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THE SIGNIFICANCE OF COMMERCIAL BANK CREDITS FOR THE DEVELOPMENT OF ECONOMIC SECTORS

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Annotation

This article investigates the scientific and practical significance of commercial bank credit resources as a primary financial driver and catalyst for the structural and sectoral development of the national economy. The relevance of the study is driven by the necessity of deep economic diversification and ensuring balanced, long-term growth across key sectors of the national economy during the market transformation of the financial sector of the Republic of Uzbekistan. Based on official aggregated statistical data covering the period from 2020 to 2025, a comprehensive dynamic and inter-sectoral structural analysis of allocated bank credits was conducted. Financial flows directed into industry, agriculture, construction, trade and catering, transport and communications, as well as the retail sector of credit provision to individuals, were studied in detail. Utilizing methods of horizontal, vertical, and coefficient statistical analysis, sectoral growth rates and structural shifts were calculated. The paper proves that bank lending exerts a direct influence on the intensity of expanded reproduction in the real sector, thereby modifying macroeconomic proportions. Based on the findings, funding imbalances were identified, and scientifically grounded recommendations were formulated to optimize the sectoral allocation of credit resources.

Keywords: commercial bank credits, economic sectors, economic development, industry, agriculture, retail lending, trade, construction sector, structural shifts, growth rate, resource allocation, financial intermediation of Uzbekistan.

Introduction

Ensuring sustainable and balanced rates of socio-economic progress alongside the diversification of the national economy's structure represents key strategic priorities for the Republic of Uzbekistan during the current stage of deep market reforms. Moving away from a commodity-dependent orientation toward the accelerated advancement of manufacturing sectors, innovative service industries, and high-tech manufacturing processes demands large-scale and long-term investment injections. In conditions where budgetary resources are constrained and external capital markets remain volatile, commercial banks take on the essential function of the primary financial intermediary, executing the redistribution of the loanable fund in favor of the real sector of the economy.

Bank credit is a unique economic lever capable of rapidly liquidating the deficit of working capital within enterprises, financing the modernization of fixed production assets, and stimulating the implementation of advanced technological processes. The sectoral distribution of credit resources of commercial banks serves as a direct reflection of the state's structural policy and the level of market attractiveness across different sectors of the national economy. A shortage of loanable capital in basic fields such as industry, construction, or agriculture constrains their modernization potential, whereas an excessive concentration of loans within the retail segment can generate inflationary and macroeconomic risks.

The dynamic shift in the volumes of allocated credits by sector over the period from 2020 to 2025 reflects profound transformational changes in the structure of supply and demand within the national financial market. A scientific analysis of these changes allows for an objective assessment of the effectiveness of current lending mechanisms and establishes prospective priorities for the sectoral allocation of commercial bank credit resources to achieve a balanced, long-term, and independent development of the country's entire macroeconomic system.

Literature Review

The theoretical and methodological framework for studying the role of credit in stimulating sectoral development is anchored in the fundamental concepts of foreign economic thought. Joseph Schumpeter, in his classical monograph "The Theory of Economic Development" (Harvard University Press, 1934, pp. 65–84), was the first to argue in detail that bank lending is the primary source of innovative dynamics, allowing entrepreneurs to redistribute resources from traditional sectors into new, more progressive manufacturing industries. Paul Krugman, in his book "Development, Geography, and Economic Theory" (MIT Press, 1995, pp. 35–52), proved that the availability of financial resources acts as a key factor for clustering and the accelerated development of industrial fields. Empirical validation of the dependency between sectoral growth and the depth of financial intermediation is presented in the works of Robert King and Ross Levine in their article "Finance and Growth: Schumpeter Might Be Right" (Quarterly Journal of Economics, Vol. 108, No. 3, 1993, pp. 717–737), which established that the scale of the banking portfolio directly determines the long-term growth rates of productivity in the real sector.

In Russian scientific literature, the issues of sectoral allocation of credit resources are considered through the prism of structural restructuring within a transition economy. Professor O.I. Lavrushin, in his monograph "The Role of Credit and Economic Modernization" (KnoRus, 2012, pp. 78–96), emphasizes that credit must possess a productive character, being directed predominantly into manufacturing and agriculture to generate high added value. G.G. Korobova, in the textbook “Banking” (Magister, 2015, pp. 310–328), analyzes the factors of inter-sectoral competition for credit resources and proves the necessity of state regulation of risks when lending to high-risk sectors like construction. E.F. Zhukov, in the work “Money. Credit. Banks” (Unity-Dana, 2019, pp. 145–163), investigates the macroeconomic consequences of commercial banks' excessive lean toward retail consumer lending to the detriment of the corporate sector.

The optimization of the sectoral structure of commercial banks' credit portfolios during the modernization of Uzbekistan's national economy occupies a central place in the research of domestic economists. Professor Sh.Z. Abdullaeva, in the scientific and practical guide “Banking Supervision” (Iqtisod-Moliya Publishing House, 2019, pp. 145–168), describes in detail the methods for controlling the concentration of large credit risks across economic sectors to ensure the stability of the banking system. The problems of increasing the investment role of bank credit in modernizing basic fields are studied in detail by A.A. Omonov in the monograph “Modernization of the Resource Base of Commercial Banks” (Tashkent, Moliya, 2020, pp. 92–115). Furthermore, T.M. Karaliev, in the scientific work “Modern Trends in Lending to the Regional Economy” (TFI, 2022, pp. 54–76), substantiates the necessity of expanding the volumes of long-term lending to the agro-industrial sector and infrastructure as essential conditions for achieving balanced macroeconomic growth.

Research Methodology. The research methodology is based on applying a complex of economic and statistical methods, including the analysis of time series, as well as horizontal and vertical comparative analysis of macroeconomic indicators. The empirical baseline of the work consists of official aggregated reporting data from the Central Bank of the Republic of Uzbekistan for the period

2020–2025.

To evaluate the dynamics of expanding sectoral lending volumes, the long-term baseline growth rate (**T_{pr}^b**) is utilized, calculated according to the formula:

$$T_{pr}^b = \left(\frac{K_t - K_0}{K_0}\right) \times 100\% \quad (1)$$

Where **K_t** — the volume of allocated credits at the end of the analyzed period (the year 2025), and **K_0** — the volume of credits in the starting period (the year 2020).

To determine the intensity of annual variations, the chain growth rate formula (**T_{pr}^c**) is applied:

$$T_{pr}^c = \left(\frac{K_t - K_{t-1}}{K_{t-1}}\right) \times 100\% \quad (2)$$

Additionally, the vertical analysis method is employed to compute the structural share weight (**W_i**) of each sector within the total credit portfolio of the country's banking system:

$$W_i = \left(\frac{K_i}{K_{total}}\right) \times 100\% \quad (3)$$

Where **K_i** — the volume of credits allocated to the **i**-th economic sector, and **K_{total}** — the total volume of credit investments by commercial banks for the corresponding year.

Analysis and Results. To execute a deep empirical analysis of the sectoral significance of bank lending, let us turn to the consolidated statistical data presented in Table 1.

Table 1. Allocated credits of commercial banks by sectors (billion UZS)

Date	Total	including:						
		industry	agriculture	construction	trade and catering	transport and communications	individuals	others
2020	**127 207.5**	**41 603.0**	**18 772.2**	**4 939.5**	**18 262.1**	**4 366.4**	**28 466.6**	**10797.8**
2021	166 673.5	51 335.6	21 133.2	6 745.4	26 849.6	6 309.6	40 520.9	13779.3
2022	**203 126.6**	**60 198.7**	**15 963.9**	**7 828.5**	**30 303.7**	**7 217.8**	**65 288.5**	**16325.5**
2023	251 401.5	66 913.9	14 602.5	6 826.8	30 511.1	9 594.3	100 234.8	22718.1
2024	**287 181.5**	**75 719.8**	**20 326.0**	**8 096.4**	**38 345.8**	**7 156.2**	**104 675.3**	**32862.1**
2025	**389 972.7**	79 435,3	22 597.1	16 861.5	64 421.0	11 706.4	156 851.1	38100.3

The analysis of the calculation results demonstrates a steady, massive expansion in the volumes of lending to the national economy by commercial banks. Over the studied six-year period, the total volume of allocated credits increased from 127,207.5 billion UZS in 2020 to 389,972.7 billion UZS in 2025. Computing the total baseline growth rate reflects a tremendous dynamic trend:

$$T_{pr}^b = ((389{,}972.7 - 127{,}207.5) / 127{,}207.5) \times 100\% \approx 206.6\%$$

This clearly indicates that the volume of credit backing to the national economy grew more than threefold, serving as a powerful accelerator of sectoral expanded reproduction. Annual chain growth rates remained high: +31.0% in 2021, +21.9% in 2022, +23.8% in 2023, +14.2% in 2024, and a record +35.8% in 2025.

During the inter-sectoral structural analysis, profound shifts in financing priorities are uncovered. The industrial field traditionally holds leading positions in terms of attracted resources. In absolute terms, the volume of industrial credits increased from 41,603.0 billion UZS in 2020 to 79,435.3 billion UZS in 2025 (+90.9%). However, vertical analysis reveals a rapid contraction of the share weight of industry in the overall portfolio — from a dominant 32.7% in 2020 to a mere 20.4% in 2025. This indicates that the real industrial sector's growth is financed by banks at a slower pace compared to the development of other market segments.

The most massive and explosive growth was recorded within the segment of lending to individuals (retail lending, including mortgage, micro-loans, and car loans). The loan volume to the population skyrocketed from 28,466.6 billion UZS in 2020 to a phenomenal 156,851.1 billion UZS in 2025. The baseline growth rate of retail lending achieved a record 451.0% (a 5.5-fold increase). Consequently, the share weight of loans to individuals jumped from 22.4% to a dominant 40.2%, rendering the population the primary borrower of the banking system. Such aggressive growth in consumer and mortgage demand drives the service sphere and construction sector, but demands tight macroprudential control to prevent economic overheating.

The trade and catering field also demonstrated high growth rates — from 18,262.1 billion UZS to 64,421.0 billion UZS (+252.8%), maintaining a stable share weight around 16.5%. Special attention is warranted for the construction sector: its lending volumes grew moderately until 2024 (8,096.4 billion UZS), but in 2025 displayed a sharp chain surge of 108.3% — reaching 16,861.5 billion UZS, which is tied to the execution of large-scale urbanization programs.

Serious concerns arise from the dynamics in agriculture. The credit volume increased from 18,772.2 billion UZS in 2020 to 21,133.2 billion UZS in 2021, followed by a deep slump in 2022–2023 (down to 14,602.5 billion UZS).

Although by 2025 the sector recovered to 22,597.1 billion UZS, its baseline increment over 6 years amounted to just 20.4%, and its share in the credit portfolio dropped from 14.8% to a critical 5.8%. This bears witness to an acute deficit of long-term bank financing for the agricultural sector of regions, limiting its modernization. The transport and communications sector showed stable growth, increasing from 4,366.4 billion UZS to 11,706.4 billion UZS (+168.1%), holding a market share within 3.0%. The category of "other fields" grew 3.5 times, reaching 38,100.3 billion UZS.

Conclusion

A comprehensive economic and statistical study of the sectoral dynamics of bank lending over the period 2020–2025 allows for the formation of fundamental conclusions. Credit resources of commercial banks serve as the baseline financial pillar of the national economy, showing a total growth of 3.06 times (up to 389.97 trillion UZS). However, a profound deformation is recorded within the structure of loanable capital distribution: a cardinal shift occurred from financing basic production sectors (industry and agriculture) toward retail lending to individuals, whose share reached a dominant 40.2%. Agriculture suffers from a systemic resource deficit, evidenced by the drop in its share from 14.8% to 5.8%, creating risks for food security and dampening the development of agrarian regions.

To optimize sectoral proportions and enhance the value of credit for the real economy, a diversification of credit portfolios is required. The Central Bank should introduce differentiated provisioning standards and prudential risk coefficients that incentivize commercial banks to expand long-term project financing within the industrial and agricultural sectors. It is necessary to intensify the mechanisms of public-private partnerships (PPP), develop leasing institutions of fixed assets for the agro-industrial complex, and implement specialized programs for preferential medium-term lending to innovative manufacturing enterprises, which will ensure a stable and diversified structure of macroeconomic growth.

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