



Existing Problems in the Use of Cashless Forms of Payment in Uzbekistan and Ways to Solve Them

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ABSTRACT

Ensuring the efficiency of the use of cashless payments in Uzbekistan is one of the necessary conditions for the development of cashless payments.

Improving the practice of using cashless forms of payment will play an important role in solving the problem of insolvency in the economy, ensuring the continuity of production activities of companies, the development of export-import operations. This, in turn, necessitates the identification of current problems associated with the improvement of the practice of using of payment and the development of ways to solve them.

The article identifies the problems associated with the effectiveness of the use of cashless forms of payment in our country and develops scientific proposals to address them.

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Introduction

Increasing the volume and coverage of cashless payments in Uzbekistan, including the introduction of modern forms of payments in the economy and financial incentives for entrepreneurship, as well as

reducing non-bank turnover is recognized as one of the priorities for economic development and liberalization. This necessitates, first of all, the identification of current problems related to ensuring the efficiency of the use of cashless payment forms and the development of ways to solve them.

This conclusion of A. Kosoy is important for the practice of Uzbekistan. This is due to the fact that in our country, a targeted sequence of payments is applied, and in this case, the priority in making payments on the debt of business entities is given to the payment of debt to the State Budget. This, in turn, leads to a violation of the property rights of business partners and trading banks.

According to P. Semikova, one of the main disadvantages of documented letters of credit is that the letter of credit consists of a complex legal structure, which in practice leads to many disputes. In particular, the issuance of a letter of credit does not yet mean payment under the main contract, which provides for payment under the letter of credit. This action is aimed at ensuring that the supplier receives the payment when he fulfills the terms of the letter of credit. Therefore, a delay in the opening of a letter of credit by the payer is not considered a delay in payment and, of course, no sanctions are imposed on the payer for this¹.

P. Semikova's opinion is a phenomenon typical of the practice of developing countries. Indeed, as a result of the delay in opening the letter of credit, the beneficiary cannot receive the amount of payment on time. The applicant will not be penalized for this².

The main part

In the practice of Uzbekistan, the first place in the total volume of non-cash payments is made by payment orders (above 66%).

Payment for goods and services delivered in payment orders is not guaranteed. Therefore, in countries where there is a problem of insolvency in the economy, the widespread use of payment orders is not advisable. In particular, in the Republic of Uzbekistan, the widespread use of payment orders is not advisable.

The analysis shows that there is a large amount of receivables among enterprises of the Republic of Uzbekistan. This indicates that there is a problem of insolvency in the economy of our country.

We think it is appropriate to apply the payment order on a large scale in only one case. That, too, is to apply between trusted partners who have known each other for many years. This is because there is no guarantee of payment for partners who have known each other for many years. Because they are a reliable partner for each other. In this case, the supplier company fully complies with the terms of delivery of goods specified in the contract of sale, and the purchasing company makes the payment on time and in full.

In the Republic of Uzbekistan, timely collection of payments is a major problem for suppliers. This is explained by the following reasons:

- low level of money supply of the economy;
- instability of cash flow of enterprises;
- high cost in the amount of revenue from the sale of products at enterprises;
- low level of profitability of enterprises.

¹Kosoy A.M. Payment turnover: research and recommendations. Monograph. - M.: KNORUS, 2012. -- S. 31-32

²Semikova P.V. Letters of credit as instruments of payment // Finance and Credit. - Moscow, 2003. - No. 3. - S. 62-68.

The results of scientific research conducted by Uzbek economists show that due to high inflation and high depreciation of the national currency in the country for many years, there has been an increase in the cost of products at enterprises. This had a negative impact on their cash flow stability and led to a low level of profitability.

In our opinion, one of the current problems in the practice of using non-cash forms of payment is the lack of check checks used in the banking practice of the Republic of Uzbekistan for settlements between enterprises.

In international banking practice, check checks are an independent form of cashless payments and have their own advantages. Hence, their absence in the country's payment practice indicates that cashless settlements are not being fully implemented.

Accounts receivable accelerate the sale of goods, the payment of which at the expense of loans from commercial banks plays an important role in solving the problem of insolvency in the economy.

In the practice of developed countries, bank check checks are widely used. One of the unique features of these checks is that they can be transferred to third parties through endorsement. As a result, it is possible to use order checks to reduce receivables and payables between business entities.

Discussions

The Resolution of the President of the Republic of Uzbekistan dated September 12, 2017 No PP-3270 "On measures to further develop and increase the stability of the banking system of the Republic" instructed the Minister of Finance of the Republic of Uzbekistan:

"The Ministry of Finance of the Republic of Uzbekistan in the formation of the annual State Budget of the Republic of Uzbekistan to provide appropriate funds in terms of expenditures for servicing state guarantees of the Republic of Uzbekistan on loans to foreign financial institutions, foreign and local commercial banks"³

However, until January 1, 2020, the Minister of Finance has not fulfilled this task, that is, the banks have not repaid the loans issued and not repaid under government programs. This, in our opinion, can be explained by the existence of a large deficit in the state budget.

The deepening of the risk of transformation in the largest commercial banks of the Republic of Uzbekistan has had a strong negative impact on their current liquidity.

It should be noted that in the deepening of the risk of transformation in commercial banks of the country, the President of the Republic of Uzbekistan dated November 26, 2010 No. PP-1438 "In 2011-2015.

3 Resolution of the President of the Republic of Uzbekistan dated November 26, 2010 No PP-1438 "On priorities for further reforming and enhancing the stability of the financial and banking system and achieving high international ratings in 2011-2015" // Collection of Legislation of the Republic of Uzbekistan, 2010 ., No. 48, Article 442; 2013, No. 20, Article 250, No. 36, Article 477.

further reform and stability of the financial and banking system of the republic

The resolution "On the priorities of achieving high international ratings" played an important role.

³Resolution of the President of the Republic of Uzbekistan dated November 26, 2010 No PP-1438 "On priorities for further reforming and enhancing the stability of the financial and banking system and achieving high international ratings in 2011-2015" // Collection of Legislation of the Republic of Uzbekistan, 2010 ., No. 48, Article 442; 2013, No. 20, Article 250, No. 36, Article 477.

The Resolution sets the task to increase the volume of long-term loans issued by commercial banks of the country by 2021 compared to 2015 by 2.8 times.

However, the commercial banks of the republic did not have the long-term resources needed to provide such a large amount of investment loans.

In order to increase the volume of uncollected and unconfirmed documentary letters of credit opened by commercial banks with the status of a letter of credit on payment obligations for goods and services, first, the formation of a group of customers belonging to the first and second categories of creditworthiness and their payments it is necessary to open letters of credit in these forms; secondly, this group of clients should be given the opportunity to use renewable and advance types of documented letters of credit; thirdly, priority should be given to documented letters of credit through the credit line of the letter of credit bank.

Customers who belong to the first and second categories of creditworthiness, determined by the ratio of cash flow to liabilities, are customers with a high level of solvency.

The analysis showed that bank loans issued for the purpose of repaying documented letters of credit are mainly unsecured loans. Therefore, their risk of non-return is high. In such circumstances, uncollected and non-certified documented letters of credit should be opened only on payment obligations of customers with a high level of solvency.

Admittedly, the cash flow of businesses in Uzbekistan is not stable. The analysis shows that the low level of cash supply of the country's economy, the use of a targeted sequence of payments, high rates of inflation and devaluation compared to other countries have a negative impact on the stability of cash flows of businesses.

The instability of cash flows of business entities hinders the continuity of their production activities. Therefore, delivery of goods may be delayed. Given this situation, it is necessary to allow legal entities with the status of the payer to use the unused part of the documented letter of credit for a certain period of time, allowing producers to receive part of the letter of credit as an advance.

Requiring a third bank to certify a documented letter of credit opened by a letter of credit may lead to a prolongation of the process of making payments through documented letters of credit.

As of October 1, 2020, the deficit of the State Budget of the Republic of Uzbekistan amounted to 7715 trillion soums⁴ This is a large deficit, which makes it necessary to increase the volume of government securities issues. This, in turn, will increase the share of investments in securities in the total assets of commercial banks.

It should be noted that high inflation and the high rate of devaluation of the national currency reduce the investment attractiveness of highly liquid securities for banks. This is because the part of highly liquid securities purchased by commercial banks is all issued in the national currency. Therefore, reducing inflation and ensuring the stability of the nominal exchange rate of the national currency will play an important role in increasing the volume of investments of commercial banks in highly liquid securities.

Conclusion

The very low share of payments made by collection and documented letters of credit in the total volume of non-cash payments in the Republic of Uzbekistan in 2015-2019 is a negative situation in terms of improving the practice of using cashless forms of payment, as payment in documented letters of credit is fully guaranteed, while in collection, there is an aspect that encourages the payer to make the payment on time.

In 2015-2019, the share of payments made by cash orders in the total volume of payments made by cashless payments in the country was very high, and the share of payments made by documented letters of credit was very small due to the lack of improvement in the use of other forms of cashless payments. indicates

In January-September 2020, a very high share of payments in the form of non-cash payments made through the National Bank of the TIF was made by payment orders and no payments were made by letters of credit documented in the national currency during this period. indicates that the practice of using book forms has not been improved.

In order to ensure the effectiveness of the use of cashless forms of payment in the Republic of Uzbekistan. In our opinion, the following measures should be taken:

1. In order to increase the volume of uncovered and unconfirmed documentary letters of credit opened by commercial banks with the status of a letter of credit on payment obligations of customers for goods and services, first of all, to form a group of customers belonging to the first and second categories of creditworthiness; it is necessary to open letters of credit in these forms for payments; secondly, this group of clients should be given the opportunity to use renewable and advance types of documented letters of credit; thirdly, priority should be given to documented letters of credit through the credit line of the letter of credit bank.

2. To increase the role of documented letters of credit and guarantees of commercial banks in increasing the export potential of the regions, first of all, special training courses on the use of documented letters of credit and guarantees of commercial banks should be organized for employees of branches of commercial banks and businesses operating in the regions; secondly, it is necessary to establish a guarantee of the quality of goods exported by foreign banks to foreign banks; thirdly, banks should not require businesses to deposit the amount of the guarantee.

3. It is necessary to reduce the volume of receivables and payables between business entities through the introduction of drafts in the economic practice of the Republic of Uzbekistan and the introduction of discounted loans in banking practice.

The introduction of drafts will allow to sharply reduce the volume of receivables and payables between business entities. However, monopolies should not be involved in the transaction process. The reason for this is that monopoly enterprises can lead to the derailment of transactions. Because the tratta must be written after the goods are sold. However, monopoly enterprises may require drafts before the goods are sold, as they are not in a competitive environment.

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