

THE ROLE OF THE BANKING SYSTEM IN ECONOMIC DEVELOPMENT

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Annotation. *This article analyzes the role of the banking system in economic development and its primary functions. It highlights that the banking system, as a vital component of the economy, plays a crucial role in regulating monetary circulation, allocating financial resources, implementing lending processes, and stimulating investment activity.*

Furthermore, the significance of the banking system in ensuring financial stability and its contribution to enhancing social welfare are also examined. This article also discusses the development of modern banking services, the implementation of digital technologies, and their impact on economic processes.

Overall, it substantiates that the efficient functioning of the banking system is a fundamental factor in ensuring the country's economic growth.

Keywords. *Banking system, economic development, financial stability, lending, investment, monetary circulation, commercial banks, central bank, economic growth, digital banking services, financial resources, entrepreneurship support, social welfare, economic policy.*

INTRODUCTION. The banking system is a vital component of the economic structure of any country. It plays a significant role in managing the economy, ensuring monetary circulation, maintaining financial stability, and implementing lending processes. The banking system directly influences the country's economic development and social welfare. This article discusses the role of the banking system in economic development. The banking system is one of the primary mechanisms ensuring the continuity of economic processes. Through it, funds are redistributed among various sectors of the economy. Banks mobilize the surplus financial resources of the population and channel them into efficient projects, thereby contributing to an increase in production volume.

Furthermore, banks play a vital role in the development of entrepreneurial activities.

Credit funds serve as a primary financial source for enterprises. With their assistance, new businesses are established and existing ones are expanded. Consequently, new jobs are created, and public income increases. The banking system ensures not only economic growth but also financial stability.

Through monetary policy, the inflation rate is controlled, which helps maintain the stability of the national currency.

MAIN BODY. Banks must ensure the reliable and secure preservation of their clients' funds and possess a high level of expertise in making financial decisions. The banking system emerges as a key factor in the anticipated development of the national economy. It positively impacts economic growth by regulating economic processes, strengthening financial stability, and supporting credit and investment activities. Furthermore, the stable and efficient functioning of the banking system is of paramount importance in enhancing the welfare of the country's population.

This is because financial resources are properly allocated through banks, fostering the development of various sectors of the economy. In general, the banking system remains one of the fundamental pillars in ensuring overall economic stability.

Another crucial aspect is that the banking system interconnects various sectors of the economy. Major fields such as industry, agriculture, and the service sector are financed through banks. Consequently, the efficient operation of the banking system has a direct impact on the development of the entire economy. Nowadays, the wide-scale implementation of modern technologies within the banking system is also of great significance. Digital banking services are creating opportunities to provide customers with rapid and convenient services. Online payments, mobile applications, and remote services are further accelerating economic activity.

This not only saves time but also increases the velocity of money circulation within the economy. Furthermore, investment processes are intensified through the banking system. Banks serve as intermediaries between investors and projects, ensuring that financial resources are directed toward the most efficient sectors. Consequently, new production capacities are created, innovations are implemented, and the overall competitiveness of the economy is enhanced.

In conclusion, the banking system is an integral part of the economy, and its stable and efficient functioning is an essential condition for the country's progress. By properly allocating financial resources, supporting economic processes, and enhancing social welfare, it makes a significant contribution to the development of society. Therefore, the development and improvement of the banking system remain among the top priorities for every nation. Based on the above, it can be concluded that the banking system functions as the heart of the economy.

The perspective that 'the level of economic progress is largely determined by the developmental stage of the banking system' accurately reflects this reality.

CONCLUSION. The banking system is considered one of the most vital and integral components of any country's economy. It plays a fundamental role in ensuring the continuous operation of economic processes, the efficient allocation of financial resources, and the regulation of monetary circulation. Through banks, idle funds in society are mobilized and directed toward various sectors of the economy; this process serves to increase production volume, establish new enterprises, and strengthen overall economic activity.

Another vital aspect of the banking system is that it intensifies investment processes and ensures a steady flow of new capital into the economy. As a result, production is modernized, innovative technologies are implemented, and the competitiveness of the economy is enhanced.

At the same time, the development of modern digital banking services serves to make economic processes more rapid and convenient.

Overall, the banking system is one of the primary driving forces of economic growth, and its stable and efficient functioning is an essential condition for the country's progress. Therefore, further developing banking services, improving their quality, and widely implementing modern technologies remain tasks of strategic importance for every nation.

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