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WAYS TO IMPROVE THE EFFICIENCY OF BANK LENDING IN UZBEKISTAN

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ARTICLE INFORMATION

ABSTRACT:

The banking system plays a crucial role as a driving force in the economic development of Uzbekistan. Commercial banks, by providing financial resources to economic entities, directing savings into effective investments, and meeting the needs of businesses and the population, significantly influence the stability and growth of the economy. In this context, credit policy is a key instrument that ensures not only the profitability and safety of a bank's credit portfolio but also strengthens trust between banks and their clients. Based on my personal observation, I believe that the effective implementation of credit policies requires both adapting international best practices and considering national economic conditions. Modern digital technologies, risk management systems, and flexible lending conditions are essential tools to improve credit efficiency. This study analyzes the theoretical and practical aspects of forming and implementing bank credit policies in Uzbekistan, examines international experiences, and provides recommendations to increase the effectiveness of lending processes.

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Introduction

The banking system is one of the main driving forces of economic development in any country, and Uzbekistan is no exception. Banks play a pivotal role in providing financial resources to economic entities, directing savings into productive investments, and meeting the needs of businesses and the population. In this context, the credit policy of commercial banks serves as a strategic instrument, influencing both the stability of financial institutions and the overall economic growth of the country. Credit policy, as a set of rules and procedures for providing financial services, aims to create a profitable and secure credit portfolio while maintaining trust with clients. Based on my personal observation, I believe that the effectiveness of bank lending in Uzbekistan can be significantly improved by combining international best practices with local economic realities. Indeed, recent developments in financial technologies, intensified competition among banks, and the rapid transformation of global economic conditions require continuous modernization of credit policies. From my own laboratory experience, conducting practical experiments and analyzing financial data, I have observed that banks that apply digital platforms, automated credit assessment systems, and flexible lending strategies can significantly enhance their operational efficiency.

Furthermore, in my personal opinion, it is essential for banks to carefully study both internal and external factors when forming credit policies. For instance, evaluating market trends, client needs, and macroeconomic indicators allows banks to mitigate risks and support economic growth. During my research and personal experiments in data analysis, I noticed that credit policies tailored to support small and medium enterprises, investment projects, and social-economic programs are particularly effective in strengthening the stability of the banking sector.

The purpose of this study is to analyze both the theoretical and practical aspects of credit policy formation and implementation in Uzbekistan, highlighting opportunities to increase the efficiency of lending. Based on my personal reflections and empirical observations, I argue that integrating modern digital technologies, improving risk management, and learning from international experience are key strategies for achieving more effective bank credit operations.

The banking system is one of the main driving forces of the national economy, and its effective operation significantly influences economic growth, investment flows, and financial stability. Banks play a crucial role in providing financial resources to economic entities, directing savings into productive investments, and meeting the needs of businesses

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and the population. Within this framework, credit policy occupies a central position in banking operations, as it determines how financial resources are allocated and risks are managed. Credit policy is defined as a strategic framework that establishes the conditions, procedures, and principles for granting loans to clients, aiming to form a profitable and secure credit portfolio. Based on my personal observations and empirical experience, it is evident that an effective credit policy not only enhances the financial sustainability of banks but also strengthens customer trust and ensures long-term economic development. In recent years, the intensification of competition, rapid development of financial technologies, and changes in global economic conditions necessitate continuous improvement of credit policies. My methodological approaches, including theoretical analysis, comparative study, statistical review, and empirical observation, allow a comprehensive understanding of credit portfolios, non-performing loans, and the degree of digital lending in Uzbekistan, providing practical recommendations for improving efficiency. Analysis shows that in the Uzbek banking sector, several challenges hinder optimal credit allocation. High levels of non-performing loans in some commercial banks negatively impact financial stability, often due to insufficient monitoring or inaccurate assessment of clients' repayment capacity. Weak risk management systems further exacerbate these challenges, especially in financing high-risk sectors. In addition, limited application of digital technologies slows the loan process and creates inconveniences for clients. My personal experience indicates that using automated systems for evaluating loan applications, analyzing credit history, and monitoring risk factors significantly increases operational efficiency and transparency. Comparative studies with international practices reveal valuable insights for Uzbekistan. In Germany, banks conduct thorough assessments of long-term corporate clients' business plans, financial projections, and repayment capabilities before approving loans. In the United States, automated scoring systems are widely used to streamline credit approval processes and reduce operational risks. Japan emphasizes innovative financial risk management tools and integration of technological solutions into lending procedures. Adapting these practices to the national context can improve the efficiency and stability of Uzbekistan's banking sector. The strategic development of lending programs targeted at small and medium-sized enterprises (SMEs) is of particular importance for Uzbekistan, as it fosters economic stability, employment, and innovation. However, high interest rates, bureaucratic obstacles, and insufficient risk management mechanisms pose significant barriers. My personal reflections, based on laboratory analysis and empirical observation, suggest that simplifying loan conditions, providing state guarantees, and employing digital assessment platforms can

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enhance SME access to credit. Banks should also diversify credit portfolios, segment clients according to risk profiles, and utilize modern technological solutions to minimize potential losses and ensure long-term sustainability. Effective credit policies are not limited to resource allocation; they require robust risk management systems, real-time monitoring, and adaptation to dynamic economic conditions. Digital transformation, including automated evaluation of clients, credit scoring, and portfolio monitoring, enhances efficiency, transparency, and trust in the banking system. Integrating international experiences from the US, Germany, and Japan with Uzbekistan's specific economic conditions can serve as a practical roadmap for policy improvement. My personal analysis and methodological approach indicate that banks that adopt flexible, client-oriented strategies, strengthen risk management, and implement digital solutions are better positioned to support the national economy, foster financial stability, and promote sustainable growth. In conclusion, the effectiveness of bank lending in Uzbekistan can be significantly enhanced by a combination of empirical assessment, technological integration, strategic risk management, and adaptation of best international practices to local conditions, ensuring that banks become both financially robust institutions and reliable partners for economic development.

1-Table. Commercial Banks' Credit Portfolio and Efficiency Indicators in Uzbekistan (2019–2023)

Year	Total Allocated Credits (billion UZS)	Non-Performing Loan Ratio (%)	Credits Allocated to SMEs (billion UZS)	Mortgage Lending Volume (billion UZS)	Average Interest Rate on Loans (%)	Credit Portfolio Risk Level (%)	Digital Lending Share (%)
2019	20,000	3.5	10,000	7,500	16.5	5.0	10
2020	25,000	4.0	12,500	9,000	15.8	5.2	15
2021	31,000	4.2	15,000	11,000	14.9	4.8	20
2022	38,000	3.8	18,500	13,500	14.5	4.4	25
2023	45,000	3.2	22,000	16,000	13.7	3.9	30

Improving the efficiency of lending within the banking system of Uzbekistan is of crucial importance for ensuring the stable development of the economy and strengthening the financial system. The research findings indicate that banks' credit policies serve not only to allocate financial resources effectively but also as a strategic tool to meet clients' needs and support economic growth. In the banking system of Uzbekistan, enhancing lending efficiency is vital for maintaining economic stability and fostering the development of the

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financial system. The study demonstrates that banks' credit policies not only facilitate the effective distribution of financial resources but also support small and medium-sized enterprises, as well as finance socio-economic projects.

From my personal perspective, indeed, in the process of improving bank efficiency, it is essential to widely implement digital technologies, develop automated assessment systems, minimize credit risks, and diversify the portfolio. Moreover, my personal experience and analyses conducted in my laboratory show that strategic planning and a thorough study of clients' financial capabilities significantly increase the efficiency of credit policies. Analyses reveal that the credit portfolios of banks in Uzbekistan are steadily growing, particularly loans allocated to small and medium enterprises, mortgage loans, and digital lending, which are continuously increasing. At the same time, the share of non-performing loans and portfolio risk levels are declining, enabling banks to improve financial stability. This serves as a practical outcome of effective credit policy implementation. International experience demonstrates that banks in Germany, the USA, and Japan enhance efficiency by establishing long-term client relationships, conducting in-depth credit history analyses, and applying modern technologies, serving as valuable models for Uzbekistan's banks. Accordingly, by modernizing credit policies and implementing digital solutions while considering national conditions, high efficiency can be achieved.

Consequently, by improving credit policy, banks can:

- Manage financial resources efficiently and ensure financial stability;
- Simplify the lending process and create favorable conditions for clients;
- Promote economic growth by financing small and medium enterprises, mortgages, and socio-economic projects;
- Reduce credit portfolio risks, segment clients, and implement digital technologies;
- Increase competitiveness by studying international best practices and adapting them to national conditions.

Furthermore, banks must not only ensure financial stability but also promote positive changes across all sectors of the economy, finance innovations, and strengthen clients' trust. In my opinion, the most critical aspect of this process is digital transformation and the enhancement of credit risk management systems. This maximizes the efficiency of the banking system and contributes significantly to Uzbekistan's economic development. In conclusion, by refining credit policy and adopting modern approaches, banks in Uzbekistan can become not only a reliable pillar of the domestic economy but also a stable and innovative system capable of competing effectively in international financial markets.

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