



How to discover and implement European Sustainable banking skills to Uzbek banks?

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Introduction

Before starting to discover our topic, it is important to know what is sustainability itself. Sustainability is of fulfilling the needs of current generations without compromising the needs of future generations, while ensuring a balance between economic growth, environmental care and social well-being.

- Why is it important?

Among the different sectors of Economy, Banking is in the tertiary sector which provides services to the population and to businesses. Banking nowadays is very important and active in the economic development of a country. If in a country, the banking system is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy.

Banks promote capital formation: The commercial banks play an important role in rising of financial resources. They encourage savings by giving various types of incentives to the savers. They expend branches of the banks in rural in urban areas and mobilize savings even at

Investment in new enterprises: Businessmen normally hesitate to invest their money in risk enterprises. The commercial banks generally provide short and medium term loans to entrepreneurs to invest in new enterprises and adopt new methods of production. The provision of timely credit increases the productive capacity of the economy

Promotion of trade and industry: With growth of commercial banking in the 19th and 20th centuries there is vast expansion in trade and industry. The use of bank draft, cheque, bill of exchange, has revolutionized both national and international trade.

Development of agriculture: The commercial banks, particularly in developing country, are now providing credit for the development of agriculture and small scale industries in rural areas. The provision of credit to agriculture sector has greatly helped in rising agricultural productivity and income of the farmers. This has led to increased demand for industrial goods and expansion of industry. For example we can mention agribusiness in bagré (Burkina Faso)

Balance development of different regions: The commercial banks play an important role in achieving balanced in different regions of the country. They help in transferring surplus capital from develop regions to the less than developing regions. The traders, industrialists of less developed regions are able to get adequate capital for meeting their business needs. This, in turn, increases investment, trade and production in the economy.

Influencing economy activity: The bank can also influence the economic activity of the country through its influence on availability of credit and the rate of interest. If the commercial banks are able to increase the amount of money in circulation through credit creation or by lowering the rate of interest, it directly affects economic development. A low rate of interest can encourage investment. The credit creation activity can rise aggregate demand which leads to more production in the economy.

Implementation of monetary policy: The central bank of the country, BCEAO, controls and regulates volume of credit through the active cooperation of the banking system in the country. It helps in bringing price stability and promotes economic growth within shortest possible period to time

Monetization of the economy: The commercial banks by opening branches in the rural and backward areas are reducing the exchange of goods through barter. The use of money has now greatly increased the volume of production of goods. The non-monetized sector (barter economy) is now converted into monetized sector with the help of commercial bank.

Export promotion cells: In order to increase the exports of the country, the commercial banks have established export promotion cells. They provide information about general and economic conditions both inside and outside the country to its customers. The banks are, therefore, making positive contribution in the process of economic development.

All and all we can say that banks play an important role on sector of economy. We consider banks as the nerve center of all economic development in a country and if banks are well-developed, then the economy of the state is also prosperous.

- What are aims?

Our targets include not only exploring, but also providing information on implementation European Union's experience to Uzbek banks. We strongly believe that researches like this play a significant role in enhancing awareness and it will contribute to achieving objectives.

- How can we achieve them?

Implementing the European sustainable banking experience into Uzbekistan would require several steps. Here are some potential strategies:

Conduct Research: Conduct research on sustainable banking practices in European countries and identify the most successful strategies. This could involve reviewing academic articles, attending conferences, and speaking with experts in the field.

Build Awareness: Develop a strategy to raise awareness of sustainable banking among Uzbekistan's financial institutions, policymakers, and the general public. This could include outreach efforts such as workshops, training programs, and conferences.

Develop Guidelines: Develop guidelines for sustainable banking that are tailored to the Uzbekistan context. These guidelines should take into account local regulations, cultural norms, and economic conditions.

Provide Incentives: Provide incentives for financial institutions to adopt sustainable banking practices. This could include tax breaks, subsidies, and preferential treatment in government procurement.

Create a Certification Program: Create a certification program for sustainable banking that financial institutions can apply for. This would provide a clear standard for sustainable banking and allow consumers to identify banks that are committed to sustainability.

Monitor and Evaluate: Establish a monitoring and evaluation system to track the progress of sustainable banking in Uzbekistan. This would allow policymakers to identify areas of success and areas for improvement.

Overall, implementing sustainable banking practices in Uzbekistan will require a concerted effort from policymakers, financial institutions, and the general public. By taking a holistic approach and tailoring strategies to the local context, Uzbekistan can create a sustainable banking system that benefits both the environment and the economy.

European experience

It is not surprising that the topic of sustainability has reached the center of discussions in EU financial regulation. However, sustainability-related regulatory requirements for banks and insurance companies are still in their infancy. In the banking sector, the ECB and EBA published guidelines and reports specifying the ways in which banks must comply with sustainability requirements at the micro prudential level, and the Commission has proposed far-reaching reforms as part of the Banking Package 2021. Similarly, EIOPA demanded the inclusion of climate change risk scenarios in the own risk and solvency assessment (ORSA) from the National Competent Authorities. However, the regulatory and supervisory framework for these regulated entities remains rather opaque. Banks and insurance companies face various sustainability-related regulations, such as disclosure, capital, business model and governance-related requirements. Against this background, this chapter first aims to consolidate, sort, and present the micro prudential measures adopted by the EU in the area of sustainability for banks and insurance companies. In a second step, the banking and insurance regimes will be compared and evaluated. All of this serves to create a coherent system of EU sustainability supervision. The banking business has become ever more demanding, driven by the high speed of change not only in the IT environment but also in the context of the growing need to find new ways to service customers. Here are number of strategic priorities identified by SRB:

Responsible Employer:

- Developing employee skills, adapting to changing environments
- Developing a responsible banking culture based on shared values
- Fostering employee commitment

Client Satisfaction:

- Maintaining the highest standards of customer security & trust and quality

Service:

- Focusing on finding value-added and suitable solutions to meet the needs of our customers and society

Responsibility:

- Preserve long-term trust make a positive impact on society and the environment

Uzbek experience

In today's fast-paced age, the demand for modern financial technologies and software is growing. In particular, the introduction of digital technologies into the banking sector increases efficiency in the banking system, reduces costs, and creates opportunities for faster implementation of customer tasks. Development of the market of digital financial services in our country, coverage of the population with quality digital financial services, economic of consumers support of interests, finance in the current period of economic reforms creates the need to organize digital activities in the services market. The reason is that as a result of the development of the digital economy, various areas of socio-economic activity are being digitized, even small enterprises. Decree No. PF-6079 of the President of the Republic of Uzbekistan dated October 5, 2020 "On approval of the strategy of Digital Uzbekistan -2030 and measures for its effective implementation" was adopted, this decree priority directions and mid-and long-term prospective tasks for ensuring rapid digital development of economic sectors, wider introduction of digital technologies have been defined. In particular, within the framework of this strategy, the "road map" for 2020-2022 envisages the development of four main areas, which are "Electronic government", "Digital industry", "Digital education" and "Digital infrastructure".

It is noteworthy that in the development of the "Digital Industry" the digital transformation of commercial banks by providing a wide range of online services, including the realization of remote credit products, the opening of deposits and accounts, is special and attention is being paid to these issues. With the signing of the decree of the President of the Republic of Uzbekistan "On measures to fundamentally improve the activities of the Central Bank of the Republic of Uzbekistan", the establishment of "digital" banks and banking units in the banking system and customer service using innovative banking technologies was tasked with further expanding the quality of presentation. Accordingly, in Uzbekistan, in 2020, "Anorbank" and "TBC Bank" were registered as digital banks, and from November 1, 2021, the "Apelsin" application also began to be used as a digital bank.⁴ Today, digital banks are also providing their customers with a fully digital service through mobile applications or desktop computers. This means that the client of the digital bank can use banking services 24/7, that is, the client of the digital banking system is provided with a mobile application, and based on the mobile application, a high flexibility of banking operations supported by a high-tech IT infrastructure. Currently, customers can access their accounts remotely, virtually in real-time Mobile banking -allows users of banking services to remotely manage their bank accounts through modern methods of using banking services through a mobile phone (smartphone) using the Internet and provides almost all Internet banking operations.

Recommendations

If you are looking for recommendations to help Uzbek banks implement sustainable banking practices, here are a few suggestions:

Develop a Sustainability Strategy: Develop a clear sustainability strategy that outlines specific goals and targets for reducing environmental impact and promoting social responsibility. This strategy should be aligned with the bank's overall business objectives and should be communicated to all employees and stakeholders.

Integrate Sustainability into Decision-Making: Integrate sustainability considerations into all decision-making processes. This includes evaluating the environmental and social impacts of all products and services offered by the bank, as well as the impacts of internal operations.

Engage Stakeholders: Engage with stakeholders, including customers, suppliers, and employees, to identify opportunities to promote sustainability and address environmental and social challenges.

Invest in Renewable Energy: Invest in renewable energy and other sustainable technologies to reduce the bank's carbon footprint and promote sustainable development.

Develop Green Products: Develop and promote green products and services that encourage sustainable behaviors and support environmental and social causes.

Provide Sustainability Training: Provide sustainability training to all employees to ensure that everyone in the organization is aware of sustainability issues and can contribute to the bank's overall sustainability goals.

By following these recommendations, Uzbek banks can take meaningful steps towards implementing sustainable banking practices that benefit both their business and the environment.

Conclusion

In fact, the use of electronic money and the establishment of remote banking services during the active use of modern electronic technologies will not only have a positive effect on the efficiency and liquidity of commercial banks and cause a decrease in costs, but also provide customers with many conveniences. It provides many conveniences. By making extensive use of modern IT technologies, including modernizing their software with artificial intelligence, cloud technologies, and automation, they can rapidly develop banking products, services, and functionality. This helps improve customer experience and deepen trust and loyalty. Of course, the use of digital technologies in the banking system and the creation of unique banking technologies and the provision of innovative digital banking services based on them largely depend on the bank's management strategy. In our opinion, not only modern digital technologies, but also the professional, scientific and innovative potential of bank management and other employees, financial opportunities and the level of their targeted use, study of international experiences, customer needs and banking services are needed to stabilize the activities of banks and create useful, convenient opportunities for customers and it requires the development of a management strategy based on an in-depth analysis of the requirements for non-traditional banking services in the market. It can be seen from foreign experience that the increase of digital banks and the popularization of remote banking services will have a direct positive effect on bank liquidity, that is, the amount of expenses will be reduced, if the bank has only one main office lib, there is no need for branches, which allows customers to use banking services anywhere and at any time.

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