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THE ROLE OF COMMERCIAL BANK CREDIT PORTFOLIOS IN REGIONAL DEVELOPMENT

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Annotation. This article investigates the theoretical, scientific, and practical aspects of forming and transforming the credit portfolios of commercial banks in the Republic of Uzbekistan, assessing their direct impact on the socio-economic development of the country's regions. Based on official statistical data covering a five-year period (2022–2026), a detailed dynamic and structural analysis of loan indebtedness across key financial institutions was conducted, including Agrobank, NBU, Xalq Banki, Ipoteka-bank, and private banking entities. Employing horizontal, vertical, and ratio analysis methods, total and individual annual growth rates of credit investments were calculated, and structural shifts in loanable capital distribution were identified. The study proves that credit expansion in the banking sector serves as a vital catalyst for regional production diversification, stimulating local entrepreneurship and enhancing population welfare. Features of state-owned banks and private commercial institutions within regional investment program implementation are highlighted. Based on research findings, conceptual conclusions and scientifically grounded recommendations were developed to optimize commercial bank credit portfolio quality, mitigate systemic risks, and boost the spatial allocation efficiency of credit resources.

Keywords: credit portfolio, commercial banks, regional development, loan debt, economic growth, state-owned banks, private capital, growth rate, structural transformation, investment activity, financial intermediation, banking system of Uzbekistan.

Introduction. Achieving spatial balance in macroeconomic growth represents a principal priority of the long-term national strategy of the Republic of Uzbekistan. The imperative to overcome interregional disparities and effectively harness the natural resource and human potential of remote areas requires powerful market mechanisms. Given the constraints on budget funds and volatile foreign direct investments, commercial banks occupy a central role in financing regional development. Possessing the unique capacity to pool temporarily idle capital and channel it into productive loan resources, banks directly shape local business activity parameters.

A commercial bank's credit portfolio reflects its investment and market strategy while serving as a key connector between the financial sector and the real economy. The scale and direction of lending outline the long-term contours of regional markets. Saturating local economic systems with credit resources drives equipment modernization in industrial enterprises, funds working capital in agriculture, accelerates small and private business growth, and satisfies household mortgage and consumer demand.

The qualitative properties and dynamic trends of credit portfolios directly influence gross regional product (GRP) diversification.

At the same time, rapid credit expansion carries risks of accumulating non-performing assets and exacerbating structural imbalances if loan growth outpaces the real economic viability of financed projects. The profound market transformation of Uzbekistan's banking sector, accompanied by gradual privatization of state financial institutions and expanding private capital participation, presents new management challenges. This highlights the scientific necessity to analyze long-term credit portfolio trends and devise optimized resource allocation models for sustainable spatial development across the national economy.

Literature Review. Theoretical concepts linking bank capital with territorial development figure prominently in international economic literature. Joseph Schumpeter, in *"The Theory of Economic Development"* (Harvard University Press, 1934, pp. 65–84), established that credit acts as the primary catalyst for innovation and structural shifts, defining banks as essential agents in reallocating resources toward economic renewal. Paul Krugman, within new economic geography in *"Development, Geography, and Economic Theory"* (MIT Press, 1995, pp. 35–52), demonstrated that regional access to financial markets reduces transaction costs and fosters high-tech industrial clustering. Empirical proof connecting financial depth to regional prosperity was presented by Robert King and Ross Levine in *"Finance and Growth: Schumpeter Might Be Right"* (Quarterly Journal of Economics, Vol. 108, No. 3, 1993, pp. 717–737), establishing a firm correlation between bank portfolio scale and meso-level productivity growth.

Russian scholars traditionally analyze lending as an instrument to smooth spatial disparities in transition economies. Academician A.G. Granberg, in *"Fundamentals of Regional Economics"* (HSE, 2004, pp. 112–135), argued that loan capital serves as the chief non-budgetary source for funding regional equalization programs. O.I. Lavrushin, in *"The Role of Credit and Economic Modernization"* (KnoRus, 2012, pp. 78–96), stresses maintaining high credit portfolio quality in regional bank branch networks to prevent capital flight into speculative segments. G.G. Korobova, in *"Banking"* (Magister, 2015, pp. 310–328), details how bank credit structures stimulate investment activity among small and medium-sized enterprises across regions.

In Uzbek economic science, enhancing bank credit efficiency to accelerate regional socio-economic growth is actively investigated. Professor Sh.Z. Abdullaeva, in *"Banking Supervision"* (Iqtisod-Moliya, 2019, pp. 145–168), examines prudential regulation and stress-testing of major systemic banks' credit portfolios when financing regional infrastructure projects. Resource base transformation and investment loan activation at the regional level are explored by A.A. Omonov in *"Modernization of the Resource Base of Commercial Banks"* (Tashkent, Moliya, 2020, pp. 92–115). Additionally, T.M. Karaliev, in *"Modern Trends in Lending to the Regional Economy"* (TFI, 2022, pp. 54–76), substantiates expanding retail credit and microlending portfolios as effective tools for job creation in rural areas.

Research Methodology. The research methodology relies on systemic, economic-statistical, comparative, and structural-dynamic analysis methods. Official aggregated reporting data of commercial banks in Uzbekistan for 2022–2026 form the empirical baseline.

To evaluate credit expansion dynamics and portfolio volume changes, the baseline growth rate ($T_{pr\wedge b}$) is calculated, capturing cumulative changes relative to the starting period:

$$T_{pr\wedge b} = ((K_t - K_0) / K_0) \times 100\%$$

Where K_t — credit portfolio balance at the end of the period (01.01.2026), and K_0 — credit portfolio balance at the start of the period (01.01.2022).

To determine annual variation intensity, the chain growth rate ($T_{pr\wedge c}$) is used:

$$T_{pr\wedge c} = ((K_t - K_{t-1}) / K_{t-1}) \times 100\%$$

Vertical structural analysis is applied to calculate the share weight (W_i) of individual banking institutions within total national credit allocations:

$$W_i = (K_i / K_{total}) \times 100\%$$

Where K_i — credit portfolio of the i-th bank, and K_{total} — total credit balance of the banking system.

Analysis and Results. To perform an empirical analysis of commercial bank credit portfolios, let us analyze the longitudinal statistical data consolidated in Table 1.

Table 1.

Credit Portfolio Balances of Commercial Banks (million UZS)

№	Bank Name	01.01.2022	01.01.2023	01.01.2024	01.01.2025	01.01.2026
	Total	**13 005 244**	**14 777 018**	**19 096 891**	**22 906 907**	**28 186 840**
1	Agrobank	2 218 098	2 973 568	3 598 064	3 687 233	4 760 335
2	Biznes Bank	1 182 918	1 248 862	1 339 141	1 639 330	1 908 977
3	Xalq Banki	1 096 212	1 255 813	1 464 058	1 788 110	2 126 964
4	Microcreditbank	683 831	767 743	838 024	1 168 192	1 593 466
5	Uzpromstroybank	1 608 481	1 213 233	1 376 807	1 640 553	991 321
6	NBU	1 474 444	1 592 903	1 873 656	2 583 335	2 754 080
7	Aloqabank	350 784	369 440	469 758	937 539	947 941
8	Turonbank	432 973	565 701	710 882	812 986	1 219 071
9	Ipoteka-bank	1 111 277	1 155 968	1 416 136	1 360 378	2 155 814
10	Hamkorbank	280 063	398 177	596 276	787 595	1 127 912
11	Asakabank	1 397 850	1 428 298	1 723 333	1 805 971	2 270 430
12	Ipak Yuli Bank	507 553	615 070	875 733	1 109 047	1 095 231
13	Infinbank	113 787	155 628	228 346	243 691	497 222
14	Trastbank	187 931	209 977	225 994	239 538	379 358
15	Asia Alliance Bank	306 204	296 073	405 171	417 210	518 871
16	Other Banks	52 737	530 562	1 955 112	2 686 199	3 839 848

Longitudinal analysis of total credit portfolio balances reveals significant credit expansion over the five-year period. Total loan debt increased from 13,005,244 million UZS as of 01.01.2022 to 28,186,840 million UZS as of 01.01.2026. The cumulative baseline growth rate reflects this expansion:

$$T_{pr}^b = ((28\ 186\ 840 - 13\ 005\ 244) / 13\ 005\ 244) \times 100\% \ \ pprox 116.7\%$$

This shows that over four years, credit support to the economy expanded by more than 2.1 times. Annual chain growth rates remained robust: 13.6% in 2022, 29.2% in 2023, 19.9% in 2024, and 23.1% in 2025, providing a powerful driver for regional expansion.

Institutional portfolio analysis highlights Agrobank's leading position, with its portfolio expanding from 2,218,098 million UZS to 4,760,335 million UZS (114.6%), capturing a 16.9% market share by early 2026. This expansion stems from supporting agricultural clusters, farmers, and land reclamation projects essential for rural regions. Ranking second, NBU (National Bank of Uzbekistan) holds 2,754,080 million UZS (9.8% share), focusing on major industrial projects and Free Economic Zones (FEZs).

Key socio-economic roles are fulfilled by Xalq Banki (growing from 1,096,212 to 2,126,964 million UZS) and Microcreditbank (expanding over 2.3 times to 1,593,466 million UZS). Their portfolios emphasize microfinancing small businesses, self-employed individuals, and cottage industries to equalize income levels across peripheral districts. A notable trend is the surge in Other Banks—from 52,737 million UZS in 2022 to 3,839,848 million UZS in 2026, reflecting the emergence of private and digital banks supplying retail and microfinance products. Among established private institutions, Hamkorbank grew over 4-fold—from 280,063 to 1,127,912 million UZS—demonstrating strong demand for private credit in regions.

Conversely, Uzsanoatqurilishbank showed a medium-term decline, with its portfolio contracting from 1,640,553 million UZS as of 01.01.2025 to 991,321 million UZS as of 01.01.2026. This contraction resulted from asset restructuring ahead of privatization, transferring large state infrastructure loans to specialized state funds, and refocusing internal policy toward commercial market segments.

Conclusion. The economic study of commercial bank credit portfolios during 2022–2026 demonstrates their role in spatial economic development. Banking sector credit expansion expanded total loan portfolios by 116.7% (reaching 28.18 trillion UZS). Leading state-owned banks (Agrobank, NBU) remain main financing channels for agriculture and heavy industry. Concurrently, the growth of private and smaller banks ("Other Banks", Hamkorbank) reflects market diversification and digitalization, increasing microfinance availability for local enterprises.

To further enhance credit portfolio impact on regional development, emphasis should shift from volume growth to asset optimization. Targeted interest rate subsidies for long-term investment projects in underdeveloped districts should be expanded. Commercial banks need to refine regional risk scoring models, increase project financing without rigid collateral demands, and implement digital credit platforms in remote rural areas to foster balanced spatial growth.

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