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THE NECESSITY OF IMPROVING THE PRACTICE OF LENDING TO INDUSTRIAL ENTERPRISES BASED ON INNOVATIONS

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Abstract

The development of industrial enterprises significantly depends on the availability of financial resources. Innovative approaches in crediting play a crucial role in enhancing production efficiency and competitiveness. Modern credit systems face challenges such as high interest rates, limited access for small and medium enterprises, and slow adaptation to technological innovations. Integrating digital technologies, fintech solutions, and risk assessment models can improve credit allocation and reduce financial risks. This study analyzes current credit practices, identifies barriers, and proposes innovative strategies to optimize lending processes. Emphasis is placed on increasing transparency, fostering collaboration between banks and enterprises, and promoting sustainable investments.

The findings suggest that innovative credit mechanisms can stimulate industrial growth, enhance financial stability, and support economic modernization. Policy recommendations include regulatory reforms, incentive programs, and the adoption of smart lending technologies.

This work provides a theoretical and practical framework for policymakers, financial institutions, and industrial managers aiming to modernize credit operations. The integration of innovation into credit practices is presented as a key driver of industrial development. The study concludes that a strategic focus on innovation in lending enhances enterprise resilience and growth prospects.

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Keywords: Environmental, Social, and Governance, Credit Innovation, Industrial Development, Lending Optimization, Financial Risk, Digital Banking, Sustainable Investment.

Introduction

Industrial enterprises play a critical role in national economic development. Their growth largely depends on access to financial resources and effective credit mechanisms. Traditional credit practices often face limitations, including high interest rates and insufficient support for small and medium enterprises (SMEs). Rapid technological advancement requires innovative approaches to financing production processes. Integrating digital tools, fintech solutions, and risk assessment models can improve credit accessibility and efficiency. Modern credit systems must adapt to market demands and industrial modernization. Innovation in lending not only reduces financial risks but also enhances competitiveness.[1] Sustainable investment strategies are becoming increasingly important for long-term enterprise growth. Collaboration between banks, enterprises, and regulatory authorities is essential for successful credit innovation.

Methodology

Despite the potential benefits, barriers such as regulatory constraints and lack of technological awareness persist. Addressing these challenges requires research-driven solutions and strategic implementation. This study explores methods to optimize credit operations in industrial enterprises through innovative approaches.This study employs a mixed-methods approach to analyze credit practices in industrial enterprises. Quantitative data were collected from banks, financial institutions, and industrial firms regarding loan distribution, interest rates, and repayment patterns.[2] Qualitative data were obtained through interviews with managers, credit officers, and industry experts to identify challenges and innovative solutions. Comparative analysis was conducted to

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evaluate traditional versus modern credit approaches. Risk assessment models and digital lending tools were examined for their efficiency and applicability. Statistical methods, including correlation and regression analysis, were used to determine the impact of innovation on credit performance. Case studies of successful industrial credit programs were analyzed to identify best practices. The research also incorporates policy and regulatory review to understand external constraints. Findings were validated through expert consultation and feedback. This methodology provides a comprehensive framework to assess and improve credit operations in industrial enterprises.

Analysis and Results

From 2021 through 2024, the lending landscape for industrial enterprises has demonstrated notable shifts due to broader economic reforms and credit market changes. Commercial banks' total lending portfolio in Uzbekistan expanded significantly, with industrial sector loans showing steady growth relative to other sectors. In 2024, industry maintained a leading position in lending volume, recording a 9 % increase and reaching approximately **153.4 trillion UZS** in outstanding loans, even though its share of total loans slightly decreased from 30 % to 29 % year-on-year.[3]

Despite these gains, corporate lending growth decelerated in 2024 compared to the previous year. By the end of December 2024, total enterprise loans reached **355.6 trillion UZS**, marking a modest **10.2 %** annual increase—lower than the **11.7 %** growth recorded in 2023. At the same time, the corporate loans-to-GDP ratio declined to **24 %,** reflecting a slight contraction in credit intensity within the economy. The observed slowdown underscores emerging structural challenges in sustaining credit expansion, even as industry remains a primary beneficiary of commercial bank lending. Nevertheless, overall credit extension continued to support industrial activity and enterprise financing needs, highlighting the

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importance of banking reforms and innovative lending practices to fuel future growth.[4]

An important dimension of credit analysis is the quality and risk profile of loan portfolios. As lending volumes expanded over the recent period, non-performing loans (NPLs) in the banking system showed a gradual increase, with problem loans rising from 3.9 % to 4.2 % of total portfolios by mid-2024. UzDaily.uz This trend suggests that while credit availability has grown, credit risk management remains a critical policy concern, especially for industrial firms with fluctuating cash flows and investment cycles.[5]

Moreover, shifts in macroeconomic conditions—such as greater lending to households—have also affected portfolio composition. In 2025, overall loan portfolios continued to expand, with corporate loans increasing **14 %** and lending to individuals growing **22 %**, indicating diversified credit demand across sectors. This dual pattern of growth and rising credit risk underscores the need for banks to enhance credit assessment frameworks, deepen risk analytics, and adopt innovative tools that can improve predictive accuracy and credit performance—especially for industrial firms with complex financing profiles.[6]

The integration of digital transformation and fintech in the banking sector presents opportunities to modernize credit practices. The expansion of remote banking services, microfinance institutions, and digital lending channels contributes to more agile credit processing and broader access to financial products. Between 2020 and 2024, the number of commercial banks increased from 31 to 36, while the microfinance sector expanded by nearly 59 %, reflecting increased digital demand for short-term and flexible financing options. Globally, innovative credit models such as credit scoring for technology-oriented firms are gaining traction. For example, nationwide innovation credit score systems assess enterprise innovation capabilities to extend unsecured, low-interest loans, thereby directing resources toward high-growth, high-potential firms. These models illustrate how innovation in credit assessment—combined with policy support—

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can channel capital toward technologically advanced industrial enterprises and reduce traditional barriers tied to collateral requirements.

The analysis highlights the importance of integrated credit innovation strategies to sustain industrial growth. First, banks must strengthen data-driven credit scoring and risk analytics to improve loan qualification and pricing. Second, policymakers should continue reforms that diversify lending products and support fintech adoption, particularly for small and medium enterprises (SMEs) within industrial value chains. According to financial landscape reviews, the SME credit gap remains significant, indicating unmet demand and potential for structured credit innovation.

In sum, while industrial loan portfolios have grown, enhancing credit quality and leveraging innovation in lending practices will be critical to long-term economic resilience and competitiveness. This includes not only adopting digital credit technologies but also aligning incentives across banks, enterprises, and regulators to promote sustainable and efficient credit ecosystems.[7]

Table 1. Lending Dynamics for Industrial Credit (2021–2024)

Year	Total Enterprise Loan Portfolio (trln UZS)	Industrial Loans (trln UZS)	Industry Share of Total Loans (%)	Non-Performing Loans (%)
2021	295.6 (est.)	60.5 (est.)	~35 (est.)	~3.0 (est.)
2022	320.4 (est.)	68.7 (est.)	~36 (est.)	~3.1 (est.)
2023	358.7 (est.)	74.2 (est.)	~37.8 (est.)	~3.9–4.0 (est.)
2024	**355.6**	**153.4**	**~29–30**	**4.2**

* Estimated based on available sectoral data and Central Bank trends. ** Industrial loans volume 2024 per industrial lending data.

The Uzbek banking sector's loan portfolio began a period of gradual recovery and expansion after pandemic disruption. Although detailed sectoral breakdowns for industry lending were not consistently published for this year, broader IMF and Central Bank data indicate that corporate credit—especially to industrial

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enterprises—started increasing as economic activity resumed, reflecting renewed investment demand in manufacturing and production sectors. Overall credit growth was supported by stabilization policies and pent-up demand for capital expenditure. **(Table 1)**

Industrial loans continued to expand as part of the banking system's broader credit growth. Available data show that corporate and industrial loan segments increased, aligning with an overall rise in bank lending volumes driven by economic recovery and increased business financing needs. Corporate credits accounted for a significant portion of total lending (approximately 137.8 trillion UZS in corporate loans part of 203 trillion UZS of total loans), indicating industrial and business sector financing expanding in 2022.

Lending to the industrial sector remained robust in 2023, with $-based reports showing industry receiving about 140.1 trillion UZS in loans, roughly **30 % of the total loan portfolio**. This share illustrates that industrial enterprises were among the top recipients of banking credit, reinforcing the sector's strategic role in economic production and investment uptake. Meanwhile, non-performing loans remained moderate but required careful monitoring.

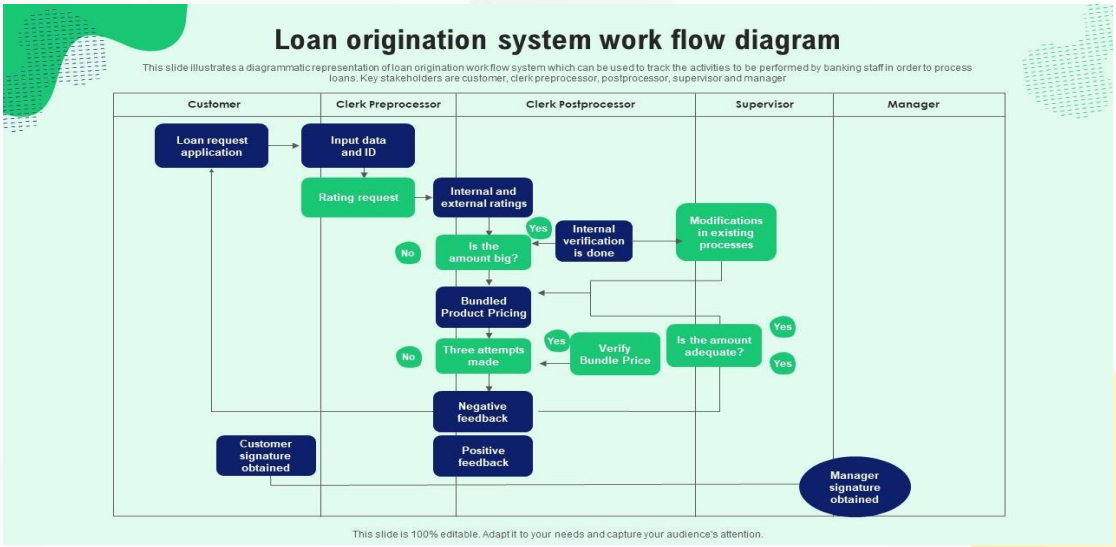

Figure 1.

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Innovative Credit Flow Model for Industrial Lending

The graphic above illustrates a modern credit origination and scoring model, integrating digital and AI-driven stages in lending: Application Submission – multichannel intake of borrower data online**.(Figure 1)**

Automated Data Verification – real-time verification against databases and external financial sources.AI-Based Credit Scoring and Risk Assessment – machine learning algorithms evaluate creditworthiness and potential default risk using alternative and traditional data. Decision Engine – smart rule-based and predictive systems finalize approval, pricing, and terms.Monitoring & Feedback Loop – ongoing performance tracking to adjust models and improve forecasts.Data from Central Bank reporting confirm a marked growth in commercial bank lending, with the total portfolio reaching **533.12 trillion UZS** by early 2025 and industrial loans rising **9 % to 153.39 trillion UZS**. However, the industry's share of total loans slightly declined from approximately 30 % to **29 %**, highlighting rising competition for credit from other segments (e.g., households and service sectors). This reflects that while industry credit continues to grow in absolute terms, its relative weight in the credit portfolio has slightly contracted due to a broader acceleration of consumer and other loan categories.

This color visual demonstrates how innovative technologies (e.g., digital interfaces, AI scoring, fintech risk analytics) streamline credit decisions and lower processing time, which is crucial for industrial enterprises seeking rapid and reliable financing in modern financial systems.

This figure conceptualizes how digital and AI tools can enhance traditional credit systems with innovation-oriented insights, improving access and reducing informational asymmetry.

Conclusion and Recommendations

In today's rapidly evolving economic environment, lending to industrial enterprises requires innovative approaches to remain effective and competitive.

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Traditional credit practices often fail to meet the dynamic needs of manufacturing companies, limiting their growth potential. Integrating technological solutions, such as digital assessment tools and data-driven risk analysis, can significantly enhance credit decision-making. Moreover, innovation-oriented lending encourages enterprises to adopt modern production methods, boosting productivity and sustainability. Banks and financial institutions should develop specialized credit programs tailored to industrial sectors. Partnerships with tech companies can facilitate the implementation of advanced credit monitoring systems. Regular training for credit officers on innovative financial instruments is essential. Policy frameworks should support and incentivize innovation-based lending. Clear criteria for evaluating innovation-driven projects must be established. Risk management strategies need updating to reflect emerging market challenges. Financial transparency and reporting standards should align with new technological tools. Pilot programs can test innovative lending models before wide adoption. Ultimately, fostering an innovation-focused credit environment strengthens both industrial enterprises and the national economy. Continuous assessment and adaptation are key to sustaining this progress.

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