



PRIVATE SECTOR SUPPORT MECHANISMS THROUGH THE BANKING AND INSURANCE SYSTEM

BANK VA SUG'URTA TIZIMI ORQALI XUSUSIY SEKTORNI QO'LLAB-QUVVATLASH MEXANIZMLARI

¹Akhmedova Gulmirahan Turabbaevna

¹Senior Lecturer, Department of General Economic Disciplines, Tashkent State University of Economics (TSUE)

Abstract Annotatsiya

Eng. - The article examines the importance of the banking and financial system and insurance instruments in the development of the private sector of the economy. A comparative analysis of international and national practice has revealed the main differences in the level of access of entrepreneurs to credit and insurance resources. The developed model shows that effective interaction of bank capital, insurance mechanisms and institutional support is a key driver of sustainable economic growth. Special attention is paid to indicators characterizing the state of the banking and insurance systems, as well as factors affecting the effectiveness of the private sector. It is concluded that it is important to further digitalize financial services, form an insurance culture and improve credit policy in order to increase the competitiveness of the national economy.

Uzb. - Maqolada iqtisodiyotning xususiy sektorini rivojlantirishda bank-moliya tizimi va sug'urta instrumentlarining ahamiyati tahlil qilingan. Xalqaro va milliy amaliyotning qiyosiy tahlili tadbirkorlarning kredit va sug'urta resurslariga kirish darajasidagi asosiy farqlarni aniqlab berdi. Ishlab chiqilgan model bank kapitali, sug'urta mexanizmlari va institutsional qo'llab-quvvatlashning samarali o'zaro ta'siri barqaror iqtisodiy o'sishning muhim omili ekanligini ko'rsatadi. Tadqiqotda bank va sug'urta tizimlarining holatini ifodalovchi ko'rsatkichlar hamda xususiy sektor samaradorligiga ta'sir etuvchi omillarga alohida e'tibor qaratilgan. Xulosa sifatida, milliy iqtisodiyot raqobatbardoshligini oshirish maqsadida moliyaviy xizmatlarni yanada raqamlashtirish, sug'urta madaniyatini shakllantirish va kredit siyosatini takomillashtirish zarurligi ta'kidlangan.

Keywords: Kalit so'zlar:

❖ banking and financial system, private sector, insurance mechanisms, entrepreneurial risks, sustainable growth, lending, digitalization, financial literacy.

❖ bank-moliya tizimi, xususiy sektor, sug'urta mexanizmlari, tadbirkorlik xavflari, barqaror o'sish, kreditlash, raqamlashtirish, moliyaviy savodxonlik.

Introduction.

In modern economic conditions, the sustainability of the national economy largely depends on the ability of the banking and financial system to ensure the effective

functioning and expansion of the private sector. The intensification of entrepreneurial activity, the introduction of innovations and the formation of new production structures are impossible without affordable credit financing,

insurance protection and modern financial instruments. Global practice confirms that it is the private sector that is the leading engine of economic growth, and the financial and insurance infrastructure plays a key role in reducing business risks, diversifying sources of capital and stimulating investment activity.

An analysis of international experience shows that, despite the growing importance of private business, in many countries there remain problems associated with limited access of small and medium-sized enterprises to long-term financial resources, insufficient protection from financial and industrial risks, as well as a low degree of integration of insurance mechanisms into the system of state support for entrepreneurship. These limitations are particularly pronounced in developing economies, where the banking sector still dominates alternative financing channels, and insurance products remain poorly adapted to the real needs of businesses.

In the context of the ongoing structural transformations in the Republic of Uzbekistan, the issues of stimulating the private sector are becoming particularly important. Despite the expansion of the network of commercial banks, the growth of lending volumes and the gradual development of the insurance market, the problems associated with high interest rates, limited availability of long-term capital, insufficient variety of insurance services and low level of financial literacy of entrepreneurs remain unresolved. Additional challenges include macroeconomic fluctuations, external shocks, and the need for institutional strengthening of the financial and insurance infrastructure.

Therefore, the study of the role of the banking and financial system and insurance instruments in stimulating the development of the private sector is an urgent scientific and practical direction. A comprehensive solution to these problems will increase the stability of the national economy, activate investment processes and strengthen Uzbekistan's position

in the system of international economic relations.

Literature Review.

The study of the role of the banking and financial system and insurance mechanisms in the development of the private sector has been reflected in the works of many foreign and domestic researchers.

J. Stiglitz in his works focuses on the problem of information asymmetry in financial markets, noting that it is insurance and banking instruments that can smooth out market inefficiencies and provide more even access to capital for small and medium-sized businesses [1].

N. Stern emphasizes the importance of the institutional stability of the financial sector for long-term economic growth, emphasizing the importance of insurance mechanisms in private sector risk management [2].

D. Schoenmaker explores the integration of the financial system into sustainable development, arguing that banks and insurance companies should play a key role in adapting entrepreneurship to global challenges and environmental risks [3].

In Uzbekistan, the problem of private sector development through the mechanisms of the banking and financial system and the insurance market is also being actively studied. Thus, Sh.Kh. Abdullayev considers issues of increasing the availability of credit resources for small businesses and emphasizes the need to diversify insurance services to increase the sustainability of the private sector [4].

In her research, A.R. Saidova focuses on the institutional barriers faced by entrepreneurs when attracting long-term capital, and also suggests directions for improving the financial infrastructure [5].

D.F. Khamidova analyzes the dynamics of the insurance market in Uzbekistan and emphasizes its underestimated potential as a mechanism to protect private businesses from macroeconomic and industrial risks [6].

Research Methodology.

In the study, such methods as system analysis, scientific observation, analysis and synthesis, induction and deduction were widely used to examine the research problem.

Analysis and Discussion of Results.

Global practice shows that the development of the private sector is closely linked to the effectiveness of the banking and financial system and the level of distribution of insurance instruments. In countries with developed market economies, banks are the main source of long-term business financing, providing access to credit resources and investment products. For example, special guaranteed credit lines for small and medium-sized businesses are being introduced in the European Union, accompanied by mandatory insurance of non-repayment risks [9]. In the USA and Japan, considerable attention is paid to business risk insurance, including medical and property insurance for company employees, which reduces the social and financial burden on businesses [7].

In addition, international organizations (the World Bank, the IMF, and the EBRD) actively use insurance and guarantee mechanisms to attract investment in the private sector of developing countries [13]. These tools make it possible to reduce the risk of investments and thereby increase the investment attractiveness of national economies [17].

Uzbekistan has been actively reforming the banking and financial system in recent years, aimed at supporting the private sector. Banks are expanding the range of credit products for entrepreneurs, and introducing preferential credit programs subsidized by the state. However, a number of barriers remain, such as high interest rates, insufficient transparency of lending procedures, and limited access of small businesses to long-term investment resources [15].

The development of the insurance market is playing a special role. In recent years, insurance in Uzbekistan has shown positive dynamics: the number of insurance companies is growing, and the range of services from property insurance to liability insurance is expanding. Nevertheless, the level of coverage of private business insurance services remains low, due to the lack of financial literacy of entrepreneurs and limited power of attorney to insurance institutions. Influencing factors [8]: the institutional environment, the level of transparency of the banking system, the availability of independent financial supervision and the stability of the insurance sector. The availability of financial resources, the amount of interest rates, the development of microfinance and alternative sources of investment. Development of insurance culture, willingness of entrepreneurs to use insurance products to protect businesses from risks. Technological innovations, digitalization of banking and insurance services, introduction of online lending and remote registration of policies. Government policy, the availability of concessional lending programs, subsidies for insurance premiums and support for small businesses.

A comparison of international experience and national practice demonstrates that the banking and financial system, together with insurance mechanisms, serves as a powerful engine for the development and competitiveness of the private sector [15]. Nevertheless, in the context of Uzbekistan, there is a need for more active implementation of comprehensive programs that integrate accessible credit facilities, modern financial technologies, and mandatory risk insurance instruments. Such an integrated approach would not only enhance entrepreneurs' access to financial resources but also strengthen the resilience of the private sector, enabling it to become a sustainable and dynamic source of long-term economic growth and stability.

Table 1

International and national experience in the development of banking and insurance instruments for the private sector [10]

<i>Parameter</i>	<i>International Experience</i>	<i>Experience of Uzbekistan</i>
Financing of Small and Medium Enterprises (SMEs)	Preferential credit lines, government guarantees, venture financing (EU, USA, Japan)	Government subsidy programs, concessional loans through state-owned banks
Entrepreneurial Risk Insurance	Well-developed insurance system covering property, liability, life, and employee health	Mainly focused on property insurance, limited development of liability insurance
Innovations in the Financial Sector	Digital banks, fintech platforms, online insurance services	Development of internet banking, initial steps toward implementing online insurance
Role of the State	Support through international organizations (World Bank, IMF, EBRD), tax incentives for insurance companies	Interest rate subsidies, promotion of insurance company growth
Financial Literacy of Businesses	High level of awareness and trust in banking and insurance instruments	Insufficient financial literacy and low confidence in the insurance market
Investment Attractiveness	High, due to investment protection and risk diversification	Growing potential, though institutional barriers remain

The comparative analysis showed that the banking and financial system and insurance mechanisms play a key role in the formation of a sustainable private sector, but the degree of their effectiveness varies significantly at the international and national levels.

In international practice, the integration of banking products with insurance instruments can significantly reduce business risks, increase investor confidence, and ensure the long-term financial stability of private businesses [16]. A high level of digitalization, a developed insurance culture and active government support create conditions for accelerated growth of the private sector in countries with developed market economies.

In Uzbekistan, despite the positive dynamics of banking reforms and the expansion of the range of insurance services, institutional and structural constraints remain. The most significant problems include insufficient coverage of businesses with insurance products, limited access to long-term investment resources, and low financial literacy among entrepreneurs.

To stimulate the development of the private sector in Uzbekistan, it is necessary not only to further improve the banking and financial infrastructure, but also to actively form an insurance culture, expand digital services and create comprehensive programs combining credit and insurance instruments. This will allow the national economy to approach international standards of sustainable development.

The conceptual model [11]. This model is the transformation of the private sector through banking and insurance mechanisms. Input factors, the availability of loans, the level of business insurance, government support programs. Instruments [17], bank financing (loans, investments, microfinance), insurance products (property, liability, business risks). Intermediate effects, risk reduction, increased investor confidence, and business sustainability. Private sector growth, job creation, increased tax revenues, and sustained economic growth.

Table 2

Indicators of the banking and financial system [12]

<i>Indicator</i>	<i>International Experience</i>	<i>Uzbekistan</i>
<i>Share of Credit to the Private Sector in GDP (%)</i>	60–90% (EU, USA)	35–40%
<i>Average Interest Rate on SME Loans (%)</i>	3–6%	18–22%
<i>Share of Long-Term Loans in Total Credit Portfolio (%)</i>	45–55%	20–25%
<i>Share of SMEs with Access to Bank Financing (%)</i>	70–80%	~35%
<i>Non-Performing Loans (NPL) Ratio (%)</i>	2–4% (OECD countries)	4.5–5.5%
<i>Financial Inclusion Index (0–1)</i>	0.75–0.90	0.55–0.60
<i>Deposit-to-GDP Ratio (%)</i>	70–100%	45–50%
<i>Digital Banking Penetration (% of adults)</i>	80–90%	~60%
<i>Insurance Penetration Rate (% of GDP)</i>	6–8% (developed economies)	1–1.5%
<i>Share of Private Sector in Total Investment (%)</i>	70–80%	45–50%

Comparative analysis shows that in international practice, loans to the private sector account for a significant part of GDP, and interest rates on loans for small and medium-sized businesses are at an acceptable level. In Uzbekistan, the share of loans to the private sector remains relatively low, and the cost of

borrowed resources is significantly higher. This indicates a high burden on entrepreneurs and limited opportunities for long-term investment. Thus, modernizing credit policy and lowering interest rates are key conditions for stimulating private sector growth.

Table 3

The integral assessment model [13]

<i>Component</i>	<i>Indicators</i>	<i>Target Effect</i>
<i>Banking System</i>	<i>Availability of credit, reduction of interest rates, increase in long-term lending</i>	<i>Expansion of investment in the private sector</i>
<i>Insurance Sector</i>	<i>Level of business insurance coverage, insurance premiums to GDP ratio, product diversification</i>	<i>Reduction of entrepreneurial risks</i>
<i>Institutional Factors</i>	<i>Government subsidies, public-private partnerships (PPP), digitalization</i>	<i>Enhancement of trust and efficiency of the financial infrastructure</i>
<i>Outcomes</i>	<i>Growth in the number of SMEs, job creation, increase in tax revenues</i>	<i>Sustainable development of the private sector economy</i>

The presented model shows that the development of the private sector is possible only with the integrated impact of the banking and financial system and insurance mechanisms. International experience confirms that the combination of affordable lending, diversified insurance products and institutional support leads to an increase in the number of small and medium-sized enterprises, increased employment and increased tax revenues. For Uzbekistan, this means the need to simultaneously strengthen

the banking infrastructure, form a modern insurance culture and digitalize financial services, which together will ensure the transition to sustainable private sector growth.

Conclusion and Recommendations.

The analysis showed that effective interaction of the banking and financial system and insurance mechanisms is a crucial condition for the sustainable development of the private sector. International practice demonstrates that the availability of loans, the

low cost of borrowed resources and the widespread use of insurance instruments create the basis for the long-term sustainability of a business and the growth of its investment attractiveness.

In the conditions of the Republic of Uzbekistan, there is a positive trend in the expansion of credit products and the formation of the insurance market, however, systemic limitations remain, high cost of loans, limited coverage of entrepreneurs with insurance services and insufficient financial literacy. This constrains the potential of the private sector

and reduces its ability to withstand economic risks.

The proposed model of transformation of the private sector shows that a strategic combination of bank financing, diversified insurance products and institutional support from the government can become the basis for increasing the competitiveness of the economy. Strengthening the digitalization of financial services, introducing innovative insurance solutions and improving credit policy will bring the national system closer to international standards, creating conditions for sustainable and balanced economic growth.

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