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PROMISING DIRECTIONS FOR THE DEVELOPMENT OF FOREIGN EXCHANGE TRANSACTIONS IN UZBEKISTAN

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Annotation
Currently, almost all countries use the international division of labor, specialization and cooperation. The growing internationalization of production is forcing businesses, banks, governments and individuals to enter the world market. The principles of operation of an economic entity in the foreign market differ in many respects from the principles of its work in the domestic market. Therefore, when entering the international market, it is necessary to take into account many economic and political conditions. In particular, In the foreign market, the company is faced with many currencies, there is a need to pay its obligations with acceptable means of payment, to assess all types of risks arising from foreign economic activity, as well as to follow the requirements and recommendations of international institutions, conventions and contracts. This article analyzes the current state of foreign exchange transactions in the Republic of Uzbekistan.

Keywords: Export, Import, Currency, Market, Analysis, Economics, Monetary Policy, Monetary Policy

INTRODUCTION
The development of market relations in the Republic of Uzbekistan predetermined the necessity and significance of expanding foreign economic relations. At the same time, the issues of organizing foreign economic activity, its regulation and monetary and financial support, technology and choosing the most rational form of payment, obtaining foreign currency loans, buying and selling foreign currency, and others are of great importance. All of the above dictates the need for a detailed study of the

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foreign exchange market, its structure and forecasting. The implementation of the state monetary policy is one of the most important aspects of reforming the economy in the transition period. It is carried out within the framework of national policy, and each state independently determines its own model of economic development. This is of particular importance in the context of profound systemic transformations, when the economic structure is radically changing, the old order is breaking down and new ones are being formed, cardinal changes are taking place in the mentality of the people.

The foreign exchange market, the monetary system, the monetary policy of each country should include the following components:

1. Ensuring the security of the financial system. This is necessary for the realization of the interests of the state.
2. Ensuring effective and equitable integration of the domestic economy into the world economy. The artificial formation of liberalization of the domestic foreign exchange market with a still significantly weak export base can have a negative impact on the development of integration processes that require a well-thought-out state strategy that takes into account the domestic production capabilities and competitiveness of domestic producers.
3. Ensuring economic growth. Priority use of foreign exchange funds for the modernization and technical re-equipment of existing production facilities and the creation of new, progressive enterprises that provide a high share of added value.

The exchange rate regime has a great influence on the formation of the foreign exchange market and politics. The change in the country's monetary policy regime will depend on the current domestic and external macroeconomic conditions and the monetary policy being pursued. Thus, in the past, monetary policy in Uzbekistan was conducted in the "monetary targeting" regime using some elements of the "exchange rate targeting" regime. In particular, until 2017, the regime of "administrative management" of the exchange rate was carried out according to the methodology of the International Monetary In 2017, the Central Bank began preparations for the transition of monetary policy to an inflation targeting regime, one of the main requirements of which is a "free-floating" exchange rate regime. Therefore, in September 2017, the

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country liberalized the foreign exchange market and made a transition to the "free floating" regime. [1]

It should be noted that since September 5, 2017, the country has a floating exchange rate regime, the exchange rate of the sum is not fixed and no targets for the level of the exchange rate or the rate of its change are established. The dynamics of the sum exchange rate is determined by the ratio of demand for foreign currency and its supply at the Republican Currency Exchange.

The currentexchange rate is an important component of the Central Bank's inflation targeting regime in conducting an independent monetary policy aimed at solving internal problems, primarily reducing inflation and ensuring price stability.

After letting the sum exchange rate float freely, it began to act as a "built-in stabilizer" of the economy. This concept means the possibility of adapting the economy to changing external conditions, smoothing out the impact of external factors on it.

Theliberalization of monetary policy opened up new opportunities in the world market, which contributed to the growth of foreign trade. This, in turn, served to improve the business and investment environment, and to increase the welfare of the population.

In addition, the liberalization of the foreign exchange market made it possible to freely sell and buy foreign currency in the domestic foreign exchange market, contributed to a stable increase in the number of economic entities that purchased foreign currency, and also strengthened public confidence in the banking and financial system of the republic.

In the period from 2018 to 2021, the volume of foreign currency purchased by legal entities increased by 1.9 times. At the same time, the volume of foreign currency sold by banks and business entities in 2021 amounted to 18.4 billion US dollars, which is 2.4 times more than in 2018.

The number of business entities that purchased foreign currency in the domestic foreign exchange market also increased by more than 2 times, from 12.3 thousand in 2018 to 25.6 thousand in 2021. [2]

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LITERATURE REVIEW

The foreign exchange market is an integral part of the financial market. It is also called financial or forex. The foreign exchange market as an integral part of the financial market is a sphere of economic relations related to the implementation of transactions for the purchase and sale of currency values, as well as the investment of foreign exchange capital. The foreign exchange market is a tool for coordinating the interests of the seller and buyer of currency values. The foreign exchange market is understood as the official financial center, where the purchase and sale of currency values based on supply and demand is concentrated. From a functional point of view, the foreign exchange market can be considered as a set of various operations with currency and currency values, including international settlements, currency risk insurance, diversification of foreign exchange reserves, foreign exchange interventions, speculative operations. From an institutional point of view, the foreign exchange market is a set of institutional financial market participants engaged in currency transactions, including currency exchanges, authorized banks, investment companies, brokerage houses, and foreign banks. From an organizational and technical point of view, the foreign exchange market is understood as a set of telegraph, telephone, telex, electronic and other communication systems that connect the participants of the foreign exchange market. In countries with a completely closed economy, there is no foreign exchange market. With an open economy, involving participation in international economic activities, the role of the foreign exchange market is extremely large. Currency values include: foreign currency (banknotes (banknotes, treasury notes, coins that are legal tender or withdrawn, but subject to exchange) and funds in accounts in monetary units of a foreign state, international or accounting monetary units); securities (checks, bills of exchange), stock values (shares, bonds) and other debt obligations denominated in foreign currency; precious metals (gold, silver, platinum, palladium, iridium, rhodium, ruthenium, osmium) and natural precious stones (diamonds, rubies, emeralds, sapphires, alexandrites, pearls). The subjects (participants) of the foreign exchange market are banks, stock exchanges, exporters and importers, financial and investment institutions, government organizations. The object of the foreign exchange market (to whom the actions of the subject are directed) is any financial requirement indicated in currency values. Unlike other types of market, the foreign exchange market has its own characteristics:

1. it does not have clear geographical boundaries;
2. it does not have a specific location;
3. it operates around the clock;
4. it can operate an unlimited number of participants;
5. It has a high degree of liquidity.

Entering the foreign exchange market can pursue a variety of goals: the implementation of international settlements, changing the structure of foreign exchange reserves, extracting speculative profits from the difference in the exchange rates of individual currencies, protection against currency and credit risks. The main feature of the foreign exchange market is that monetary units oppose each other only in the form of entries on correspondent accounts. Foreign exchange markets perform the following functions:

- servicing the international turnover of capital, goods and services;
– formation of the exchange rate;
– obtaining speculative profits;
- diversification of foreign exchange reserves of banks, corporations and states;
- implementation of the interconnection of currency, credit and financial markets;
– insurance of currency and credit risks;
- implementation of state regulation of its own monetary policy.

In the modern foreign exchange market, various entities perform operations:

1. firms engaged in foreign trade operations;
2. компании, осуществляющие зарубежные вложения активов (Investment Funds, Money Market Funds, International Corporations);
3. central banks;
4. commercial banks;
5. Individuals; currency exchanges;
6. foreign exchange brokerage firms. [3]

ANALYSIS AND RESULTS

Firms engaged in foreign trade operations. Companies involved in international trade have a steady demand for foreign currency (in terms of importers) and the supply of foreign currency (exporters), as well as place and attract free foreign exchange balances in short-term deposits. At the same time, these organizations do not have direct access to the foreign exchange market, as a rule, and conduct conversion and deposit operations through commercial banks. Companies engaged in foreign investments of assets (Investment Funds, Money Market Funds, International Corporations). These companies, represented by various kinds of international investment funds, implement a policy of diversified portfolio management, placing funds in securities of governments and corporations of various countries. In dealer slang, they are simply called funds or funds; the most famous fund is "Quantum" » George Soros, conducting successful currency speculation. This type of firms also includes large international corporations that carry out foreign production investments: the creation of branches, joint ventures, etc., such as, for example, Xerox, Nestle, General Motors, British Petroleum and others. Central banks. Their function includes the management of foreign exchange reserves, foreign exchange interventions that affect the level of the exchange rate, as well as the regulation of the level of interest rates on investments in the national currency.

The greatest influence on the world currency markets is the central bank of the United States - the Federal Reserve System (US Federal Reserve or FED for short). It is followed by the central bank of Germany - the Bundesbank (Deutsche Bundesbank) and the UK - the Bank of England (Bank of England, also called the Old Lady). Commercial banks carry out the bulk of foreign exchange transactions.

Most of the foreign exchange transactions - up to 90% - are carried out on the unorganized, over-the-counter or interbank foreign exchange market, in which dealers conduct transactions using electronic and satellite communications. Foreign exchange brokerage firms. Their function is to bring together the buyer and seller of foreign currency and carry out a conversion or loan and deposit operation between them. A brokerage firm that has information about the requested rates and rates is the place where the real exchange rate and real interest rates on transactions already concluded are formed. Commercial banks receive information about the current level of the exchange rate from brokerage firms.

The simplest type of currency transactions is cash transactions. This operation involves the purchase and sale of currency on the terms of counterparty banks with the delivery of currency on the second business day after the conclusion of the transaction at the rate fixed by the bank at the time of the transaction.
Another type of foreign exchange transactions is forward transactions. These are foreign exchange transactions in which the parties agree on the delivery of a specified amount of foreign currency after a certain period at the rate fixed at the time of the transaction. There are several ways to conclude these transactions:

– forward transactions. They are concluded outside the exchange, and the conditions for them are negotiated separately each time, since forward transactions do not have an established standard. This type refers to transactions with increased risk, since no one exercises control and the parties independently take care of their legal registration;

– futures transactions. They are designed to reduce the risk observed when concluding a forward transaction. Futures transactions are concluded within the framework of the exchange and have a standardized form. When using this form, a standard amount of currency is purchased within the standard terms and within a certain period. The disadvantage of this type lies precisely in the general standardization of the terms of the contract, which is not always convenient;

- options - a contract that gives the right to one of the parties to the transaction to buy or sell a certain amount of foreign currency at a fixed rate for a certain time.

– swap – transactions. These are transactions for the exchange of agreements on the purchase and sale of currency. Swap transactions incorporate several transactions into a single operation.

In 2021, demand in the domestic foreign exchange market of Uzbekistan exceeded supply by $3.2 billion — $26.1 billion against $22.9 billion. The volume of international transfers increased by 34% to $8.1 billion. The sum depreciated by only 3.4% against the dollar.
The situation in the domestic foreign exchange market in 2021 was characterized by a simultaneous increase in supply and demand for foreign currency against the backdrop of high economic growth and favorable conditions in foreign markets. Last year, export earnings (excluding gold exports) increased by 34% to $11.6 billion, while import payments increased by 25% to $25.7 billion.

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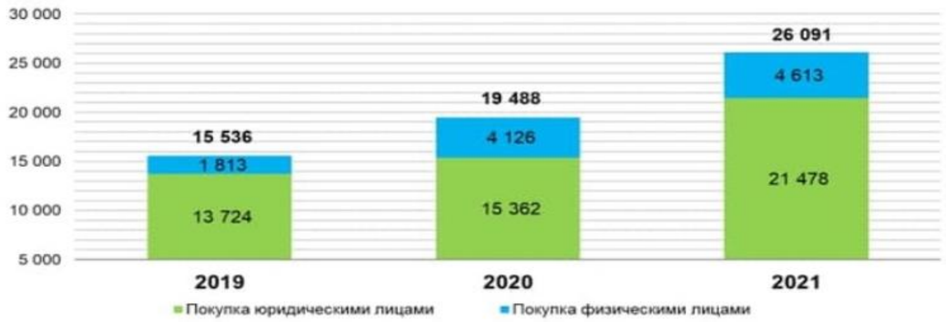
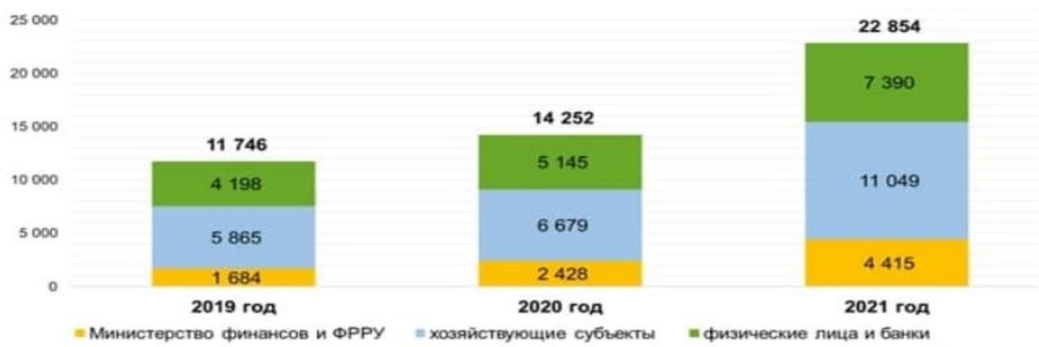


1-figure. ***Dynamics of demand for foreign currency in 2019-2021[4]***

The volume of supply increased 1.6 times to $**22.9** billion (in 2020 - $14.3 billion, in 2019 - $11.7 billion). Thus, demand exceeded supply by $3.2 billion (in 2020, the difference was $5.2 billion, in 2019 - $3.79 billion). During this period, companies sold $11 billion worth of currency, 1.7 times more, than in the previous year (6.7 billion). The volume of foreign currency sales by banks and individuals reached $7.4 billion, which is 44% more than in 2020 ($5.1 billion).



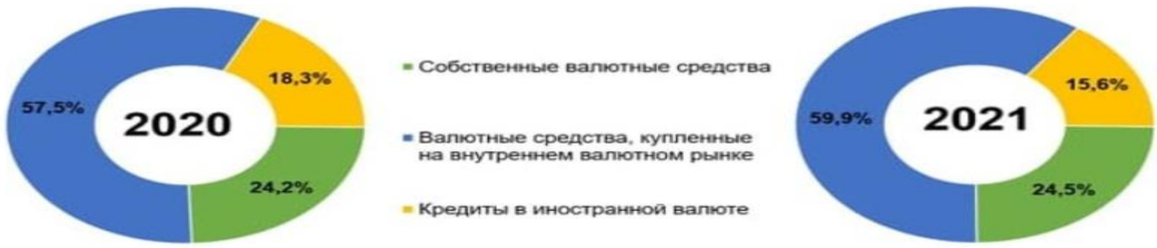
2-figure. ***Sources of supply formation in the domestic foreign exchange market in 2019-2021. [5]***

Demand for foreign currency from companies increased by 40% compared to 2020 ($15.4 billion) and amounted to $21.5 billion.

As a result, direct transactions between banks and companies have grown significantly and occupy the main share of operations (94%) in the market, increasing to $20.3 billion in the reporting year ($3.7 billion in 2020).

3-figure. *Purchase of foreign currency by legal entities on the exchange and over-the-counter markets in 2019-2021 (in thousands of dollars). [6]*

Imports were mainly financed by converted funds (59.9%), own funds in foreign currency (24.5%) and foreign currency loans (15.6%). In 2020, the same figures were 57.5%, 24.2% and 18.3%, respectively.



4-figure. *Sources of import financing in 2020-2021. [7]*

The main part of foreign exchange funds was purchased for the import of equipment, goods and raw materials for production - 57%, repayment of foreign loans - 20%, import of consumer goods and medicines - 20%, repatriation of income of foreign investors - 1%, for other purposes - 2%.

5-figure. *Structure of foreign currency purchase goals in 2020-2021. [8]*

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The average monthly number of companies purchasing foreign currency during 2021 was 9887, which is 48% and 39% more compared to 2019 and 2020, respectively (6686 in 2019, 7137 in 2020). The dynamics of the exchange rate of the national currency in 2021 was formed based on supply and demand factors in the domestic foreign exchange market, as well as under the influence of external conditions. The exchange rate of the national currency against the dollar decreased by 3.4% during the year. In 2019 and 2020, the sum fell by 13.9% and 10.1%, respectively.

6-figure. Sale and purchase by individuals. [9]

During the year, the population sold foreign currency to banks by $11.9 billion, or 67.6% more than last year.

At the same time, the demand for foreign currency from individuals increased by 93.5% and reached $8.9 billion, however, the surplus increased from $2.5 billion in 2021 to $2.9 billion. Part of the currency withdrawn from Uzbekistan came back in the form of export earnings and advances on import contracts. Also, the "parallel import" of goods from European countries to Russia played a role.

Conclusion

The international currency market is a set of national, regional and world currency markets. In the 80s and the first half of the 90s, the volume of

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operations of the international currency market increased rapidly. In the foreign exchange markets, transactions are made with immediate delivery of currency, as well as various types of urgent transactions. When making currency transactions, credit institutions closely monitor the foreign exchange position for each foreign currency, since an open position is associated with risk. The international currency market is closely related to the international credit and international financial markets.

The global foreign exchange market is affected by the increasing dynamics and scale of capital flows. Under their influence, the exchange rate factors and the structure of the market are changing. What is new in the formation of exchange rates is that exchange rate ratios are determined by the movement of financial flows, and changes in the exchange rates of national currencies depend on the comparative profitability of financial instruments. Previous theories of the exchange rate - purchasing power parity, fundamental equilibrium - are incapable.

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