



POSSIBILITIES OF SUSTAINABLE DEVELOPMENT OF THE NATIONAL ECONOMY BY IMPROVING THE FINANCIAL AND BANKING SYSTEM

Meliboyeva Muqaddas Hikmatovna

Department of Finance, Tashkent Institute of Finance, Tashkent, Uzbekistan

ABSTRACT

This article explores the possibilities of sustainable development of the national economy by enhancing the financial and banking system. Various methods and strategies are discussed to optimize the performance of the banking sector, promote financial inclusion, and foster sustainable economic growth. The importance of integrating financial and banking policies into the broader framework of sustainable development is highlighted.

KEYWORDS: *sustainable development, national economy, financial system, banking system, financial inclusion, economic growth.*

INTRODUCTION

The financial and banking system plays a crucial role in the sustainable development of a national economy. This system is the backbone of the economy, as it facilitates the efficient allocation of resources, mobilizes savings, and provides credit to businesses and individuals (Brunnermeier, 2009). In recent years, there has been a growing interest in exploring the potential of the financial and banking system to promote sustainable development and economic growth. Financial systems can facilitate sustainable development by directing resources towards environmentally and socially responsible projects, promoting financial inclusion, fostering innovation, and contributing to economic stability (Schoenmaker, 2017). This article aims to examine the possibilities of sustainable development of the national economy by improving the financial and banking system, drawing on existing literature to highlight the most effective strategies and policy interventions.

IMPROVING THE EFFICIENCY OF THE FINANCIAL AND BANKING SYSTEM

One of the primary ways to enhance the financial and banking system's performance is by improving its efficiency. Efficiency can be achieved through the adoption of advanced technologies, such as digital banking, artificial intelligence, and big data analytics, which can help banks streamline their operations and reduce costs (Chen, 2020). Additionally, the implementation of risk management practices and robust regulatory frameworks can help maintain the stability of the financial system and prevent crises (Bank for International Settlements, 2011).

Promoting Financial Inclusion

Financial inclusion is a critical factor in promoting sustainable development, as it ensures that all individuals and businesses have access to affordable financial services (Demirguc-Kunt et al., 2018). By promoting financial inclusion, the financial and banking system can support the growth of small and medium-sized enterprises (SMEs), which are the backbone of the economy and major job providers. Governments can foster financial inclusion through various measures, such as implementing supportive policies, promoting financial education, and encouraging the development of innovative financial products and services (World Bank, 2020).

Green Finance and Sustainable Investments

Green finance and sustainable investments have emerged as vital tools to align the financial and banking system with sustainable development goals (Ehlers & Packer, 2017). By promoting green finance, banks and other financial institutions can support projects and businesses that contribute to environmental preservation and social development. Governments can encourage green finance through regulatory measures, such as offering



tax incentives and implementing disclosure requirements for sustainable investments (European Commission, 2018).

Integrating Financial and Banking Policies into Sustainable Development Framework

To maximize the financial and banking system's contribution to sustainable development, it is essential to integrate financial and banking policies into the broader framework of sustainable development strategies. This integration involves aligning financial sector policies with national development objectives and promoting collaboration between different stakeholders, including government agencies, financial institutions, and businesses (United Nations, 2015). By fostering a coordinated approach to sustainable development, governments can create an enabling environment for the financial and banking system to support inclusive and environmentally friendly growth.

Encouraging Innovation in Financial Services

Innovation in financial services can contribute to the sustainable development of the national economy by providing new financing solutions, reducing transaction costs, and increasing access to financial services for underserved populations (Claessens et al., 2018). Governments can encourage innovation in financial services by supporting the growth of fintech companies, providing regulatory sandboxes for testing new financial products and services, and investing in digital infrastructure to facilitate the adoption of new technologies (Zetsche et al., 2017).

Strengthening the Role of Development Banks

Development banks play a critical role in promoting sustainable development by providing long-term financing for infrastructure projects, supporting SMEs, and financing social and environmental projects (Griffith-Jones & Ocampo, 2018). Governments can strengthen the role of development banks in the financial and banking system by increasing their capital base, enhancing their operational efficiency, and aligning their lending policies with sustainable development objectives.

Developing Local Capital Markets

The development of local capital markets can enhance the financial and banking system's ability to support sustainable development by providing additional sources of financing for businesses and governments (Allen et al., 2014). By deepening local capital markets, governments can reduce their reliance on external financing, increase the resilience of the financial system, and promote the diversification of the economy. Policy measures to develop local capital markets include improving market infrastructure, enhancing regulatory frameworks, and promoting financial literacy among the population.

CONCLUSION

In conclusion, the sustainable development of the national economy can be achieved through a variety of measures aimed at improving the financial and banking system. By enhancing the efficiency of the financial system, promoting financial inclusion, fostering green finance, integrating financial and banking policies into the broader sustainable development framework, encouraging innovation in financial services, strengthening the role of development banks, and developing local capital markets, governments can create a supportive environment for long-term economic growth and social development. The successful implementation of these strategies requires close collaboration between various stakeholders, including government agencies, financial institutions, businesses, and civil society organizations. Further research and sharing of best practices among countries can contribute to a better understanding of the most effective approaches to enhance the financial and banking system's role in promoting sustainable development.

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