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# MACROECONOMIC ASPECTS OF THE FORMATION OF THE CREDIT PORTFOLIO STRUCTURE OF COMMERCIAL BANKS IN THE REPUBLIC OF UZBEKISTAN

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**Abstract:** This chapter examines the impact of macroeconomic factors on the structure of the credit portfolio of commercial banks in the Republic of Uzbekistan. The study covers both theoretical aspects and empirical evidence, demonstrating the relationship between key macroeconomic indicators—such as inflation, dedollarization, interest rates, and GDP growth—and the dynamics of the credit portfolio across sectors and currencies. The analysis of credit segmentation (households and corporate borrowers, as well as economic sectors) reveals its alignment with the country's strategic development priorities. The findings indicate that government policy, inflation expectations, and dedollarization have a significant influence on the formation and quality of the credit portfolio, highlighting the need for adaptive portfolio management in a developing economy.

**Keywords:** Credit portfolio, macroeconomic factors, Uzbekistan, dedollarization, inflation, banking sector, credit structure, financial stability.

**Introduction:** In the context of economic transformation and ongoing banking reforms, the banking sector of the Republic of Uzbekistan plays a crucial role in promoting economic growth and supporting the development of various sectors of the economy. The credit portfolio occupies a central position in the functioning of the banking system, as its size, structure, and quality directly affect both the financial stability of banks and the overall economic activity of the country. However, the formation and evolution of the credit portfolio are not isolated processes; they are significantly influenced by the macroeconomic environment [4]. Understanding this relationship is essential for effective bank risk management, the formulation of sound monetary policy, and the promotion of sustainable economic development.

The relevance of this study lies in the need for a comprehensive analysis of the mechanisms through which macroeconomic fluctuations and government economic policy influence the allocation of credit resources across different sectors of Uzbekistan's economy. Current trends, including the expansion of household lending, the growth of long-term investment financing, and the ongoing process of dedollarization, require systematic examination within the framework of changing macroeconomic conditions.

The aim of this study is to identify and assess the extent to which key macroeconomic factors influence the structure of the credit portfolio of commercial banks in the Republic of Uzbekistan.

**Literature Review:** The theoretical foundations of the influence of macroeconomic factors on the structure of the credit portfolio are widely discussed in the economic literature. However, their application to emerging economies such as the Republic of Uzbekistan requires a context-specific interpretation. Classical and contemporary approaches in financial theory and macroeconomics emphasize the multifaceted nature of this relationship.

Fundamental theories of financial intermediation identify banks as key institutions that transform savings into investments. In this context, macroeconomic stability is considered a prerequisite for the efficient functioning of the banking sector. Macroeconomic variables such as inflation directly affect

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the real value of loans and deposits, as well as the expectations of economic agents. High and volatile inflation increases uncertainty, shortens planning horizons, and may reduce the volume of long-term lending by shifting the credit portfolio toward short-term loans and operations. Conversely, declining inflation expectations, as observed in the context of Uzbekistan, create more favorable conditions for long-term lending and investment.

The regulation of interest rates by central banks represents a powerful instrument for influencing the demand for and supply of credit. High interest rates may restrain lending, particularly investment financing, whereas lower rates stimulate economic activity. Nevertheless, the impact of interest rates on the structure of the credit portfolio is not always straightforward. During periods of robust economic growth and government support for priority sectors (such as mortgage lending or agriculture), credit demand may remain strong even under relatively high interest rates .

The dynamics of gross domestic product (GDP) and its sectoral composition also exert a significant influence on credit demand across different sectors of the economy. Rapidly growing industries, such as construction and services, generally exhibit a higher demand for financing, which is reflected in an increased share of these sectors within the credit portfolio. Conversely, slower growth in traditional industries may result in reduced lending or a decline in credit expansion within those sectors.

**Methodology:** To assess the impact of macroeconomic factors on the structure of the credit portfolio of commercial banks in the Republic of Uzbekistan, a comprehensive analytical approach was employed, combining descriptive, comparative, and structural analysis.

- **Descriptive analysis:** Examination of the dynamics and composition of the credit portfolio of commercial banks in Uzbekistan over the study period based on available statistical data.
- **Comparative analysis:** Comparison of changes in the structure of the credit portfolio with the dynamics of key macroeconomic indicators.

**Structural analysis:** Examination of the distribution of loans across economic sectors, borrower categories, and currencies, as well as the analysis of the causal relationships between these changes and prevailing macroeconomic trends.

The primary sources of empirical data for this study were the official reports of the Central Bank of the Republic of Uzbekistan (cbu.uz), including statistical bulletins and analytical reviews. In particular, the following data were utilized:

- Data on the aggregate credit portfolio of commercial banks and its composition by economic sectors and borrower categories [1].
- Information on the currency composition of the credit portfolio and the progress of dedollarization [2].
- Financial indicators of the banking sector, including profits, revenues, expenses, and profitability ratios [3].
- General macroeconomic indicators of Uzbekistan, such as inflation, GDP growth, interest rates, and monetary policy information, which were used to provide context and interpret changes in the credit portfolio.

**Trend analysis:** Assessment of the dynamics of key credit portfolio indicators and macroeconomic variables over time.

**Share and growth rate analysis:** Calculation of the share of each sector in the total credit portfolio and its growth rate to identify priority and underperforming areas of bank lending.

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**Results and Discussion:** The analysis of the dynamics and structure of the credit portfolio of commercial banks in Uzbekistan in recent years reveals substantial changes closely associated with the macroeconomic environment and government policy.

The aggregate credit portfolio of commercial banks in Uzbekistan has demonstrated steady growth. By the beginning of 2026, it had reached UZS **604,002.2 billion**, representing an increase of nearly **28%** compared with the beginning of 2024 [2]. This significant expansion in lending activity reflects overall economic development and is likely supported by government programs aimed at promoting economic growth and entrepreneurship. The macroeconomic environment underlying this growth is characterized by the stabilization of inflation expectations. According to January data, the average 12-month inflation forecast stood at **11.2%**, while the median expectation declined to **9.5%** [2]. Lower inflation uncertainty creates more favorable conditions for long-term lending and investment, encouraging commercial banks to expand their lending activities.

**Households:** This segment represents the largest share of the credit portfolio, reaching **UZS 208.6 trillion**, accounting for **36%** of the total portfolio. Over the year, household lending increased by **23%** [1]. This growth is likely attributable to the expansion of mortgage and consumer lending, supported by government programs and rising real household incomes. According to [2], loans denominated in the national currency are primarily extended to households, thereby supporting domestic demand.

**Industry:** Loans to the industrial sector accounted for **25%** of the total credit portfolio, amounting to **UZS 146.3 trillion**. However, the sector experienced a **1% decline** over the year [1]. This decrease may be attributed to the completion of major investment projects or a reallocation of financing toward more rapidly growing sectors of the economy.

**Agriculture:** Lending to the agricultural sector increased by **14%**, reaching **UZS 59.4 trillion**, while maintaining a **10%** share of the total portfolio [1]. This growth reflects continued government support for the agro-industrial sector aimed at ensuring food security and promoting export development.

**Construction:** This sector recorded the highest growth rate, increasing by **33%** to **UZS 17.2 trillion**, representing **3%** of the total credit portfolio. The construction boom, particularly in residential housing, has become one of the key drivers of Uzbekistan's economy, strongly supported by government initiatives and mortgage lending programs.

**Trade and Public Catering:** Lending to the trade and public catering sector increased by **18% to UZS 40.9 trillion, accounting for 7% of the** total portfolio [1]. This trend indicates the continued development of small and medium-sized enterprises (SMEs) and the service sector.

**Transport and Communications:** Lending to this sector declined by **6%** to **UZS 32.5 trillion**, representing **6%** of the portfolio. This reduction may be associated with changing investment priorities or the completion of certain infrastructure projects.

**Other Sectors:** Loans to other sectors increased by 23% to UZS 71 trillion, accounting for 12% of the total portfolio. This growth suggests increasing diversification of bank lending and the emergence of new areas of economic activity.

An important macroeconomic trend influencing the structure of the credit portfolio is the ongoing **dedollarization** process. Over the past two years, the share of loans denominated in the national currency increased from **55% to 61%**. This shift reflects the deliberate policy of the Central Bank and the government aimed at reducing foreign exchange risks and strengthening confidence in the national currency.

The findings of this study clearly demonstrate the close relationship between macroeconomic factors and the structure of the credit portfolio in Uzbekistan's banking sector. The observed trends—

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including the substantial expansion of total lending, the increasing share of household and construction loans, progress in dedollarization, and the continued investment orientation of the portfolio—are not accidental but are determined by specific macroeconomic conditions and strategic policy decisions.

The stabilization of inflation expectations plays a crucial role in promoting the long-term investment orientation of the credit portfolio. Reduced uncertainty regarding the future value of money enables both banks and borrowers to undertake long-term investment projects. These findings are consistent with theoretical approaches emphasizing the impact of inflation on investment activity [6]. However, despite declining inflation expectations, the increase in loan loss provisions [3] suggests that credit risks remain significant, possibly due to rapid portfolio expansion or elevated risks in specific lending segments.

**Dedollarization as a driver of structural transformation:** The ongoing process of dedollarization and the increasing share of loans denominated in the national currency represent the outcome of the Central Bank's targeted policy. This trend contributes to reducing systemic foreign exchange risk for both the economy as a whole and individual borrowers. The differentiation of loan currencies according to borrower type—national currency loans for households and foreign currency loans for corporate investment projects—represents a rational approach that takes into account differences in income sources and currency risk exposure across borrower groups.

**Government priorities and sectoral shifts:** The significant growth in household lending (consumer and mortgage loans) and lending to the construction sector reflects government priorities aimed at stimulating domestic demand, improving household welfare, and expanding residential construction. These developments are likely supported by various government programs, subsidies, and preferential lending schemes. At the same time, the relatively slower growth of industrial lending may indicate the completion of specific investment cycles or highlight the need for additional policy measures to stimulate lending to the industrial sector.

The decline in return on assets (ROA) and the net interest margin, despite increasing absolute profits and higher loan loss provisions, represents an important indicator for the banking sector. This trend may reflect growing competition among banks, increasing funding costs, or the fact that rapid credit expansion has been accompanied by greater risk-taking. Consequently, commercial banks should place greater emphasis on maintaining the quality of newly originated loans and improving the effectiveness of their interest rate policies.

This study confirms the strong relationship between the macroeconomic environment and the dynamics of bank lending in the Republic of Uzbekistan. The identified trends—including the overall expansion of the credit portfolio, the substantial increase in lending to households and the construction sector, successful progress in dedollarization, and the continued investment orientation of bank lending—demonstrate the dynamic development of the banking system and its ability to adapt to changing economic conditions.

The stabilization of inflation expectations and the implementation of a targeted dedollarization policy have emerged as key positive macroeconomic factors supporting the development of long-term lending while reducing systemic financial risks. At the same time, the observed increase in loan loss provisions and the slight decline in asset profitability indicate the need for further strengthening of risk management practices and banking supervision.

The limitations of this study are primarily related to the use of aggregated statistical data, which restricts the possibility of conducting more advanced econometric modeling and micro-level causal analysis. Furthermore, the rapidly evolving nature of Uzbekistan's economy necessitates continuous updating of statistical information and periodic reassessment of the study's conclusions.

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