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### MODERN APPROACHES TO IMPROVING CREDIT OPERATIONS IN COMMERCIAL BANKS

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#### ABSTRACT

This study examines the contemporary approaches to enhancing credit operations in commercial banks based on international banking practices and academic literature. The research highlights the importance of effective credit policies, advanced risk assessment procedures, efficient credit portfolio management, digital technologies, and continuous monitoring of lending activities. The findings indicate that a comprehensive approach combining sound lending principles, technological innovation, and effective management practices contributes to improving the quality and sustainability of bank credit operations.

**Keywords:** commercial banks, credit operations, lending activities, credit management, banking efficiency, digital transformation, credit policy, financial stability.

Commercial banks play a central role in the financial system by transforming savings into productive investments and providing credit resources to households and business entities. Credit operations constitute the largest portion of bank assets and represent the primary source of interest income. Therefore, the efficiency of credit operations directly affects not only the financial performance of individual banks but also the overall stability and development of the national economy.



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In recent decades, the banking industry has experienced significant changes due to globalization, technological progress, increased competition, and the implementation of international regulatory standards. Traditional lending models based mainly on personal relationships and manual assessment procedures are gradually being replaced by more structured, technology-driven, and customer-oriented approaches.

The global financial crises have also demonstrated that ineffective lending practices, insufficient borrower assessment, and weak monitoring mechanisms can lead to serious problems in the banking sector. Consequently, international regulatory institutions and financial organizations have emphasized the necessity of improving lending standards, strengthening credit management systems, and ensuring the sustainability of credit operations.

Therefore, modern commercial banks must continuously improve their lending processes by developing effective credit policies, optimizing credit procedures, adopting digital technologies, improving customer services, and enhancing the overall management of credit operations.

The theoretical foundations of credit operations and bank lending have been widely discussed in the banking and financial literature. According to Mishkin (2022), commercial banks perform the essential function of financial intermediation by collecting funds from surplus units and allocating them to deficit units through lending activities. The efficiency of this process determines the effectiveness of financial resource allocation and supports sustainable economic development.

Rose and Hudgins (2021) emphasize that credit operations are the most significant earning assets of commercial banks. They argue that successful lending requires a well-developed credit policy, effective borrower evaluation



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procedures, continuous monitoring, and a balanced relationship between profitability and risk.

Saunders and Cornett (2021) state that modern credit management should not only focus on increasing the volume of lending but also on maintaining the quality of the loan portfolio and ensuring long-term financial stability. Effective credit operations require proper organization of lending procedures, adequate internal controls, and efficient risk management frameworks.

International banking standards developed by the Basel Committee on Banking Supervision emphasize the importance of sound credit processes, appropriate credit administration, and continuous monitoring of credit exposures. The Basel principles highlight that banks should establish comprehensive lending policies and maintain effective systems for managing credit activities.

Recent studies also underline the growing importance of digital transformation in banking operations. Digital technologies, including online banking platforms, automated lending systems, artificial intelligence, and big data analytics, have significantly changed the way banks provide credit services. These technologies reduce operational costs, accelerate credit decisions, improve customer experience, and increase the efficiency of lending processes.

Despite extensive international research on banking development, the continuous transformation of financial markets requires further examination of modern approaches to improving credit operations, especially in developing banking systems undergoing structural and technological reforms.

The improvement of credit operations requires a comprehensive approach covering organizational, technological, and strategic aspects of banking activities.

First, the development of an effective credit policy is one of the fundamental conditions for improving lending efficiency. A well-designed credit policy



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determines the objectives, principles, procedures, and standards of lending activities. It enables banks to maintain consistency in credit decisions and achieve a balance between profitability and financial stability.

Second, the optimization of credit procedures plays a significant role in increasing operational efficiency. Modern banks are increasingly simplifying loan application procedures, reducing processing time, and implementing customer-oriented lending services. Faster and more transparent credit procedures contribute to increased customer satisfaction and stronger competitiveness of commercial banks.

Third, digital transformation has become a key factor influencing the development of credit operations. The implementation of digital platforms, electronic document management, online loan applications, and automated decision-making systems allows banks to improve service quality and reduce administrative expenses.

Fourth, effective credit monitoring remains an essential element of sustainable lending activities. Continuous assessment of borrowers' financial conditions, regular review of loan performance, and timely identification of potential problems contribute to maintaining the quality of credit operations.

Finally, improving staff qualifications and strengthening internal management systems are also important factors. The successful implementation of modern lending approaches depends on the professional competence of bank employees and the ability of management to adapt to changing market conditions.

The modernization of credit operations has become a strategic necessity for commercial banks operating in a rapidly changing financial environment. The efficiency of lending activities depends not only on the volume of issued loans but also on the quality of credit management, effectiveness of internal procedures,



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application of digital technologies, and the ability of banks to adapt to new market requirements.

The study demonstrates that improving credit operations requires the integration of several interconnected approaches, including the development of effective credit policies, optimization of lending procedures, digital transformation, strengthening of monitoring systems, and improvement of managerial capabilities.

The implementation of modern lending approaches will contribute to increasing the efficiency of commercial banks, improving customer service, strengthening financial stability, and supporting sustainable economic development.

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