

Foreign Exchange Market of Uzbekistan and its Integration into the International Currency Market

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Annotation: the article contains statistical data and relevant conclusions regarding the effective organization of the currency system of our country and strengthening its integration into the international currency market in the development of international financial relations

Key words: Currency policy, Currency exchanges, Foreign exchange funds, national currency, flexibility, trading options, transaction costs, leverage, financial markets.

Introduction. The national money of a particular country is its currency. For this country, the national currency of other countries is a foreign currency. For example US Dollar, British Pound Sterlin, Kannada Dollar, Japanese Yen, Turkish Lira and freely traded currencies. There will be a foreign currency in the Republic of Uzbekistan, in turn, the Uzbek “sوم” is a foreign currency for these countries.

The results of analysis and discussion. Currency policy plays an important role in managing processes related to the market economy, determining the international status of the national status of the national currency, and in the system of current and future economic relations of the country. The form and role of the currency policy is determined by the country’s monetary and economic situation, the evolution of the world economy, and its place in the world arena.

The main goals of any currency policy are formed as follows: elimination of the currency crisis and ensuring the value of the currency restrictions, free exchange of currency, liberalization of currency operations. The main aspect of currency policy in international relations is cooperation and agreement, i.e. assistance to the domestic policy of developing countries through financial and advisory services.

The following are the main participants of the foreign exchange market:

- Commercial banks. They carry out the main volume of currency transactions. Other market participants have accounts in banks, and they carry out conversion and deposit-credit operations through them.
- Firms performing foreign trade operations. Companies participating in international trade constantly form demand and supply for foreign currency, as well as place and attract temporary free funds in short-term deposits.
- Companies engaged in placement of foreign assets. Such companies appear as various international investment companies. They carry out a diversified policy by placing portfolio assets in securities of various state and foreign corporations.
- Currency exchanges. In a number of countries with a transition economy, currency exchanges that serve legal entites with currency exchange and the formation of the market rate of the currency operate.

- Foreign exchange brokerage firms. Their tasks are to meet foreign currency buyers and sellers and arrange conversion or loan-deposit transaction between them.
- Private individuals.

One of the main goals of Central Banking is to regulate the exchange rate in the monetary policy of developing countries, unlike developed countries. In assessing the effectiveness of the exchange rate channel regarding the impact of the Central Bank of Uzbekistan on the national economy, we will have to analyze the exchange rate changes in recent years.

Elements of the currency system¹

Table 1

The main elements of the national currency	Elements of the international monetary system
National currency	Functional form of world money
Conversion conditions	Terms of currency conversation
National currency parity	Regulation of currency parity regime
Regime of the national currency exchange rate	Regulation of interstate currency borders
The presence or absence of a currency border, currency control	Method of interstate regulation of international currency liquidity
The procedure for regulating the country's international currency liquidity	Rules for unifying the circulation of international credit funds
Regulation on the use of international credit funds as a means of payment	Rules of application of international settlement forms
International settlement regulations of the country	Mode of operation of international currency and gold markets
Mode of operation of local currency and gold markets	International organizations that regulate interstate currency
Local bodies that regulate and manage the currency relations of the country	

Ways to ensure the stability of the national currency:

- To ensure a stable growth of the money supply;
- To stabilize production;
- To reduce the state budget deficit;
- To reduce the internal and external debts of the state;
- Revitalizing investment activity;
- Reducing the demand for cash;
- Giving a serious blow to the informal economy.

In 2021, foreign currency funds in the amount of 8,1 billion dollars came to the republic through international money transfers. Foreign exchange funds in the amount of 1,6 billion dollars were sent abroad in the republic through international money transfers. During 2021, the acceleration of foreign trade turnover was observed. The volume of export revenues increased by 34% compared to last year and reached 11,6 billion. Import payments increased by 25% compared to last year and amounted

¹ Money, credit and banks. Textbook. 2012

to 25,7 billion. The total demand for foreign currency in the domestic currency market in 2021 amounted to 26,1 billion dollars, which increased by 1,7 and 1,3 times, respectively, compared to the corresponding periods of 2019 and 2020. The total volume of foreign currency supply in the domestic currency market in 2021 amounted to 22,9 billion dollars, which increased by 1,6 times compared to the corresponding period of the previous year².

Conclusions and suggestions. The biggest financial market in the world is the biggest market, because it provides some advantages to its participants. Some of the major advantages offered are as follows:

- Flexibility. Forex exchange markets provide traders with a lot of flexibility. This is because there is no restriction on the amount of money that can be used for trading. Also, there is almost no regulation of the markets. People with regular jobs can also indulge in Forex trading on the weekends or in the nights;
- Trading options. Forex markets provide traders with a wide variety of trading options. Traders can trade in hundreds of currency pairs. They also have the choice of entering into spot trade or they could enter into a future agreement. Futures agreements are also available in different sizes and with different maturities to meet the needs of the Forex traders. Therefore, Forex market provides an option for every budget and every investor with a different appetite for risk taking;
- Transaction costs. Forex market provides an environment with low transaction costs as compared to other markets. This is primarily because Forex market is largely operated by dealers who provide a two way quote after reserving a spread for themselves to cover the risks. Pure play brokerage is very low in Forex market.
- Leverage. Forex markets provide the most leverage amongst all financial asset markets. The arrangements in the Forex markets provide investors to lever their original investment by as many as 20 to 30 times and trade in the market. This magnifies both profits and gains. Therefore, even though the movements in the Forex market are usually small, traders end up gaining or losing a significant amount of money thanks to leverage.

Development of foreign exchange market and strengthening of international currency integration in Uzbekistan is undoubtedly an important factor for taking a place among developed countries. Increasing the export potential will bring us innovations in our currency relations. The flow of foreign investors brings world experience along with the development of business and entrepreneurship. Important opinions and experiences and conclusions of influential organizations, including the World Monetary Fund are important.

Literature.

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² Spot.uz. Internet publication of the Republic of Uzbekistan

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