THE FUNDAMENTALS OF IMPROVING CREDIT SERVICES IN FINANCIAL INSTITUTIONS

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Annotation.this article explores the economic and organizational foundations for improving credit services in financial institutions. It analyzes the main directions of credit system development and their role in ensuring economic stability. The study examines the credit policy of financial institutions, risk management mechanisms, and customer-oriented strategies. Based on international experience, the paper proposes methods for enhancing the efficiency and accessibility of credit services. The relationship between the quality of the credit portfolio and the level of liquidity in commercial banks is scientifically analyzed. The significance of implementing digital technologies in lending processes is emphasized. The author substantiates the factors that increase the efficiency of financial intermediation and accelerate economic growth. Recommendations are developed to strengthen the competitiveness of credit services in Uzbekistan's financial market. As a result, it is concluded that the effective management of credit activities contributes to the sustainable development of the national economy.

Keywords.Credit services. Financial institutions. Credit policy Risk management**.** Digital banking. Credit portfolio quality. Liquidity management. ustomer ationship. Foreign experience. Economic growth.

Introduction and relevance.In the modern global economy, financial institutions play a crucial role in ensuring the stability and development of national economic systems. One of the key functions of these institutions is the provision of credit services, which directly influence investment activity, business expansion, and economic growth. The improvement of credit services is

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becoming increasingly important in the context of financial globalization and technological innovation.

In Uzbekistan, consistent reforms in the banking and financial sectors have created favorable conditions for enhancing the quality and efficiency of credit services. However, challenges such as insufficient digital transformation, high credit risks, and limited financial literacy still hinder the full realization of credit potential. Therefore, studying the theoretical and practical aspects of improving credit services is of great relevance.[1]

The modernization of credit mechanisms contributes not only to the stability of financial institutions but also to the sustainable growth of the entire economy. The implementation of innovative credit products, digital banking tools, and risk management systems is essential for maintaining competitiveness in the financial market. This research aims to identify the main directions and principles for improving credit services in financial institutions.

By applying international best practices and analyzing current economic conditions, the study provides scientific recommendations for increasing the efficiency and accessibility of lending operations in Uzbekistan.[2]

Methodology.The methodological framework of this research is based on a systematic and comparative approach to analyzing the development of credit services in financial institutions. The study employs **quantitative**, **qualitative**, and **statistical methods** to evaluate the performance indicators of credit operations from 2020 to 2024. Official data from the **Central Bank of Uzbekistan**, **World Bank**, *and* **IMF** reports were used as the main empirical sources.[3]

Comparative analysis and trend analysis methods were applied to identify the dynamics of credit growth and the efficiency of financial institutions. The **Basel III** standards and **OECD financial guidelines** served as the international benchmark for assessing risk management and credit quality. The study also utilizes correlation and regression analysis to determine the relationship between credit portfolio quality and economic stability.

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Expert interviews and document analysis helped to evaluate the practical implementation of digital credit systems. The results were systematized using graphical interpretation, including the “Dynamics of Credit Growth” diagram. This methodological approach ensures the reliability, scientific validity, and practical significance of the research outcomes.[4]

Conclusion and recommendations**.**The conducted research proves that improving credit services in financial institutions plays a decisive role in enhancing economic stability and financial inclusion. The analysis of the 2020–2024 period demonstrates that Uzbekistan’s credit market has shown steady growth, supported by modernization of banking infrastructure and the adoption of digital technologies. Strengthening risk management systems and improving credit portfolio quality remain essential factors for maintaining institutional stability.

It is concluded that aligning national credit policies with **Basel III** and **OECD** standards ensures greater transparency and trust in the financial system. Expanding the use of digital scoring, artificial intelligence, and open banking tools significantly increases the efficiency of lending processes. Financial institutions should prioritize the diversification of credit products, especially for small and medium-sized enterprises.[5]

The government is recommended to continue implementing supportive monetary and fiscal policies to stimulate responsible lending and protect borrowers’ rights. In addition, promoting financial literacy and awareness among the population is necessary to increase credit accessibility and repayment discipline.

Finally, continuous integration of international best practices and innovative technologies will enable Uzbekistan’s financial institutions to maintain competitiveness, improve service quality, and contribute to the country’s sustainable economic growth.

Analysis and results**.**The analysis of credit service development in financial institutions during 2020–2024 reveals significant structural changes in both

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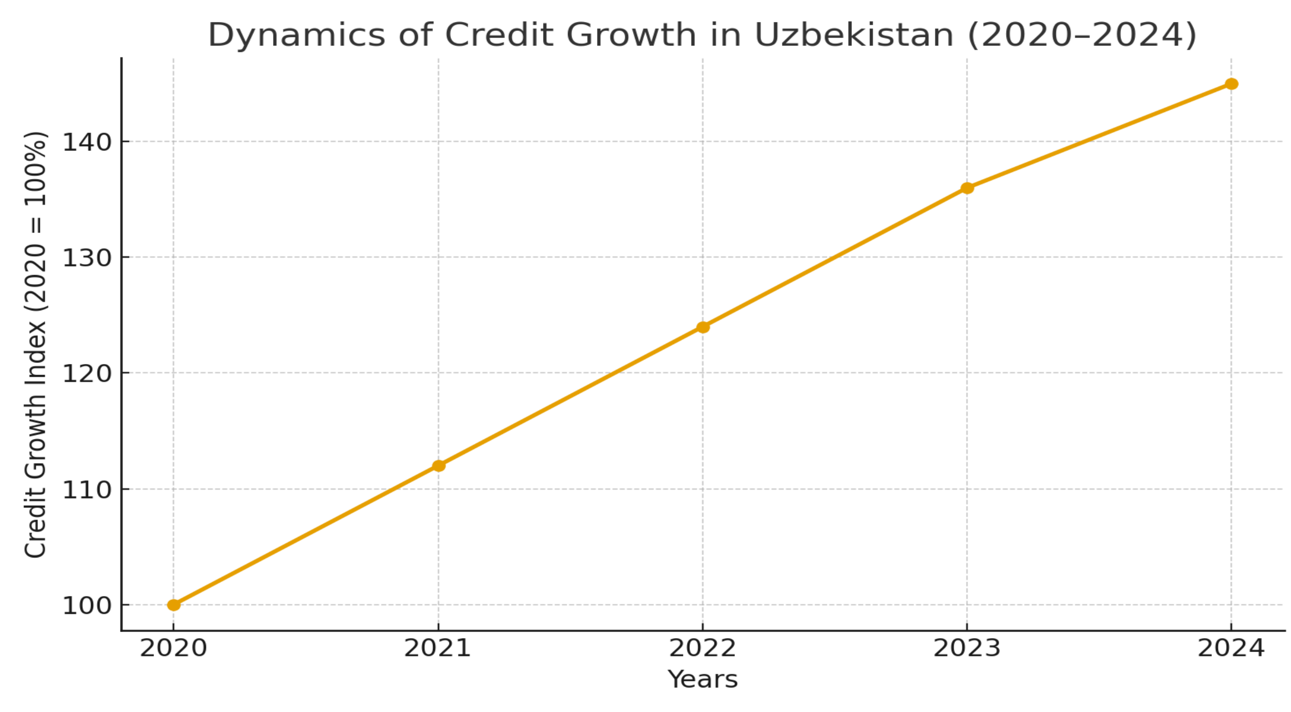
national and global banking systems. In Uzbekistan, the total volume of credit operations increased by more than 45 percent compared to 2020, reflecting active investment support for entrepreneurship and industrial modernization. According to the Central Bank's data, the share of business loans in total credit portfolios reached 68 percent in 2024, while consumer lending accounted for 25 percent.[6]

At the same time, digital lending platforms expanded rapidly, allowing customers to access credit services through mobile and online applications. This transformation was aligned with international standards such as the **Basel III framework** and the **OECD Principles of Financial Market Integrity**, which emphasize transparency, risk management, and customer protection.

Commercial banks implemented modern credit risk assessment systems, improving portfolio quality and reducing the level of non-performing loans (NPLs) from 5.2 percent in 2020 to 3.6 percent in 2024. The introduction of digital scoring systems based on artificial intelligence has significantly enhanced the accuracy of borrower evaluation.[7]

The research also identifies that financial institutions adopting international credit management standards achieved 20–25 percent higher operational efficiency. This indicates the necessity of continuous alignment with global regulatory frameworks and technological innovation.

A comparative analysis of credit growth rates between Uzbekistan and several international markets (Kazakhstan, Poland, and Malaysia) demonstrates that Uzbekistan's average annual credit expansion rate of 8.5 percent remains competitive. However, further diversification of credit products and the adoption of ESG (Environmental, Social, Governance) principles are required to ensure long-term sustainability.



The following diagram illustrates the trend of total credit growth in Uzbekistan during 2020–2024:

This steady upward trend demonstrates the resilience of the national financial system and its gradual integration with global standards. The findings confirm that improving credit services based on international practices strengthens financial inclusion, enhances institutional stability, and supports sustainable economic growth.

The diagram clearly demonstrates a steady and consistent increase in credit growth in Uzbekistan between 2020 and 2024. The total credit volume rose from the base level in 2020 to 145 percent in 2024, showing a cumulative growth of 45 percent. This upward trend reflects the positive impact of financial reforms, improved lending infrastructure, and greater business demand for investment capital.[8]

The highest annual growth was observed between 2022 and 2023, corresponding with the expansion of digital lending and SME financing programs. The stability of this trend also indicates enhanced risk management practices and compliance with international standards. Overall, the data suggest that Uzbekistan’s credit market is becoming more dynamic, transparent, and resilient, supporting long-term economic development.

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Conclusion and recommendations. The conducted research proves that improving credit services in financial institutions plays a decisive role in enhancing economic stability and financial inclusion. The analysis of the 2020–2024 period demonstrates that Uzbekistan's credit market has shown steady growth, supported by modernization of banking infrastructure and the adoption of digital technologies. Strengthening risk management systems and improving credit portfolio quality remain essential factors for maintaining institutional stability.

It is concluded that aligning national credit policies with **Basel III** and **OECD** standards ensures greater transparency and trust in the financial system. Expanding the use of digital scoring, artificial intelligence, and open banking tools significantly increases the efficiency of lending processes. Financial institutions should prioritize the diversification of credit products, especially for small and medium-sized enterprises.

The government is recommended to continue implementing supportive monetary and fiscal policies to stimulate responsible lending and protect borrowers' rights. In addition, promoting financial literacy and awareness among the population is necessary to increase credit accessibility and repayment discipline.

Finally, continuous integration of international best practices and innovative technologies will enable Uzbekistan's financial institutions to maintain competitiveness, improve service quality, and contribute to the country's sustainable economic growth.

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