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IMPACT OF COMMERCIAL BANKS' CREDIT OPERATIONS ON BANK LIQUIDITY

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A B S T R A C T	K E Y W O R D S
Lending is the primary activity of commercial banks. As of November 1, 2025, the share of loans in total assets of commercial banks in the Republic of Uzbekistan amounted to 67.6 percentage points. This article examines the types of loans and theoretical approaches to ensuring bank liquidity amid the ongoing expansion of lending. Existing problems in the industry are identified and solutions are proposed.	commercial bank, business entity, credit, liquidity, asset, bank liabilities, deposit, microloan, interest, income, expense.

Introduction

In accordance with the Decree of the President of the Republic of Uzbekistan dated September 1, 2023 No. UP-158 "On the Strategy" Uzbekistan - 2030 ", the following urgent tasks have been identified: consistent continuation of transformational and institutional reforms in the economy, ensuring a favorable investment and business climate in the country, implementing a balanced monetary policy, bringing the annual volume of lending in the banking and financial system to 40 billion dollars, increasing the volume of bank deposits by 4 times. [1] In addition, Decree No. UP-5992 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025" provides for the implementation of the following measures to achieve the strategic goals of increasing the financial stability of the banking sector:

1) Ensuring moderate lending growth rates and improving the quality of the loan portfolio;
2) Improving banking sector oversight and implementing a modern risk management system in banks;
3) Ensuring coordinated reform of the banking system and state-owned enterprises in the real sector of the economy, actively participating in the transformation of state-owned enterprises and organizations on a commercial basis, and ensuring the harmonious flow of reforms in the real and financial sectors;
4) Increasing minimum capital requirements for banks, including taking into account the accession of the Republic of Uzbekistan to international economic organizations and the integration of the country's banking system into the international financial system. [2]

The above circumstances necessitate scientific and practical research into the sustainability of bank liquidity when improving bank lending practices. For this reason, this research article is relevant.

LITERATURE REVIEW ON THE TOPIC

French economist P. Dieterlen emphasizes that "liquidity is the total amount of cash currently available and obtainable in the future, exceeding all current needs and obligations, whether immediately or in the short term." [3]

Indeed, Dieterlen's ideas are also applicable to the banking system. Properly organizing the allocation of loans by commercial banks proportionate to the terms of their obligations and needs is an important step in ensuring the financial stability and liquidity of the bank.

According to T. Makshanova, the development of the interbank market facilitates the redistribution of temporarily idle funds between banks and the maintenance of liquidity. The refinancing system for Russian commercial banks is also linked to this factor. In this case, the source of replenishment of resources is the Central Bank of Russia, through which the liquidity of the commercial bank is maintained. [4] The opinion of the Russian economist is also important for the banking practice of the Republic of Uzbekistan. This is due to the fact that, according to the Central Bank of the Republic of Uzbekistan, in the third quarter of 2025, transactions worth a total of 255.6 trillion soums were conducted on the interbank money market, and the total volume of transactions increased by 19% compared to the second quarter (214.5 trillion soums). Increased activity in the interbank money market indicates the development of mechanisms for the redistribution of liquidity in the banking system and increased efficiency of liquidity management. [5]

The scientific innovation presented in Sh. T. Ibodullaev's doctoral dissertation proposes a methodology for "Ensuring the competitiveness and liquidity of a commercial bank in the national loan capital market by reducing the level of the reserve for possible loan losses relative to gross loans, ensuring proportionality between the rate of loan growth and the rate of growth of interest income received from them." [6]

The scientific innovation proposed by the aforementioned economist is relevant for the banking system of the Republic of Uzbekistan. Currently, the increasing share of problem loans and the reserves allocated for them in the banking system creates a problem of imbalanced liquidity for commercial banks.

O. Sattarov recognized the improvement of regulatory requirements for the liquidity and capital adequacy of commercial banks and the methodology for calculating liquidity standards and requirements as necessary conditions for ensuring the stability of the banking system of the Republic of Uzbekistan. [7]

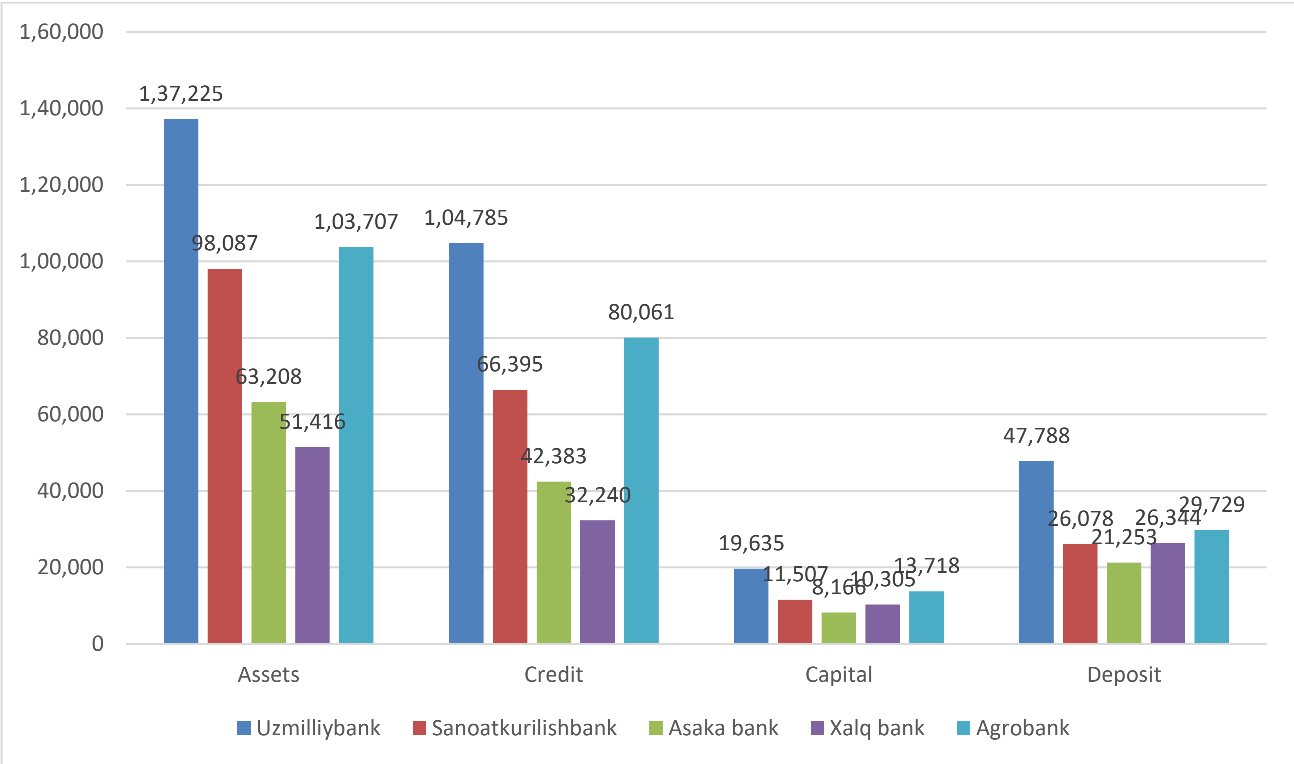
O. Sattarov's conclusion is of practical significance in terms of ensuring the competitiveness of commercial banks in our country. This is due, firstly, to the introduction of new Basel Committee requirements on liquidity and capital adequacy for commercial banks (liquidity coverage ratio, net stable funding ratio requirements, regulatory capital adequacy, Tier 1 capital adequacy, and Tier 1 common capital requirements) into the practice of banking supervision in the Republic of Uzbekistan. Secondly, some Basel Committee requirements were introduced without sufficient consideration of the current situation of commercial banks in our country. For example, the regulatory requirement for the net stable funding ratio is set at 100%, as stated in the Basel Committee recommendation. However, due to the serious problem of liquidity risk in large commercial banks in our country, they are experiencing difficulties in complying with this regulatory requirement.

ANALYSIS AND RESULTS

Large commercial banks in the Republic of Uzbekistan are currently taking measures to ensure a balance between their assets and liabilities, as well as to increase the share of loans in bank assets relative to loan income in interest income. This will reduce liquidity risk at banks.

Transformation risks at a bank are risks arising from the transformation of assets and liabilities, primarily related to maturity mismatches (e.g., short-term deposits funding long-term loans), leading to liquidity and interest rate risks. These risks may also include risks associated with the transition to a new economy (e.g., climate change). These risks affect the bank's profits and capital through adverse changes in interest rates and the inability to meet depositor demands.

Picture1 shows that loans constituted a high share of assets in the five largest state-owned banks of the Republic of Uzbekistan during the analyzed period. This figure was 75.0 percentage points at Uzmiliya Bank, 67.7 at Sanoatsqurilyshbank, 67.1 at Asaka Bank, 62.7 at Khalgbank, and 77.2 at Agrobank. Accordingly, the volume of bank capital and deposits was low. This is a negative situation for bank liquidity. To address these shortcomings, it is necessary to achieve deposit stability by developing securities transactions within the bank's asset structure and increasing the banks' investment attractiveness.



Picture 1 Key indicators of commercial banking activity (billion soums) as of November 1, 2025 [8]

Picture 1 shows that loans constituted a high share of assets in the five largest state-owned banks of the Republic of Uzbekistan during the analyzed period. This ratio was 75.0 at Uzmiliya Bank, 67.7 at Sanoatsqurilyshbank, 67.1 at Asaka Bank, 62.7 at Xalqbank, and 77.2 at Agrobank. Accordingly, the volume of bank capital and deposits was low. This is a negative situation in terms of ensuring bank liquidity. To address these shortcomings, it is necessary to achieve deposit stability by developing securities transactions in the bank's asset structure and increasing the bank's investment attractiveness.

According to the recommendations of the International Basel Committee, a high share of capital in commercial banks' liabilities is considered a positive situation in terms of ensuring financial stability and liquidity.

1-Table Commercial banks' loan portfolio and the share of problem loans in them. (November 1, 2025) [9]

Bank`s name	**Loan portfolio (billions of soums)**	**Non-performing loans (NPL) (billion soums)**	**Non-performing loans (%)**
Uzmilliybank	104 785	4 359	4,2
Sanoatkurilishbank	66 395	2 212	3,3
Asaka bank	42 383	1 993	4,7
Xalq bank	32 240	1 133	3,5
Agrobank	80 061	2 886	3,6

Table 1 shows that Uzmilliyabank and Asaka Bank had a high percentage of non-performing loans during the analyzed period. This is a negative situation for commercial banks' liquidity. According to international standards, the normal level of non-performing loans in a bank's loan portfolio is defined as no more than 3%, and the acceptable level should not exceed 5%.

CONCLUSIONS AND SUGGESTIONS

As a result of our study, we reached the following conclusions:

*proper organization of loan distribution by commercial banks, proportionate to the maturity of their obligations and needs, is an important step in ensuring bank financial stability and liquidity;

*the development of the interbank market facilitates the redistribution of temporarily idle funds among banks, maintaining liquidity;

*the share of non-performing loans and the proportion of reserves allocated to them are increasing in the banking system, creating a liquidity imbalance for commercial banks;

*the regulatory requirement for the share of net sustainable funding is set at 100%, as stated in the Basel Committee recommendation. However, due to the serious liquidity risk problem in large commercial banks in our republic, banks are facing difficulties in meeting this regulatory requirement.

In addition to these findings, the following scientific proposals for improving bank liquidity were formulated:

1. Minimizing liquidity risk in the bank, reducing the share of loans in the asset structure by developing securities transactions.
2. Ensuring bank liquidity by increasing the share of term and savings deposits in the bank's liabilities by enhancing the investment attractiveness of commercial banks.

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