



**OPPORTUNITIES FOR UZBEKISTAN TO USE THE EXPERIENCE  
OF DEVELOPED COUNTRIES IN IMPROVING THE EFFICIENCY  
OF COMMERCIAL BANKS’ ASSETS**

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
<p>This article analyzes the issues of increasing the efficiency of commercial banks' assets, their assessment criteria, and the possibilities of using the experience of the banking system of developed countries. During the study, special attention was paid to the profitability of bank assets, asset quality, liquidity indicators, and the effectiveness of the risk management system. Also, the experiences of diversifying the asset portfolio, developing risk management systems, and introducing digital technologies used in banks in the United States and European countries were studied. A comparative analysis was carried out with the activities of commercial banks of Uzbekistan, identifying existing problems and ways to eliminate them. Based on the results of the study, scientific and practical proposals were developed to increase the efficiency of bank assets, reduce credit risks, and ensure the stability of the banking system.</p>	<p>Commercial banks, asset efficiency, bank assets, loan portfolio, diversification, risk management, ROA, ROE, problem loans, liquidity, banking system, digital banking, international experience, banks of Uzbekistan.</p>

**Introduction**

In the current context of globalization and deepening financial integration processes, increasing the financial stability and efficiency of commercial banks is one of the urgent issues. The banking system, as the “vascular system” of the economy, plays an important role in accelerating investment processes in the country, financing the real sector, and ensuring overall economic growth. Therefore, the issues of effective management of commercial banks’ assets, increasing their profitability, and optimizing risks are at the center of modern economic research.

The efficiency of commercial banks’ assets directly affects the overall financial results of the bank. By forming the optimal composition of assets, increasing profitability and ensuring liquidity, banks strengthen their competitiveness. The experience of developed countries shows that the effective use of advanced financial instruments, modern risk management systems and digital technologies in managing bank assets is an important factor in achieving high results.

In recent years, the Republic of Uzbekistan has also been implementing large-scale measures to reform the banking and financial system, liberalize the activities of commercial banks and strengthen their integration into international financial markets. In this regard, the Decree of the President of the

Republic of Uzbekistan No. PD-5992 is of particular importance as one of the important documents on the reform of the banking and financial system in the Republic of Uzbekistan [1]. In accordance with this decree, a strategy for reforming the banking system for 2020–2025 was adopted, which set as priority tasks the liberalization of commercial banks, reduction of the state share, improvement of asset quality, and introduction of modern risk management systems. Nevertheless, there are still untapped opportunities in increasing the efficiency of bank assets, optimizing their composition, and effective risk management. In particular, an in-depth study of the experience of developed countries and its adaptation to national conditions is of great scientific and practical importance.

The purpose of this article is to study the best practices of commercial banks of developed countries in managing their assets and increasing their efficiency, and to analyze the possibilities of applying these practices in the banking system of Uzbekistan. The article also discusses modern approaches to increasing the efficiency of bank assets and the prospects for their introduction into national practice.

## **Literature review on the topic**

Many foreign and domestic economists have conducted research on improving the efficiency of commercial banks' assets.

The studies of Allen N. Berger and Loretta J. Mester play an important role in the study of banking efficiency. Their scientific works substantiate that bank efficiency depends mainly on the composition of assets, the quality of their placement, and the level of management. The authors emphasize that the internal management mechanisms of banks and the efficiency of resource use are the main factors that create differences between banks. They also scientifically prove that in developed countries, diversification of asset portfolios contributes to high profitability [2].

Özlem O. Akdeniz and co-authors define bank efficiency as “the ability to obtain maximum results based on given resources”. They argue that improving technical efficiency for banks is a crucial factor in reducing costs and increasing competitiveness [3].

In the research led by Wen-Min Lu, bank performance is considered as a multi-factor system. In particular, asset quality, capital adequacy, liquidity level and management effectiveness (CAMEL model) are analyzed as key indicators of bank performance. The authors argue that the combination of these factors ensures the long-term stability and profitability of banks and reduces risks [4].

Shokoofeh Banihashemi notes that the asset and liability management system (ALM) in banks is an important tool for increasing efficiency. According to him, through the ALM system, banks will be able to manage interest rate risk, control liquidity and increase profitability. In the experience of developed countries, this system is widely used as an integral part of bank management [5].

Li Ximei's scientific work deeply analyzed the relationship between bank liquidity and efficiency. According to the research results, maintaining the liquidity level within the optimal range increases the efficiency of banking activities, but excessive liquidity leads to inefficient use of resources. Therefore, it is emphasized that banks need to pursue a balanced policy in liquidity management. [6].

Local economist Navruz Temirov, in his research, emphasizes that the effectiveness of asset management in commercial banks is associated with ensuring the optimal balance between liquidity and profitability. In his opinion, the retention of excess liquid assets by banks reduces profitability, while, on the contrary, excessive focus on high-yielding but risky assets can negatively affect financial stability. Therefore, optimizing the composition of assets is an important task [7].

**Research Methodology**

In preparing this article, a comparative and critical analysis of the legal documents, the literature and Internet information used, and the scientific and theoretical views of economists on the topic were carried out. In the course of studying the topic, along with general economic methods, systematic analysis, generalization, abstract-logical thinking, and statistical methods were used.

**Analysis and discussion of results**

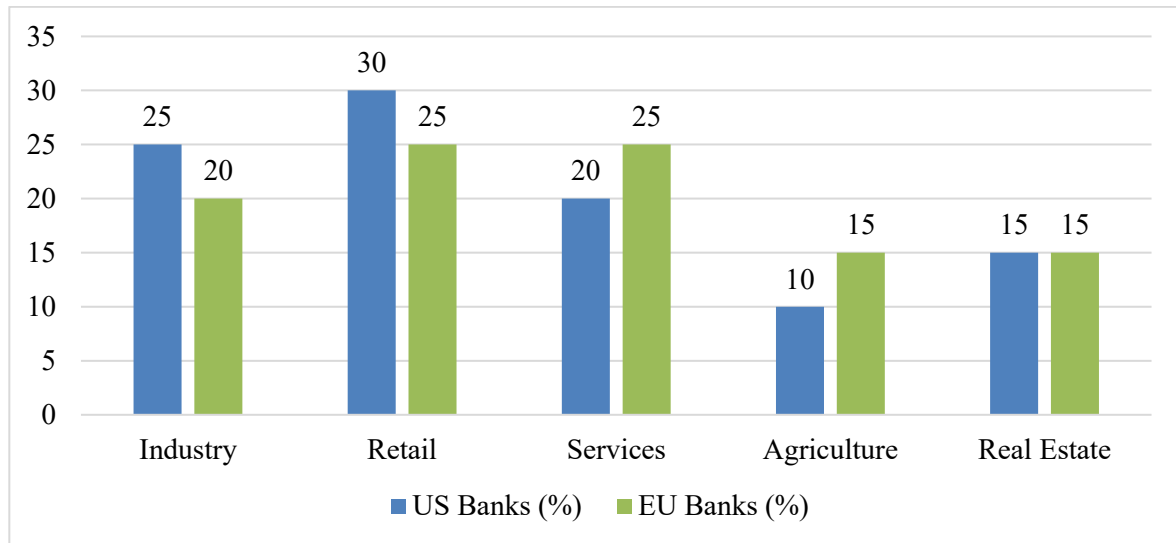
In the process of assessing the efficiency of commercial banks' assets, the main attention is paid to their profitability, asset quality, liquidity indicators and risk management system. In international practice, the efficiency of banking activities is often analyzed through indicators such as return on assets (ROA), return on equity (ROE) and the share of problem loans (NPL). These indicators reflect how effectively banks use resources and allow them to assess their financial stability and competitiveness in the market. In addition, indicators such as net interest margin (Net Interest Margin), operational efficiency ratios and asset turnover are also widely used in assessing banking activities. These indicators allow for a deeper analysis of the level of profitability of bank assets and are of great importance in determining the quality of asset management.

**Table 1 Key indicators assessing the effectiveness of commercial banks' assets [8]**

Indicator name	Contents	Importance
ROA (Return on Assets)	Return on bank assets	Indicates the efficiency of asset utilization
ROE (Return on Equity)	Return on bank capital	Important indicator for investors
NPL (Non-performing loans)	Share of problem loans	Assess the quality and risk level of the loan portfolio
Net Interest Margin	Difference between interest income and expenses	Reflects the source of profitability of the bank
Liquidity Ratio	Bank's ability to cover short-term liabilities	Ensures financial stability
Asset Diversification	Asset distribution in different areas	Reduces risks and stabilizes income

The experience of the banking system of developed countries shows that, first of all, diversification of the asset portfolio is important in increasing the efficiency of assets. In particular, in US and European banks, risks are minimized and profitability stability is ensured by distributing the loan portfolio across different sectors, regions and customer segments. At the same time, these banks have introduced highly developed risk management systems that allow for the early identification and management of credit, interest rate and liquidity risks.

In addition, modern digital technologies, artificial intelligence-based analytical systems and credit scoring models are widely used in banking practice in developed countries. This serves to accurately assess the creditworthiness of customers, reduce the share of problem loans and improve the quality of assets. As a result, banks will be able to use their assets as efficiently as possible.

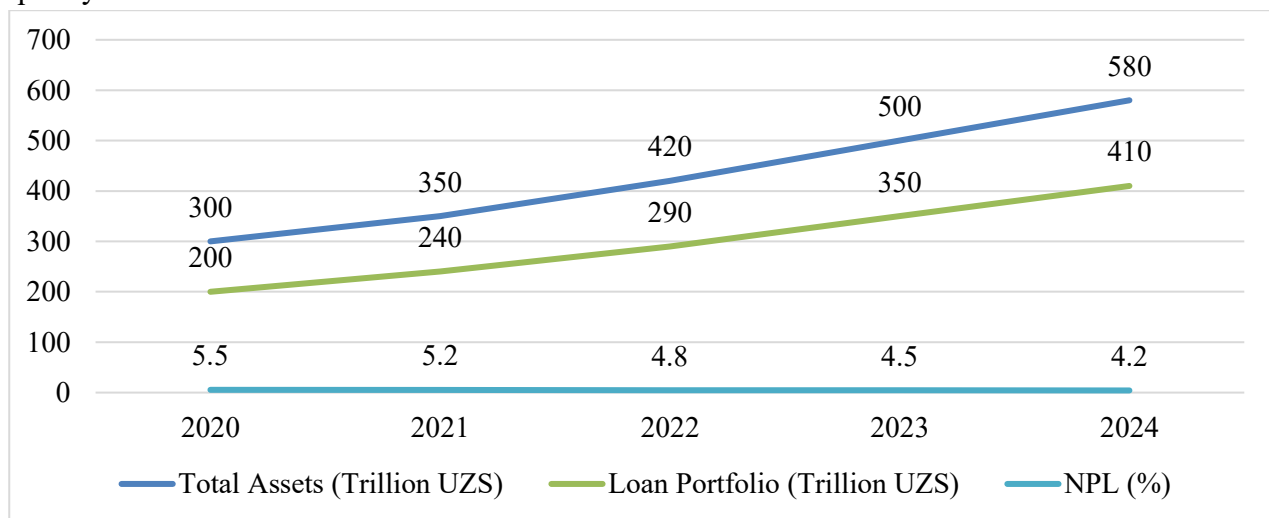


**Figure 1. Distribution of loan portfolios by sector in US and European banks [9]**

As can be observed from the figure, in developed countries the loan portfolios of banks are relatively evenly distributed across several sectors. In particular, there is diversification among the industrial, service, and retail sectors, which helps prevent the concentration of credit risk in a single area. As a result, banks are able to serve various segments of the economy while ensuring income stability and reducing potential losses.

In recent years, in the banking system of Uzbekistan, alongside the growth in lending volumes, a relative concentration of loan portfolios by sector has been observed. This, in turn, increases dependence on certain sectors and may give rise to additional risks for banks in the event of economic shocks. Therefore, diversification of the loan portfolio, the introduction of new financial instruments, and the improvement of pre-risk assessment mechanisms are of significant importance.

In addition, the implementation of modern risk management systems, the use of credit scoring models, and digital technologies play a crucial role in enhancing the efficiency of bank assets. Based on the experience of developed countries, these approaches contribute to more accurate assessment of clients' creditworthiness, a reduction in the share of non-performing loans, and an overall improvement in asset quality.



**Figure 2. Dynamics of assets and loan portfolios of commercial banks of Uzbekistan (2020–2024) [10]**

At the same time, there are opportunities to further develop asset and liability management (ALM) systems in commercial banks of Uzbekistan, improve liquidity management, and minimize interest rate risk, thereby enhancing the overall efficiency of banks. Studying the experience of developed countries in these areas and adapting it to national conditions is of significant scientific and practical importance in ensuring the stability of the banking system.

Although noticeable changes have been observed in the banking system of Uzbekistan in recent years, a relatively high concentration of loan portfolios still persists. This situation increases dependence on certain sectors and may impose additional risks on banks during periods of economic fluctuations. Therefore, increasing the level of diversification and distributing loans across different economic segments remains a pressing issue.

From a dynamic analysis perspective, the assets of commercial banks in Uzbekistan have demonstrated a steady growth trend in recent years. In particular, the expansion of bank assets is directly associated with the increase in the loan portfolio, which reflects a rise in investment activity within the economy. At the same time, the high share of loans in the structure of assets both contributes positively to profitability and simultaneously increases the level of risk.

In addition, in the banking systems of developed countries, the share of non-performing loans (NPLs) is maintained at a relatively low level to ensure the stability of asset quality. In the banking system of Uzbekistan, optimizing this indicator and controlling its growth remains one of the key tasks. In this regard, improving lending standards, conducting in-depth analysis of borrowers' financial conditions, and introducing early warning systems are of significant importance.

**Table 2 Comparative analysis of financial indicators of commercial banks of developed countries and Uzbekistan [11]**

Indicator	Developed Countries	Uzbekistan
Asset Diversification Level	High	Medium
Loan Portfolio Concentration	Low	High
NPL Ratio (%)	2	4.5
ROA (%)	1.2	0.8
ROE (%)	12	9
Digital Banking Level	Advanced	Developing
Risk Management System	Highly Advanced	Moderate

The table below provides a comparative analysis of the main financial indicators of commercial banks in developed countries and Uzbekistan, and the results show that there are significant differences between the banking systems. In particular, the level of asset diversification is high in developed countries, which indicates a broad and balanced distribution of credit and investment portfolios. In Uzbekistan, this indicator is at an average level, indicating the need to further diversify the composition of bank assets.

The level of concentration of the loan portfolio is low in developed countries, which ensures bank stability by distributing risks across different sectors. In the Uzbek banking system, the loan portfolio is relatively highly concentrated, which increases dependence on certain sectors and may exacerbate systemic risks.

A significant difference is also observed in the share of problem loans (NPL): in developed countries this indicator is low (2%), and in Uzbekistan it is relatively high (4.5%), indicating the need to further improve the credit risk management system. Banks from developed countries also have an advantage in terms of profitability indicators - ROA and ROE, which indicates a high level of effective use of assets.

It is also noted that the level of digital banking is high and advanced in developed countries, while in Uzbekistan it is still at the development stage. The risk management system is also highly developed in developed countries, which plays an important role in ensuring the financial stability of banks. In general, the results of the table indicate the need for Uzbek commercial banks to increase asset diversification, effectively manage credit risks, and accelerate digital transformation.

In general, the results of the comparative and dynamic analysis show that in order to increase the efficiency of the assets of commercial banks in Uzbekistan, it is necessary to widely introduce diversification, risk management and digital technologies, which are used in the experience of developed countries. At the same time, there is an opportunity to further increase the efficiency of bank assets by qualitatively strengthening their growth dynamics.

## **Conclusion and Suggestions**

The results of the study show that the efficiency of commercial banks' assets is one of the decisive factors in ensuring the overall stability and profitability of banking activities. The experience of the banking systems of developed countries confirms that high efficiency can be achieved through diversification of the asset portfolio, the introduction of modern risk management systems, and the widespread use of digital technologies. At the same time, it is important to assess the level of asset utilization through bank efficiency indicators (ROA, ROE, NPL, etc.).

The results of the analysis of the activities of commercial banks in Uzbekistan show that the volume of bank assets is steadily growing, but additional measures are needed to further increase their efficiency. In particular, the high concentration of the loan portfolio in certain sectors, the need to improve risk management systems, and the underdevelopment of the level of use of digital technologies are among the main problems.

Based on the results of the research and the analysis conducted, the following main proposals were developed to improve the efficiency of commercial banks' assets:

1. It is necessary to expand the diversification of the asset portfolio in commercial banks of Uzbekistan. In order to reduce the high concentration of the loan portfolio in certain sectors, it is necessary to distribute loans in a balanced manner between various sectors of the economy, such as industry, services, agriculture and small business. This approach serves to reduce the credit risks of banks and ensure the stability of income.
2. It is important to improve the credit risk management system in commercial banks. In this regard, the quality of the loan portfolio can be improved by introducing modern credit scoring models, developing warning systems that allow for in-depth analysis of the financial condition of borrowers and early identification of problem loans.
3. It is necessary to develop an asset and liability management (ALM) system in banks. Ensuring the optimal balance between liquidity and profitability, effectively managing interest rate risk, and reducing the mismatch between the terms of assets and liabilities will strengthen the financial stability of banks.

4. The widespread introduction of modern digital technologies is an important factor in increasing the efficiency of banking activities. The speed and accuracy of banking operations will increase through the development of credit analysis based on artificial intelligence, big data technologies and digital banking services.
5. It is necessary to strengthen measures to improve the quality of bank assets and reduce the share of problem loans. The quality of assets will be increased by improving lending standards, conducting regular stress tests of the loan portfolio, and strengthening collateral and security mechanisms.
6. It is necessary to develop corporate governance and risk management systems based on international standards. Strengthening internal audit and control systems, ensuring the independence of risk management units, and the widespread introduction of Basel standards will increase the reliability of the banking system.
7. It is important to study the experience of the banking systems of developed countries and adapt it to national conditions. In particular, it is advisable to introduce diversification, risk management and digital transformation models used in US and European banks in accordance with the characteristics of the banking system of Uzbekistan.

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