COMMERCIAL CREDIT RELATIONS WITH SMALL BUSINESS ENTITIES

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Abstract. *The article discusses the assets of commercial banks, their formation and modern methods of management.*
Key words. *Commercial banks, financial resources, assets, liabilities, liquid assets, bank income, bank margin, credit, collateral, plastic cards.*

In accordance with the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992, *“On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025”*, a number of comprehensive reforms have been envisaged. These include the reform of mechanisms for financing investment projects with the participation of the Uzbekistan Fund for Reconstruction and Development; the abandonment of the practice of lending under state programs at interest rates below the Central Bank’s key rate and the transition to market-based lending conditions starting from 2021; the concentration of lending within state target programs for entrepreneurship development in three banks - Joint-Stock Commercial People’s Bank, Agrobank JSCB, and Microcreditbank JSCB; the establishment of a preferential state financial support mechanism for entrepreneurial activity through the State Fund for Entrepreneurship Support; the introduction of a new procedure for providing housing to the population through mortgage lending based on market principles; and the assessment, in cooperation with the World Bank, of prudential supervision mechanisms and procedures applied to commercial banks in terms of their compliance with the principles of the Basel Committee [1].

Furthermore, the Resolution of the President of the Republic of Uzbekistan dated March 9, 2023 No. PQ-88 stipulates that, by September 1, 2023, the Ministry of Economy and Finance, in cooperation with the Central Bank, shall ensure the integration of the Ministry’s information system with the Central Bank’s “Fast Payments” system in order to enable online settlements through the Single Treasury Account on a 24/7 basis [2].

The assets of commercial banks are primarily oriented toward short-term horizons and are closely related to the daily management of the bank’s balance sheet. Asset management is aimed at increasing income and limiting risks in banking operations. Therefore, from a financial perspective, the main objective of asset management is to enhance profitability while reducing risks inherent in banking activities. The analysis of a bank’s asset operations should be conducted in terms of profitability, risk level, and liquidity [3].

As noted in the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992, the dominant role of the state in the banking sector and the active involvement of banks as intermediaries in financing various state programs and enterprises have led to a number of systemic risks and challenges. These include a high level of dollarization of assets and liabilities, as well as the concentration of loans and deposits among large companies and specific sectors of the economy, which exposes banks to currency and credit risks, as well as liquidity risk. At the beginning of 2020, loans denominated in foreign currency accounted for 48 percent of total loans, while foreign currency deposits and funds constituted 44 percent of total deposits. Moreover, 36 percent of the total volume of loans issued by state-owned banks was concentrated among the ten largest borrowers. In addition, the state holds a dominant position in the banking sector: out of 31 banks operating in the system, 13 have state participation in their capital, accounting for more than 87 percent of total banking capital and over 85 percent of total banking assets [4]. These factors

have necessitated a shift toward the management of bank assets using modern approaches within the banking system.

Bank assets represent all financial resources owned by a bank that generate income or possess economic value. In simple terms, any placement of funds by a bank constitutes its assets. The main types of assets of commercial banks include:

1. **Cash and funds held at the Central Bank**, including:
   - cash on hand;

- **Accounts held at the Central Bank**: These assets are considered to be the most liquid assets.

2. **Loans**:
   That is, loans extended to individuals and legal entities. These constitute the primary source of bank income.
3. **Investments in securities**:
   Including government bonds, corporate bonds, and shares.
4. **Interbank placements**:
   Short-term loans extended to other banks.
5. **Fixed assets**:
   Buildings, equipment, and transport vehicles.
6. **Other assets**:
   Interest receivable and accounts receivable.

In the activities of commercial banks, assets represent an important economic category. Bank assets reflect a set of economic resources controlled by a bank and recorded on the asset side of the balance sheet. These resources are formed as a result of banking operations and are expected to generate economic benefits for the bank in the future. Through bank assets, banks perform the function of financial intermediation in the economy and ensure the efficient redistribution of financial resources.

In academic literature, the definitions of bank assets reveal their functional and economic essence. In particular, bank assets are financial and non-financial resources attracted and allocated by banks using both borrowed and own funds, serving the purposes of income generation or liquidity maintenance. These assets are a key factor determining a bank's operational performance, financial stability, and level of profitability.

The economic substance of bank assets is also characterized by their continuous circulation. Resources attracted by banks are allocated through loans, investments, or other operations, ensuring the uninterrupted movement of bank assets. As a result, bank assets act as financial instruments that serve the real economy.

On the balance sheet, assets reflect the total amount of funds and claims at the bank's disposal. Assets are presented on the left-hand side of the balance sheet and indicate where and in what form the bank's funds are allocated. The asset side of the balance sheet provides important information about the directions, priorities, and risk level of a bank's activities. The composition and structure of assets are directly linked to the bank's strategic objectives. For example, in credit-oriented banks, loan portfolios constitute the major share of assets, whereas in banks focused on investment activities, investments in securities occupy a significant position. Therefore, analyzing the structure of assets on the balance sheet is an essential tool for evaluating bank performance.

One of the primary functions of bank assets is income generation. The main share of bank profits is formed through interest income on loans, income from investment activities, and other asset-based operations. Consequently, banks pay particular attention to the profitability of assets when allocating resources. However, high-yielding assets are often characterized by lower liquidity. For instance, long-term loans or investment projects may serve as major sources of income for banks, but converting them into cash quickly when needed can be difficult. Therefore, maintaining a balance between liquidity and profitability is a crucial aspect of bank asset management.

Every bank asset is associated with a certain degree of risk. Bank assets differ according to their level of risk, and these risks are an integral part of banking activities. Credit risk, market risk, interest rate risk, and liquidity risk directly affect bank assets. Credit risk is mainly associated with the failure of borrowers to repay loans in full and on time. Investment assets are exposed to market risks, meaning that changes in the value of securities affect the value of bank assets. For this reason, banks seek to reduce risks by diversifying their asset portfolios.

In practice, bank assets are classified according to various criteria, including income-generating capacity, liquidity level, risk level, maturity, and balance sheet recognition. Each classification reveals a specific aspect of banking activity. Based on liquidity, bank assets are divided into highly liquid, moderately liquid, and low-liquid assets. Highly liquid assets can be converted into cash within a short period with minimal losses and play a crucial role in meeting banks' daily payment obligations. Highly liquid assets include cash holdings, required reserves held at the Central Bank, and funds in demand deposit accounts. Moderately liquid assets include short-term loans and marketable securities that can be sold quickly. Low-liquid assets comprise long-term loans, investment projects, and fixed assets.

Based on income-generating capacity, bank assets are classified into income-generating and non-income-generating assets. Income-generating assets constitute the primary source of bank profits and include loan portfolios, investment securities, and interbank placements. Non-income-generating assets, although they do not directly generate profit, play an important role in ensuring the continuity of banking operations. Such assets include fixed assets, buildings, and technical equipment, which provide the necessary infrastructure for banking activities.

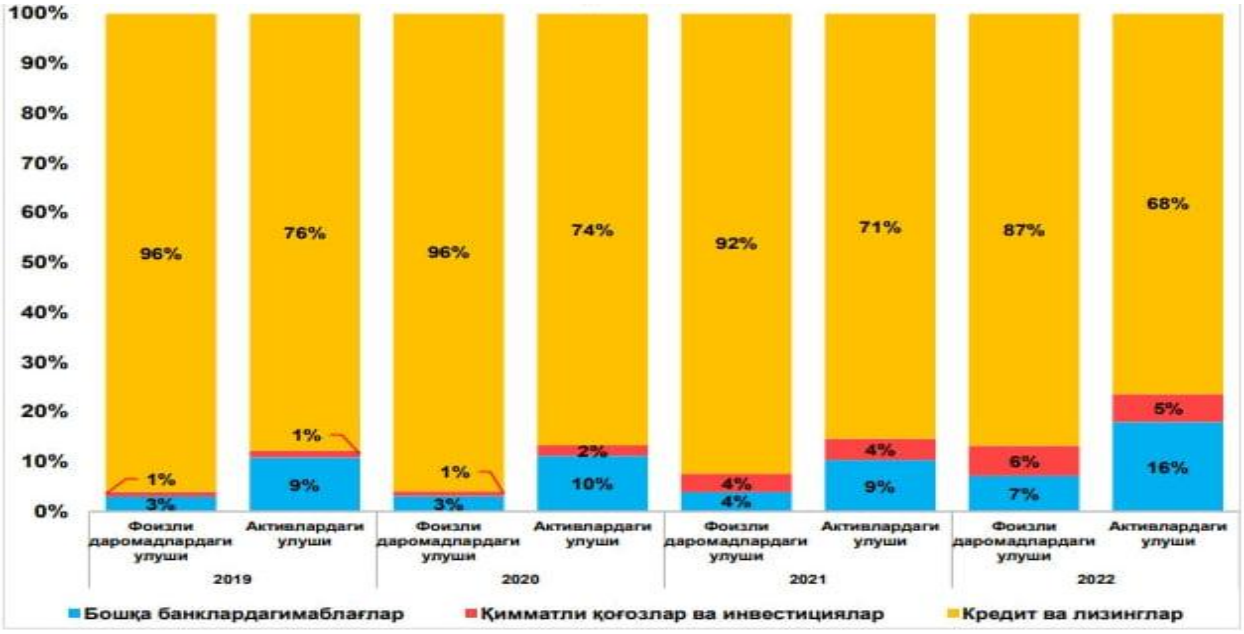
According to the level of risk, bank assets are classified into low-risk, medium-risk, and high-risk assets. Low-risk assets include government securities and deposits held at the Central Bank. Although these assets offer relatively low returns, they are stable and contribute to maintaining the overall stability of banks. Medium-risk assets mainly consist of short- and medium-term loans that generate stable income for banks. High-risk assets include long-term investment projects, loans extended to innovative sectors, and non-performing loans.

According to data from the Central Bank, as of October 1, 2025, the total assets of commercial banks amounted to 866.8 trillion UZS. This represents a 17 percent increase compared to the previous year and a 20 percent increase in real terms. The banking system of Uzbekistan demonstrates stable growth across all key indicators. As noted in the Central Bank's report, as of October 1, 2025, the total assets of commercial banks reached 866.8 trillion UZS. While this indicator increased by 17 percent over the year in nominal terms, real growth, adjusted for the impact of inflation, amounted to 20 percent.

Within the structure of total assets, 332.9 trillion UZS, or 38 percent, accounted for assets denominated in foreign currency. This figure declined from 43 percent in the previous year, reflecting a reduction in the share of foreign currency assets and indicating progress in the de-dollarization process of the banking sector. Over the year, the loan portfolio increased from 515.6 trillion UZS to 582.2 trillion UZS. Of this amount, 228.7 trillion UZS, or 39 percent, consisted of loans denominated in foreign currency. The nominal growth rate of the loan portfolio was 13 percent, while real growth amounted to 15 percent.

The volume of deposits in the banking system also increased significantly, rising from 286.9 trillion UZS to 371.5 trillion UZS. This corresponds to an annual growth rate of 29 percent, or 31 percent in real terms. Of total deposits, 83.7 trillion UZS, or 23 percent, were placed in foreign currency, down from 27 percent in the previous year. Total bank capital amounted to 130.4 trillion UZS and increased by 19 percent over the year. According to the Central Bank, the growth in assets, loans, and deposits contributes to maintaining the stability of the banking system and ensuring adequate liquidity in the economy [5]

Structure of Interest Income and Assets in 2019–2022 [6]



The data presented in the table indicate that during the period 2019–2022, changes occurred in the structure of interest income and assets of commercial banks. In particular, by 2022, the share of credit investments within total bank assets declined.

In conclusion, the classification of bank assets based on various criteria enables an in-depth analysis of banking activities. Managing assets with due consideration of their liquidity, profitability, and risk levels plays a crucial role in ensuring the financial stability of banks.

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