

Article

Modern Trends in the Modernization of Credit Products of Commercial Banks for Individuals

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Abstract: This article examines modern trends in the modernization of credit products of commercial banks for individuals. The main directions of retail lending transformation are considered and analyzed, including the use of scoring systems and artificial intelligence technologies. Based on the results of the study, proposals for the further modernization of credit products of commercial banks have been formulated.

Keywords: credit products, modernization of banking products, financial technologies, artificial intelligence in banking, scoring systems, banking innovations, financial inclusion, digital banking, banking business processes, banking competition

Introduction

The concept of lending to individuals represents a multifaceted economic category that encompasses, on the one hand, the essential characteristics of credit as a system of economic relations based on the interaction between the lender, the borrower, and the loaned value, and, on the other hand, possesses a number of specific features. Within this type of lending, borrowers are exclusively individuals, while creditors may include not only commercial banks but also other financial institutions that provide borrowed funds to the population for various purposes. Such institutions include microfinance organizations, credit cooperatives, pawnshops, as well as peer-to-peer lending entities, the development of which in recent years has been driven by the digitalization of financial services and the expansion of alternative financing channels [1].

For commercial banks to effectively perform their socio-economic function of stimulating the development of the national economy, credit products must meet a number of key requirements. First of all, they should be aimed at satisfying needs whose fulfillment contributes to the development of sectors of the real economy, including construction, industry, and the service sector. This makes it possible to strengthen the impact of retail lending on economic growth and investment activity. In addition, credit products should contribute to solving related socio-economic problems, particularly by promoting employment growth and improving the welfare of the population [2].

At the same time, an important condition is ensuring the sustainable and profitable operation of credit institutions through the expansion of demand for the most востребованные types of credit services. Considerable importance is also attached to minimizing credit risks by improving the structure of the loan portfolio and increasing the share of secured and less risky credit products.

One of the most important indicators of the economic boundaries of retail lending from the perspective of the lending bank is the availability of an optimal set of credit products capable of satisfying the needs of various categories of households. This determines the necessity for a continuous search for effective directions for the development and improvement of banking products [3].

The development of credit products of commercial banks can be carried out in two main directions: through the creation of fundamentally new banking products and through the modernization of traditional credit instruments that are in stable demand among the population and the economy as a whole. Under modern conditions, the most rational and economically efficient approach appears to be the modernization of existing credit products, taking into account market requirements, quality standards, and customer needs [4].

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Improving the quality of banking products is possible both as a result of the bank management's purposeful policy in the field of quality management system improvement and through the orientation of credit products toward meeting consumer needs based on the implementation of a process-oriented approach and modern financial technologies. In this context, modernization acts as one of the most effective instruments for enhancing the competitiveness of banking services [5].

The main purpose of credit product modernization is to strengthen the competitive position of a commercial bank in the financial market as a basis for ensuring its stable and profitable activity. In a broad sense, modernization implies the renewal of a product, its adaptation to modern market requirements, regulatory conditions, technological standards, and quality criteria, up to the creation of a fundamentally improved product with a higher level of consumer value [6].

Literature Review on the Topic

Issues related to the modernization of credit products of commercial banks for individuals occupy an important place in contemporary economic literature. The development of digital technologies, intensified competition in the financial market, and changing customer needs have necessitated the transformation of traditional banking services and the introduction of innovative lending solutions.

The theoretical foundations of bank lending were examined in the works of foreign scholars, among whom the studies of Joseph Schumpeter, John Maynard Keynes, and Milton Friedman occupy a special place. Their research reveals the role of bank credit in stimulating economic activity, developing consumer demand, and ensuring the stability of the financial system. Modern approaches to the development of retail lending are reflected in the works of Frederic Mishkin, who considers banking innovation as an important factor in increasing the efficiency of financial intermediation [7].

A significant contribution to the study of the digitalization of banking services has been made by authors such as Chris Skinner and Brett King. Their works emphasize that the modern bank is gradually transforming into a digital platform focused on personalized customer service. The authors note that the use of artificial intelligence technologies, Big Data, and automated scoring systems enables banks to accelerate the credit decision-making process and reduce credit risks [8].

The problems of developing credit products of commercial banks in emerging economies have been studied in the works of Russian and Uzbek scholars. In particular, the works of Oleg Lavrushin examine issues related to the improvement of banking operations and lending mechanisms for individuals. Studies by domestic authors are devoted to analyzing the state of consumer and mortgage lending, as well as the implementation of digital banking technologies in the activities of commercial banks in Uzbekistan [9].

Methodology

Modern studies show that one of the key directions in the modernization of credit products is the transition to a customer-oriented model of banking services. Scientific publications note that banks are actively introducing online lending, mobile applications, remote customer identification, and automated systems for assessing borrowers' creditworthiness. This contributes to increasing the accessibility of credit resources for the population and improving the quality of banking services.

Special attention in academic literature is paid to risk management issues in the modernization of credit products. Many researchers emphasize the necessity of using modern methods of creditworthiness analysis, including scoring models based on machine learning and the processing of large data sets. At the same time, the authors note that the digitalization of lending processes simultaneously creates new risks associated with cybersecurity and the protection of customers' personal data.

Despite the considerable number of scientific studies, the issues of comprehensive modernization of credit products of commercial banks for individuals in the context of the digital transformation of the economy remain insufficiently studied. Further research is required on the mechanisms for integrating innovative technologies into lending processes, as

well as on assessing their impact on the financial stability of banks and the accessibility of credit for the population. This determines the relevance of the chosen research topic and the necessity for further scientific analysis of modern trends in the modernization of credit products of commercial banks.

Analysis and Results

When determining the directions for the modernization of credit products, it is necessary to take into account the economic boundaries of lending and the repayable nature of credit. The most promising types of lending are those aimed at satisfying socially and economically significant needs of the population while simultaneously ensuring a high probability of repayment of the loaned value. Among such areas, mortgage lending occupies a particularly important place, as it provides the population with decent housing conditions and at the same time has a significant multiplier effect on the development of the construction industry and related sectors of the economy [10].

In this regard, the modernization of credit products for individuals involves: identifying the most promising types of lending that meet the interests of clients, banks, and the economy as a whole; determining the key qualitative characteristics of credit products; and improving the business processes of development, implementation, and maintenance of banking products [11].

The provision of credit products to the population by commercial banks requires the effective organization of the relevant business processes. Changes associated with the introduction of new or improved credit products are of particular importance, since the processes of their development and implementation are characterized by high complexity, labor intensity, and a significant level of risk. The quality of the organization of these processes directly affects the profitability, stability, and competitiveness of banking activities.

Under modern conditions, a properly structured and formalized business process becomes one of the key factors for the effective functioning of a commercial bank. The optimization of business processes affects not only the strategic but also the operational efficiency of the bank's activities, determining such indicators as profitability, return on operations, technological efficiency, and the quality of customer service [12].

A business process in banking activity represents a set of interconnected operations and procedures aimed at achieving the strategic goals of a credit institution and covering the main areas of its activity. Despite the absence of a unified approach to defining this concept in economic literature, most researchers consider a business process as a tool for increasing management efficiency and optimizing banking operations [13].

The following statistical tables and figures present the main trends in the development of retail lending, digitalization of banking services, mortgage lending, and microfinance in the commercial banks of Uzbekistan.

Table - 1

Dynamics of Retail Lending Growth to the Population, trillion UZS

Year	Retail Loans to the Population	Mortgage Loans	Microloans and Microcredits	Share of Digital Credit Services
2021	45.0	10.5	8.2	26,3
2022	62.0	12.8	14.5	34,7
2023	87.0	16.8	28.7	41,5
2024	118.0	17.0	45.8	55,2
2025	156.9	10.5	76.2	70,2

The analysis of statistical data and figures shows that in recent years the Republic of Uzbekistan has demonstrated stable trends in the modernization of credit products of commercial banks for individuals. The main directions of this modernization include the expansion of retail lending volumes, the active implementation of digital technologies, the development of mortgage lending, and the increase in the scale of microfinance.

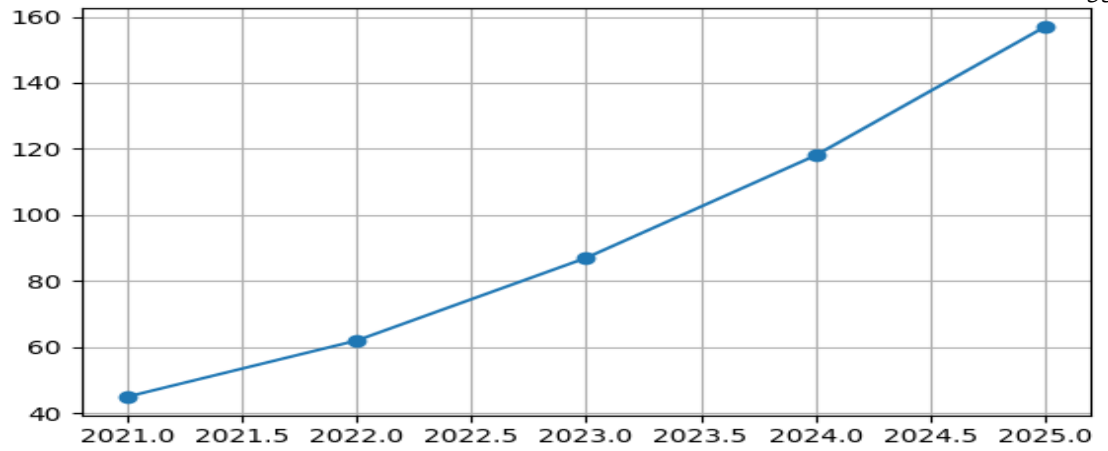


Figure 1. Growth of Retail Lending (trillion UZS)

According to the data presented in Table 1 and Figure 1, the volume of retail loans provided to the population by commercial banks increased from 45 trillion UZS to 156.9 trillion UZS during the period from 2021 to 2025. This indicates a significant growth in public demand for banking credit products, as well as the intensification of the credit policy of commercial banks. The growth of retail lending is driven by an increase in consumer activity, the expansion of the range of banking products, and the simplification of loan application procedures [14].

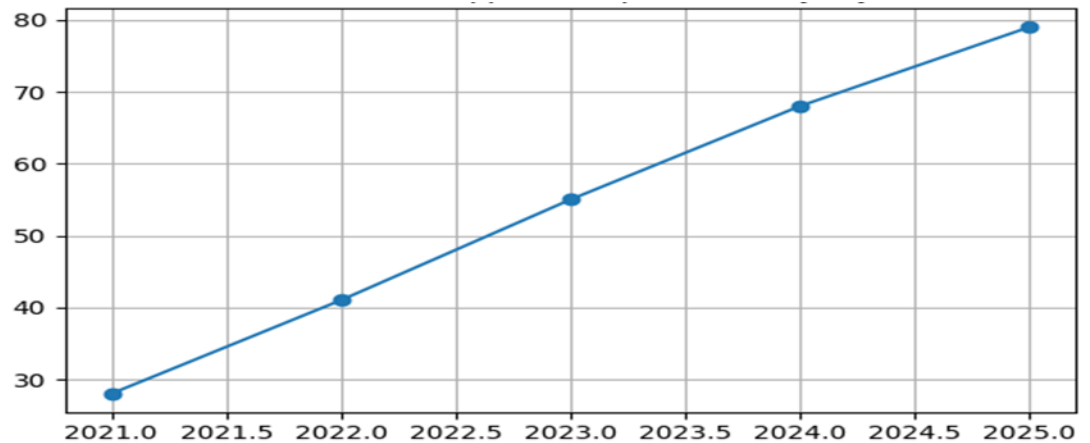


Figure 2. Development of Digital Credit Services (in %)

Special attention should be paid to the processes of digitalization of banking services. The data presented in Table 1 and Figure 2 show that the share of digital credit services increased from 28% in 2021 to 79% in 2025. This trend indicates a large-scale transformation of the banking sector under the influence of modern information technologies. Commercial banks are actively implementing online lending, mobile applications, automated scoring systems, and artificial intelligence technologies for assessing borrowers' creditworthiness. This makes it possible to significantly reduce the time required for processing loan applications, lower operational costs, and increase the accessibility of banking services for the population.

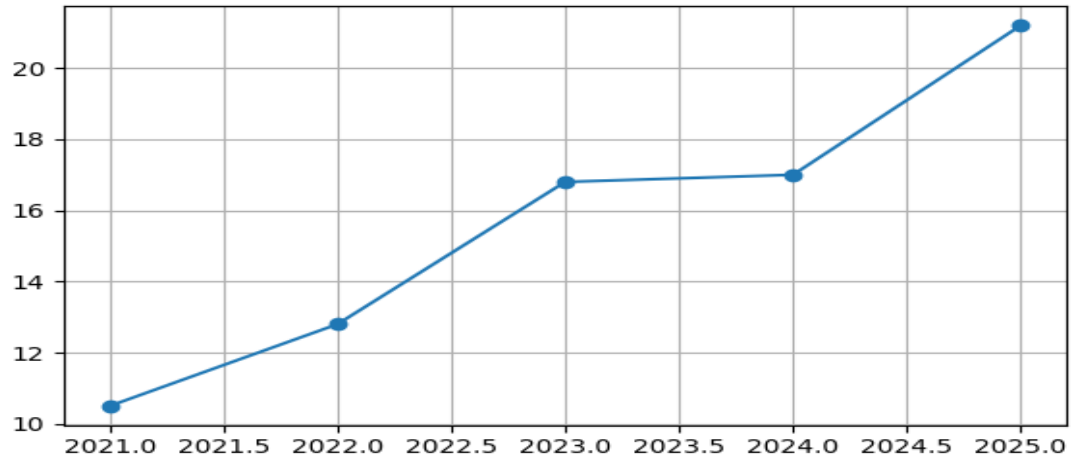


Figure 3. Dynamics of Mortgage Lending (trillion UZS)

The analysis of mortgage lending presented in Table 1 and Figure 3 demonstrates a steady growth in the volume of mortgage loans – from 10.5 trillion UZS in 2021 to 21.2 trillion UZS in 2025. Mortgage lending remains one of the most significant areas in the modernization of banking credit products, as it contributes not only to improving the housing conditions of the population but also stimulates the development of the construction industry and related sectors of the economy. The growth of mortgage lending is associated with government support programs for the population, the expansion of interest rate subsidy mechanisms, as well as the introduction of more flexible lending conditions [15].

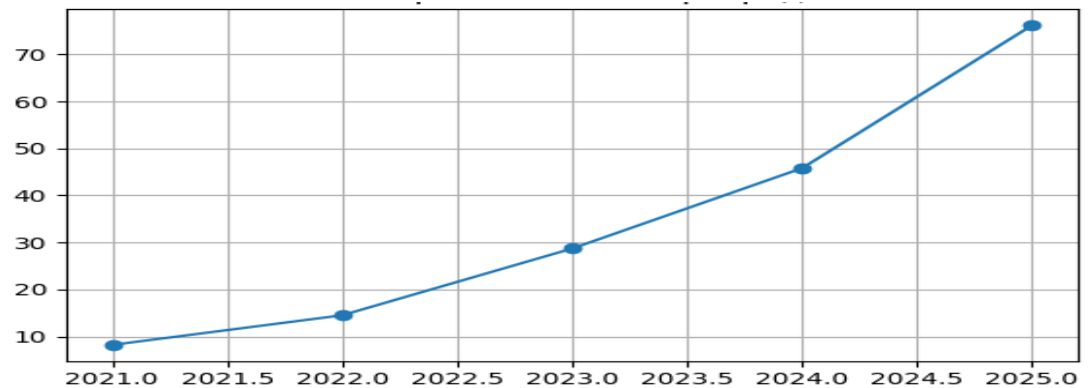


Figure 4. Growth of Microloans and Microcredits (trillion UZS)

An important trend is also the rapid development of microloans and microcredits. According to the data presented in Table 1 and Figure 4, the volume of microfinance increased from 8.2 trillion UZS in 2021 to 76.2 trillion UZS in 2025. This indicates the growth of financial inclusion and the expansion of public access to banking services. Microcredits are becoming especially popular among low-income populations, small business entities, and self-employed citizens. Commercial banks are actively modernizing these products through digital platforms, simplified customer identification, and accelerated loan issuance processes.

In general, the conducted analysis shows that the modernization of credit products of commercial banks for individuals is carried out under the influence of the digitalization of the economy, increasing competition in the financial market, and changing customer needs. The main directions for improving banking products include the digitalization of lending processes, personalization of banking services, development of remote banking services, enhancement of risk management quality, and expansion of access to credit resources for the population.

Consequently, the further development of credit products of commercial banks should be aimed at the introduction of innovative financial technologies, improvement of credit risk management mechanisms, enhancement of the financial literacy of the population, and ensuring the sustainable development of the banking system in the conditions of the digital economy.

The current stage of development of the global economy is characterized by the rapid advancement of innovative technologies, the digitalization of the financial sector, and increasing competition in the banking services market. The introduction of new technologies and the production of competitive products require significant financial resources, which leads to the growing need of business entities and the population for bank loans. Under these conditions, borrowers tend to choose those financial institutions that are capable of offering the highest quality, most accessible, and technologically advanced credit products.

Conclusions

Loans provided by commercial banks to the population are an important factor in the socio-economic development of both developed and developing countries. The growing demand of the population for durable goods, real estate, and modern services contributes to the expansion of consumer and mortgage lending. At the same time, the key features of lending to individuals are reflected in the specifics of credit relations between the bank and the borrower, the mechanisms for ensuring loan repayment, as well as the use of modern technologies for assessing creditworthiness and risk management.

As demonstrated by the experience of the 2008–2009 financial crisis, when one of the causes of the crisis phenomena was the excessive expansion of mortgage lending in the American economy, “credit, used contrary to its positive qualities, became a factor destabilizing economic development and aggravating contradictions in production and circulation. Artificially supporting demand and effectively masking existing economic problems, the irrational use of credit on the eve of the crisis intensified speculative tendencies and created the illusion of economic growth.” This equally applies to lending to individuals, the rapid growth of which in the pre-crisis years was driven, as noted, by favorable global oil price conditions that ensured both the growth of household incomes and the expansion of imports of consumer goods purchased on credit.

Commercial banks in Uzbekistan began issuing the first retail loans in 1999. The primary purpose of such loans was the purchase of electronics and household appliances. Since these operations were highly profitable, other commercial banks also started offering various credit products for individuals. The main directions of banks’ activities in this segment of the credit market became car loans and point-of-sale lending.

The highest profitability was characteristic of consumer loans granted for the purchase of liquid and expensive property. For such loans, additional time and financial costs were relatively low compared to the loan amount, while demand for them remained fairly stable. The loan period did not allow such property to significantly depreciate during its use, and the possibility of using the purchased goods during the loan repayment period enabled borrowers to obtain insurance against price increases for such products. At the same time, there is a strong dependence of lending growth rates on the phase of the economic cycle, with decreases in lending volumes and slower growth rates during crisis periods. Credit contraction is caused by declining GDP growth rates, increasing inflationary processes, and decreasing real household incomes.

The share of provisions for possible losses formed for loans and claims (as a percentage of debt under the corresponding portfolio) clearly reflects the dependence on the risk level of a particular credit product. An increase in the proportion of reserves for certain types of loans in the total lending volume, outpacing the growth of their share in the credit portfolio, significantly affects the deterioration of the overall portfolio quality and the financial condition of banks.

Another form of lending to the population that has recently created significant competition for banks is peer-to-peer lending. Initially, peer-to-peer lending consisted of individuals providing loans to each other through specific electronic platforms. Currently, various models of this segment have emerged worldwide, the essence of which lies in the fact that private individuals may acquire rights of claim to a certain part of a loan issued by a financial organization. This type of lending still remains one of the segments of the financial market that is not fully subject to the regulatory norms of the Central Bank of Uzbekistan and does not provide corresponding reporting data on the results of its activities. At the same time, the P2P lending segment possesses significant development potential, as confirmed both by

international experience and by Uzbek experts.

For example, in China, the active development of financial innovations, on the one hand, and the policy of imposing restrictions on loan interest rates, on the other hand, led in recent years to the emergence of various financial intermediaries that were insufficiently regulated or unregulated by the state, which effectively expanded the scale of the shadow banking sector. For instance, the turnover of the company “AHPay,” controlled by the leader of Chinese internet commerce, amounted to approximately USD 780 billion in 2014. More than 80% of mobile device owners regularly use AHPay services to pay for goods and services.

The unregulated market of lending services provided by private companies using electronic platforms to connect lenders and borrowers has also developed actively. Such platforms make it possible, on the one hand, to reduce costs and, on the other hand, to expand available service promotion channels. These companies provide services for verifying registered users who independently select their partners on electronic platforms; act as financial intermediaries by selecting projects for financing from among those registered on such platforms and subsequently attracting borrowed funds on their own behalf; and conduct searches and evaluations of various investment projects for interested users, who may later independently finance selected projects.

Thus, competition in the market of credit products for individuals is gradually intensifying, increasing the requirements for their content, quality, and lending conditions.

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