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ENHANCING THE COMPETITIVENESS OF COMMERCIAL BANKS UNDER CONDITIONS OF DIGITAL TRANSFORMATION

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Abstract: This scientific thesis analyzes the impact of digital transformation processes on the competitiveness of commercial banks through the example of banking risk indicators, loan portfolio quality, non-performing loans (NPLs), capital adequacy, and liquidity indicators. The study is conducted based on official statistical data on the activities of JSCB "Turonbank" as of May 1, 2025. The results show that digital lending and online financial products have increased the mass adoption of banking services; however, rising levels of non-performing loans and growing liquidity imbalances are exerting pressure on banks' competitiveness.

Keywords: Digital transformation, commercial banks, competitiveness, credit risk, non-performing loans, liquidity, capital adequacy.

Introduction

In recent years, digital transformation processes in the banking sector have been developing rapidly, intensifying competition among banks. Online lending, remote services, and digital products contribute to increasing the customer base and enhancing operational efficiency. However, alongside these developments, the growth of credit and liquidity risks has a direct impact on banks' competitiveness. Therefore, analyzing the financial stability and competitiveness of banks under conditions of digital transformation based on statistical data is of particular relevance.

Methodology

The study employs descriptive and comparative analysis methods. The primary data source consists of statistical indicators from the report titled "Analysis of Bank Risks in Relation to Capital Adequacy Requirements" of JSCB "Turonbank" as of May 1, 2025.

The dynamics of loan portfolio volume, NPL levels, capital adequacy, and liquidity indicators are analyzed in connection with the expansion of digital banking services.

Results

As of May 1, 2025, the bank's loan portfolio amounted to 12,989.1 billion UZS, representing an increase of 3.42 percent compared to the beginning of the year. Foreign currency loans accounted for 56.3 percent of the total loan portfolio, which is associated with digital lending and financing under government programs.

The level of non-performing loans (NPLs) increased from 2.82 percent as of January 1, 2025, to 3.25 percent. Of the total NPLs, 64.3 percent correspond to loans issued under government programs. This situation indicates the need to strengthen risk assessment mechanisms in digital lending processes.

The bank's regulatory capital adequacy ratio stands at 14.66 percent, exceeding the established minimum requirement. However, the increasing share of risk-weighted assets is intensifying capital pressure.

Analysis and Discussion

In the context of digital transformation, the competitiveness of commercial banks is primarily determined by the size and quality of their loan portfolio, the level of risk management, and liquidity stability. An analysis conducted using the example of **Turonbank JSCB** as of May 1, 2025 shows that although the expansion of digital banking products has contributed to the

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growth of lending volumes, this process has simultaneously been accompanied by an increase in credit and liquidity risks.

As of May 1, 2025, the bank's loan portfolio amounted to 12,989.1 billion UZS, representing an increase of 3.42 percent compared to the beginning of the year. The share of the loan portfolio in total assets reached 72.5 percent, indicating that lending continues to be a priority area in the bank's operations. At the same time, the fact that 56.3 percent of the loan portfolio is denominated in foreign currency emerges as a factor increasing currency and liquidity risks.

Analysis of the Loan Portfolio and Non-Performing Loans

Within the digital transformation process, the bank has widely introduced online microloans, remote lending products, and fast-track credit services. According to statistical data, the level of non-performing loans (NPLs) increased from 2.82 percent as of January 1, 2025 to 3.25 percent by May 1, 2025. This growth indicates that risk assessment mechanisms in digital lending processes have not yet been sufficiently adapted.

Dynamics of the Loan Portfolio and Non-Performing Loans

Indicator	**01.01.2025**	**01.05.2025**
Loan portfolio, billion UZS	12,559.3	12,989.1
Non-performing loans (NPLs), billion UZS	354.4	422.2
NPL ratio, %	2.82	3.25

As shown in the table, along with the growth of the loan portfolio, the volume of non-performing loans has also increased proportionally. In particular, the fact that 64.3 percent of NPLs are attributable to loans issued under government programs highlights the need to strengthen control and monitoring mechanisms within digital and preferential lending frameworks.

Segment-based analysis reveals that the share of non-performing loans is relatively high in small and medium-sized business lending and retail lending. In certain regions, the NPL ratio for online microloan products exceeds 40–60 percent, which represents one of the main factors negatively affecting the bank's competitiveness.

Capital Adequacy and Risk-Weighted Assets

Digital transformation also increases capital requirements for banks. According to reporting data, as of May 1, 2025, the bank's regulatory capital adequacy ratio stood at 14.66 percent, which is above the установленный minimum requirement of 14.2 percent. However, the high share of risk-weighted assets is intensifying pressure on capital. The volume of risk-weighted loans amounted to 11,049.2 billion UZS, accounting for 85.1 percent of the total loan portfolio.

This situation implies that the rapid growth of digital lending requires additional measures to maintain capital adequacy. Otherwise, a decline in capital adequacy could negatively affect the bank's competitiveness.

Liquidity and Funding Sources

The results of liquidity analysis indicate the presence of significant imbalances in the bank's operations during the digital transformation process. As of May 1, 2025, the ratio of total loans to deposits reached 256.4 percent. This figure is significantly higher than the banking system average and indicates a high dependence on interbank loans and targeted credit lines.

Comparison of Loans-to-Deposits Ratios

Indicator	**Percentage**
Loans / deposits (bank)	256.4
Loans / deposits (system average)	169.0

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This gap shows that although lending volumes have increased through digital transformation, the deposit base has not expanded sufficiently. As a result, liquidity risk has intensified, becoming a factor that reduces the bank's competitiveness.

Liquidity GAP analysis further confirms the existence of mismatches between assets and liabilities in the short- and medium-term horizons. Negative GAP indicators in certain periods increase the likelihood of heightened liquidity risk.

Overall, the analysis demonstrates that digital transformation plays an important role in enhancing the competitiveness of commercial banks. Growth in the loan portfolio and expansion of the customer base through digital products are strengthening the bank's market position. However, rising levels of non-performing loans, along with increased currency and liquidity risks, are exerting serious pressure on competitiveness.

Therefore, strengthening credit risk assessment, monitoring, and stress-testing systems, expanding the deposit base in a stable manner, and improving liquidity management mechanisms are key prerequisites for ensuring long-term bank competitiveness in the context of digital transformation.

Conclusion

The research findings indicate that digital transformation is a crucial factor in enhancing the competitiveness of commercial banks, contributing to the expansion of lending volumes and the customer base. However, rising non-performing loan ratios, liquidity imbalances, and concentration risks are exerting negative pressure on bank competitiveness. Consequently, strengthening risk assessment and risk management mechanisms in the development of digital banking services remains a fundamental condition for achieving sustainable growth in bank competitiveness.

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