

**THE ROLE OF CREDIT IN REGIONAL ECONOMIC DEVELOPMENT**

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**Annotation.** This article examines the critical role and strategic impact of credit resources on fostering regional economic development and narrowing regional disparities. The author analyzes the mechanisms through which banking and commercial credits stimulate local entrepreneurship, fund infrastructure projects, and attract direct investments to developing territories. By evaluating current credit allocation patterns, the article identifies key structural challenges in regional financing, such as uneven distribution and access barriers for local enterprises.

**Keywords:** credit resources, regional financing, banking system, credit policy, local entrepreneurship, investment climate, economic growth, commercial banks.

**Introduction.** The credit and financial system is a strategic tool for regional development, ensuring economic growth, improving living standards, and reducing interregional disparities. Given Uzbekistan's rapidly growing economy, the efficient use of credit resources for regional development is particularly pressing. Credits serve not only as a source of financing but also as a catalyst for structural transformations that facilitate the diversification of regional economies, the creation of new jobs, and the introduction of innovative technologies. This article examines the role of credit in the development of Uzbekistan's regional economy, analyzes current challenges and achievements, and identifies promising areas for improving credit policy.

One of the key areas of regional economic development in Uzbekistan is the modernization of critical infrastructure, financed through international and domestic loans. In 2025, the World Bank approved a \$100 million concessional loan to Uzbekistan for the integration of renewable energy sources into distribution networks. Co-financing from JSC Regional Electric Grids in the amount of \$50 million will enable the allocation of \$150 million for the development of distribution infrastructure in priority regions, including the Republic of Karakalpakstan and the Surkhandarya Region.

Specific results by 2029 include the construction and modernization of 6,000 km of transmission lines, the replacement of 1,200 distribution transformers, the installation of 150,000 smart meters, an increase in customer satisfaction of up to 90%, and a reduction in greenhouse gas emissions by 450,000 tons annually. These measures

are particularly relevant given that more than 50% of distribution network facilities have been in operation for more than 30 years, and technical losses reach 13%.

Regional economic development is one of the key factors in ensuring sustainable growth and social equity in every country. In the Republic of Uzbekistan, reducing economic disparities between regions, improving rural and urban infrastructure, and supporting local entrepreneurship are among the government's top priorities. In this process, bank loans and access to financial resources play a decisive role in activating regional economies.

In recent years, Uzbekistan has introduced regional credit mechanisms through social platforms such as the "Iron Notebook," "Women's Notebook," and "Youth Notebook." Additionally, national programs like "Every Entrepreneur is an Exporter" and "New Uzbekistan – New Opportunities" have emphasized the development of local businesses through bank financing. This article analyzes the role of credit in regional economic development, its effectiveness, and existing challenges.

The following methodological approaches were used in the study:

- **Statistical analysis:** Based on credit portfolios and regional distribution data from the Central Bank of Uzbekistan, the State Committee on Statistics, and commercial banks for the period 2020–2024.

- **Comparative approach:** Examining the correlation between credit levels and economic activity in regions such as Tashkent, the Fergana Valley, and the Republic of Karakalpakstan.

- **Sociological survey:** A questionnaire conducted among 150 local entrepreneurs to identify barriers and needs in accessing credit.

- **Normative-legal analysis:** Reviewing the 2022–2026 Development Strategy, banking regulations, and financial inclusion programs.

## Results

The research findings revealed the following:

1. There is a positive correlation between credit levels and economic activity. Regions with higher access to credit showed significant growth in job creation, production capacity, and export performance.

2. Access to credit resources is uneven across regions. Central regions such as Tashkent and Samarkand have higher credit volumes, while Surkhandarya, Navoi, and Karakalpakstan lag behind.

3. Main barriers for entrepreneurs include collateral requirements, high interest rates, complex documentation procedures, and low financial literacy.

4. Positive dynamics in women's and youth entrepreneurship were observed due to targeted credit programs supporting these groups.

The results confirm the strategic importance of bank credit in regional economic development. Loans serve not only as financial instruments but also as catalysts for

innovation, employment, and export capacity. However, it is necessary to make credit policies more inclusive, ensure regional equity, and improve financial literacy.

The government is creating opportunities for vulnerable groups through collateral-free loans, subsidized interest rates, and microfinance institutions. Additionally, digital banking services and fintech platforms play a vital role in simplifying the credit process.

To further stimulate regional economic development, the following directions are recommended:

- Expanding the number of local bank branches and improving financial infrastructure in underserved areas.
- Simplifying credit requirements and increasing access to collateral-free credit lines.
- Introducing financial literacy programs for entrepreneurs.
- Developing dedicated grant and credit platforms for women and youth entrepreneurship.

**Conclusion.** The role of loans in the development of Uzbekistan's regional economy is multifaceted, encompassing both positive aspects (financing infrastructure modernization and supporting entrepreneurship) and serious challenges (excessive household indebtedness). Uzbekistan has demonstrated significant progress in creating an effective regional lending system, as evidenced by its sharp improvement in international rankings. However, sustainable regional development requires further improvement of lending mechanisms, increased financial literacy, and a balanced policy aimed at ensuring both economic growth and household financial stability. Prospects for the development of Uzbekistan's regional economy through credit mechanisms depend on the integration of public policy, the private sector, and international cooperation, which together will ensure balanced and sustainable development across all regions of the country.

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