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Development of Credit Operations of Commercial Banks

Kilich Nazarov
PhD, Samarkand branch of Tashkent State University of Economics,
Kilichnazarov447@gmail.com

Abstract: This article examines such aspects as the development of commercial bank lending, reduction of the volume of problem loans, creation of new credit products, effective management of bank credit risks, capital adequacy, liquidity, and asset and liability management. In addition, the relevance of commercial bank lending activities today, the stable functioning of the banking and financial system, existing problems associated with banking risks, and proposals for their elimination are given.

Key words: credit, non-performing loans, transformation, entrepreneurship, liquidity, assets, state/government, investment, portfolio, riskiness, profit, management, capital adequacy, asset, liability, macro level

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INTRODUCTION

The most important aspect of the development of lending activities of commercial banks is to strengthen control over the bank's credit portfolio. This allows the bank to maintain its liquidity and protect the interests of creditors and depositors.

In the current era of global changes, the focus of commercial banks on the development of lending activities plays an important role.

The development of small and medium-sized businesses, which are an active layer of our economy, and lending to the population are actively developing. At the same time, banks are also developing and providing new types of their services. In the process of transforming the economy, commercial banks are contributing to the growth of our country's economy by providing modern banking products, the development of entrepreneurship, which, in turn, contributes to increasing the well-being of society.

Decrees of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026" and No. PF-5992 dated May 12, 2020 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025", Resolution No. PQ-283 dated August 18, 2023 "On Additional Measures to Improve the Mechanism for Reforming State-Owned Enterprises and Commercial Banks" address the current situation in the banking sector, state intervention in the banking sector, the qualitative inadequacy of the bank's commercial risk management system, and a number of problems for the development of banking infrastructure. It was shown that.

In order to ensure the financial stability of the banking system and increase its investment attractiveness, the financial soundness of commercial banks is necessary, first of all. Therefore, the current problems in the activities of banks are the emergence of problems of their inability to repay loans on time. It is important to know the causes of the emergence of these problem loans and identify them, effectively manage risks and develop targeted measures. The emergence of problem loans poses serious risks to the economy and banking activities of our country. As the role of commercial banks in financing the sectors of the national economy increases, their effectiveness is explained by the positive impact they have on the national economy, because only healthy and financially stable commercial banks can overcome negative shocks to the economy.

Literature review

Many foreign and domestic economists have dealt with the issues of the effectiveness of lending activities in commercial banks and their development and assessment. Among the foreign economists who have conducted scientific research on this issue:

For example, economist M. Friedman describes credit as "Credit is an important tool for the movement of money in the economy and the development of investments." [1]

According to D.M. Keynes: "Money supply through credit can change investments and, thereby, economic activity."[2]

And E.D. Bates writes: "Credit is the main tool for financing activities in various sectors of the economy."[3]

According to V.V. Popov, "The credit market is a mechanism for redistributing the financial resources of the economy, and bank credit is an important factor in economic growth." [4]

V.I. Lapin believes: "Credit is an important instrument in ensuring economic stability and stimulating investment".[5]

Nazarchuk, N. P. defines "The credit system is a set of elements designed to implement the characteristics inherent in credit"[6]

Therefore, in order to increase the efficiency of commercial banks, it is important to understand the factors affecting the lending situation of banks, since loans account for approximately 60-70% of the bank's loan portfolio.

Taking into account the above considerations, we consider some aspects to be controversial. In particular, non-performing loans have a negative impact on the credit situation of commercial banks. The presence of problem loans leads to a decrease in the resources of commercial banks, that is, a decrease in their income, and a direct negative impact on their financial condition.

Local economists A.A. Omonov and T.M. Koraliyev state that "Credit, like money, is an economic category that plays an important role in the efficient functioning of funds and in satisfying the demand of economic entities and individuals for additional funds without spending too much time and money."[7]

T.M. Karaliyev, O.B. Sattarov, I.F. Sayfiddinov stated that "Credit is a set of economic relations arising from the borrowing and repayment of temporarily idle funds by the owner of the money or others for a certain period of time, subject to payment of a fee"[8]. (65 pages)

Sh. Abdullaeva states that "If we pay attention to the essence of credit, credit is an economic category that appears as a specific manifestation of socio-economic relations. Credit is not just any social relation, but a category that represents the product of social production, the movement of value, and the economic relations between the lender and the borrower."[9]

Partially agreeing with the author, we can say that by reducing problem loans, it is possible to achieve bank efficiency by managing the bank's overall credit portfolio.

Research methodology

In preparing this article, a comparative and critical analysis of regulatory and legal documents, literature, Internet information, and scientific theoretical views of economists on the topic was carried out. In addition to general economic methods, systematic analysis, generalization, abstract logical thinking, and statistical methods were used during the study of the topic.

Analysis and results

Currently, there are 36 commercial banks operating in our country. The role of commercial banks is important in ensuring macroeconomic stability, providing banking services to the population, enterprises and organizations. One of the largest banks in Uzbekistan, Uzmilliybank JSC, Uzsanoatqurilishbanki, Agrobank, Asakabank, Xalq Banki, Ipoteka Banki, is actively participating in the large-scale economic reforms being implemented in our country. In 2024, work continued on increasing bank assets and participation in the economy of our country, forming a solid resource base and its rational use, as well as implementing a policy of effective bank risk management. As of January 1, 2025, the bank's assets exceeded 769 trillion soums, and the loan portfolio amounted to 533 trillion soums.

Throughout its activities, the bank has been actively participating in the implementation of investment programs and financing many large and strategically important infrastructure projects. Most of them are implemented in areas such as the fuel and energy complex, the textile industry, transport and communications, and utilities. It is also explained by the growth in loans to the population, that is, by the high demand for mortgages, microloans, and car loans.

Table 1. Main indicators of commercial banks' activities, in billion soums

Date	Assets			Credits			NPL		
	Total	from which:		Total	from which:		Total	from which:	
		Banks with state shareholding	Other banks		Banks with state shareholding	Other banks		Banks with state shareholding	Other banks
1	2	3	4	5	6	7	8	9	10
01.01.2022	444922,5	362421,9	82500,6	326385,6	280073,6	46311,9	16974	15069	1905
01.01.2023	556746,3	435135,6	121610,7	390048,9	324680,8	65368,2	13902	12643	1349
01.01.2024	652157,1	441777,2	210379,9	471405,5	333298,1	138107,4	16621	13267	3354
01.01.2025	769330	503187	266143	533121	366731	166391	21185	14344	6841
Difference in 2025 compared to 2022, (+,-)	324407,5	140765,1	183642,4	206735,6	86657,4	73767,2	4211	-725	4936

According to the data of Table 1 cited above, the total assets of commercial banks operating in our country amounted to 769330 billion soums as of the beginning of 2025. We can see that this indicator has increased by 324407.5 billion soums compared to 2022. Of this, the assets of banks with a state share

increased by 140765.1 billion soums, and the assets of other banks by 183642.4 billion soums, which indicates the development of active operations in the activities of commercial banks.

Also, the total loans allocated by commercial banks amounted to 533121 billion soums as of the beginning of 2025. This indicator has increased by 206735.6 billion soums compared to 2022. Of this, the loans of banks with a state share increased by 86657.4 billion soums. soums, and loans of other banks increased by 73767.2 billion soums. The fact that total loans of commercial banks account for 69.3 percent of total assets indicates a high level of lending operations in the activities of banks.

It should be noted that this situation also causes an increase in problem loans in the activities of commercial banks. For example, as of January 1, 2025, problem loans of commercial banks of Uzbekistan amounted to 21.2 trillion soums. This is 4.2 trillion soums more than as of January 1, 2022 (17.0 trillion soums). The share of problem loans decreased from 5.2 percent to 4.0 percent compared to 2022. The loan portfolio of banks increased by 206.7 trillion soums compared to 2022 and reached 533.1 trillion soums.

The total loan portfolio of state-owned banks amounted to 280.0 trillion soums as of 01.01.22, and to 366.7 trillion soums as of 01.01.2025. The number of state-owned banks decreased from 12 to 9, while the total amount of loans increased to 86.7 trillion soums, with Ipoteka, Poytaxt Bank, and Uzagroexportbank being de-stated.

Problem loans amounted to 17.0 (5.2%) trillion soums as of 01.01.2022, and as of 01.01.2025, they amounted to 21.2 (4.0%) trillion soums, an increase of 4.2 trillion soums, but the amount of problem loans compared to the total amount of total credit deposits decreased by 1.2% (5.2%-4.0%). The total loan portfolio of banks not under state control amounted to 1.9 trillion soums as of 01.01.22, and as of 01.01.2025, it amounted to 6.8 trillion soums. As a result, the amount of problem loans of these banks increased by 4.9 trillion soums, mainly Ipoteka Bank (3.6 trillion soums), Kapital Bank (1.4 trillion soums), Hamakor Bank (0.3 trillion soums), Ipak Yuli Bank (0.2 trillion soums).

Concslusion

The results of the analysis showed that we consider the following ways to reduce problem loans to be appropriate:

1. Establishing regular control over all loans issued, paying special attention to the liquidity of their collateral types

2. Improving the technique of granting loans, while simultaneously applying foreign experience,

3. Improving the methods of regular repayment of loans and debts.

4. Applying advanced foreign experience in managing bank assets and liabilities in order to prevent problem loans in the future.

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