

PUBLIC DEBT AND FINANCIAL SECURITY OF UZBEKISTAN

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Annotation. This article is devoted to the description of the socio-economic essence of financial security, public external debt, the level of protection of financial interests at the macro level, which analyzes the indicator of financial security in the country - the current state of public debt, its impact on the country's financial security system. *Attention is also paid to solving existing problems in the system of state financial security of the Republic of Uzbekistan.*

Key words: economic stability, economic security, financial security, financial security indicators, budget deficit, foreign exchange reserves, investment volume, inflation rate, country's external debt.

The globalization of world economy, the integration of countries and the strengthening of international specialization give each national economy the task of increasing productivity, reducing product costs and taking a worthy place in the global market.

From the years of independence, one of the challenges facing the Republic of Uzbekistan is the issue of providing socio-economic and political stability of the country. Financial security is a key component of economic security and the development of financial relations is a key factor influencing the harmonization and development of national economy sectors. The availability of effective methods of financial security in Uzbekistan will help to address tasks related to the state's economic and financial policies.

Nowadays, the government of our country is implementing wide-ranging reforms to ensure economic security in Uzbekistan. An important factor in ensuring economic security is financial security and the provision of this sector plays an important role in shaping the country's economic system.

Financial security is a guarantee of an independent financial and economic policy of the country. Financial security is reflected in preventing the outflow of large amounts of capital, preventing conflicts over the allocation of resources of the national budget system between different levels of government, mitigating the effects of global crises, and ensuring the stability of financial and economic parameters. Financial security is the prevention of financial crime.

There are two types of threats to a country's financial security: internal and external threats. External threats include the growth of the global financial system and the growth of capital mass due to the entry of developing countries into the world economy. Internal threats include mismanagement of financial and economic policies, mismanagement, and mismanagement of the public financial system. Problems related to financial security in the country hinder economic growth and economic reforms, negatively affect the development of trade and foreign economic activity, hinder the development of the budget, finance and insurance sectors.

Financial security is an important component of national economic security, based on ensuring the independence, efficiency and competitiveness of the state in the field of finance and credit, reflects its essence in the system of criteria and indicators of its status, sufficient liquidity of assets, balanced domestic and foreign debt. availability of necessary monetary and gold foreign exchange reserves, level of protection of financial interests at micro and macro levels, level of financial relations, customs-tariff, finance, currency, budget, tax, monetary, settlement, investment, banking system to internal and external negative influences resilience, prevention of external financial attacks, efficient functioning of the national economy and economic growth. Financial security is a state of the financial system in which the indicators that characterize it should not deviate from the established norms that ensure the normal functioning of the economy in accordance with the objectives of economic policy.

In practice, all areas of national security are linked to financial security. At the same time, financial security itself is significantly dependent on other areas of national security. The interrelated study of various aspects of national security will help to prevent and eliminate threats to the national interests of the country.

Government debt. (Internal and external government debt of the state). Government debt should not exceed 60% of GDP. The share of external and internal debt of the state in GDP should not exceed 30%. World experience shows that the risk begins to be felt when the share of external debt in GDP exceeds 30%. This will lead to the loss of a large part of the state budget due to external debt and an increase in external dependence. It is the increase in the ratio of external debt to GDP that is a major factor in the intensification of the financial crisis. In 2016, the country's external debt amounted to 6.5 billion US dollars, and by 2021 the country's external debt will reach 39.6 billion US dollars. So, according to this indicator, the situation is normal.

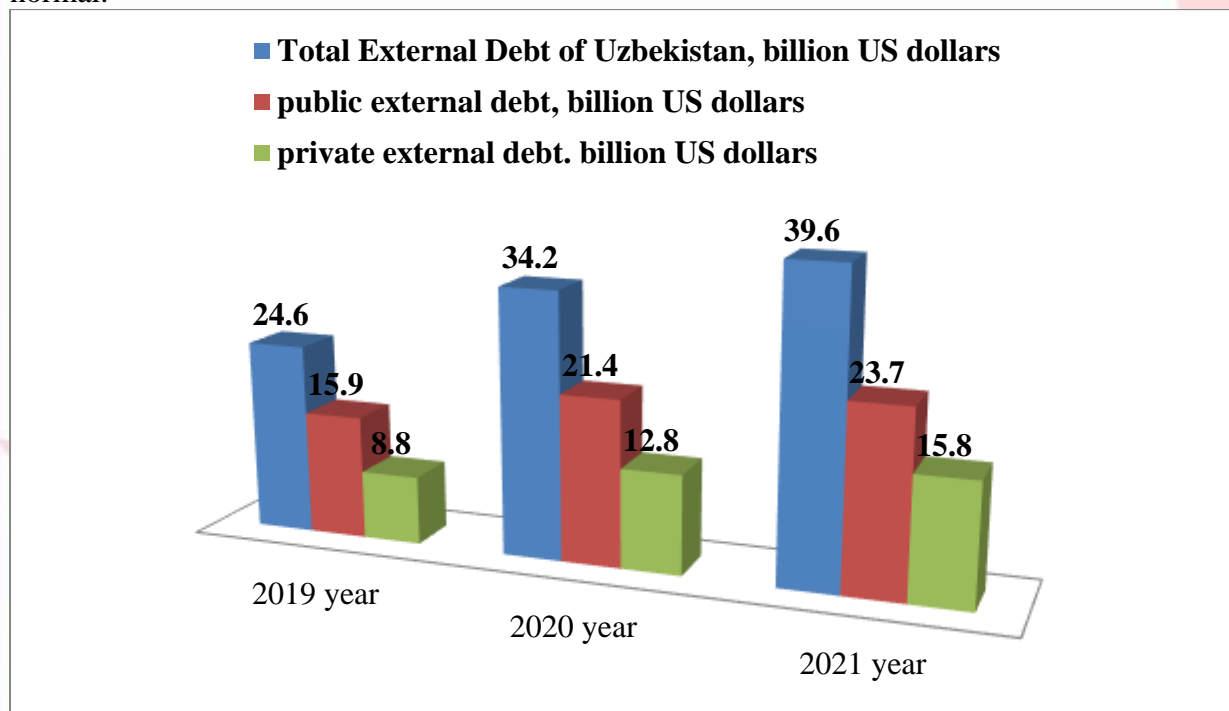


Figure 1. Dynamics of public debt of the Republic of Uzbekistan in 2019-2021¹

The total external debt of Uzbekistan increased by 16% or 5.4 billion US dollars compared to the beginning of the current year and amounted to 39.6 billion US dollars as of January 1, 2022. At 2021, the GDP reached 69.23 billion US dollars and the country's total external debt was 57% of GDP.

Total external debt includes public debt, publicly guaranteed debt (public external debt) and unsecured external debt (private external debt). It should be noted that the “private” sector is mainly represented by state-owned companies and banks. The state owns shares in companies such as “UzAvto Motors” and “Uzbekneftegaz”, “Uzpromstroybank” and “Ipoteka Bank”, which control more than 80 percent of the banking sector and own 1.92 billion US dollars in debt securities.

At the same time, 45% of foreign loans to the private sector are in the banking sector and 44% of the oil and gas sector. A significant part of the state external debt is involved in financing investment projects, and this debt is serviced at the expense of funds received from the implementation of projects. Most of these loans are provided at a long-term and concessional interest rate.

The Government of the Republic of Uzbekistan adheres to a conservative approach to borrowing from international financial institutions, foreign state financial institutions and risk management principles. In 2021, a 8.2 billion US dollar loan was attracted to the private sector. Of these loans, 3.4 billion US dollars went to banks, 2.2 billion US dollars to oil and gas and energy companies, 971.2 million US dollars to the mining and metallurgical industry, and 1.6 billion US dollars were attracted other sectors of the economy.

In 2021, the private sector raised external debt more actively by placing securities on international markets. In particular, “Uzbekneftegaz” issued securities worth \$700 million at a rate of 4.75% for a period of 7 years, and “UzAvto Motors” issued securities for 300 million US dollars at a rate of 4.85% for a period of

¹ <http://www.cbu.uz>. - Central Bank of the Republic of Uzbekistan

5 years and "Ipoteka Bank" for 785 billion sums were placed on international financial markets for a period of 3 years at a rate of 16.0%.

One of the main tasks in ensuring financial security is a timely, accurate and complete assessment of the situation. At a high level of crisis, additional indicators are collected, which in turn allows for a deeper analysis of security threats. An assessment of the level of financial security of the Republic of Uzbekistan in terms of external debt indicates that the financial system of Uzbekistan has a number of shortcomings. These:

As a result of the inefficiency of the external debt management mechanism, effective control over its targeted spending, there are cases of corruption in the procurement of ongoing projects.

The increase in external debt in a certain sense limits the state's investment in the national economy, the underdevelopment of the financial market of Uzbekistan forces the national economy to attract capital from abroad. Despite a number of measures taken by the state to develop the capital market, the capital market is developing slowly.

As a result of studying this indicator, we believe that the following measures should be taken to prevent risk. Improving the selection criteria for projects financed by external borrowing, the possibility of repayment of principal and interest, taking into account foreign exchange risk, should be carefully analyzed and evaluated. In order to maximize the coverage of the state budget deficit at the expense of domestic debt, the Ministry of Finance, together with experts from international financial institutions, should develop the domestic capital market in our country.

It is necessary to take measures to ensure transparency in the attraction and use of public debt. In particular, all projects financed and implemented at the expense of public debt must be checked by the Accounts Chamber and discussed with the participation of deputies of the Oliy Majlis.

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