

## Article

# Analysis of Commercial Bank Lending Practices in the Process of Transformation

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**Abstract:** This article provides a scientific analysis of the specific features of commercial banks' lending practices during the transformation process. It examines the impact of reforms aimed at digitalization, increasing capitalization, improving risk management, and diversifying credit portfolios on lending mechanisms. The study also presents scientific and practical recommendations for reducing credit risks, increasing the efficiency of credit resource utilization, enhancing transparency, and introducing modern lending products based on international best practices.

**Keywords:** commercial banks, lending practices, transformation, financial stability, digitalization, credit risk.

## 1. Introduction

In the context of the development of the market economy and the modernization of the financial sector, the lending practices of commercial banks have become one of the main drivers of economic growth. In recent years, the transformation processes implemented in the banking system—such as digitalization, the strengthening of risk management, diversification of loan portfolios, increased capitalization, and adaptation to international standards—have required a qualitative renewal of lending mechanisms.[1]

Transformation processes in Uzbekistan's banking sector are aimed at improving the efficiency of the use of credit resources, conducting preliminary assessment of credit risks, improving customer segmentation, and introducing innovative types of loan products. At the same time, in order to ensure sustainable economic growth, it is necessary to provide transparency in lending practices, develop additional guarantee mechanisms, and strengthen elements of corporate governance.[2]

From this perspective, analyzing the transformation process of commercial bank lending practices, identifying existing problems, and developing ways to improve them based on advanced international experience are of significant scientific and practical importance.[3]

## 2. Literature Review

Scientific research on the lending practices of commercial banks has been extensively studied by a number of foreign and domestic scholars, and this issue is becoming even more relevant in the context of transformation processes. Joseph E. Stiglitz

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emphasizes that the persistence of information asymmetry in the development of credit markets leads to an increase in credit risks. He scientifically substantiates that institutional reforms, transparency, and the improvement of monitoring mechanisms during the transformation period are important factors for the efficiency of the banking system [4].

Frederic S. Mishkin shows that modernization processes in the activities of financial intermediaries strengthen the stability of the banking system by reducing credit risks, improving asset quality, and increasing capitalization. He also highlights the impact of the transformation of lending practices on macroeconomic equilibrium [5].

Allen and Gale emphasize the need to ensure the stability of credit markets through the management of interbank liquidity, risk sharing, and the development of competition in the financial system. Their approach scientifically substantiates the need to reconsider lending mechanisms during the transformation period [6].

From a macroeconomic perspective, Olivier Blanchard notes that managing credit volumes in accordance with economic cycles is important for ensuring the continuity of economic growth. He emphasizes that the rational allocation of credit resources in the process of transformation contributes to increasing efficiency [7].

These scientific approaches show that the improvement of commercial bank lending practices in the process of transformation is one of the key factors in ensuring the success of economic reforms and maintaining financial stability.

### 3. Material and Methods

In the study, changes in the volume and structure of commercial banks' loan portfolios, credit risks, non-repayment levels, and capitalization indicators are processed on the basis of official statistical data, and dynamic analysis is carried out.[8]

### 4. Results and Discussion

The effectiveness of lending practices is of particular scientific and practical importance in ensuring the stable operation of commercial banks, expanding their credit and investment potential, and strengthening their financial stability. At present, the transformation processes being implemented in the banking system are creating new requirements for improving the quality of loan portfolios, the transparency of credit policy, and mechanisms for managing credit risks. These factors are becoming important determinants in the consistent implementation of strategic development programs of commercial banks, the financing of large investment projects in the real sector, and the improvement of the range and quality of financial services provided to the population.[9]

The effective functioning of the credit system primarily depends on the scientifically grounded organization of the lending process, the reliable and accurate assessment of collateral objects, the continuous and high-quality implementation of credit monitoring procedures, and the minimization of risks associated with credit resources. In this regard, the introduction of advanced management approaches, modern methods of risk assessment, and digitalized monitoring systems in lending practices is considered a priority direction for increasing the efficiency of banking activities.[10]

In the Figure 1. transformation process, the problems arising in relation to loans are caused by a number of factors. First of all, they are explained by the insufficient clarity and standardization of credit policy criteria, the complexity of loan application mechanisms, and the inadequate application of modern scoring systems and risk modeling methods in assessing borrowers. In addition, uncertainties in determining the value of collateral, the lack of uniformity in valuation practices, and the incomplete digitalization of credit monitoring systems are emerging as factors that reduce the efficiency of this process. Eliminating these shortcomings is of significant scientific and practical importance in improving the quality of lending practices, reducing the share of problematic loans, and strengthening the investment potential of commercial banks.[11]

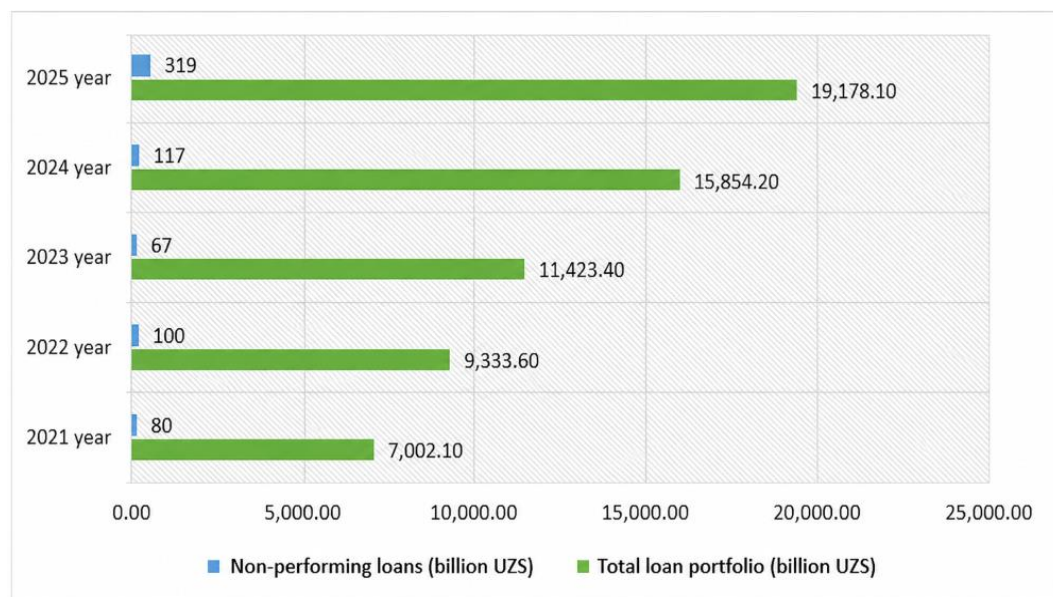


**Figure 1. Dynamics of Hamkorbank's Loan Portfolio and Non-Performing Loans [12]**

According to the data presented in Figure 1, Hamkorbank's loan portfolio grew steadily during 2021–2025, indicating a significant expansion of lending activities over the analyzed period. In 2021, the bank's total loan portfolio amounted to 6.9 trillion UZS, while by 2025 this indicator reached 14.2 trillion UZS. This means that the volume of loans almost doubled within five years. Although annual growth rates varied slightly, the overall trend demonstrates the consistent expansion of the bank's lending activity.

The volume of non-performing loans (NPLs) also gradually increased over the years. In 2021, non-performing loans amounted to 357.6 billion UZS, while by 2025 they reached 710.4 billion UZS. Although this indicator also nearly doubled, the relative share of non-performing loans remained stable compared to the growth rate of the total loan portfolio.[13]

The most important aspect is that despite the rapid growth of the loan portfolio, the NPL ratio remained relatively stable at around 5 percent of the total portfolio. This indicates that the bank's risk management system has been functioning effectively and that the quality of debt did not deteriorate uncontrollably during the period of credit expansion. In 2023–2024, the share of non-performing loans even declined slightly, which may indicate an improvement in loan quality or the strengthening of monitoring processes. Although this share increased slightly in 2025, the change was not significant.[14]

The graph shows that while Hamkorbank's loan portfolio expanded rapidly over the years, the share of non-performing loans remained under control. The growth rate of the loan portfolio reflects the expansion of the bank's market share and the intensification of its customer-oriented activities. The increase in the amount of non-performing loans is related to the overall expansion of lending volume and can be considered a normal process in the banking system. Importantly, this growth did not lead to a significant deterioration in loan quality indicators.[15]

## 5. Conclusion

The analysis shows that the main problems in the lending process include the insufficiently defined criteria of credit policy, the complexity of loan application mechanisms, the inadequate use of scoring and risk-modeling systems, uncertainties in

collateral valuation, and the incomplete digitalization of monitoring processes. To eliminate these shortcomings, it is necessary to improve credit assessment standards, introduce advanced technologies for risk modeling, fully digitalize credit monitoring, and increase the transparency of credit policy.

In general, deepening the transformation of commercial bank lending practices serves not only to improve the quality of the loan portfolio, but also to increase the efficiency of financing the real sector of the economy, reduce non-performing loans, and strengthen the investment potential of banks. Therefore, the modernization of lending practices remains one of the priority strategic tasks of Uzbekistan's banking system.

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