

RESEARCH ARTICLE

Prospects for Improving the Efficiency of Commercial Banks' Loan Portfolios

Samiev Sardor Iskandarovich

Acting professor at Department of Finance and Banking, Karshi State Technical University, Uzbekistan

Panjiev Xumoyun Xamza ugli

Master's student in Finance, Karshi State Technical University, Uzbekistan

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Abstract

This article analyzes the essence of commercial banks' loan portfolios, indicators for assessing their efficiency, and directions for improving the quality of the loan portfolio. The impact of banking system reforms, methods of managing credit risks, and the introduction of digital technologies on banking activities is scientifically highlighted. In addition, practical recommendations have been developed regarding the diversification of the loan portfolio in the Uzbek banking sector, financing small businesses, and forming a sustainable credit policy.

KEYWORDS

Commercial banks, loan portfolio, efficiency, diversification, credit risk, stability, financial policy.

INTRODUCTION

One of the main areas of activity of commercial banks is lending to various sectors of the economy. The loan portfolio is the most important financial resource of bank operations, and its quality and efficiency determine not only the bank's profit but also the stability of the entire financial system. In recent years, in the Republic of Uzbekistan, consistent reforms have been carried out to liberalize the banking sector, attract foreign investments, and implement a risk management system in accordance with international standards. However, there are also some problems: a high proportion of consumer loans in the loan portfolio, insufficiently diversified collateral policy, and reliance on the human factor in assessing credit risks. Therefore, it is considered urgent to scientifically study the ways to increase the efficiency of commercial banks' loan portfolios. The following scientific methods were applied during the research process:

Analytical approach – the dynamics, structure, and quality indicators of banks' loan portfolios were analyzed. Statistical analysis – based on the Central Bank's credit data from 2020–2024, the growth rates of the loan portfolio and changes by sector were evaluated.

Comparative approach – the indicators of the Uzbekistan banking system were compared with the experience of Russia, Kazakhstan, and South Korea.

Economic modeling – a regression model for reducing credit risk was developed, which identified the main factors affecting the profitability of the loan portfolio.

In the activities of commercial banks, the loan portfolio occupies a central place, as it determines the bank's financial condition, profitability, and impact on economic growth. The effectiveness of the loan portfolio is a complex indicator achieved through efficient allocation of loans, minimizing risks,

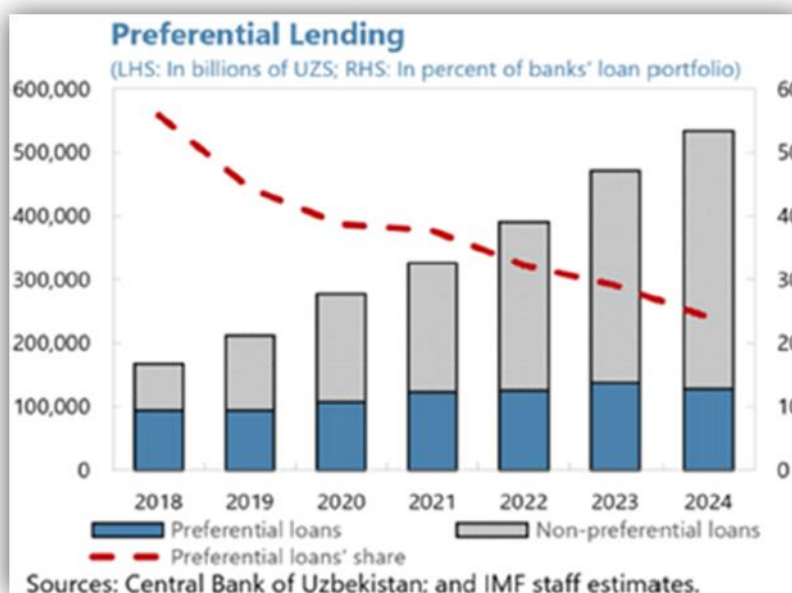
maximizing income, and optimizing resources. Currently, in the context of globalization, digital transformation, and economic reforms, especially in developing countries like Uzbekistan, there are significant prospects in this field. For example, in 2024-2025, through increasing the efficiency of the credit portfolio in commercial banks of Uzbekistan, the overall growth of bank assets could reach 15-20%, which would have a positive impact on the national economy. Specifically, based on the Central Bank's policy and assessments from international organizations (IMF, Fitch), the stability of the banking sector is being strengthened, but it is necessary to improve the NPL (non-performing loans) ratio and ROA (return on assets) indicators.

Below, we will examine the topic in detail: analyze the main

prospects, statistical data for 2024-2025, foreign experience, and the proposed measures. The data is obtained from the Central Bank of Uzbekistan, IMF, and other sources.

Digital Transformation and Fintech Integration: The Role of the Technological Revolution

Digital technologies are bringing revolutionary changes in credit portfolio management. With the help of Big Data, Artificial Intelligence (AI), and Machine Learning (ML), the credit assessment process is accelerated, risk forecasting is determined, and operational costs are reduced by 15-25%. In Uzbekistan, the share of digital banking services reached 40% in 2024, and by the end of 2025, it is expected to increase to 60%, which will improve lending efficiency by 20-30%.



Dynamics of preferential lending in Uzbekistan banks (2018-2024, IMF data)

- Application of AI and Big Data: By automating the loan application process, banks can analyze customers' financial conditions in real time. For example, banks like 'Kapitalbank' and 'Trastbank' have improved the quality of their loan portfolios by implementing digital platforms.
- Fintech collaborations: Integration with fintech companies such as Payme and Click accelerates lending. By 2025, it is forecasted that the fintech share will reach 50%, which ensures portfolio diversification.
- Foreign experience: In China, digital transformation has increased the efficiency of the loan portfolio by 30%, as AI

reduced risks by 20%. By implementing similar models for Uzbekistan, ROA can be increased by 2-3%.

Outlook: To increase digital lending to 70% during 2025-2030, which will enhance the overall efficiency of banks and contribute to economic growth.

Risk Management and Monitoring Credit Quality: The Key to Stability

Managing risks is a key factor in improving the efficiency of the credit portfolio. The NPL (Non-Performing Loan) level in Uzbek banks was 4.1% in September 2024 and decreased to 3.8% by the end of August 2025 – a result of reforms. In state banks, NPL is 3.8%, and in private banks, it is 3.7%. Reducing this indicator to below 3% can increase portfolio efficiency by

15-20%.

- Monitoring systems: Tracking the portfolio in real time through econometric methods and AI models. For example, as of January 2025, the total loan portfolio exceeded trillions of soms, with the NPL ratio around 4%.

- Diversification: Distributing loans across sectors (agriculture, industry, services) reduces risks. In 2024, the NPL volume amounted to 20.82 trillion soms (1.64 billion USD).

- Foreign experience: In Japan, the "learning-by-doing" method reduced costs and increased portfolio value. A similar approach in Uzbekistan could reduce NPLs by 2-3%.

Prospects: Improving risk management by implementing international standards (Basel III), which will bring banks' capital adequacy to 12-15% by 2025.

Developing Investment Loans and Strengthening the Resource Base: The Foundation for Sustainable Growth

Investment loans are important for diversifying the portfolio. In Uzbekistan, credit growth in 2024-2025 is forecasted at 14-15%, based on presidential decrees and central bank policies. Green credits are expanding, which contributes to carbon neutrality.

- Resource base: Increasing bank capital and attracting

deposits. By 2025, the share of assets of non-state banks will reach 60%.

- Green and sustainable projects: In China, green credits have increased bank efficiency. Similar projects in Uzbekistan could raise the portfolio share from 20-25% to 40%.
- Foreign Investments: Resources expand by attracting foreign investors, which increases lending by 30%.

Prospect: Expanding investment loans by 40-50% will lead to economic growth of 5.6-5.9%.

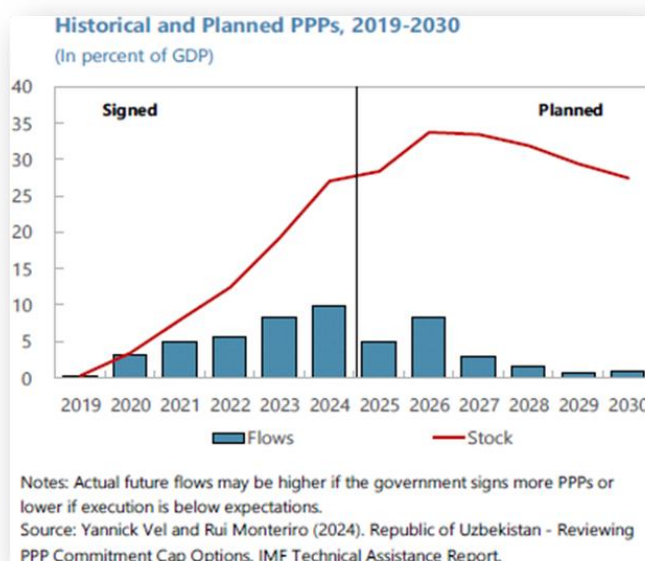
Increasing Competition and Operational Efficiency: Market Mechanisms

Competition among banks encourages efficiency. In 2025, 'Kapitalbank' and 'Trastbank' are leading in bank ratings, resulting from increasing the number of branches and expanding market share. Operational efficiency has increased by 10-15%.

- Corporate Governance: Implementing international standards, which brings ROA to 3-5%.

- Competitive Environment: Privatization of state banks (3 banks by 2025).

- Foreign Experience: In European banks, competition reduced operational costs by 20%.



Dynamics of Uzbekistan's PPP (public-private partnership) (2019-2030, IMF forecast)

The prospects for increasing the efficiency of the credit portfolio of commercial banks in Uzbekistan are high: by

reducing NPL to 3% in 2025, increasing ROA to 3%, and raising the digital share to 60%, the portfolio value can be increased by 40-50%. Central bank supervision, foreign experience (fintech and green loans), and the implementation

of reforms are important. Recommendations for bank leaders: diversify the portfolio, improve employee qualifications, and introduce AI monitoring. This will increase the banks' income and strengthen the national economy.

CONCLUSION

The following proposals are put forward to improve the efficiency of commercial banks' loan portfolios:

Improving the diversification policy – it is necessary to balance the loan portfolio by sectors, regions, and types of loans.

Widespread implementation of digital technologies – using systems such as “credit scoring,” “risk dashboard,” and “AI-based prediction” increases loan quality.

Strengthening the monitoring system – implementing automated analytical systems to control the quality of the loan portfolio.

Developing financial literacy – organizing regular training sessions for bank employees.

Sustainable credit policy – increasing the share of loans based on environmental, social, and governance (ESG) criteria.

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