

THE ROLE OF COMMERCIAL BANK CREDIT POLICY IN FINANCING ENTREPRENEURIAL ACTIVITY

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Nowadays, the efficient utilization of financial resources plays a pivotal role in developing entrepreneurial activity and enhancing its significance within the economy. The ability of business entities to expand production capacities, adopt new technologies, create job opportunities, and adapt to market demands depends largely on their financial capabilities. Particularly for small and medium-sized enterprises (SMEs) facing capital constraints, commercial bank loans represent one of the primary external funding sources. Consequently, the credit policy of commercial banks serves as an essential economic mechanism in financing entrepreneurial operations.

Commercial bank credit policy encompasses a set of measures aimed at forming and allocating credit resources, selecting borrowers, establishing loan terms, managing risks, and ensuring the recovery of disbursed funds. A well-structured credit policy not only secures the financial stability of banking institutions but also expands access to financial resources for business entities. In this regard, the efficiency of financial relations between the banking sector and entrepreneurship directly impacts investment activity and overall business environment development within the economy.

Commercial banks deploy various credit products to finance entrepreneurial initiatives. Specifically, short-term loans are extended for working capital replenishment, investment loans are granted for purchasing fixed assets and expanding production capacities, specialized loans are directed toward supporting export operations, and microcredits are allocated for small enterprises. The diversity of credit products allows banks to meet the multifaceted financial needs of entrepreneurs.

A crucial aspect of credit policy influencing entrepreneurial activity is the cost of borrowing, namely the interest rate. Elevated interest rates increase debt servicing costs for entrepreneurs, potentially diminishing the profitability of specific investment projects. Conversely, economically justified and acceptable interest rates encourage active utilization of credit resources by business entities. Therefore, when pricing loans within bank

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credit policy, it is crucial to consider the bank's cost of funds, credit risk, and the economic efficiency of the entrepreneurial project.

Another essential element of credit policy is credit risk management. In disbursing loans, commercial banks evaluate the borrower's financial position, credit history, business plan, cash flows, and collateral coverage. However, underdeveloped financial reporting or limited collateral assets among small business entities can impair their borrowing capacity. Consequently, advancing modern credit scoring, leveraging digital data, and developing cash-flow-based lending mechanisms have become highly relevant.

In Uzbekistan, the role of commercial banks in financing entrepreneurship is gradually expanding. Alongside standard credit allocation to business entities, mechanisms such as concessional lending within specific state programs, credit guarantees, and interest rate subsidies are actively utilized. This process serves to enhance entrepreneurs' access to financial resources. However, ensuring an optimal balance between market principles and state support mechanisms in allocating credit resources remains crucial.

In the contemporary environment, digitizing commercial bank credit policy constitutes another key prospective direction. Electronic credit applications, remote banking services, automated credit scoring, and digital monitoring systems compress lending timelines and reduce transaction costs. Simultaneously, digital technologies enable rapid credit risk assessment and continuous monitoring of entrepreneurs' financial positions.

Thus, commercial bank credit policy stands as a vital institutional mechanism for financing entrepreneurial activity. Its efficacy is determined by credit volume, interest rates, loan maturities, collateral requirements, risk management protocols, and service accessibility. Consequently, tailoring bank credit policies to the needs of business entities, streamlining lending procedures, and broadly implementing modern digital technologies represent essential imperatives for economic development.

Research findings indicate that commercial bank credit policy serves as a primary mechanism for financing business operations, with its efficiency directly impacting the investment and production capacities of business entities. Bank credits function as an indispensable financial source for expanding entrepreneurial activity, establishing new enterprises,

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modernizing production capacities, and generating employment opportunities. Therefore, refining bank credit policy is vital not only for the financial stability of banking institutions but also for the progression of the real sector.

The credit policy of commercial banks should focus primarily on the efficient allocation of credit resources and optimal credit risk management. In this regard, banks must ensure loan recovery while avoiding the financial deprivation of economically viable entrepreneurial projects. Improving credit assessment frameworks—specifically tailored to the operational characteristics of small and medium-sized enterprises (SMEs)—is imperative.

Credit interest rates constitute a fundamental factor in business financing. Elevated borrowing costs increase the financial burden on entrepreneurs, negatively affecting the viability of investment projects. Thus, when determining interest rates, banks should account for not only the cost of resources but also client creditworthiness, project risk, and cash flow projections. Offering tailored, favorable credit terms to stable, low-risk businesses on an individual basis will foster lending volume expansion.

One of the critical directions for improving credit policy is the advancement of the digital lending ecosystem. Electronic applications, automated scoring, remote identification, and digital document workflow significantly simplify the borrowing process for entrepreneurs. Concurrently, commercial banks must expand creditworthiness evaluation frameworks based on the entrepreneur's bank account turnover, tax payments, and other verified financial metrics. This approach is particularly vital for financing small business entities that operate legitimately yet lack sufficient collateral.

Addressing the collateral constraint also plays a pivotal role in refining commercial bank credit policies. The absence of sufficient liquid assets among certain small business representatives restricts their access to bank credit. Consequently, developing credit guarantees, surety mechanisms, and credit risk insurance instruments is essential. Such a strategy mitigates bank risks while simultaneously broadening credit accessibility for business owners.

Furthermore, commercial banks need to diversify their credit portfolios and design tailored credit products suited to various sectors of the economy. The

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financial needs of manufacturing, agriculture, services, export, and innovation-driven activities differ substantially. Thus, rather than utilizing a uniform credit product for all entrepreneurs, offering credit solutions tailored to specific business types and operational lifecycles proves far more effective.

Strengthening public-private partnerships between commercial banks and state authorities further enhances funding avenues for entrepreneurship. Provision of state credit guarantees and interest rate subsidies reduces risks encountered by banks in engaging with small businesses. However, state intervention should not completely supplant market mechanisms; instead, it should focus on supporting economically viable projects facing capital access constraints.

In evaluating the efficacy of credit policy, close attention must be paid to portfolio quality indicators alongside quantitative growth. The proportion of non-performing loans (NPLs), loan recovery rates, project profitability, and generated economic outputs reflect the genuine effectiveness of a credit policy. In this regard, banks must refine post-disbursement monitoring frameworks and continuously assess the efficiency of credit utilization.

Overall, refining commercial bank credit policies for financing entrepreneurial activity requires the harmonious integration of optimal interest rates, flexible credit products, digital lending, modern risk assessment, guarantee mechanisms, and robust monitoring systems. This comprehensive approach broadens entrepreneurs' access to financial capital while securing the overall financial stability of banking institutions.

In conclusion, an effective commercial bank credit policy establishes a vital financial foundation for private sector development. Aligning lending mechanisms with the actual needs of entrepreneurs, broadly deploying digital technologies, evaluating credit risks via advanced methodologies, and utilizing alternative security mechanisms will significantly enhance business financing efficiency in Uzbekistan. Ultimately, this will reinforce financial synergies between the banking and real sectors, establishing favorable conditions for sustained growth in investment activity, industrial output, and employment.