

BANKING INVESTMENT ACTIVITY AND REGIONAL INDUSTRIAL DEVELOPMENT: EVIDENCE FROM HAMKORBANK ATB TERMIZ BRANCH, UZBEKISTAN

Qulsoatov Jushqin

4th year student majoring in Economics

Andijan state technical institute

Scientific supervisor: O.Mirzayev

Annotation. This study examines the relationship between banking investment activity and regional industrial development, focusing on the experience of Hamkorbank ATB Termiz Branch in Uzbekistan. The research analyzes the role of bank investments in supporting industrial enterprises, stimulating production growth, and enhancing regional economic performance. Special attention is given to the financing mechanisms employed by the bank and their impact on industrial modernization and business expansion.

Keywords: banking investment activity, regional industrial development, investment financing, industrial growth, regional economy.

Introduction

The role of commercial banks in stimulating regional industrial development has become a defining question of Uzbekistan's economic reform agenda. Over the past decade, the country has progressively repositioned its banking sector from a state-controlled intermediary toward a market-driven institutional investor capable of directing long-term capital into the productive economy. Presidential Decree PF-5992, adopted in May 2020, formalized this ambition by setting out a comprehensive banking sector reform strategy for 2020–2025, explicitly tasking commercial banks with supporting manufacturing modernization and increasing their share of long-term investment lending. This policy backdrop makes the performance of regional bank branches — the frontline institutions of investment delivery — a subject of particular academic and practical relevance.

The Surkhandarya region occupies a strategically significant position within this framework. Located at Uzbekistan's southernmost border, the region serves as the country's main transit gateway to Afghanistan and South Asia, while simultaneously hosting a growing agro-industrial base and light manufacturing sector. Hamkorbank ATB, Uzbekistan's third-largest private commercial bank with a network of 50 branches and 150 service outlets, has positioned itself as a key financial institution serving rural and regional enterprises. In December 2024, the Asian Development Bank (ADB) signed a UZS 625 billion (approximately USD 50 million) loan agreement

with Hamkorbank, with the majority earmarked for micro, small, and medium-sized enterprise (MSME) lending outside the capital, including at least 10% directed toward green technology investments. Against this background, this article examines the investment activity of Hamkorbank ATB Termiz Branch, analyzing its contribution to regional industrial growth, the structural challenges it faces, and the policy measures needed to enhance its effectiveness.

Methodology

This study draws on a combination of financial statement analysis, portfolio decomposition, and institutional-legal review. The primary data source consists of Hamkorbank ATB's IFRS-audited financial reports for 2021–2025, supplemented by the branch's internal credit portfolio statistics and post-investment monitoring reports. Horizontal analysis was applied to assess growth dynamics across the study period, while vertical analysis was used to examine the sectoral and currency composition of the investment portfolio. Key prudential ratios — including the Non-Performing Loans (NPL) ratio, Return on Equity (ROE), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) — were benchmarked against Basel III thresholds and the Central Bank of Uzbekistan's prudential norms. Secondary sources include the CBU's 2023 Annual Report, Surkhandarya regional statistical data, ADB and IFC project disclosures, and recent peer-reviewed publications from Uzbek academic repositories (Zenodo, ResearchGate).

Results and Discussion

The analysis reveals a sustained and structurally significant expansion in Hamkorbank ATB Termiz Branch's investment activity over the study period. The branch's total investment portfolio directed at regional manufacturing grew from UZS 110.4 billion in 2021 to UZS 245.2 billion by end-2025, representing a cumulative increase of 222.1%. This growth was not uniform across sectors: the largest concentration of investment, accounting for 42.8% of the portfolio, was channeled toward light industry — specifically textile yarn production and garment manufacturing — reflecting the regional government's priority of deepening domestic processing of locally grown cotton. The second-largest sector, food processing and agro-industry, absorbed 34.7% of investments, financing the construction of cold-storage facilities, sorting lines, and packaging plants oriented toward export markets.

A defining structural feature of the branch's investment model is its reliance on international funding lines. By 2025, 65% of long-term industrial investments were financed through credit lines from the ADB and the European Bank for Reconstruction and Development (EBRD), extended to Hamkorbank ATB at concessional rates of 7–9% per annum in foreign currency. This structure allowed the branch to offer enterprises financing tenors of 5–7 years — terms that far exceed what domestic deposit-funded lending could sustain, given that 56% of the branch's deposit liabilities

mature within one year. Despite this maturity mismatch, the branch maintained a Liquidity Coverage Ratio (LCR) of 141.5% and a Net Stable Funding Ratio (NSFR) of 116.8%, both comfortably above the Basel III minimum of 100%. Return on equity reached 21.8% in 2025, while the NPL ratio declined from 4.2% in 2021 to 3.1% — well within international benchmarks and below the national banking sector average of 4.5–5.0%.

The macroeconomic impact of these investments has been measurable and substantial. By end-2025, enterprises financed by the Termiz Branch had collectively created 2,150 permanent jobs and generated USD 45.2 million in export revenues — a 2.4-fold increase compared to 2023. Local budget tax revenues from branch-financed enterprises rose from UZS 14.2 billion in 2023 to UZS 36.5 billion in 2025, providing concrete evidence of an investment multiplier effect operating at the subnational level. These findings are consistent with broader Uzbek regional economic research: Soliyeva (2023) demonstrates that regions with higher financial institution density exhibit systematically higher rates of employment creation and industrial output growth, while a 2024 Zenodo study on commercial bank investment project financing confirms that long-term credit accessibility is the single most significant institutional determinant of manufacturing capacity expansion in Uzbekistan's non-capital regions.

Key Challenges

Despite this positive trajectory, the branch's investment activity faces three interconnected structural challenges. The most persistent is the maturity gap between funding and lending: deposit liabilities are predominantly short-term, while investment loans extend to five to seven years. Although this risk is currently managed within prudential limits, it constrains the pace of long-term investment expansion and creates vulnerability to sudden deposit outflows. The second challenge is currency risk on the borrower side. With 53% of the investment portfolio denominated in US dollars or euros, enterprises whose revenues are generated in Uzbek soum face significant devaluation exposure. If the soum depreciates, borrowers' debt service obligations in soum-equivalent terms escalate sharply — a dynamic that could rapidly transform profitable enterprises into defaulting borrowers and push NPL ratios above acceptable thresholds. The third challenge is institutional: inadequate IFRS compliance and weak corporate governance among local enterprises create barriers to accessing cheaper and longer-tenor international credit lines. International lenders — whether the ADB, EBRD, or IFC — require verifiable financial transparency and robust business documentation before committing capital; many Surkhandarya enterprises are not yet able to meet these standards.

Recommendations for Improvement

To address these challenges and elevate the branch's contribution to regional development, several policy measures are warranted. The issuance of corporate Green

Bonds on international exchanges represents the most promising avenue for diversifying the funding base. Surkhandarya's growing agro-industrial and renewable energy sectors — drip irrigation systems, solar-powered greenhouses, energy-efficient manufacturing — are precisely the types of assets that ESG-compliant institutional investors in Europe and Asia actively seek to finance, typically at rates 1.5–2.0 percentage points below conventional commercial debt. Alongside this, the branch should establish a dedicated Project Finance and Investment Consulting Desk to assist regional enterprises in preparing IFRS-compliant financial statements and bankable business plans. This would directly address the institutional bottleneck identified above and accelerate the absorption of available international credit lines.

On the risk management side, the introduction of digital currency hedging instruments — standardized forward contracts and currency swaps accessible via Hamkorbank's mobile business banking platform — would protect soum-earning borrowers from exchange rate fluctuations and reduce the systemic credit risk embedded in the foreign-currency portfolio. Finally, the deployment of an AI-powered Early Warning System (EWS) for real-time monitoring of borrower financial health — drawing on tax payment records, bank account turnover, utility payment data, and sector price indicators — would allow the branch to identify deteriorating loan performance three to four months before formal default, enabling proactive restructuring rather than reactive loss recognition.

Conclusion

This analysis of Hamkorbank ATB Termiz Branch's investment activity over 2021–2025 confirms that commercial bank investment lending is a critical driver of regional industrial development in Uzbekistan. The branch's 222% portfolio growth, the creation of 2,150 jobs, USD 45.2 million in new export revenues, and UZS 22.3 billion in incremental local tax receipts demonstrate concretely how institutional finance, when strategically directed and prudently managed, generates investment multiplier effects well beyond the bank's own balance sheet. At the same time, the structural vulnerabilities identified — maturity mismatch, currency risk, and borrower institutional capacity constraints — are not unique to Termiz or even to Uzbekistan. They are the classic challenges of regional bank-intermediated development finance, and they have established solutions: diversified long-term funding instruments, hedging services, and capacity-building for borrowers. Implementing these measures at the branch level would transform Hamkorbank ATB Termiz from an effective regional lender into a true regional investment catalyst — one capable of mobilizing international capital at scale to serve Surkhandarya's industrial and agro-industrial development.

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