



## **Symposium on Natural and Applied Sciences**

Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

---

### **THEORETICAL FOUNDATIONS FOR IMPROVING THE QUALITY OF BANK CREDIT PORTFOLIOS IN UZBEKISTAN**

Misirov Iskandar Abduvalievich

Independent Researcher, Tashkent State University of Economics.

G-mail: [iskandarmisirov1986@gmail.com](mailto:iskandarmisirov1986@gmail.com)

ORCID: 0009-0009-9300-5727

In modern conditions, the stability and sustainable development of the banking system of Uzbekistan largely depend on the quality of commercial banks' credit portfolios. Since the credit portfolio constitutes the major share of bank assets, its efficiency directly affects the overall financial condition and risk exposure of banks. In recent years, a significant expansion in lending activities has been observed in the national banking system. According to data from the Central Bank of Uzbekistan, the total volume of commercial banks' credit portfolios has exceeded 600 trillion UZS, which further increases the relevance of effective credit risk management and improvement of portfolio quality [1].

From a theoretical perspective, the quality of a credit portfolio is assessed through indicators such as repayment performance, the share of non-performing loans, and profitability. This concept is closely related to financial stability and risk management theories and serves as a key indicator of banking efficiency. In international practice, the most widely used indicator of credit portfolio quality is the ratio of non-performing loans (NPL), which reflects the level of credit risk management within the banking sector [2].

Empirical analysis of the banking system of Uzbekistan indicates that alongside the growth of the credit portfolio, its quality indicators have also shown positive dynamics[3]. In particular, the NPL ratio has remained at approximately 3–4 percent, which is close to internationally accepted benchmarks. However, the



## Symposium on Natural and Applied Sciences

Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

rapid growth of lending may also lead to an increase in credit risks, necessitating the continuous improvement of risk management frameworks in commercial banks.

The following table presents the dynamics of key credit portfolio quality indicators in Uzbekistan’s banking system.

**Table 1 Key indicators of credit portfolio quality in Uzbekistan’s banking system [4]**

| Indicators                          | 2023 | 2025 |
|-------------------------------------|------|------|
| Credit portfolio (trillion UZS)     | 430  | 533  |
| Non-performing loans (trillion UZS) | 15.7 | 21.1 |
| NPL ratio (%)                       | 3.7  | 4    |

As shown in the table, although the total volume of credit has increased significantly, the share of non-performing loans has remained relatively stable. This indicates a gradual improvement in credit risk management practices within the banking system.

The theoretical foundations for improving credit portfolio quality are based on several key approaches. First, according to risk management theory, banks can enhance portfolio quality by identifying, assessing, and mitigating credit risks. In this process, modern tools such as credit scoring models, financial analysis techniques, and stress-testing mechanisms play a crucial role. International experience, particularly recommendations from global financial institutions, highlights the importance of macroprudential stress testing in ensuring banking stability [5].

Second, diversification theory plays a significant role in improving credit portfolio quality. By distributing loans across different sectors, regions, and



## Symposium on Natural and Applied Sciences

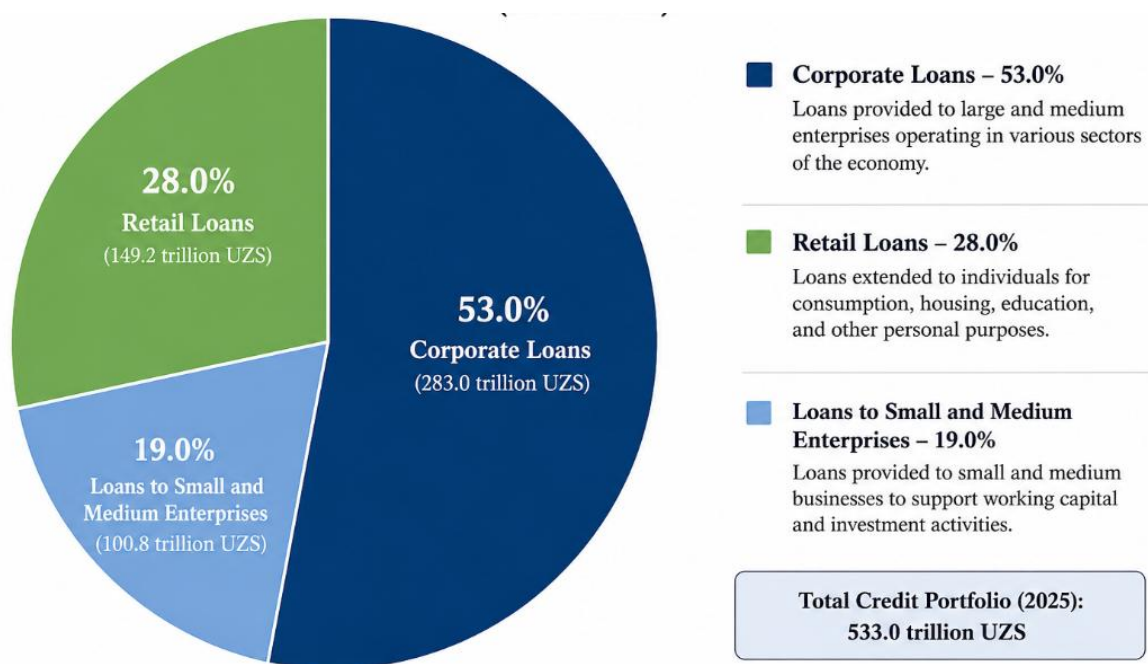
Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

borrower categories, banks can reduce overall risk exposure. This approach helps prevent excessive concentration of credit in a single sector, which could otherwise pose systemic risks.

The structure and diversification of a typical credit portfolio are illustrated below.



**Figure 1. Structure and diversification of a bank credit portfolio [4]**

The figure demonstrates that diversification is an essential mechanism for reducing credit risk. In particular, excessive concentration of loans in a single sector may significantly increase vulnerability to economic shocks.

Another important factor in improving credit portfolio quality is the enhancement of monitoring and control systems. Continuous assessment of borrowers' financial conditions, supervision of repayment discipline, and early identification of problem loans are essential components of effective credit management. In



## **Symposium on Natural and Applied Sciences**

Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

---

modern banking practice, the use of digital technologies and automated monitoring systems significantly increases efficiency and accuracy in this process.

In recent years, the rapid development of retail lending in Uzbekistan has contributed to increased profitability for banks, while simultaneously introducing new types of risks. Therefore, the application of advanced credit scoring systems and artificial intelligence technologies in evaluating individual borrowers is becoming increasingly necessary [5].

In this context, the application of advanced credit scoring systems has become a critical tool for improving the quality of retail loan portfolios. Modern scoring models, based on statistical and econometric methods, allow banks to assess borrower creditworthiness more accurately by analyzing a wide range of variables, including income levels, credit history, behavioral patterns, and transaction data. Furthermore, the integration of artificial intelligence (AI) and machine learning technologies enhances the predictive power of these models by enabling real-time data processing and adaptive risk assessment. AI-driven systems can identify hidden patterns and correlations that are not easily detectable through traditional methods, thereby improving the accuracy of default predictions and reducing the level of non-performing loans.

Moreover, the digital transformation of the banking sector has facilitated the use of alternative data sources, such as mobile payment history, utility payments, and online behavior, which further strengthens the assessment of borrower reliability. This is particularly important in emerging markets like Uzbekistan, where a significant portion of the population may have limited or no formal credit history. By leveraging such data, banks can expand financial inclusion while maintaining an acceptable level of credit risk. At the same time, the implementation of automated decision-making systems reduces operational costs and increases the



## **Symposium on Natural and Applied Sciences**

Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

---

speed of loan approval processes, which enhances customer experience and competitiveness in the banking sector.

However, the widespread adoption of these technologies also raises important challenges related to data privacy, cybersecurity, and regulatory compliance. Therefore, it is essential for banks and regulatory authorities, including the Central Bank of Uzbekistan, to develop appropriate legal frameworks and supervisory mechanisms that ensure the responsible use of digital technologies in credit risk management. In addition, continuous monitoring and validation of scoring models are necessary to prevent model risk and ensure their reliability under changing economic conditions.

In conclusion, improving the quality of bank credit portfolios in Uzbekistan requires a comprehensive theoretical and practical approach. This includes strengthening risk management frameworks, ensuring portfolio diversification, enhancing monitoring systems, and aligning with international banking standards. The future development of the banking sector will largely depend on the integration of digital technologies and data-driven risk assessment models, which will contribute to further improvements in credit portfolio quality and overall financial stability.

### **List of used literature**

1. Central Bank of Uzbekistan. Banking System Statistical Bulletin. – Tashkent: Central Bank Publishing, 2026. – 120 p.
2. Mishkin, F.S. The Economics of Money, Banking and Financial Markets. – New York: Pearson Education, 2018. – 720 p.
3. Central Bank of Uzbekistan. Financial Stability Report. – Tashkent, 2024. – 85 p.



## **Symposium on Natural and Applied Sciences**

Hosted Online from London, United Kingdom

Date: 5<sup>th</sup> May, 2026

Website: <https://econferencia.com>

- 
4. Compiled by the author based on statistical data from the Central Bank of Uzbekistan
  5. International Monetary Fund. Republic of Uzbekistan: Technical Assistance Report. – Washington, 2025. – 60 p.
  6. Central Bank of Uzbekistan. Analytical Review of Credit Portfolio Structure. – Tashkent, 2025. – 95 p.