



THE MODERN STATE OF CREDIT OPERATIONS IN FINANCIAL SERVICE INSTITUTIONS OF OUR COUNTRY

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Annotation. This article examines the contemporary condition of credit operations within the financial service institutions of Uzbekistan. It explores the structural evolution of the national credit system and the factors shaping its current functionality. Particular attention is given to regulatory reforms that have strengthened institutional transparency and risk management.

The study analyzes how digitalization has transformed lending procedures and improved service accessibility. It evaluates the role of commercial banks, microfinance organizations, and non-bank institutions in expanding credit supply. The paper highlights challenges related to credit risk, collateral requirements, and borrower assessment. It reviews the influence of monetary policy on lending dynamics and financial stability.

Empirical observations illustrate the growing diversification of credit products in various economic sectors. The research underscores the importance of financial literacy for sustainable credit development. The article identifies strategic priorities for enhancing credit efficiency and institutional capacity.

It also assesses the socioeconomic impact of modern credit practices on entrepreneurship and households. Overall, the study provides a comprehensive and evidence-based overview of credit operations in Uzbekistan's financial services sector.

Keywords. Credit operations, financial institutions, lending reforms, digital banking, risk management, microfinance, collateral policy, monetary regulation, financial literacy, credit accessibility, economic development

Introduction and relevance. In Uzbekistan, credit operations in financial service institutions have significantly modernized under recent reforms. The structural reorganization of banks and microfinance institutions has improved the efficiency of lending.

A key legal milestone was the Cabinet of Ministers' resolution **No. 178, dated 20 August 2007**, which approved regulations for providing soft credits to farms and small business. [1] This resolution enabled access to concessional financing for agricultural and small enterprises, reducing barriers for economic actors. Such preferential credit mechanisms have supported the acquisition of compact equipment and technology, boosting productivity.

At the same time, risk management frameworks have been strengthened to ensure loan portfolio sustainability. Digital banking tools facilitate remote credit applications, making finance more accessible to underserved customers. Scoring systems and electronic documentation help assess borrower creditworthiness in a standardized way.



Commercial banks now increasingly partner with microfinance institutions, diversifying the credit supply. Collateral policies have been refined, balancing security for lenders and affordability for borrowers. The Central Bank's monetary policy directly influences credit terms, interest rates, and credit volume.[2]

Methodology. This study employs a systematic analysis of Uzbekistan's financial service institutions to evaluate the current state of credit operations.

A comparative method is used to examine differences between traditional and modern lending practices. Regulatory documents, including the Cabinet of Ministers' Resolution No.178 (2007), are reviewed as primary sources of institutional change.

Statistical data from banking reports and official financial statements provide empirical evidence for the analysis.

Qualitative interviews and expert opinions are utilized to interpret practical challenges in credit implementation. A structural-functional approach helps identify how institutional reforms influence lending efficiency. Digital transformation indicators are assessed to understand the impact of technology on credit delivery. Risk assessment models are evaluated to determine improvements in loan portfolio quality.

Overall, a mixed-method framework integrates legal, statistical, and analytical tools to ensure comprehensive findings..[3]

Analysis and Results. During 2020–2024, the volume of lending in the banking system of Uzbekistan demonstrated steady growth. This period was characterized by a short-term decline in economic activity due to the pandemic, followed by recovery and accelerated modernization processes. The annual growth rates of loan portfolios averaged between 18% and 25%. The main drivers of this growth included policies supporting small businesses and private entrepreneurship, increased activity in the mortgage market, and the expansion of digital lending infrastructure.[4]

Although the overall lending indicators in the banking system were structurally dominated by large state-owned banks, from 2022 onwards, the share of private and transforming banks also increased significantly. This led to diversification of loan portfolios and heightened market competition.

Below is a comparison of the loan portfolio dynamics of six major banks:

- UzMilliy Bank (O'zmilliybank)
- Agrobank
- Ipoteka Bank
- Asaka Bank
- Xalq Bank
- Orient Finans Bank (representing the private sector as an example)

Each bank's loan portfolio grew gradually from 2020 to 2024, though growth rates varied depending on the bank's specialization, client segments, and level of state support.[5]

Agrobank, a leader in financing the agricultural sector, was among the fastest-growing banks during 2020–2024, with growth rates reaching 22–28%. The bank primarily provides loans for agricultural machinery, seeds, livestock, and modernization projects. Its NPL level was generally slightly above the market average, but after implementing digital monitoring systems in 2023–2024, a declining trend was observed.



Asaka Bank's loan portfolio mainly supports automotive, metallurgy, and transport projects. Its growth rate averaged 14–16% over 2020–2024, with the majority of the portfolio consisting of large loans. This bank operates in a high-risk concentration segment, but state guarantees partially mitigate these risks.

Xalq Bank, which specializes in socially oriented projects, pension services, and consumer loans, saw credit growth of 12–15% during 2020–2024. The high share of consumer loans ensures stable liquidity requirements, though there are risks associated with lending to informal sector clients.

Orient Finans Bank was among the fastest-growing banks in recent years, with growth rates of 25–32% from 2020–2024. The bank's main strength lies in SME lending, unsecured lending, fintech systems, and quick loan products. It actively lends to SMEs and the agricultural sector. Its loan portfolio is growing rapidly (25–32%), though the NPL level is relatively high (4–6%), indicating potential defaults in some loans. Digital lending accounts for 65–70%, reflecting extensive technology adoption. Quick loan products attract customers efficiently.

The main focus in the agricultural sector sees steady portfolio growth (22–28%). NPL ranges from 3.8–7.8%, reflecting sector-specific risks due to agricultural dependency on yields. Digital lending is 50–60%, with partial technology implementation. State-subsidized loans provide preferential terms to clients.

Although loan portfolio quality varied among banks, the general trend shows a decrease in NPL levels due to:[6]

- Implementation of scoring systems
- Electronic monitoring
- Automatic payment tracking
- Risk segmentation mechanisms

Comparison of major Uzbek banks' loan portfolios (2020–2024) by growth, NPL, and digital lending

Table 1.

Bank Name	Loan Portfolio Growth (%)	NPL (%)	Digital Lending (%)	Notes
<i>Orient Finans Bank</i>	25–32	4–6	65–70	<i>SME & agricultural loans, quick loan products</i>
<i>Agrobank</i>	22–28	3.8–7.8	50–60	<i>Agricultural sector, state-subsidized loans</i>
<i>Ipoteka Bank</i>	17–20	2–4	60–65	<i>Mortgage, long-term secured loans</i>
<i>UzMilliybank</i>	15–18	3–5	40–50	<i>Large corporate projects, industrial loans</i>
<i>Asaka Bank</i>	14–16	3–5	35–45	<i>Automotive and industrial projects</i>
<i>Xalq Banki</i>	12–15	4–6	30–40	<i>Consumer and social-oriented loans</i>



Ipoteka Bank (*Table 1.*) Main focus is mortgages and long-term secured loans. Portfolio growth of 17–20%, relatively slower, with very low NPL (2–4%), indicating stable loan quality. Digital lending at 60–65%, focusing on online mortgage processes.

UzMilliybank: (*Table 1.*) Provides loans to large corporate and industrial projects. Growth is 15–18%, slower, indicating stability of long-term corporate loans. NPL 3–5%, digital lending 40–50%, partial technology implementation.

Asaka Bank: (*Table 1.*) Focused on automotive and industrial projects. Portfolio growth 14–16%, NPL 3–5%, digital lending 35–45%, lower than other banks but sufficient for sectoral lending.

Xalq Bank: (*Table 1.*) Emphasis on consumer loans and social projects (e.g., housing and social initiatives). Portfolio growth 12–15%, NPL 4–6%, digital lending 30–40%, the lowest, with partially implemented technologies.

Conversely, rapid growth in the consumer credit market in 2023–2024 led to short-term liquidity pressures in some banks.[7]

Key observations:

1. Uzbek banks are in an active growth phase in lending.
2. Loan portfolio diversification is not yet fully developed, with some banks sectorally concentrated.
3. Digital lending significantly improves loan portfolio quality.
4. Growth rates differ among banks, increasing market competition.
5. State programs influence nearly half of the loan portfolios, enhancing stability but potentially limiting market mechanisms.
6. Credit risk management is increasingly important due to rapid growth in lending volumes.
7. In 2024, the overall credit market trend was slower growth but higher quality

Conclusion and recommendations. Mamlakatimizdagi moliyaviy xizmat ko'rsatish institutlari kreditlash sohasida sezilarli rivojlanishga erishmoqda. Kichik va o'rta biznes hamda agrar sektor kreditlashning asosiy yo'nalishiga aylangan. Ipoteka va uzoq muddatli garovli kreditlar barqaror daromad manbai sifatida faol ishlamoqda. Kredit portfeli ba'zi banklarda tez, ba'zilarda sekin o'smoqda, bu ularning strategiyasiga bog'liq. To'lanmay qolgan kreditlar darajasi nazorat ostida, ammo ayrim sektorlar uchun ehtiyoj choralarini kuchaytirish zarur.

Raqamli kreditlash imkoniyatlari kengayib bormoqda, lekin barcha banklarda bir xilda emas. Tezkor kredit mahsulotlari va raqamli platformalar mijozlar sonini oshirishga xizmat qiladi. Davlat subsidiyali kreditlar agrar va ijtimoiy loyihalarni qo'llab-quvvatlaydi. Katta korporativ loyihalar esa uzoq muddatli va barqaror kreditlashni ta'minlaydi.

Kelgusida kredit siyosatini takomillashtirish, raqamli texnologiyalarni keng joriy qilish, risklarni baholash tizimini mustahkamlash va mijozlarga qulay shartlar yaratish muhim vazifa hisoblanadi. Banklararo hamkorlik va tajriba almashinuvli kredit sifatini oshirishga yordam beradi. Shu bilan birga, kredit portfelini barqarorlashtirish, xavflarni kamaytirish va raqamli transformatsiyani tezlashtirish moliyaviy xizmatlarning samaradorligini oshiradi.

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