



NON-PERFORMING LOANS IN THE BANKING SECTOR OF UZBEKISTAN: A COMPARATIVE ANALYSIS OF STATE-OWNED AND NON-STATE-OWNED BANKS

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Abstract. This study analyzes the dynamics of non-performing loans (NPLs) in state-owned and non-state-owned banks in the banking sector of Uzbekistan using annual and quarterly data for the period 2020-2025. We studied the relationship between total loans issued by commercial banks and NPLs separately, based on the banks' ownership structure. The results indicated that state-owned banks have lower risk management efficiency and are more prone to risk.

Keywords: loan, NPLs, state-owned banks, non-state-owned banks, COVID-19.

O'ZBEKISTON BANK SEKTORIDA MUAMMOLI KREDITLAR: DAVLAT VA NODAVLAT BANKLAR FAOLIYATINING QIYOSIY TAHLILI

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Annotatsiya. Ushbu tadqiqotda 2020-2025 yillar oralig'idagi yillik va choraklik ma'lumotlardan foydalanib O'zbekiston bank sektoridagi davlat va nodavlat banklarda muammoli kreditlarning dinamikasi tahlil qilingan. Tijorat banklari tomonidan ajratilgan jami kreditlar va muammoli kreditlar o'rtasidagi bog'liqlik banklarning mulkchilik shakliga ko'ra alohida o'rganildi. Olingan natijalar davlat ulushiga ega banklarda risklarni boshqarish samaradorligi pastligi va ular ko'proq riskga moyilligini ko'rsatdi.

Kalit so'zlar: kredit, muammoli kreditlar, davlat banklari, nodavlat banklar, COVID-19.

ПРОБЛЕМНЫЕ КРЕДИТЫ В БАНКОВСКОМ СЕКТОРЕ УЗБЕКИСТАНА: СРАВНИТЕЛЬНЫЙ АНАЛИЗ ГОСУДАРСТВЕННЫХ И НЕГОСУДАРСТВЕННЫХ БАНКОВ

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Аннотация. В данном исследовании анализируется динамика просроченных кредитов в государственных и негосударственных банках банковского сектора Узбекистана на основе годовых и квартальных данных за период 2020–2025 годов. Изучается взаимосвязь между общим объемом выданных коммерческими банками кредитов и уровнем просроченных кредитов отдельно, в зависимости от структуры собственности банков. Результаты показывают, что государственные банки имеют более низкую эффективность управления рисками и более подвержены риску.

Ключевые слова: кредиты, просроченные кредиты, государственные банки, негосударственные банки, COVID-19.

Introduction.

Lending using depositors' funds is the main source of income in banks; in this regard, controlling outstanding loans in banks is one of the important tasks. Therefore, NPLs are the main indicator of risk assessment in commercial banks. Given the expansion of the banking sector of Uzbekistan today and the importance of the services provided by banks for the population and legal entities, controlling NPLs is crucial. The increase in NPLs slows down bank activities and negatively impacts their performance. As a result, banks with a high level of NPLs are forced to take on even more dangerous risks. This begins a period of stagnation or decline in the banking system. Therefore, researchers have consistently focused on NPLs as a primary topic in bank analysis.

A non-performing loan (NPL) is a loan on which interest or payment is overdue. A loan is considered non-performing when the payment of interest and principal has been delayed for more than 90 days. Other conditions for being accepted as NPLs are reasonable reasons for being postponed or refinanced for interest for at least 90 days (Alton, & Hazen, 2011). A non-performing commercial bank loan is one in which the borrower has defaulted or has failed to make any scheduled loan payments for 90 or more than 90 days (Jing, 2020).

In this study, we analyze the trends of NPLs in state-owned and non-state banks in Uzbekistan through a descriptive comparative analysis. The study assesses how banks' NPL ratios differ in terms of their ownership and how much NPLs have increased in state-owned and other banks during the COVID-19 period. The study answers the question of whether the presence of state management in banks makes them more prone to risks or not; in other words, whether non-state banks manage their credit policy better than state-owned banks.

Literature review.

The theoretical basis for NPL research in Uzbekistan is rooted in the stable management of credit risks. Abdullayeva (2002) and Vahobov (2016) theoretically mention this concept, defining NPL as a practical vision of loan risk. This framework establishes NPLs not as isolated events but as structural outcomes of deficiencies in risk management systems.

The cause of NPLs is theoretically examined and systemized in detail by Mahmudov (2022) and Rustamov (2023) among Uzbek researchers. They attribute emergence to weaknesses in credit policy implementation, insufficient monitoring, borrower insolvency, and ineffective collateral management within commercial banks as the reasons for NPLs.

Isakov (2024) empirically analyzed the influence of a few bank-specific (loan-to-deposit ratio, leverage) and macroeconomic factors (GDP growth, inflation, exchange rate) on NPLs in Uzbek banks using static (FE and RE) and dynamic (GMM) econometric models. These studies confirm that NPL formation is a multi-factor process driven by both internal and external determinants. Similarly, Jalolov (2025) also examined the same bank-specific factors and monetary policy determinants using FE and RE models and found that state-owned banks are prone to a higher NPL ratio than non-state-owned banks.

Furthermore, the correlation between loan portfolio management and NPL ratio is highlighted by Boyev and Olqarova (2023), who argue that inadequate diversification and weak portfolio management increase the probability of loan deterioration.

Research methodology.

This study is based on a descriptive comparative analysis that examines the nature of NPLs in state-owned and non-state banks. The share of NPLs in the total outstanding loans of state-owned banks and other banks between 2020 and 2025 is illustrated in a line graph to observe the trend. Furthermore, the summary of the trend of the NPL ratio in commercial banks within the banking sector of Uzbekistan from 2020 to 2025 is compiled in a table to examine the degree of banks' performance. Additionally, quarterly data for the period 2020-2025 are utilized to illustrate the relationship between loan lending and NPLs in state-owned and non-

state-owned banks in a scatterplot. All the data are collected from the statistics of the Central Bank of Uzbekistan.

Analysis and discussion of results.

The provided data offer insight into the share of NPLs to total loans across state-owned and non-state-owned banks over multiple periods. NPLs represent a significant metric in assessing the health and stability of a banking sector, as they indicate loans that are at risk of default. By examining the figures provided, one can discern trends in the NPLs relative to total loans for both types of banks. This analysis enables stakeholders, including regulators and investors, to evaluate the asset quality and risk management practices of state-owned and non-state-owned banks separately. Such scrutiny can inform policy decisions aimed at enhancing financial stability and efficiency within the banking industry, as well as guide investment strategies based on the perceived risk exposure of different bank categories.

Figure 1 illustrates the data on the proportion of NPLs to total loans for both state-owned and non-state-owned banks, covering each month from December 2019 to December 2025. These precise figures underscore the difference in asset quality between the two categories of banks, with state-owned banks exhibiting a slightly higher ratio of NPL-to-total-loans compared to their non-state-owned counterparts.

Examining the figures, the share of NPLs among total loans varies for each category. State-owned banks experienced fluctuations in this ratio, ranging from a low of 1.5 percent (December 2019) to a high of 6.37 percent (July 2021). On the other hand, non-state-owned banks displayed a relatively more stable trend, with the ratio fluctuating between 1.44 percent (December 2019) and 5.39 percent (July 2021). Although the low and high points for both types of banks occurred at the same time, the data notably indicates that, on average, state-owned banks tend to have a higher NPL to total loans ratio compared to non-state-owned banks.

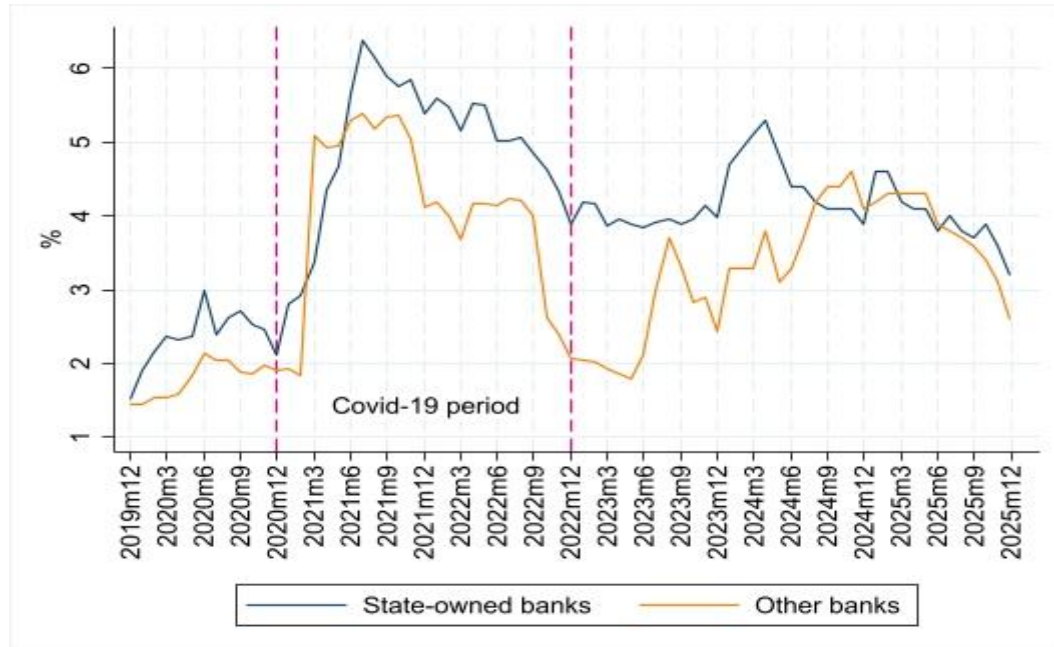


Figure 1. Share of NPLs in total outstanding loans of state-owned banks and other banks between 2020 and 2025, in percent

Source: author computation based on the data from the CBU.

The figure indicates that, until the COVID-19 shock, the portion of NPLs was quite low and stable at around 2-3 percent in state-owned banks and 1-2 percent in other banks. However, with the onset of the pandemic, the NPL ratio showed sharp growth, reaching its all-time high

peak at 5.39 percent in non-state-owned banks and 6.37 percent in state-owned banks at the end of July 2021. Afterwards, the rate of NPL declined steadily to 3.85 percent (June 2023) in state-owned banks and 1.79 percent (May 2023) in other banks within two years. In the last months of 2023, the share of NPL in state-owned banks stayed almost stable at around 4 percent, whereas in other banks, the figure experienced a fluctuation and increase of about 1 percent and then reached 2.9 percent in November 2023. During the first half of 2024, the NPL ratio of state banks remained higher than that of other banks; however, non-state-owned banks' NPL ratio increased and surpassed state-owned banks, resulting in a higher NPL ratio during the second half of 2024. This analysis provides a detailed understanding of the credit risk and asset quality of state-owned and non-state-owned banks throughout the specified periods. In the first half of 2025, the NPL rates in both categories of banks were almost the same, at around 4-4.5 percent. However, in the second half of the year, the NPL rate in the banking sector decreased slightly; by the end of the year, the NPL rate for state-owned banks had fallen to 3.2 percent (a decrease of about 1 percent compared to the first half of the year), while the NPL rate for non-state-owned banks had decreased to 2.6 percent (a decrease of about 1.5 percent compared to the first half of the year) (see Figure 1).

Examining the ownership status of commercial banks and their NPL ratios between 2020 and 2025 in Table 1 shows that two main banks, Khalk Bank and Microcreditbank, maintained their status as state-owned banks and experienced a significant increase in their NPL ratios, reaching a high of 19.7 percent in 2021 for Khalk Bank and 6 percent in 2023 for Microcreditbank. In addition, another state-owned bank, Qishloq Qurilish Bank (QQB), underwent a rebranding and was changed to Business Development Bank (BDB) in 2023; it recorded high NPL ratios of 8.9 and 8.5 percent in 2023 and 2024, respectively. However, Asia Alliance Bank was sold and changed its status from a state-owned bank to a non-state bank in 2021 and showed a substantial decrease in NPL ratio by almost twice (3.2 percent and 2.01 percent, respectively, in 2020 and 2024, in spite of a sharp rise in 2022 to 7.6 percent). By contrast, Ipoteka Bank recorded an increase in its NPL ratio after the sale and privatization of its state-owned stake. In 2020, Ipoteka Bank's NPL ratio was 2.3 percent, while this indicator was 4.7 and 10.19 percent in 2023 and 2024, respectively. Furthermore, Uzagroexport Bank is the only bank among all state-owned banks that approached bankruptcy, registering catastrophic NPL ratios of 55.5 and 96.3 percent in 2021 and 2022, respectively, and was sold. Ultimately, Uzagroexport Bank was renamed AVO Bank and began to serve as a non-state-owned bank in the financial market in 2023. The intriguing case is that AVO Bank again registered a significant high NPL ratio of 12.54 and 8.2 percent in 2024 and 2025, respectively. The Poytakht bank, however, experienced significant growth after the privatization process, with an NPL rate of 24.4 percent in 2025. Additionally, Agrobank, Asaka Bank, Turon Bank, and the National Bank Uzbekistan (NBU) have maintained stable NPL ratios of nearly 3-5 percent over the past years. Aloka Bank and UzSanoatQurilish Bank (UzSQB) were the best-performing state-owned banks, with NPL ratios of less than 3 percent over the last four years (see Table 1).

As for non-state-owned banks, Davr Bank, Hamkorbank, Invest Finance Bank (InFinBank), Ipak Yuli Bank, KDB Bank, Orient Finance Bank (OFB), Trustbank, Ziraat Bank, and Universal Bank are keeping the level of NPL under 3 percent. Anorbank and TBC Bank have recorded slight growth recently, with NPL levels of 4.75 and 5.71 percent, respectively, in 2025. Kapital Bank also stated a rise in the NPL ratio in 2024; however, the indicator did not exceed 5 percent and subsequently decreased in 2025. Madad Invest Bank maintains high NPL ratios between 10 and 25 percent until 2024. It registered an increase almost twice as high, by 24.15 percent, in 2024, but then sharply retreated, recording 0.62 percent in 2025.

Table 1

Non-performing loan ratio in Uzbek banks between 2020 and 2025

Banks	Status	2020	2021	2022	2023	2024	2025
Agrobank	State	1.20	4.60	3.80	3.80	4.88	3.33
Aloka Bank	State	0.10	4.10	2.00	1.50	1.87	2.54
Asaka Bank	State	3.20	4.80	4.60	4.40	4.53	3.62
Khalk Bank	State	2.80	19.70	11.90	7.60	4.23	3.07
Microcreditbank	State	1.00	5.90	4.80	6.00	4.62	4.41
NBU	State	2.80	4.50	3.00	3.10	3.03	2.84
QQB	State	1.50	4.30	3.90	-	-	-
BDB		-	-	-	8.90	8.50	4.52
Turon Bank	State	0.80	3.30	2.60	2.30	2.82	3.41
UzSQB	State	1.00	3.80	2.80	2.20	2.82	2.53
Asia Alliance Bank	State	3.20	-	-	-	-	-
	Non-state	-	7.60	1.40	1.50	2.01	1.15
Ipoteka Bank	State	2.30	3.30	2.50	-	-	-
	Non-state	-	-	-	4.70	10.19	3.55
Poytakht Bank	State	3.50	2.20	1.00	2.30		
	Non-state	-	-	-	-	0.00	24.40
Uzagroexportbank	State	14.20	55.50	96.30	-	-	-
AVO Bank	Non-state	-	-	-	0.00	12.54	8.17
Anor Bank	Non-state	0.00	0.90	2.50	2.00	2.44	4.75
Davr Bank	Non-state	0.80	1.00	1.60	0.60	1.92	3.21
Hamkorbank	Non-state	3.50	1.10	0.60	0.60	1.66	0.80
InFinBank	Non-state	0.80	1.50	0.60	1.10	1.37	2.52
Ipak Yuli Bank	Non-state	3.10	3.50	1.90	2.10	1.53	1.12
Iran Saderat Bank	Non-state	5.40	0.60	3.70	17.60	6.57	6.46
Kapital Bank	Non-state	0.90	2.90	1.20	1.40	4.55	2.81
KDB Bank	Non-state	0.00	0.00	0.00	0.00	0.00	0.00
Madad Invest Bank	Non-state	20.20	11.80	19.90	13.20	24.15	0.62
OFB	Non-state	1.20	0.80	0.60	0.30	0.18	0.15
TBC Bank	Non-state	0.00	4.80	2.10	1.90	2.14	5.71
Tenge Bank	Non-state	0.00	7.00	7.30	2.60	2.33	2.78
Trustbank	Non-state	2.30	1.80	3.80	2.00	3.43	3.51
Universal Bank	Non-state	0.00	0.80	1.90	3.00	1.12	0.52
Ziraat Bank	Non-state	0.30	2.50	2.90	2.20	3.28	3.86
Savdogar Bank	Non-state	0.50	10.50	-	-	-	-
Garant Bank		-	-	7.70	4.70	14.77	4.92
Ravnak Bank	Non-state	1.00	23.20	71.60	-	-	-
Octobank		-	-	-	85.20	0.00	0.00
Hi-Tech Bank	Non-state	0.20	92.70	93.80	License is eliminated		n/a
Turkiston Bank	Non-state	0.10	69.90	95.00	License is eliminated		n/a
Apelsin Bank	Non-state	n/a	0.00	-	-	-	-
Uzum Bank		n/a	-	0.00	0.00	0.00	0.00
Apex Bank	Non-state	n/a	n/a	n/a	0.00	0.00	0.06
Hayot Bank	Non-state	n/a	n/a	n/a	0.00	0.00	3.96
Smart (Open) Bank	Non-state	n/a	n/a	n/a	0.00	0.00	0.2
Yangi Bank	Non-state	n/a	n/a	n/a	0.00	8.70	1.91

Source: formed by the author based on the data from the CBU.

Iran Saderat Bank, on the other hand, recorded a substantial increase in 2023, with the NPL ratio increasing from 3.7 percent to 17.6 percent. By 2025, the NPL ratio of this bank remained high at 6.46 percent, despite a decrease. Tenge Bank also experienced a higher NPL ratio in 2021 and 2022, with 7 and 7.3 percent, respectively (see Table 1).

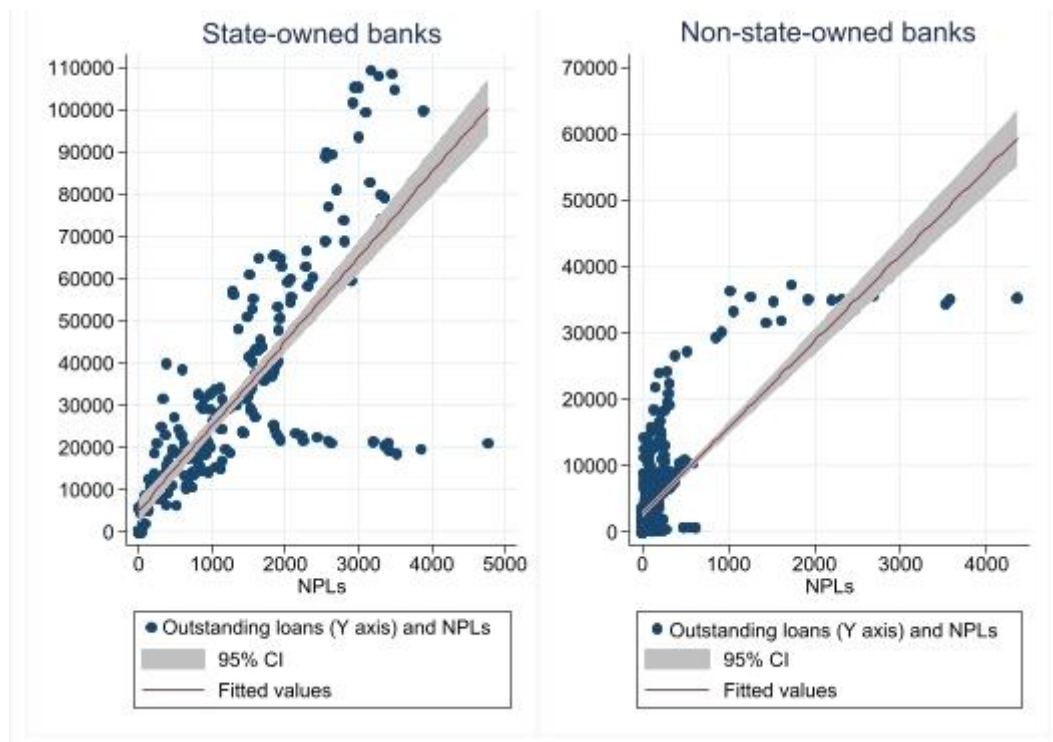


Figure 2. The relationship between quarterly outstanding loans and NPLs of state-owned banks and non-state banks between 2020 and 2025, in billion UZS.

Source: author computation based on the data from the CBU.

Furthermore, Savdogar Bank was renamed Garant Bank in 2022 and it recorded a high NPL ratio of 14.77 percent in 2024 over the timespan. Moreover, Ravnak Bank approached insolvency, recording alarming NPL ratios of 71.6 percent in 2022 and 85.2 percent in 2023, leading to its sale. New shareholders changed Ravnak Bank to Octobank in 2023 and stabilized the NPL ratio in 2024. Among non-state-owned banks, two more non-state-owned banks, Turkiston Bank and High-Tech Bank, lost their licenses in 2023 due to financial management crises caused by very high NPL ratios, almost 100 percent. Among the new banks established recently, only Yangi Bank recorded a high NPL rate in 2024 with 8.7 percent. For the remaining periods, all new banks (Uzum Bank, Apex Bank, Hayot Bank, Smart Bank, and Yangi Bank) had an NPL rate of 0.00 percent. (see Table 1).

According to Table 1, the NPL ratios of Aloka Bank, Khalk Bank, Microcreditbank, NBU, Turon Bank, UzSQB, Asia Alliance Bank, Uzagroexport Bank, TBC Bank, Tenge Bank, Savdogar Bank, and Ravnak Bank significantly increased during the COVID-19 period in 2021 and 2022 but subsequently decreased.

Figure 2 shows the connection between outstanding loans and NPLs in state-owned and non-state-owned banks for the period 2020-2025, using quarterly data for 32 banks (not including new banks) displayed on a scatterplot with a trend line. The figure indicates that there is a positive trend between outstanding loans and NPLs in state-owned banks, proving the existence of moral hazard; however, most non-state-owned banks kept control of NPLs during the period. Extreme points regarding both figures can be explained by the fact that (1) a few state-owned banks (especially Qishloq Qurilish Bank and Khalk Bank) are not like other state-owned banks. There was the poor management of loans in those state-owned banks, and even

though they did not issue new loans, the amount of NPLs increased; (2) as well, focusing on more lending in a few non-state-owned banks (especially Ipoteka Bank) led to more NPLs; however, most non-state-owned banks are very careful about NPLs, and they are keeping NPLs low even if they focus on more lending.

Conclusion and suggestions.

The consistent relationship between the growth of loan lending and NPLs' dynamics in the banking sector of Uzbekistan is underscored based on the combined evidence from the dataset and graphical analysis. A stronger positive correlation with rising NPL ratios has been experienced in state-owned banks, with larger volumes of loans being extended larger volumes of loans. Rapid loan expansion has also been accompanied by weaker credit quality and slower adjustment in risk management.

On the other hand, non-state banks generally sustained lower NPL ratios regardless of smaller lending volumes. That overall pattern recommends tighter control over credit risk, even though there have been NPLs spikes in some institutions and growing cautious loan portfolios.

However, banks in both groups were disrupted during the COVID-19 period. The increase in NPL ratios during this period, alongside the growth in loans, underscored the borrowers' susceptibility and the pressure on repayment capacity. NPL ratios have decreased post-2022 within both state and non-state banks. Nevertheless, progress was uneven, with non-state banks adapting more rapidly and state-owned banks encountering higher levels of risk.

In conclusion, the findings concur that the ownership structure matters. Non-state banks appear to manage credit relatively more prudently, while state-owned banks, despite the higher volume of loans, tend to be riskier. Improving the risk governance of state-owned entities is crucial for the long-term stability of the banking sector.

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