



LIABILITY ACCOUNTING PRACTICES IN THE COMMERCIAL BANKING SECTOR OF UZBEKISTAN

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ABSTRACT

This study examines the current state of liability accounting in commercial banks operating in the Republic of Uzbekistan. Liabilities constitute a key financial resource in banking activities, and their formation, composition, and dynamic changes play a decisive role in strengthening banks' resource bases. The article explores the main sources of bank liabilities, the procedures for their accounting and control, and the advantages associated with the application of modern accounting systems. Based on the analytical findings, practical recommendations are proposed to enhance the effectiveness of liability management and accounting practices.

Introduction

Today, the banking and financial system constitutes an integral part of any country's economy. In particular, commercial banks play a leading role in financial intermediation, attracting investments into the economy and ensuring financial stability. Through liability operations, one of the main directions of banking activity, banks form their resource base, operating primarily with funds attracted from clients.

Since gaining independence, the banking system of the Republic of Uzbekistan has developed significantly and has taken important steps toward alignment with international financial standards. At the same time, accurate and transparent accounting of bank liabilities, along with a thorough analysis of their structure and efficiency, remains a pressing issue. The reliability and precision of liability accounting are crucial not only for a bank's financial stability but also for the broader economic development of the country.

This article analyzes the sources of liability formation, their accounting practices, existing challenges, and potential solutions in commercial banks of Uzbekistan. Additionally, based on advanced international experience, practical recommendations are proposed to improve the liability accounting system.

Review of literature

The state of accounting for commercial banks' liabilities has been extensively studied by foreign researchers. A number of scientific investigations have been carried out in the areas of

banking accounting, financial management, and risk management, highlighting the practical importance of liability accounting. Among the leading foreign scholars in this field, one can mention Saunders, Cornett, Hull, Berger, Demirgüç-Kunt, and Levine, whose research continues to be highly relevant today.

Similarly, Uzbek economists have conducted significant studies aimed at improving the accounting of commercial banks' liabilities. Notable contributions in this area have been made by A. Sayfutdinov, Z. Muhitdinova, M. Xaydarov, S. Ismoilov, and D. Xodjayev, whose work provides a solid foundation for understanding and enhancing liability accounting practices in the national banking system.

Research methodology

In this study, a systematic approach was applied to examine and assess the accounting of liabilities in commercial banks of the Republic of Uzbekistan. During the research, both theoretical and practical sources were utilized to analyze the formation of liabilities, their structural composition, accounting mechanisms, and the challenges associated with them.

The study employed analytical methods, comparative analysis, and a review of current regulations on liability accounting, including normative documents issued by the Central Bank, as well as international financial reporting standards (IFRS). This methodological framework enabled a comprehensive assessment of the current practices and identification of areas for improvement in the accounting of bank liabilities.

Analysis and results

Commercial bank liabilities represent the obligations of the bank and serve as the primary means for forming the financial resources necessary for its operations. These liabilities consist of obligations to clients, funds borrowed from other banks and organizations, issued securities, and bank capital.

Liabilities can be classified by liquidity into short-term and long-term, and by currency type into domestic and foreign currency resources. For each source of liability, separate accounts are maintained and monitored on a daily basis. Accounting is conducted in accordance with the national accounting standards developed by the Central Bank of the Republic of Uzbekistan.

In Uzbekistan, commercial bank liabilities reflect financial obligations that rely on various economic sources. The most stable and widespread source is customer deposits, formed from individual and corporate savings and accounts. Short-term and long-term loans are usually attracted from other banks or financial institutions to maintain liquidity.

Resources from the Central Bank, particularly refinancing loans and repo operations, serve as important instruments for implementing monetary policy. The issuance of securities allows banks to actively participate in the capital market and attract long-term financial resources.

Additionally, temporary resources such as settlement and transit funds are considered **short-term liquidity sources**. Bank capital, along with resources attracted from international financial institutions, strengthens the bank's financial stability and expands its ability to finance socio-economic projects.

The formation and accounting of commercial bank liabilities face several key challenges:

1. **Liquidity mismatches** – imbalances between short-term liabilities and long-term assets can lead to liquidity problems.

2. **Insufficient deposit base** – banks encounter competition and trust-related issues in attracting customer deposits.
3. **Underdeveloped securities market** – the issuance of bonds and other financial instruments remains relatively low.
4. **Modernization and compliance of accounting systems** – in some banks, accounting and risk management systems do not fully meet contemporary standards.
5. **Foreign exchange risk management issues** – managing obligations and debts denominated in foreign currencies presents difficulties.

In Uzbekistan, the formation and accounting of bank liabilities are of critical importance for **financial stability and operational efficiency**. Liabilities constitute the main source of financial resources, enabling banks to fulfill their obligations and fund their operations. Properly structured and accurately recorded liabilities ensure effective **liquidity management, capital adequacy, and risk control**, which in turn support stable banking operations, economic growth, and the resilience of the financial system.

Existing financial and operational challenges, such as liquidity mismatches, insufficiently diversified liability bases, or accounting systems not fully aligned with national and international standards, can negatively affect banks' financial capacity. Therefore, addressing these issues is essential for maintaining the overall reliability of the banking system and strengthening its role in the economy.

Moreover, aligning the banking system with **International Financial Reporting Standards (IFRS)** and other global regulatory requirements enhances the competitiveness of Uzbek commercial banks in international financial markets. This facilitates the attraction of foreign investments and supports the integration of the national economy into global financial systems. Thus, improvements in liability formation and accounting practices directly contribute not only to the efficient functioning of banks but also to broader economic stability and development.

Conclusion and recommendations

The study of liability accounting in commercial banks of the Republic of Uzbekistan highlights the crucial role of liabilities as a source of financial resources, ensuring the bank's operational continuity and contributing to financial stability. The analysis revealed that while Uzbek commercial banks have made significant progress in structuring and accounting for liabilities, several challenges remain. Key issues include liquidity mismatches, limited diversification of the deposit base, underdeveloped securities markets, incomplete alignment of accounting systems with modern standards, and difficulties in managing foreign exchange risks.

Proper formation and accounting of liabilities is essential not only for effective liquidity and capital management but also for the broader stability of the financial system. Accurate and transparent liability accounting strengthens banks' capacity to fulfill obligations, manage risks, and support economic development.

Recommendations:

Based on the findings, the following measures are proposed to improve liability accounting in Uzbek commercial banks:

Standardization of Accounting Practices: Ensure uniform application of accounting procedures in line with IFRS and national standards to improve transparency and comparability.

Enhancing Liquidity and Risk Management: Develop frameworks to balance short-term liabilities and long-term assets effectively, and implement robust foreign exchange risk management strategies.

Diversification of Liability Sources: Encourage the expansion of the deposit base, development of bond markets, and attraction of alternative financial instruments to strengthen banks' resource structure.

Digitalization and Automation: Introduce advanced accounting software and automated monitoring systems to improve the accuracy, efficiency, and timeliness of liability recording.

Capacity Building and Staff Training: Conduct continuous professional development programs to enhance employees' competencies in modern accounting, financial management, and risk assessment.

Strengthening Regulatory Oversight: Align internal control and audit mechanisms with Central Bank regulations and international best practices to ensure compliance and reduce operational risks.

Implementing these recommendations will not only improve the efficiency and reliability of liability accounting in commercial banks but also strengthen the overall financial stability of the banking system and contribute to sustainable economic growth in Uzbekistan.

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