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Practical Aspects and Prospects for Formation of Financial and Industrial Groups in Uzbekistan

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ABSTRACT

This article examines the conditions for the formation of financial and industrial groups in Uzbekistan and the participation of commercial banks in their activities. The purpose of the study is to formulate recommendations for creating the necessary conditions for the formation and organization of the activities of financial and industrial groups. The authors used the following research methods: grouping, abstraction, comparative analysis, structural analysis, and scientific forecasting. This article also describes the role of financial and industrial groups in the development of the economy and assesses the possibility of creating financial and industrial groups with the participation of commercial banks. In addition, the features and prospects for the creation of financial and industrial groups in Uzbekistan have been identified. The authors conclude that there are the following grounds for the formation of financial and industrial groups with the participation of commercial banks in Uzbekistan: the volume of commercial bank loans allocated to the real sector of the economy is increasing, there is a great need for financial resources to modernize production, as well as technical and technological re-equipment of enterprises. The formation of financial and industrial groups in the national economy will lead to the sustainable development of the industrial sector, ensuring the stability of the financial and banking system and increasing the competitiveness of the national economy.

Keywords: financial and industrial group; innovation; integration of industrial and financial capital; horizontal and vertical integration; capitalization; financial structure

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INTRODUCTION

As global practice shows, the creation of financial and industrial groups as one of the types of integrated corporate structures is important for increasing production potential and ensuring its sustainability in the national economy. Modern financial and industrial groups will undoubtedly be able to turn into large economic and financial institutions in the country and in the world. The contribution they make to the national and world economy is important for the creation of new economic zones, the development of industrial production and financial markets. According to the European Commission and the United Nations Conference on Trade and Development, nearly half of international trade takes place in large integrated structures. The annual turnover of large financial and industrial groups in many countries exceeds the volume of the gross national product. In addition, these structures account for the bulk of industrial production and the employed population in developed and developing countries.¹

In world practice, it is known that most of the funds of banks are directed to the creation of high-tech and science-intensive industries, which, in turn, contributes to the implementation of new projects in the production sector, as well as to increase the innovative potential and competitiveness of the economy. In addition, it is desirable to form an ideal integration system resulting from the establishment of strong ties between financial institutions and industrial enterprises to increase the production efficiency of the national economy and ensure its continuity, as well as support sustainable economic development, since in the context of globalization of the world economy, it is necessary to ensure a high level of competitiveness of entities operating in the national economy. For this, it is necessary to strengthen the integration of financial and industrial capital, to form a highly integrated

corporate structure, and also to improve the efficiency of the corporate governance system.

Scientific research on the creation of financial and industrial groups by strengthening the integration of financial and industrial capital, increasing the stability of highly integrated corporate structures is carried out in leading research centers and higher educational institutions of the world, such as Erasmus University Rotterdam, University of Amsterdam (Netherlands), Brigham Young University, World bank (USA), Korea Economic research institute (Korea), Dalian Maritime University, Xiamen University (China), University of Hamburg (Germany), Kobe University, Institute of Developing Economies Japan External Trade Organization (Japan), Association of Financial and Industrial Groups of Russia, Central Economics and Mathematics Institute RAS (Russia).

Global research on the creation of financial and industrial groups in the economy and the development of their activities have yielded results that confirm:

- the possibility of increasing the stability of the national economy through the formation of financial and industrial groups (Erasmus University, Netherlands);
- ways of creating corporate governance in integrated structures and increasing their efficiency (Brigham Young University, USA);
- the possibility of forming integrated corporate structures by ensuring the integration of financial and industrial capital into the development of the economy (Korea Economic research institute, Korea);
- effective methods of integrating financial and industrial capital into the economy (Xiamen University, China);
- conclusions that as a result of the participation of banks in financial and industrial groups, their investment activity, the level of diversification of activities and effective management of financial risks increases (University of Hamburg, Germany);
- the need to form financial and industrial groups and create highly integrated corporate

¹ European Commission. Innovation Policy. 2016. URL: <http://ec.europa.eu>; <http://unctad.org> (accessed on 12.11.2021).

structures to improve the financial stability of the banking system and industrial sectors, technical and technological renovation of industrial enterprises (Kobe University, Japan);

- strategic directions for achieving sustainability of production in industrial sectors and increasing the investment potential of banks, as well as the development of financial and industrial groups through financial and industrial integration (Central Economics and Mathematics Institute RAS, Russia).

In the world, research in the field of improving the scientific, theoretical, methodological and practical foundations of the formation and development of the activities of financial and industrial groups is carried out in the following priority areas:

- increasing the stability of the economy and international competitiveness through the formation of highly integrated structures based on ensuring the integration of financial and industrial capital;
- improvement of investment mechanisms of financial and industrial groups;
- improvement of investment mechanisms of financial and industrial groups;
- increasing the efficiency of corporate governance through the formation of financial and industrial groups.

There are various approaches to substantiating the economic essence of the concept of financial and industrial groups. Thus, W. Yao [1], K. Young [2], E. A. Utkin, M. A. Eskindarov [3], I. Yu. Belyaeva [4], A. E. Dvoretzskaya [5], V. A. Tsvetkov [6], as well as the Uzbek scientist-economist M. B. Khamidulina [7] give different definitions of financial and industrial groups. For example, according to Wei Yao, a financial-industrial group is understood as a new type of integration resulting from the mutual pooling of capital and management between financial and industrial organizations [1]. In addition, I. Yu. Belyaeva defines financial and industrial groups as the result of the movement of combined capital, i.e. suitable only from the point of view of

capital, without paying attention to the unification of legal structures and its main goals [4].

In our opinion, financial and industrial groups are a form of integration of free legal entities, including production, trade enterprises and financial and credit institutions, which have centralized management, and have also fully or partially pooled their resources (material, intangible, financial, etc.) in order to ensure the efficiency of production, economic, financial and other activities.

The combination of financial capital with industrial capital in financial and industrial groups not only effectively influences the activation of investment processes but also increases the competitiveness of the economy. Solving the set tasks requires improving the practical aspects of the formation of financial and industrial groups in Uzbekistan.

The scientific significance of the study lies in the possibility of using the analysis and generalization of advanced foreign experience in the formation of financial and industrial groups, as well as scientific conclusions, practical recommendations aimed at creating the necessary financial and economic prerequisites for the formation of financial and industrial groups (FIGs) in Uzbekistan.

The practical significance of the study is in the possibility of using proposals for the formation of financial and industrial groups by strengthening the integration of financial and industrial capital developed in the research process, while increasing the investment activity of banks, creating a regulatory framework for the system of this business, as well as developing measures, aimed at the formation of financial and industrial groups in the economy of Uzbekistan.

MATERIALS AND METHODS

The authors apply methods such as grouping, abstraction, comparative analysis, structural analysis and scientific forecasting. To

determine the effectiveness of the formation of FIGs and the most rational balance of interests between group members, it is advisable to apply a model analysis of financial and industrial groups. The authors investigate the necessary conditions for the formation of FIGs, which determine their strategic competitive advantages, associated both with ensuring demand for new products from partners in the group and with financing innovative activities by financial institutions of FIGs. This is the task of modeling the economic effect of the integration of banking and industrial capital.

Many scientific studies have identified three types of models: representative, regression, and conceptual.

Conceptual models help to reveal the nature of economic phenomena on the basis of identifying the key prerequisites for their existence and to establish the nature of dependencies. Therefore, we consider it appropriate to use this model in the article.

The research hypothesis is that the formation of financial and industrial groups in the national economy will lead to the sustainable development of the industrial sector, ensuring the stability of the financial and banking system and increasing the competitiveness of the national economy.

ANALYSIS AND RESULTS

Financial and industrial groups can be called one of the main types of large integrated structures, widespread in the world, which is explained by the following facts [8]:

- financial and industrial group — a corporate structure that unites economic entities with the status of a legal entity, in particular industrial enterprises;
- financial structures, banks and other credit organizations participate in financial and industrial groups;
- property relations between members of the group should be regulated by real control and include the implementation of the group's strategy.

Based on the global experience of financial and industrial groups, it should be noted

that they contribute to the strengthening of integration between financial institutions and industrial enterprises, the sustainable development of industrial sectors, and also serve as an effective tool for increasing the economic potential of the country.

In our opinion, based on foreign experience in the formation and implementation of activities of financial and industrial groups, the following can be noted as the main principles of their formation:

- the project for the creation of each group on the basis of a unified regulatory framework has its own characteristics;
- the presence in the groups of a leader who determines the main financial flows and product flows. In this case, the leader can be an industrial enterprise, as well as a financial and credit organization;
- the main factor in ensuring the management of members of financial and industrial groups by the central company is shareholder control and relations specified in the agreement;
- the emergence of groups with concrete real vertical and horizontal cooperation of enterprises that produce products that are competitive in the domestic and foreign markets, as well as produce or are capable of producing products necessary for state needs;
- groups for investment in ongoing projects are selected by financial and credit organizations with sufficient capital;
- the presence of various forms of state support for the creation and implementation of activities of financial and industrial groups.

Studies show that the Anglo-American, German, Latin and Japanese models of the development of financial and industrial groups are widespread in the world economy. These models differ from each other in the organizational and economic mechanism, the process of organizing and implementing financial relations, mutual coordination and management of the activities of enterprises that are part of a single structure.

Based on international experience, we consider it possible to use the Japanese and German models when organizing the

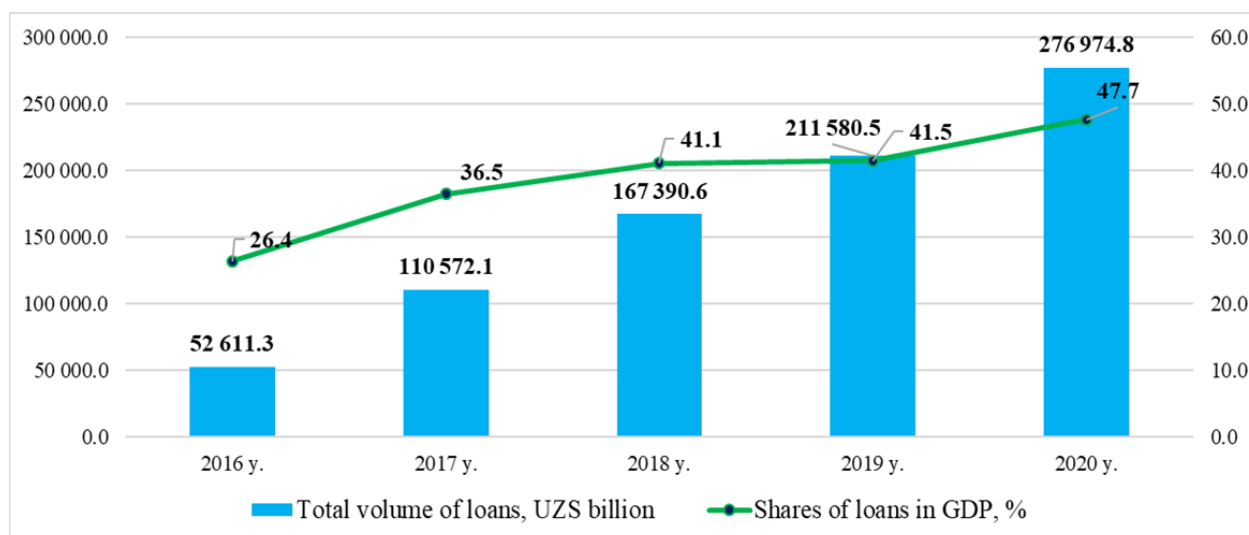


Fig. 1. The volume of loans directed by commercial banks to the real sector of the economy and their share in GDP

Source: compiled by the authors based on data from the Central Bank of the Republic of Uzbekistan and the State Committee on Statistics. URL: <https://cbu.uz/uz/statistics/bankstats/>; <https://stat.uz/en/quarterly-reports> (accessed on 05.03.2021).

activities of financial and industrial groups in the Republic of Uzbekistan.

In Germany, large banks own most of the capital of many highly integrated German corporations. In particular, Deutsche Bank, which owns a controlling stake in the leading national companies Daimler-Benz, Philipp Holzmann, Karstadt, exercises financial management in them [9].

In the Japanese model, business units, creating corporate groups, establish close ties with each other through the mechanism of counter-ownership of shares. Large financial and industrial groups in Japan include such companies as Mitsubishi, Mitsui, Sumitomo, Dai-Ichi Kangyo, Fuyo, Sanwa. Their main feature is financing from the main bank [10, 11].

The peculiarity of these two models is that they effectively organize the mutual coordination of the activities of industrial enterprises, financial and other organizations that are part of the integrated structures. In addition, the close relationship between the bank and industrial enterprises plays an important role in the continuous development of the activities of financial and industrial groups and the implementation of promising projects.

In our opinion, it is necessary to create the necessary conditions for commercial banks to show initiative in the formation of financial and industrial groups and their active participation.

To create financial and industrial groups with the participation of commercial banks, it is first of all necessary to study the financial position of the banking system. The positive indicators achieved in Uzbekistan from an economic point of view, in turn, create favorable conditions for the integration of financial and industrial capital.

Achievement of high rates of macroeconomic growth in recent years has led to an increase in lending to sectors of the economy. Thus, in 2020, the balance of loans issued by banks compared to 2016 increased fivefold, or by 224.3 trillion soums, as of January 1, 2021, this figure reached 276.9 trillion soums (Fig. 1).

According to research, the bulk of the bank's assets is loans. The correct organization of the practice of lending in commercial banks, on the one hand, provides the bank with a stable profit, on the other hand, bank loans, being a financial source of the country's economic development, ensure the growth of macroeconomic indicators. In

Table 1

Growth rates of capital and loans of the banking system in relation to the previous year in %

Indicators	2016	2017	2018	2019	2020
Capital	120.2	221.1	129.0	191.3	114.3
Loans	125.1	207.1	151.4	126.4	130.9

Source: compiled by the authors based on data from the Central Bank of the Republic of Uzbekistan. URL: <https://cbu.uz/uz/statistics/bankstats/> (accessed on 05.03.2021).

Table 2

The share of some commercial banks in the total volume of credit investments directed to the real sector of the economy by the banks of the Republic of Uzbekistan

Indicators	2016	2017	2018	2019	2020
Uzmilliybank	24.4	31.8	27.8	26.0	23.7
Asaka Bank	10.0	14.3	14.8	13.9	12.3
Uzsanoatqurilishbank	16.2	18.3	16.3	12.4	14.4
Agrobank	5.6	3.1	5.2	7.5	9.0
Qishloq Qurilish Bank	8.8	5.2	5.1	5.4	5.0
Other commercial banks	35.1	27.4	30.8	34.7	35.6
Total	100.0	100.0	100.0	100.0	100.0

Source: compiled by the authors based on data from the Central Bank of the Republic of Uzbekistan. URL: <https://cbu.uz/uz/statistics/bankstats/> (accessed on 05.03.2021).

this regard, there is a tendency to an increase in the share of bank loans in the country's GDP in the period 2016–2020, which, in turn, is important in the process of ensuring macroeconomic growth and development of industrial production (*Table 1*).

Analytical data on the growth rates of capital and loans in the banking system in the period 2016–2020 may affect the increase in the level of risk in the banking system.

Strengthening the integration of commercial banks and industrial enterprises is the only effective mechanism to reduce credit and investment risks without losses for the sustainable development of the financial system. In addition, the increase in the volume of loan investments and the share

of long-term loans in the loan portfolio of commercial banks indicates a great demand for financial resources in the real sector of the economy. In this regard, we consider it expedient to ensure the integration of financial and industrial capital.

A fairly large part of credit investments directed to the real sector of the economy in Uzbekistan falls on leading commercial banks such as Uzmilliybank, Uzsanoatqurilishbank, Asaka Bank, Agrobank, Qishloq Qurilish Bank (*Table 2*). The share of these five commercial banks in 2005 was 93.4%, by 2020 this figure was 64.4% and decreased by 29%. This situation is considered a positive process, as it means the formation of a competitive environment

Table 3

Structure of credit investments of commercial banks of the Republic of Uzbekistan by sectors of the economy, %

Sectors of the economy	2016	2017	2018	2019	2020
Industry	34.9	40.9	39.8	35.7	36.9
Agriculture	5.8	4.3	5.6	8.1	10.1
Transport and communications	13.6	14.7	12.5	11.1	9.6
Construction	4.2	3.1	3.5	2.8	2.7
Trade and catering	7.7	4.7	6.4	6.8	7.2
Logistics support	1.2	0.4	1.6	1.7	1.4
Housing and utilities	0.9	0.9	1.1	1.2	1.4
Other industries	31.7	31.0	29.4	32.6	30.7
Total	100.0	100.0	100.0	100.0	100.0

Source: compiled by the authors based on data from the Central Bank of the Republic of Uzbekistan. URL: <https://cbu.uz/uz/statistics/bankstats/> (accessed on 05.03.2021).

in the banking services market. However, these banks account for a large share of the total volume of credit investments directed by commercial banks into the real sector of the economy.

Table 3 data show that in the structure of credit investments of commercial banks by sectors of the economy, it is the industrial sector that occupies the largest share, and this trend has persisted for a number of years, in particular, the share of bank loans allocated to the industrial sector in the structure of total loan investments in 2010 amounted to 32.4%, while in 2020 this figure reached 36.9%, which is 4.5% more.

In our opinion, it is advisable to form financial and industrial groups with the participation of commercial banks with a high level of capitalization. The analysis shows that in order to meet the need for financial resources of enterprises that are part of integrated corporate structures, to own their shares and implement promising investment projects within a group, commercial banks must have a large capital. The total capital of commercial banks of the

Republic of Uzbekistan in relation to 2017 increased almost three times, or by 37.7 trillion soums, and as of January 1, 2021, amounted to 58.4 trillion soums.²

A large share in the total capital of banks belongs to the leading commercial banks Uzmillobank, Uzsanoatqurilishbank, Asaka Bank, Agrobank, Qishloq Qurilish Bank, in 2012 it amounted to 37.8%, and in 2020–61.6%, an increase of 23.8%. Considering the financing of large investment projects within the framework of financial and industrial groups and the high need for funds from enterprises, it is necessary to strengthen measures aimed at stimulating the level of capitalization of banks.

In our opinion, on the basis of the above data, we can assume that the possibilities of creating financial and industrial groups with the participation of Asaka Bank, Uzsanoatqurilishbank, Uzmillobank and Agrobank, together with industrial enterprises, are enormous. In addition,

² Data of the Central Bank of the Republic of Uzbekistan. URL: <https://cbu.uz/ru/statistics/bankstats/436580/> (accessed on 25.01.2021).

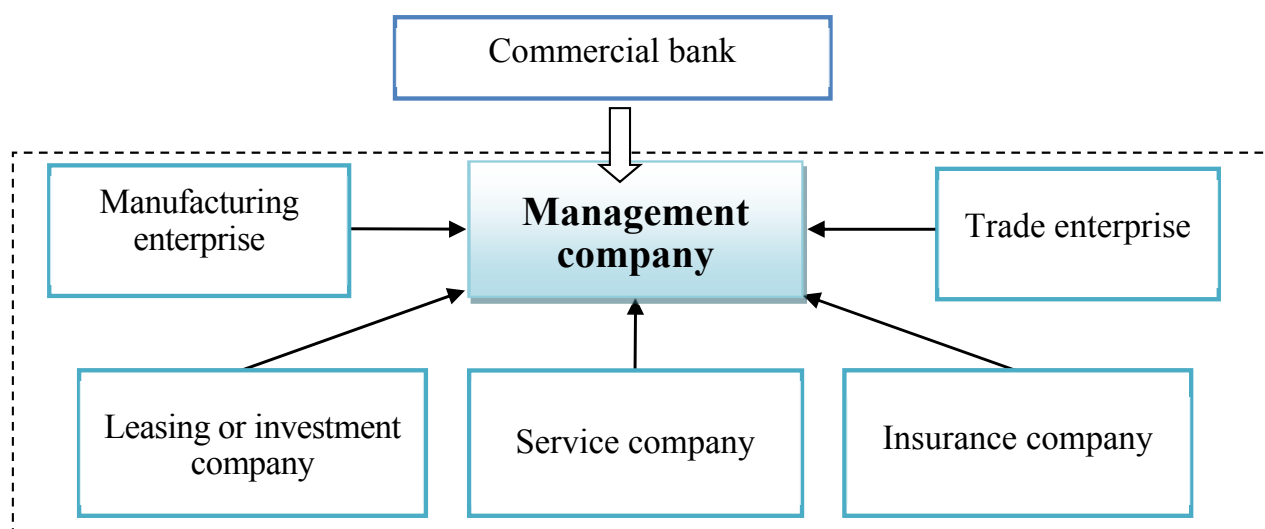


Fig. 2. Typical organizational structure of the formation of financial and industrial groups

Source: compiled by the authors.

these commercial banks provide financial services to industrial enterprises in a specific area and attract huge investments in them. These industrial enterprises, in turn, by purchasing shares of the bank, participate in its corporate governance.

In our opinion, the organizational structure of the formation of financial and industrial groups with the participation of a commercial bank in Uzbekistan can be represented as in Fig. 2. At the same time, the management company of the financial and industrial group unites around itself industrial enterprises, trade, insurance, investment, and leasing companies, and also coordinates their activities. Commercial banks within the group carry out activities such as financing promising projects, controlling cash flows and managing financial risks.

Research shows that as a result of joint activities of commercial banks and industrial enterprises within the framework of an integrated structure, a high synergetic effect can be achieved. This effect will arise as a result of increased production volumes, savings in operating costs, improved product quality, shorter delivery times to consumers, efficient cash flow management, and increased investment activities by preventing financial risks.

The formation and implementation of a unified scientific, technical and investment policy within the framework of financial and industrial groups have a positive effect on increasing the innovative potential since the issue of introducing new research and development and innovation directly depends on funding. As a result of combining financial and industrial capital, the need for financial resources of enterprises operating in the real sector of the economy is satisfied.

According to the research, to assess the effectiveness of the creation of vertical integrated corporate structures in the national economy, it is recommended to apply the modified Altman model [12]:

$$R = X_1 + X_2 + X_3 + X_4 + X_5 > 0,$$

where R is an indicator for assessing the financial stability of an enterprise; X_1 is an indicator of the overall solvency of the enterprise; X_2 is the return on equity of the enterprise; X_3 is the capitalization ratio of the enterprise; X_4 is the management coefficient; X_5 is the ratio of the enterprise's equity capital.

Comparison of the R value before merging into a single corporate structure and after merging makes it possible to draw a conclusion about the effectiveness of creating integrated corporate structures.

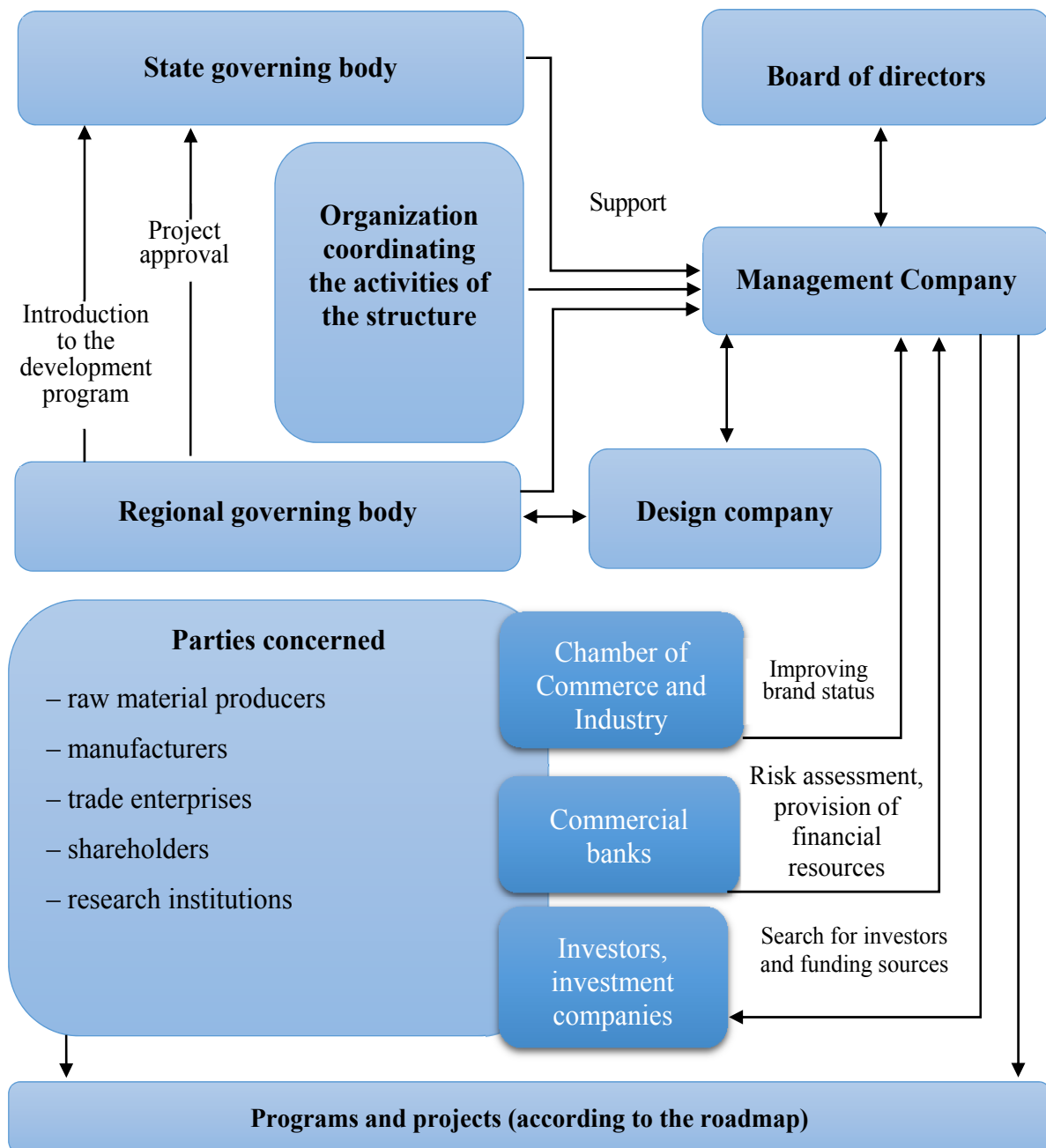


Fig. 3. Organizational structure of financing and project management of an integrated structure

Source: compiled by the authors.

It is important to develop a roadmap for financial support for projects to form integrated financial and industrial structures in the regions of Uzbekistan through the use of benchmarking technologies, as well as to determine the procedure for financing projects. It is advisable to organize the organizational structure of financial support and project management as shown in Fig. 3.

To financially support the formation of regional integrated financial and industrial

structures, it is recommended to use the following roadmap:

- 1) ensuring the investment attractiveness of integration structures;
- 2) organization of the process “production – research – innovative development”;
- 3) creation of a value chain, entry into a competing process;
- 4) support in attracting related and service industries to the structure, the use of business outsourcing;

- 5) ensuring the integration of financial and industrial capital;
- 6) increasing the level of competition;
- 7) creation of a single regional infrastructure complex;
- 8) implementation of promising projects aimed at the sustainability of the activities of participants in the structure;
- 9) creation of a system for providing industrial production with modern technologies.

The board of directors of the integrated structure performs the tasks of coordinating the activities of the participants in the implementation of programs and projects within the structure. The management company is engaged in the implementation of all programs of the integrated structure and measures for their development. The tasks of managing cash flows within the framework of the structure and direction of the necessary funds for financing projects are performed by commercial banks.

To effectively organize financial relations between the management company and organizations that are part of the structure of regional integrated corporate structures, in particular in industrial clusters, the functions of accumulating and distributing financial resources of the organizations included in the structure should be performed by the management company.

In our opinion, the advantages of the proposed organizational structure of financing and project management of the integrated structure lie in the possibility of strengthening interregional and intersectoral cooperation in organizing and managing the activities of industrial clusters in the regions, the mutual coordination of financial interests, the composition of the participants, as well as the effective organization of financial relations.

One of the main issues in the process of forming integrated financial and industrial groups is the determination of the principles of building the structure and mutual coordination of the activities of the participants, while the activities of the

industrial enterprises that are part of the structure should be technologically similar. Such financial and industrial groups can be effectively created on the basis of clusters.

The formation of financial and industrial groups on the basis of a cluster begins with the selection of industrial enterprises. At the same time, the innovativeness of enterprises from a regional point of view and full coverage of all stages of the production process are of great importance.

Industrial clusters occupy an important place in the socio-economic development of regions since the mutual activity of participants in it creates conditions for the formation of additional competitive advantages within the structure [13].

In order to enhance the integration of financial and industrial capital in the future, it is advisable to form integrated structures in certain regions, in particular, clusters with the participation of industrial enterprises with a high level of the regional index of industrial production specialization (Specialization Index). Since a large share in the volume of industrial production by type of economic activity in Uzbekistan is occupied by the manufacturing industry, it is necessary to assess the regional specialization of industries that make up this industry.

The regional industrial production specialization index ($I_{special}$) is calculated using the following formula [14]:

$$I_{special} = \frac{V_r}{V_c} * \frac{P_c}{P_r},$$

where V_r — the volume of production in a certain area of industry in the region; V_c — the volume of production in a certain area of industry in the country; P_r — the volume of total industrial production in the region; P_c — the volume of total industrial production in the country.

As Table 4 data show, the great value of the index of the level of specialization in the industries of food production, beverages

Table 4

**Index of the level of specialization for some branches of industrial production
in 2020 in the context of regions**

	Food, beverage and tobacco manufacturing	Manufacture of textiles, clothing and leather products	Π Manufacture of chemical products, rubber and plastic products	Metals production	Manufacture, repair and installation of machinery and equipment, car production
Republic of Karakalpakstan	0.76	0.64	5.24	0.001	0.08
Andijan	0.74	1.62	0.34	0.11	3.56
Bukhara	1.12	1.21	0.43	0.08	0.42
Jizzakh	1.24	2.18	0.48	0.34	1.08
Kashkadarya	1.08	1.44	2.74	0.14	0.12
Navoi	0.54	0.76	0.96	5.24	0.36
Namangan	1.28	1.84	0.48	0.35	0.81
Samarkand	1.74	1.08	0.62	0.11	1.28
Surkhandarya	1.34	1.75	0.14	0.09	0.59
Syrdarya	1.45	1.84	0.34	0.08	0.42
Tashkent	1.14	0.72	1.06	2.63	0.61
Fergana	0.87	1.63	0.96	0.037	0.34
Khorezm	1.26	1.48	0.14	0.032	2.31
Tashkent	0.94	0.56	1.18	1.06	1.81

Source: compiled by the authors.

and tobacco products falls on the Samarkand and Syrdarya regions, in the industries of production of textile products, clothing and leather products — on the Jizzakh, Syrdarya and Namangan regions. This can be explained by the fact that the enterprises of these industries are working on modernization and technical re-equipment.

DISCUSSIONS

Problems hindering the process of strengthening the integration of financial and industrial capital are being positively resolved as a result of consistently carried out economic reforms in the economy of Uzbekistan.

Based on foreign experience, the formation of financial and industrial groups can be carried out as follows:

- members of the group create joint-stock companies, including holdings, in the manner prescribed by law;
- the participants of the financial and industrial group being created transfer the block of shares to the bank or financial and credit organization included in this group for trust management;
- one of the group members owns shares in another company, including in the institutions and organizations that are part of the group.

Based on the best foreign experience, considering the peculiarities of the development of the national economy, in our opinion, Uzbekistan has opportunities for the formation of financial and industrial groups in the future in the following areas:

- at the macro level, i.e. on the basis of the creation of holdings in certain large industries;
- at the micro level, based on the formation of clusters by ensuring regional integration of industrial enterprises;
- on the basis of investment companies, management companies, which have a large share of commercial banks in the authorized capital.

Uzbekistan has great opportunities and potential for the formation of integrated

corporate structures in industries such as food and textile production. Since the necessary raw materials for production in these industries are available in almost all regions, it is recommended to gradually form modern integrated structures operating in these industries.

Integrated corporate structures created in industrial sectors should include all stages of the production process, including the technological chain, from the purchase of raw materials to the production and sale of finished products with high added value.

CONCLUSIONS

In the course of the research, the following scientific conclusions were formed:

1. By forming and organizing the activities of financial and industrial groups, firstly, the problem of channeling bank capital into industry will be solved; secondly, confidence in the banking system will increase and its structure will improve; thirdly, the process of competition between financial and industrial groups for attracting new large organizations will intensify, and between banks for servicing the most profitable members of the group; fourthly, the profitability of the enterprises included in the structure will increase.

2. Financial and industrial groups are modern economic structures, as their positive aspects can be noted effective management of financial resources, increased competitiveness and rational management. The process of formation of financial and industrial groups contributes to the development of industry in the country, the development of market relations, as well as the strengthening of the process of integration into the world economy.

3. High rates of growth in the volume of commercial bank loans provided to the real sector of the economy and the share of long-term loans in the total volume of the loan portfolio can create a certain degree of risk. At the same time, ensuring the integration of banking and industrial capital is the only effective mechanism for repaying loans for

sustainable development of the financial system and reducing investment risks. In addition, the increase in the volume of credit investments of commercial banks and the share of long-term loans in the loan portfolio indicates a great need for financial resources on the part of the real sector of the economy. In this regard, it is advisable to ensure the integration of financial and industrial capital.

4. The authors believe that there are the following grounds for the formation of financial and industrial groups with the participation of commercial banks in Uzbekistan: firstly, the volume of commercial bank loans provided to the real sector of the economy is increasing, in particular, there is a great need for financial resources to modernize production, as well as technical and technological re-equipment of enterprises. Secondly, a large share of loans in the structure of credit investments of commercial banks is directed specifically at the industrial sector. Thirdly, there is practical experience in the functioning of banks and industrial enterprises on the basis of mutual integration. Fourthly, the increase in the volume of investment loans directed by commercial banks to enterprises creates an opportunity for further strengthening the integration of financial and industrial capital.

5. It can be considered that the possibilities of creating financial and

industrial groups with the participation of Asaka Bank, Uzsanoatqurilishbank, Uzmilliybank and Agrobank, together with industrial and agricultural enterprises, are enormous.

6. As a result of the integration of the real sector of the economy and the banking and financial system by strengthening the integration of financial and industrial capital, it is possible to achieve an increase in industrial production and the provision of financial services as well as gross domestic product.

7. To enhance the integration of financial and industrial capital in the future, it is necessary to form vertical integrated corporate structures in the regions — industrial clusters with the participation of enterprises specializing in product processing, manufacturing of finished goods, trade and the provision of other modern market services, as well as equipped with high technologies, similar in the technological period of production.

8. It is advisable to form in certain regions integrated corporate structures with the participation of industrial enterprises with a high level of specialization, based on the specialization of industrial production in the regions. There is great scope and potential for the formation of integrated corporate structures in industries such as food and textiles.

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