



# Peculiarities Of Interaction of the Banking System with the Real Sector of the Economy

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## ABSTRACT

In this scientific and theoretical article one of the stages of the author's dissertation research in the field of integration and interaction of the banking system with the real sector of the economy is revealed. In modern economic and political realities in the world and domestic capital market, processes related to integration and interaction play an important role in stable mutually beneficial evolutionary development and financial security.

## Keywords:

banking system, financial sector, real sector, types of integration, areas of interaction, financial instruments, financial and industrial groups, banking products.

## 1. Introduction.

An important of the priorities of the strategy at any level in the face of global challenges faced by the financial and real sectors of many states is, first of all, improving the system of measures for effective integration interactions between the financial and real sectors of the economy. This is evidenced by a number of adopted legislative documents, including: The Development Strategy of New Uzbekistan for 2022–2026, Decree of the President of the Republic of Uzbekistan No. UP-5992 dated May 12, 2020 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025". Not unimportant were the adopted and updated laws of the Republic of Uzbekistan "On Banks and Banking", "On Currency Regulation" and

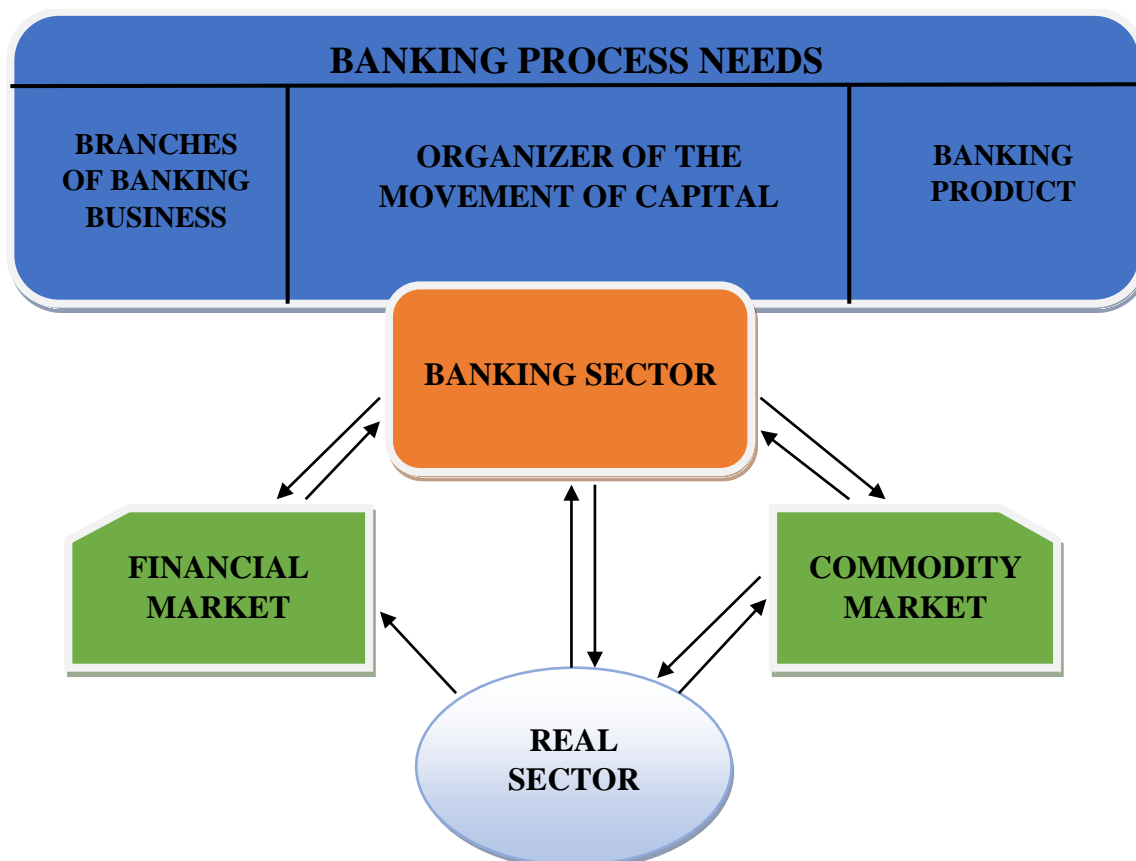
"On Payments and Payment Systems", which comply with international standards and create an attractive legal environment for the integration processes of the financial and banking and real sectors.

## 2. Research methodology.

The methods of interpolation, as well as comparative analysis, served as the methodological basis of the study.

## 3. Analysis and discussion of results.

Interpolating the main definitions of the banking sector, we first of all come to the definition of a complex that occupies a financially-forming position in the movement of cash flows of the reproduction process.



**Figure 1 - Interactions between the banking and real sectors [4]**

External and internal resources used for production for their own reorganization and for the production of products of the real sector. Satisfying external and internal needs, the banking sector locks in capital flows.

Methods of interpolation and comparison of conceptual processes when

considering the integration interaction between the banking and real sectors in the economy involves the allocation of special types of interaction that are characteristic of commercial banks and commercial enterprises of the real economy (Table 1).

**Table 1  
Types of interaction [2]**

BASE	TYPE OF INTERACTION
<b>Interaction environment</b>	external and internal
<b>Interaction method</b>	direct and indirect; direct and indirect
<b>Subject of interaction</b>	unilateral and bilateral; direct and reverse
<b>Interaction period</b>	episodic, systematic, permanent (sustainable); short term and long term
<b>Type of interaction</b>	symmetrical (consensus, agreement, cooperation); asymmetrical (struggle, conflict, confrontation, domination of one, subordination of another)
<b>Positions of the subject of interaction in the hierarchy of control</b>	vertical (centralization and decentralization); horizontal (consistency, development of connections)
<b>Result</b>	positive, negative, neutral; efficient and inefficient.

In this regard, the banking sector is a combination of institutions, products, market conditions, methods of motivating subjects, the nature of interbank relations, organizational and legal forms of credit institutions, the level of supervision, the scale of activities [5].

If we use the method of interpolation of the definition of the real sector, then we can designate it as a set of all branches of material and non-material production, the service

sector, with the exception of those providing financial services.

The comparison method in the study of financial interaction and integration areas made it possible to highlight the nature of integration processes and interaction. As such, one can name the informational, functional, methodological, organizational nature of interaction (Table 2)

**Table 2**  
**The nature of the interaction [2]**

The nature of the interaction	Description
<b>Informational</b>	simple exchange of information
<b>Methodical</b>	mutual consultations and coordination of methods for solving joint problems
<b>Functional</b>	joint performance of certain management functions (for example, planning)
<b>Organizational</b>	establishment of regulations, standards for the performance of general work, etc.

The method of comparing sectors and their key economic and financial features shows that the interaction of banks and business entities reflects and at the same time characterizes the

palette of mutual influence of their actions on the achievement of both common and individual goals.

**Table 3**  
**The effect of integration processes between the banking and real sectors [5]**

Direction	Banking sector	Real sector
<b>Subjects, their activities and functions</b>	Banks: ✓ mobilization of all resources; ✓ investment activities; ✓ credit mediation; ✓ counseling; ✓ regulation of payment turnover, etc.	Enterprises and organizations: ▪ production; ▪ implementation; ▪ resource; ▪ financial; ▪ innovative; ▪ and etc.
<b>Properties</b>	➤ intensity; ➤ flexibility; ➤ asymmetry; ➤ adjustable. ➤ resource; ➤ Ethical (rigid);	• regional; • partnership (liberal); • innovative; • public-private partnership, etc.

Relations between the bank and commercial enterprises are implemented at five levels:

❖ *basic* - typical simple banking services that do not require an individual approach to servicing;

❖ *responding* - answers of bank employees to questions received from customers when using a particular service;

❖ *responsible* - after the service has been rendered, it is ascertained whether the clients have comments, wishes or complaints. This information is used to improve banking products;

❖ *active* - periodically informing customers about new banking products or

improving existing ones, creating demand for them;

❖ *partnership* - the bank is constantly working with the client in search of ways to offer customers higher value in the provision of services.

Methods of interpolation and comparison used in the study: connections and nature of interaction, properties and forms, and integration processes.

**Table 4**  
**Relationship between the interaction of the banking and real sectors in relation to the size of the parties [2]**

Bank / Enterprise	large	Average	petty
Small/Small	no connection	stable variable connection	stable connection
Medium/Medium	no connection	stable connection	stable variable connection
Large/Large	stable connection	stable variable connection	no connection

Criteria and types of interaction between commercial banks and enterprises of the real sector of the economy should be singled out (Table 5).

**Table 5**  
**Directions of interaction in the integration of the banking and real sectors [7]**

Criterion	Type of interaction
Interaction object	resource management; cash flow management
Type of subjects of interaction	with state participation; with private capital; within financial and industrial groups, holdings, associations belonging to the same or different industries
Location of subjects of interaction	international; domestic
Regarding the elements of the strategic management system	strategic; tactical.
Regarding types of banking operations, services, products	settlement and cash; credit; currency; transactions with securities.
By content	resource; integration; investment.

The results determined the applied research methods, in which it was determined that commercial banks (the banking sector) today have become an active party when interacting with an enterprise in the real economy, play a special role in the economy, since their

activities are associated with all sectors of the economy, as in sphere of circulation, as well as in the sphere of production. The results of the study showed how they have a regulatory effect at all stages of reproduction.

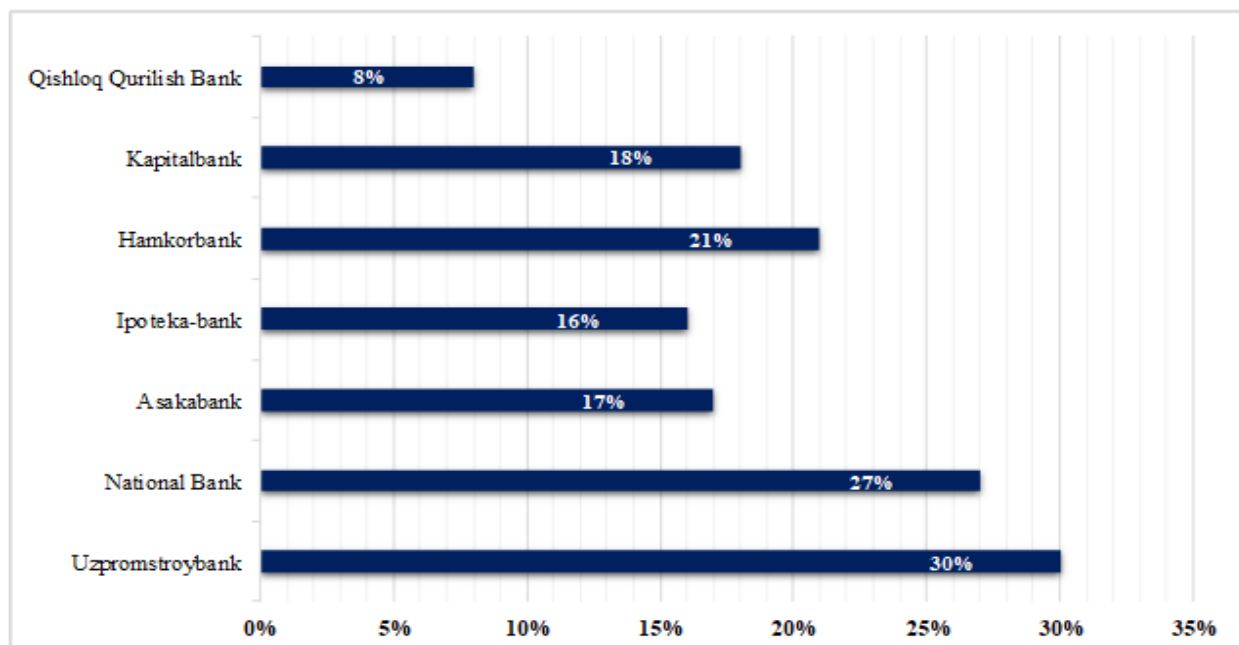
On the basis of the studied materials and applied research methods, we can come to the following conclusions, in particular, that the factors of interaction between the banking and real sectors should include factors: time, place, scale, external and internal, as well as supply and competition in the loan market, the presence of a strategy development of a potential borrower enterprise and its reliability, development of an enterprise insurance system, stimulation and deepening of industrial and financial integration and personal relationships between the management of the parties [8].

Considering the emerging issues, discussing the materials, research methods and

their results, an image is created in which the banking sector of some countries has a different approach, in which a huge number of credit institutions.

Based on the above, several questions arise for discussion, what is the share of banking capital in the real sector and in what directions are the processes of integration interaction of the banking system with some enterprises of the real sector of the economy of Uzbekistan taking place?

Analyzing the integration processes and the interaction of the banking and real sectors of the economy, one can notice the following [9] (Fig.2):



**Figure 2 - Resources allocated to the real sector by large commercial banks in Uzbekistan [4]**

During the discussion of the materials and results of the study, it can be noted that in the 2020 financial year, the top 3 in terms of interaction with large commercial companies were occupied by: JSCB "Uzpromstroybank" - 30%, JSC NB VED - 27%, JSC "Hamkorbank" - 21%. All this demonstrates the existence of effective leverage and common interests in the movement of capital.

In terms of the number of software-network integration of users of remote services by legal entities, Ipoteka Bank is the leader with 108.5 thousand users, and

Uzpromstroybank is the leader in terms of the total number of 1,783 thousand users.

Based on the above data, the ratio of the total number of remote corporate clients to the number of bank branches was calculated, according to this indicator, Uzpromstroybank is the leader with 39,619 clients per branch. The top 5 included: Ipoteka Bank 31,391, Asaka Bank 28,800, Orient Finance Bank 27,807 and Aloqabank 24,263.

In terms of active operations, the top 10 included: National Bank 79847 billion soums, Asakabank 52452 billion soums,

Uzpromstroybank 52225 billion soums, Agrobank 37728 billion soums, Ipotekabank 35825 billion soums, Halkbank 29367 billion soums, Qishloq Qurilish Bank 18236 billion soums Soums, Microcreditbank 12614 billion soums, Hamkorbank 12255 billion soums, Aloqabank 11345 billion soums.

The following commercial banks of Uzbekistan are also actively implementing integration processes:

Aloqabank, in accordance with the Decree of the President of the Republic of Uzbekistan, dated 10/16/2017 No. PP-3327 "On measures for the further development of the beekeeping industry in the republic" in the direction of coordinating all regional associations of beekeepers and the work of the beekeeping industry in the republic; Shopping center "Asal olami", which presents the whole variety of honey and bee products of Uzbekistan; Specialized veterinary pharmacy for bees; Exhibition of equipment for the industry, beehives and tools [10];

Ipoteka Bank, in accordance with the Decree of the President of the Republic of Uzbekistan dated November 6, 2018 No. PP-4005 "On additional measures for the further development of the fish farming industry", at the expense of the Fund for the Recovery and Development of Uzbekistan, directs resources to finance projects for the development of the fishing industry with the assistance of the State Fund support and development of entrepreneurial activity under the Cabinet of Ministers of the Republic of Uzbekistan [11].

#### 4. Conclusions and suggestions.

Recently, a new aspect of the "risk acceptance mechanism" has emerged. The credit vector of monetary policy consists in the fact that elements of the balance sheet of financial intermediaries play a significant role, which reflect the potential ability of the banking sector to take risks, assess and measure the risk. Monetary policy measures that affect the ability of banks to accept risk lead to a change in the supply of credit.

Thus, theoretical approaches to studying the interaction between the real and financial sectors of the economy are diverse, and there is

no consensus. As a result of the lack of optimal interaction between the financial and real sectors of the economy, the spread of innovations is hindered, which is reflected in the underdevelopment of financial mechanisms that keep the transition to a qualitatively new level of innovative development. The mechanism of the relationship between changes in the financial system and the real sector remains unclear.

In general, the study of the interaction between the banking and real sectors of the economy in the implementation of the Development Strategy of New Uzbekistan for 2022–2026 and the Decree of the President of Uzbekistan No. UP-5992 dated May 12, 2020 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025" testifies both to significant impacts on integration trends compared to previous positions in relation to such processes, and to the existence of a gap between the potential of banks and effective demand for loans from commercial enterprises. The current state of the integration interaction of the largest commercial banks of Uzbekistan with commercial enterprises can be designated as a point of "stable reduced equilibrium": the inefficient state of commercial enterprises of deep revaluation and large-scale bank loans, and loans are not sent to production due to the unsatisfactory state of enterprises, legal and regulatory barriers and professional personnel of advanced development. The result is a vicious circle that reproduces the situation, and the volumes of actual lending correspond to the lower equilibrium point formed on the basis of a narrow circle of commercial banks and commercial enterprises that managed to coordinate their commercial interests.

Carrying out the correlation of theoretical and practical data reflected in the figures and tables shown above, we can conclude that the banking sector is a key universal subject of financial interaction between commercial entities of the real sector, as it accumulates cash funds and distributes them to other economic entities.

The use of the banking potential in the real sector is on the way to the maximum



mobilization of the bank's internal reserves. In particular, those addressed in this direction by commercial banks include: the direction of monetary resources for long periods; the use of modern efficient financial instruments that reduce the level of credit and interest risks; improving the methods of efficiency of credit and investment investments and financial risk management by analyzing the potential of commercial enterprises; financial support to "growth points" that provide the maximum multiplier effect from credit investments that are conservative in terms of volume, etc. But if we consider ways to strengthen the integration interaction of the real sector, then the most important direction that ensures the strengthening of integration interaction with the banking sector is to increase the attractiveness of the potential of commercial enterprises.

Considering the above, it is also possible to additionally form the following additional proposals:

1. Commercial banks of the Republic of Uzbekistan, in the context of a strategic partnership, create flexible and modern banking conditions and products based on the specific interests of a partner.

2. Use the retro experience of the national features of doing business and the transformation of the modern approach to doing business, within the framework of the Resolution of the Board of the Central Bank of the Republic of Uzbekistan, registered on 06/30/2020, reg. number 3254.

3. Develop modern tools and mechanisms with acceptable conditions for clients in the context of providing financial resources and commercial deposits.

4. Review the models and mechanisms of syndicated lending for investment projects.

5. Development of information and analytical databases of client managers and a targeted model of interaction and full digitalization of all stages of interaction, transactions and integration.

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