Uzbekistan's banking sector.

Research by the Bank for International Settlements (BIS) emphasizes the role of high-quality liquid assets and regulatory requirements (in particular, the LCR ratio) as the foundation for the sustainable functioning of banks. According to the BIS 2023 report, priority is given to the institutional capacity of banks to maintain an adequate stock of liquid assets to withstand unexpected outflows.

In the national context, liquidity issues have been analyzed by Uzbek economists such as A. N. Aripov and I. T. Isomov. Aripov notes that liquidity management in Uzbekistan must take into account the characteristics of a transitional economy, where the financial market is underdeveloped and the share of state ownership in the banking sector remains high. Isomov, in turn, emphasizes the importance of stress testing and active short-term liquidity management, considering the volatility of the deposit base.

The International Monetary Fund (IMF), in its technical consultations with Uzbekistan (for example, the IMF mission in 2022), highlights the need to strengthen liquidity risk management frameworks and to develop money market instruments, including repo and swap operations, as the basis for short-term liquidity control.

Additionally, the World Bank, in its analytical report on Uzbekistan's financial sector, points to the importance of improving the liquidity regulatory framework and enhancing the independence of the regulator to avoid excessive reliance of commercial banks on refinancing from the Central Bank.

Thus, the analysis of the existing literature demonstrates both the universal principles of liquidity management and the specific characteristics unique to Uzbekistan's banking sector. This calls for the integration of international experience with national conditions and the legal framework.

Research methodology

This study employs methods of comparative analysis and synthesis of regulatory legal acts, statistical data from the Central Bank of Uzbekistan, and reports from international financial institutions. For analytical purposes, the study utilizes economic-statistical modeling and expert evaluation techniques to identify current approaches to ensuring liquidity in commercial banks.

Analysis and results

An analysis of the liquidity of commercial banks in Uzbekistan for the period from May 2024 to May 2025 demonstrates a positive trend in key indicators, reflecting the strengthening of the financial stability of the banking sector.

According to the Central Bank of the Republic of Uzbekistan, the volume of high-quality liquid assets increased from 94,310 billion UZS as of May 1, 2024, to 150,632 billion UZS as of May 1, 2025, representing a growth of 59.7%. The share of high-quality liquid assets in total bank assets rose from 14.1% to 18.2%, indicating improved capacity of banks to meet their obligations in a timely manner.

The Liquidity Coverage Ratio (LCR), which reflects the banks' ability to withstand short-term funding outflows, increased from 157.1% to 196.5%, significantly exceeding the minimum regulatory threshold of 100%. This indicates that banks maintain a sufficient stock of liquid assets to cover obligations under stress conditions.

The Net Stable Funding Ratio (NSFR), which evaluates the stability of long-term funding, rose from 111.0% to 116.4%, also exceeding the minimum requirement of 100%. This suggests a balanced structure of bank assets and liabilities, ensuring long-term financial sustainability.

The instant liquidity ratio, which reflects a bank's ability to immediately meet its short-term obligations, increased from 95.5% to 125.4%, significantly above the minimum required level of 25%. This indicates a high readiness of banks to satisfy sudden liquidity demands.

A comparative analysis of the liquidity indicators of commercial banks in Uzbekistan is presented in the table below:

Table 1.

Dynamics of liquidity indicators of commercial banks in Uzbekistan (01.05.2024 – 01.05.2025)

Indicator	01.05.2024	01.05.2025	Change (%)
High-quality liquid assets (billion UZS)	94 310	150 632	+59,7%
Share of high-quality liquid assets in total assets (%)	14,1%	18,2%	+4,1 %
Liquidity coverage ratio (LCR) (%)	157,1%	196,5%	+39,4 %
Net stable funding ratio (NSFR) (%)	111,0%	116,4%	+5,4 %
Instant liquidity ratio (%)	95,5%	125,4%	+29,9 %

These data confirm that commercial banks in Uzbekistan have significantly strengthened their positions in key liquidity indicators over the analyzed period. The increase in the volume of high-quality liquid assets and the exceeding of regulatory requirements for liquidity ratios indicate enhanced resilience of the banking system and its capacity to effectively manage liquidity in a changing economic environment.

However, despite these positive trends, it remains essential to continuously monitor the factors affecting bank liquidity, including the growth of household lending and the associated risks. According to the Central Bank, in 2024 the average household debt burden reached 34%, which could put pressure on banks' liquidity in the event of declining borrower solvency.

Overall, the analysis results demonstrate the successful application of liquidity management methods by Uzbekistan's commercial banks, in line with international standards and national regulatory requirements. This contributes to strengthening confidence in the banking system and supporting its sustainable development.

Conclusions and recommendations

The conducted analysis has shown that, between May 1, 2024, and May 1, 2025, commercial banks in Uzbekistan achieved significant progress in ensuring liquidity. All key indicators demonstrated growth: the volume of high-quality liquid assets increased by nearly 60%, and both the LCR and NSFR ratios significantly exceeded the established minimum regulatory thresholds. These developments indicate an improvement in the financial stability of the banking sector. The progress is largely the result of the Central Bank's active policy aimed at implementing international liquidity management standards, as well as the efforts of the banks themselves to optimize the structure of their assets and liabilities.

Nevertheless, certain risks persist, particularly related to the growth of consumer lending and a potential decline in household solvency. Additionally, a number of banks remain highly

dependent on short-term funding, which underscores the need to further strengthen mechanisms for long-term financial stability.

In this regard, the following measures are proposed:

1. **Enhance oversight of the balance between the asset and liability structures** of commercial banks, particularly with regard to maturity and currency composition.
2. **Develop domestic liquidity markets** (such as repo and swap operations), enabling banks to respond more flexibly to short-term liquidity needs.
3. **Expand the practice of stress testing** by incorporating scenarios involving macroeconomic shocks, including external economic and inflationary factors.
4. **Improve the regulatory framework for liquidity**, with a focus on applying a differentiated approach to systemically important and regional banks.
5. **Increase financial literacy among the population and businesses**, which will help reduce pressure on banks' liquid resources amid fluctuations in demand for credit products.

The implementation of these recommendations will enhance the efficiency of liquidity management in Uzbekistan's banking system and ensure its resilience to potential internal and external challenges.

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