THE ROLE OF FINANCIAL SECTOR IN THE REAL ECONOMY SECTOR ACTIVITY

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ANNOTATION: The article analyzes the role of the financial sector in the development of the real sector of the economy and its relationships and relationships.

KEY WORDS: real sector, financial sector, proportion, monetary policy, banking system liquidity, investment, inflation, credit, investment climate.

INTRODUCTION
Strategic Principles for the Development of the National Economy of the Republic of Uzbekistan and the Country’s Further Development Strategy for 2017-2021 have identified a wide range of perspective tasks and trends that are directly related to the radical reform of the economy, the process of modernization and the development of existing manufacturers and service providers implementation of a number of measures for promising development, reconstruction and financing [1]

In the real sector of the economy, the major part of gross domestic product is produced. Sustainable development of the real sector is primarily determined by its financial sustainability. Enhancing the efficiency of our economy and ensuring sustainable economic growth on an innovative basis requires a thorough analysis of current economic relationships and links between financial and real sectors. Balanced and unified development of the real and financial sectors of the economy is one of the pressing issues. The fact that the financial sector is developing in line with its own laws, apart from the real sector, may have an impact on the real sector, and the real sector can also affect the financial sector.

THEORETICAL BACKGROUND
Banks are the basis of the financial sector, and commercial banks are now the locomotives of
investment activity in developed countries. Strengthening and enhancing the activities of the National Bank-Finance system is of particular importance. Therefore, in Uzbekistan important decisions are made and measures are taken to improve this system and increase its capitalization. As a result of the large-scale work on further strengthening of the liquidity of the financial and banking system of the country and its stability, the positive changes are taking place in the credit and investment activity of the banks. Year by year the total volume of loans, directed to the real sector of the economy, has increased and the influence of the national banking sector in the international economic community is increasing. In particular, international rating agencies such as Fitch Ratings, Standard & Poor's, and Moody's have been giving a stable rating to Uzbekistan’s banking system for several years. The liquidity situation and change in the banking system are one of the most important factors in the formation of interest rates and monetary conditions. Therefore, in conducting monetary policy, the Central Bank primarily analyzes, monitors and forecasts the factors affecting liquidity change and its formation in the banking system.

**RESEARCH BACKGROUND**

In recent years, liquidity in the banking system of Uzbekistan has been influenced by various factors (seasonal, monetary, foreign, budgetary).

Factors influencing the formation of liquidity in the banking system of Uzbekistan are divided into two groups: [2]

1. Factors that increase the liquidity of the banking system:
   - government operations;
   - calculations with metal producers;
   - cash emission;
   - Central Bank loans;
   - mandatory reserves.

2. Factors that reduce the liquidity of the banking system:
   - intervention of the Central Bank;
   - cash emission;
   - mandatory reserves;
   - Central Bank loans.

Considering the fact that the banking system's liquidity is solved only by autonomous factors, it is likely that in the years to come, it is likely to be a structural surplus.
Based on past experience, it should be noted that the liquidity in the banking system is 4-4 trillion. The amount of demand below the soum was caused by the demand for the Central Bank's loans by many commercial banks. The low liquidity balance of the banking system indicates a liquidity deficit. Moreover, the analysis of the optimal level of liquidity by analyzing the balance of correspondent accounts of commercial banks in the Central Bank, refinancing rate of the Central Bank and the amount of resources invested in the interbank money market, in 2019, the liquidity for the banking system is 3.5-4, 5 trln. soums. But this indicator may change with the development of the monetary market.

MAIN PART
The situation with the credit allocation and the financial sustainability require the review of the methods used in the lending policy of the real sector of the economy and the analysis of the effectiveness of the allocated loans. At the same time, it is crucial to carry out analytical studies on the effectiveness, adequate use and implementation of product development processes in these projects.

Loans to the economy in the coming years will be the main factor in raising the money supply. In particular, in January-October 2018, the total volume of loans by banks increased by 40%, in 2019 it is forecasted that loans will grow by 25% in 2020, 15% in 2020 and 14% by 2021. At the same time, the practice of allocation of loans is provided for the most effective directions, depending on the banks’ capacities.

The relationship between the financial and real sector of the economy is characterized by economic relations at different levels. Financial institutions play important role in the formation of investment resources in the real sector of the economy. Factors that slow down the development of our national economy:
- the formation of a modern information and industrial society and the well-being of the population;
- weak financial resources and weak financial policy frameworks and financial policies that meet the national interests of financial institutions

Today, the main problem in Uzbekistan's banking system is that most of the capital of commercial banks is owned by 83% of the state. This, in turn, hinders healthy competition in the banking sector and adversely affects the quality of service. [3]

METHODOLOGY
At the same time, we gradually reduce the share of state-owned banks through the entry of private and foreign capital into the banking system of Uzbekistan. This will contribute to the improvement
of the competitive environment in the industry, the diversification of the quality and culture of credit operations, the activities of commercial banks.

Growth in the quantitative and qualitative growth of the gross domestic product by accelerating the attraction of investments into the real sector of the national economy, thereby achieving an increase in the targeted living standards for the growth of budget revenues and national income.

Investing in the real sector can highlight several factors that determine the scope of the process:
- Investment climate created in the country;
- Efficiency of investments;
- Inflation rate and so on.

A number of laws were adopted to create favorable investment climate in Uzbekistan resulting in the active involvement of both domestic and foreign investment into the real economy of the national economy.

In the decree of the President of the Republic of Uzbekistan dated November 18, 2008 the Decree of the President of the Republic of Uzbekistan "On measures to improve capitalization and strengthening financial stability of enterprises of real sector of the economy", improvement of mechanisms of financial rehabilitation and management of economically insolvent enterprises, structural transformations of the economy, investment and commercialization in production modernization, technical and technological re-equipment the Bank has been actively involved in attracting funds. [4]

For the purpose of the aforementioned auction procedures, the procedure for the sale of bankrupt enterprises to commercial banks, the Regulation on the Republican Commission on the sale of insolvent enterprises to commercial banks has been established.

POLICY AND STRUCTURE OF THE SECTOR

The Central Bank of the Republic of Uzbekistan has defined the Association of Banks of Uzbekistan, commercial banks, the development of investment projects on modernization, technical and technological re-equipment of production at bankrupt enterprises purchased by commercial banks.

In pursuance of the decree of the President of the Republic of Uzbekistan dated November 28, 2008 in order to ensure stable rates and macroeconomic balance and sustainable functioning of the economic growth of the basic sectors of the real sector of economy: [5]

modernization, technical and technological re-equipment of the real sector's sectors, introduction of modern flexible mini-technologies, ensuring the production of high-quality, export-oriented competitive products meeting international standards;
Further increasing the competitiveness of domestic producers in domestic and foreign markets, expanding sales volumes of new exporter enterprises and mastering perspective markets for products;

- sharp reduction of production costs and prime cost by introducing a rigorous system of savings, including rationalization of technological processes, reduction of semi-finished products, materials, electricity and energy consumption and other costs in production;

- Implementation of technical and production discipline, introduction of international quality control standards in our company;

- Implementation of flexible pricing policy, improvement of export mechanisms in rapidly changing world market prices.

Also, according to the Decree, the Program of Measures to Support Enterprises of the Basic Sector of the Real Sector, Ensuring Their Sustainable Functioning and Increasing the Export Potential has been adopted. Regular monitoring of the results of real sector sectors, regions and individual businesses, price growth in the world, fluctuations in global and regional markets, analysis of internal trends of the economy, sustainable and efficient operation of the real sector enterprises and systematic control implementation of the project.

In the Decree of the President of the Republic of Uzbekistan dated January 9, 2018 the Central Bank of the Republic of Uzbekistan adopted the Resolution of the Central Bank of the Republic of Uzbekistan on the coordination of the activities of the real and financial sectors of the economy and the development of analytical and research base of the Central Bank and for the use and implementation of the monetary policy measures by the Central Bank. on the current status and prospects of the real sector of the economy starting from the 2nd quarter of 2010 d an apology (quarterly) survey has been launched. [6]

The level of inflation in the country is crucial in the investment process of the real sector. The high level of inflation is accompanied by the transformation of investments into financial investments through transition to the real sector, involvement in the financial sector and involvement in speculative-type operations.

The financial sector should include money in circulation in line with the growth of production levels, otherwise it may lead to a collapse of the economic equilibrium and, ultimately, the crisis as a result of excessive excess of goods and services.

At the same time, the monetary policy is implemented in the monetary targeting direction to manage the money supply, and the dynamics of reserve money and money supply are used interim and operational purposes. On the other hand, in order to optimize the supply of money in the
economy through effective liquidity management in the banking system, the Central Bank widely uses its monetary policy tools. Also, due to the liquidity situation in the banking system and the level of supply and demand for cash in the economy, the mandatory reserve rate is optimally adjusted.

The main areas of monetary policy conducted by the financial sector are the macroeconomic situation in the country and the analysis of the real sector, as well as the situation in the world economy and the main trading partners and the economic growth in these countries.

Consistent macroeconomic policy is being pursued to stimulate domestic demand and investment activity in the real sector, to create favorable conditions for entrepreneurship activities, and to achieve decentralization of production volumes in all sectors.

CONCLUSIONS AND RECOMMENDATIONS

By analyzing the relationship and relationship between the real and financial sectors of the national economy, the following conclusions and recommendations can be made:

- Determines the level of financial and real sector relationships with the level, trends and effectiveness of Uzbekistan's socio-economic development;
- It is desirable to study the real sector as the primary and financial sector as a service sector;
- The relationship between real and fiscal sectors is a multifaceted process, such as cash, cash, and plastic card transactions between enterprises, implementing calculations between enterprises and the population, providing credit and other banking services, making money offerings, insurance and securities transactions, short and long-term investments, and so on;
- One of the reasons for the global financial and economic crisis is the need to determine the directions of transformation of these inter-sectoral relations, taking into account the discrepancy between financial and real sectors;
- The focus should be on maintaining the linkages between these sectors and their coherence by analyzing the directions of the separation of the financial sector from the real sector;
- The Government and the Central Bank, with the support of international financial institutions, should develop a long-term strategy for the development of the banking and financial system;
- The development of the financial markets, including the stock market, should be one of our main goals in the new economic environment;
- It is necessary to further expand the scale of banking services by introducing new financial instruments and issuing bonds, developing the banking system based on advanced information technologies.
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