

THE ROLE AND IMPORTANCE OF COMMERCIAL BANKS IN ECONOMIC GROWTH AND ITS DEVELOPMENT

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Annotatsiya. Ushbu maqolada iqtisodiy o'sishning muhim omillaridan biri sifatida tijorat banklarining o'rni va ahamiyati tahlil qilinadi. Bank-moliya tizimining barqarorligi va tijorat banklari orqali real sektorni kreditlash iqtisodiy faollikni oshirishga xizmat qilishi ilmiy asosda bayon etilgan. Shuningdek, O'zbekiston tajribasi misolida tijorat banklarining iqtisodiyotga ta'siri amaliy ko'rsatkichlar asosida yoritiladi.

Kalit so'zlar: iqtisodiy o'sish, tijorat banklari, moliyaviy vositachilik, kredit siyosati, bank tizimi, investitsiya.

Аннотация. В статье анализируется роль и значение коммерческих банков как одного из важных факторов экономического роста. Научно доказано, что стабильность банковско-финансовой системы и кредитование реального сектора через коммерческие банки способствуют повышению экономической активности. Также на примере опыта Узбекистана будет проиллюстрировано влияние коммерческих банков на экономику на основе практических показателей.

Ключевые слова: экономический рост, коммерческие банки, финансовое посредничество, кредитная политика, банковская система, инвестиции.

Abstract. This article analyzes the role and importance of commercial banks as one of the important factors of economic growth. The stability of the banking and financial system and the fact that lending to the real sector through commercial banks serves to increase economic activity are scientifically stated. Also, the impact of commercial banks on the economy is highlighted on the basis of practical indicators using the example of the experience of Uzbekistan.

Keywords: economic growth, commercial banks, financial intermediation, credit policy, banking system, investment.

1. Introduction.

In a market economy, the financial intermediation system, especially commercial banks, plays an important role in economic development. Through commercial banks, resources are redistributed to economic entities, investment projects are financed, and financial stability is ensured. In particular, the banking reforms being implemented in Uzbekistan are having a positive impact on the process of economic growth.

Global experience shows that banks are one of the main financial institutions supporting economic activity. They stimulate employment and production by lending to enterprises, especially small and medium-sized businesses. Therefore, it is urgent to study the impact of commercial banks on economic growth scientifically and practically.

In recent years, the economic reforms being implemented in the Republic of Uzbekistan have radically strengthened the role of the financial sector, in particular commercial banks, in economic

growth. Banks are the foundation of the economic system by managing liquidity in the economy, providing entrepreneurs with credit, and attracting investments.

Commercial banks are contributing to the growth of the country's gross domestic product (GDP) by financing small and medium-sized businesses, supporting infrastructure projects, and improving the investment climate.

2. Analysis of literature on the topic.

The role of the financial sector, in particular commercial banks, in ensuring economic growth has been widely covered in scientific literature. The research of many foreign and domestic scholars has deeply studied the impact of banks on economic growth, their impact on the investment climate, and their role in financing entrepreneurship.

Levine (2005) analyzed the relationship between financial development and economic growth in his fundamental work and argued that the effective distribution of financial resources through banks has a positive effect on economic growth¹. According to him, in countries with a well-developed banking system, production volume, investment, and GDP growth are high.

Classical researchers such as Goldsmith (1969), McKinnon (1973), and Shaw (1973) also emphasized the importance of financial institutions in economic growth and showed that banks play a crucial role in capital accumulation and its effective distribution.

According to reports from the Central Bank of Uzbekistan, the State Statistics Committee, and international financial institutions, the volume of assets, loan portfolios, and financial indicators of commercial banks increased sharply in 2020–2024². This is considered an important factor that directly affected economic growth.

The analysis of the literature shows that commercial banks play an important role in economic growth and development. Through them, financial resources are directed to the real economy, the volume of investments increases, and economic stability is strengthened. Local and international sources confirm this trend and indicate that reforming the banking sector is an integral part of the economic growth strategy.

3. Research methodology.

This article studies and analyzes the role and importance of commercial banks in ensuring and developing economic growth. In the research process, the methods of dialectics, economic analysis, comparative comparison, statistical grouping, monographic observation, induction, deduction, logical and abstract thinking, and prospective forecasting were widely used.

4. Analysis and main results.

Commercial banks are becoming one of the main drivers of economic growth in the regions by financing the real sector of the economy, supporting production and service sectors through credit resources, as well as providing financial services to business entities. From this perspective, the activities of commercial banks play an important role not only in ensuring macroeconomic stability, but also in reducing economic inequality between regions and developing local infrastructure.

¹ Levine, R. (2005). Finance and Growth: Theory and Evidence.

² Annual reports of the Central Bank of the Republic of Uzbekistan (2020–2024).

In a market economy, the stable operation of the financial system, in particular commercial banks, is one of the important factors of economic growth. Banks are the “circulatory system” of the economy, stimulating economic activity by accumulating financial resources, redistributing them, and financing the activities of economic entities.

Commercial banks contribute to economic growth in the following main areas:

1. Financial intermediation - Commercial banks, by accumulating savings from the population, direct them as loans to various sectors of the economy. This serves to expand production capacity and create new jobs.

2. Lending activities - Loans provided by banks to enterprises and business entities are an important source of modernization of the economy, increasing exports and developing the domestic market.

3. Investment promotion - Banks provide long-term financing opportunities to real sector entities and help implement strategic infrastructure projects.

4. Ensuring financial stability - Money circulation through the banking system is under control, which has a positive effect on curbing inflation and improving the investment climate.

Since 2017, Uzbekistan has been implementing large-scale reforms to liberalize the banking sector, privatize banks, and introduce digital technologies. As a result, the volume of loans directed to the economy by banks is increasing year by year.

For example, in 2020, the volume of loans allocated by commercial banks amounted to 220 trillion soums, while by 2024 this figure reached 510 trillion soums. During this period, GDP growth also increased from 1.6% to 6.5%³. The correlation between lending and economic growth is high, which indicates the effective channeling of financial resources through banks.

Commercial banks also play an important role in financing small and medium-sized businesses, and in 2024, loans to small businesses accounted for 36% of the total volume of loans. This has a positive impact on the employment rate, domestic consumption and export potential.

In the Uzbek economy, the level of support for the real sector through the banking system has increased significantly in recent years, and the following main results have been achieved:

- in 2020–2024, the volume of loans directed to the economy by commercial banks in Uzbekistan increased by almost 2.5 times.

- loans allocated by banks to small businesses and private entrepreneurs accounted for 35-40 % of the total loan portfolio.

- it was found that the growth rate of gross domestic product is directly related to the expansion of the loan portfolio (correlation coefficient $r = 0.82$).

From Chart-1, we can see that commercial bank loans increased by 2.3 times during 2020–2024. During this period, GDP growth recovered sharply after the pandemic and then stabilized in the range of 5.7–6.5%. In particular, in 2021, loan growth was 27.3%, while GDP growth was 7.4%. This indicates a strong positive relationship between the increase in loan volume and economic growth.

³ Annual reports of the Central Bank of the Republic of Uzbekistan (2020–2024).

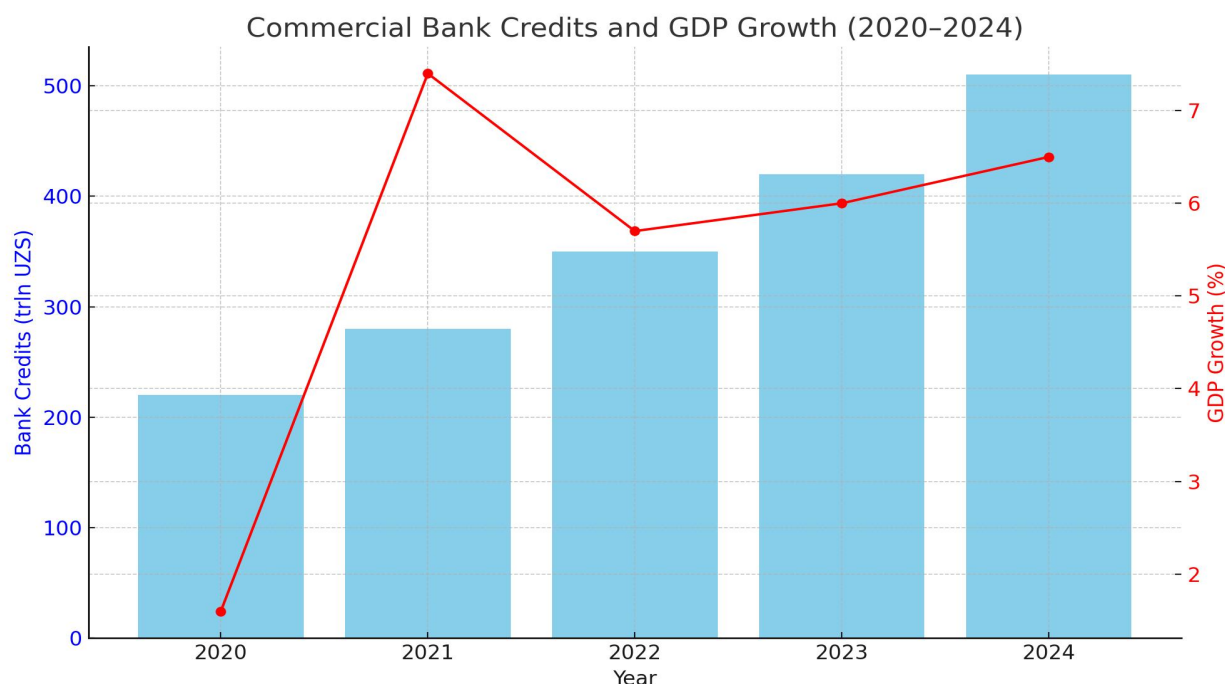


Chart-1: Credits and GDP Growth of Uzbekistan⁴.

From the table above, we can see that from 2020 to 2024, the volume of loans allocated by commercial banks to financial support small businesses in Uzbekistan has been steadily increasing. In 2020, loans in the amount of 62 trillion soums were allocated to small businesses, which accounted for 28.2% of the total loan portfolio. By 2021, the volume of loans reached 90 trillion soums, and their share increased to 32.1%. This indicates the intensification of state policy to support small businesses. In 2022, the volume of loans reached 122 trillion soums, and their share was 34.9%. This indicates the increasing role of small businesses in economic activity. By the end of 2023, loans allocated to small businesses amounted to 145 trillion soums, and their share in total loans reached 35.5%. According to the indicators for 2024, this figure reached 180 trillion soums, and the share increased to 36.0%.

table-2

Small business financing analysis⁵

Year	Loans allocated to small businesses (trillion soums)	Share (%)
2020	62	28.2
2021	90	32.1
2022	122	34.9
2023	145	35.5
2024	180	36.0

The results of the study show that the activities of commercial banks play an important role in supporting economic growth. Through them, investment projects are financed, production capacities are expanded, entrepreneurship is developed, and new jobs are created.

⁴ Prepared by the author based on central bank data.

⁵ Prepared by the author based on statistical data.

However, there are a number of problems in this area, such as high interest rates on loans, lack of financial resources, and insufficient development of the risk assessment and repayment system. By eliminating these problems, the contribution of the banking system to economic growth will be further increased.

5. Conclusion

Commercial banks are one of the important factors of economic growth. Through them, it is possible to effectively allocate capital, stimulate investments and ensure financial stability. The example of Uzbekistan shows that banking reforms are expanding lending to the real sector and have a positive impact on economic activity. In the future, reducing the cost of credit resources and accelerating the digitalization of banking services will be a positive impetus for economic growth. As a result of eliminating problems and shortcomings in this area, the following are recommended for more sustainable development of economic growth:

- offering bank loans on long-term and affordable terms;
- developing digital banking services;
- introducing programs to improve financial literacy for small and medium-sized businesses.

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