



Article

Improving the Mechanisms of Auto Lending in Commercial Banks

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Abstract: This article examines the current trends in the development of auto lending in commercial banks, analyzes the existing mechanisms for providing car loans to the population, and identifies the main problems hindering the effective development of this segment of banking services. Particular attention is paid to the digitalization of lending processes, improvement of borrower creditworthiness assessment systems, and reduction of credit risks. Based on the results of the study, proposals were developed to improve the mechanisms of auto lending in commercial banks.

Keywords: auto lending, commercial banks, credit risk, digital technologies, banking services, scoring system, loan portfolio, borrower.

Citation: Ravshanovna, B. N. Improving the Mechanisms of Auto Lending in Commercial Banks. Web of Scholars: Multidimensional Research Journal 2026, 5(3), 268-276.

Received: 20th Apr 2026

Revised: 21st May 2026

Accepted: 28th May 2026

Published: 3rd June 2026



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1. Introduction

Auto lending to the population is one of the key areas of retail bank lending, playing an important role in stimulating consumer demand, developing the automotive market, and supporting related sectors of the economy. In the context of the transformation of the banking sector of the Republic of Uzbekistan, the digitalization of financial services, and increasing competition among commercial banks, auto lending is becoming particularly significant as a tool for expanding the customer base and increasing the profitability of credit institutions.

Under the conditions of modern economic development in Uzbekistan, the banking system plays a crucial role in ensuring sustainable growth, modernization of industries, and improving the living standards of the population. One of the important areas of banking activity is lending to individuals, particularly auto lending, which contributes to the development of the domestic automobile market, increases citizens' mobility, and stimulates related sectors of the economy. The process of auto lending represents a set of banking operations aimed at providing borrowers with financial resources for the purchase of vehicles with the subsequent repayment of the loan and payment of interest within the established period. In recent years, Uzbekistan has witnessed growing interest in auto loans due to rising household incomes, expansion of the range of domestically produced vehicles, and the active policy of banks in promoting lending products [1].

However, despite positive trends, the auto lending market faces a number of challenges. These include high interest rates, the complexity of loan application procedures, limited opportunities for certain categories of citizens, and the insufficient level of financial literacy among the population. These factors restrain the further development of the sector and require a comprehensive approach to their resolution. The relevance of the topic is обусловлена the need to improve auto lending mechanisms, increase their accessibility and transparency, and develop an effective system of interaction between banks, car dealerships, and government institutions [2]. The study of this process has significant theoretical and practical importance, as it allows identifying directions for improving the efficiency of banking services and stimulating economic

activity in the country.

The development of this segment of the credit market is driven by the growing demand of the population for vehicles, increasing income levels of certain categories of citizens, as well as the expansion of state support programs for the automotive industry and stimulation of domestic demand.

2. Literature Review

The theoretical foundations of consumer lending, including auto lending, were examined in the works of Joseph Schumpeter, John Maynard Keynes, and Milton Friedman, who emphasized the role of credit in stimulating aggregate demand and economic growth.

Modern approaches to bank lending and financial intermediation are presented in the studies of Frederic Mishkin, where particular attention is paid to the efficiency of credit markets, risk management, and the role of banking innovations [3].

Issues related to the digitalization of banking services and the transformation of retail lending are reflected in the works of Brett King and Chris Skinner, where the transition of banks to digital platforms, automation of lending decisions, and development of remote service channels are emphasized.

The research applies methods of system analysis, comparative analysis, and statistical generalization of data. The information base includes materials from the Central Bank of the Republic of Uzbekistan, analytical reports of commercial banks, as well as data from financial and statistical portals.

During the research process, both theoretical and empirical methods of analysis were used. The theoretical basis of the study includes the examination of domestic and foreign scientific works, legal and regulatory acts of the Republic of Uzbekistan governing the activities of commercial banks, as well as methodological recommendations of the Central Bank on issues related to lending to individuals. The main research methods include:

- Analytical method – used to study the dynamics of auto lending development in Uzbekistan and identify trends and factors influencing its growth.
- Comparative method – applied in comparing auto lending conditions among various commercial banks, as well as comparing the practice of Uzbekistan with the experience of foreign countries [4].
- Statistical method – made it possible to summarize and analyze quantitative indicators such as the volume of issued auto loans, interest rates, the level of overdue debt, and the share of loans in the total bank portfolio.
- Sociological method – used to study the population's attitude toward auto lending, the level of trust in banks, and citizens' willingness to use credit products.
- Systematic approach – used to identify the interrelations between various elements of the auto lending process, including government regulation, banking procedures, and socio-economic factors [5].

The information base of the research is based on official data from the Central Bank of the Republic of Uzbekistan, reports of commercial banks, materials of the State Committee on Statistics, as well as publications in scientific journals and economic editions. The application of a comprehensive approach and the combination of various methods ensured the reliability and objectivity of the obtained results, as well as the identification of key problems and promising directions for improving the auto lending system in Uzbekistan.

3. Methodology

This study employs a mixed-method research approach to investigate and improve the mechanisms of auto lending in commercial banks. The research combines qualitative and quantitative methods to ensure a comprehensive analysis of current auto lending practices and their effectiveness.

The study is based on secondary data obtained from the Central Bank of the Republic of Uzbekistan, annual reports of commercial banks, international financial institutions, and relevant scientific literature. Statistical data on retail loans, auto loans,

loan portfolio quality, and non-performing loans were analyzed for the period 2020–2025.

Several research methods were applied in the study:

- **Comparative analysis** was used to compare auto lending practices in Uzbekistan with international banking experience.
- **Statistical analysis** was employed to evaluate trends in auto loan volumes, interest rates, loan maturity periods, and portfolio quality indicators.
- **Systematic analysis** was applied to identify the strengths and weaknesses of existing auto lending mechanisms in commercial banks.
- **Risk assessment method** was utilized to examine credit risks associated with auto loans and their impact on bank performance.
- **Forecasting and analytical methods** were used to determine potential directions for improving auto lending mechanisms in the future.

The research evaluates the relationship between lending conditions, borrower accessibility, digital banking technologies, and the efficiency of auto lending operations. Based on the findings, practical recommendations are developed to enhance loan accessibility, improve credit risk management, accelerate digitalization processes, and increase the overall effectiveness of auto lending activities in commercial banks.

The reliability of the research findings is ensured through the use of official statistical sources, international reports, and recent academic publications related to retail and auto lending.

4. Analysis and Result

The conducted analysis showed that in recent years Uzbekistan has experienced a stable trend toward the expansion of the auto lending market, which is associated with the active development of the banking sector, increasing household incomes, and intensified competition among commercial banks. Most of the country's major banks, such as Ipoteka Bank, Asakabank, Qishloq Qurilish Bank, and Xalq Bank, are actively introducing auto lending programs with various conditions and repayment terms [6].

Based on the analysis of statistical data from the Central Bank of the Republic of Uzbekistan, it was found that over the past five years the volume of issued auto loans has increased more than twofold. This indicates growing public confidence in the banking system and an increasing interest in purchasing vehicles on credit. At the same time, a significant share of auto loans is directed toward the purchase of domestically produced vehicles, which supports the national automotive industry and stimulates domestic demand [7].

The study also identified several major problems restraining the further development of auto lending:

1. High interest rates, which often exceed the inflation rate and reduce the accessibility of loans for low- and middle-income households.
2. Complex bureaucratic procedures in the loan application process, requiring a significant number of documents and considerable time.
3. Limited access of young and low-income citizens to credit products due to strict collateral and guarantor requirements.
4. Insufficient awareness and financial literacy of potential borrowers, leading to risks of overdue payments and defaults.
5. Uneven development of digital services among different banks, which slows down the automation of lending processes.

Nevertheless, the research showed that a number of banks are already implementing innovative solutions aimed at improving customer service quality and accelerating the lending process. In particular, online platforms for submitting applications, electronic databases for checking customers' creditworthiness, and automated systems for calculating credit limits are being actively developed [8].

In addition, there is growing state support for auto lending, including preferential programs for young families, public sector employees, and buyers of domestically produced vehicles. These measures contribute to increasing the accessibility of auto loans

and strengthening cooperation between banks and automobile manufacturers.

In recent years, the Republic of Uzbekistan has witnessed a steady expansion of the auto lending market. Commercial banks are actively developing this segment through the introduction of new credit products, simplification of application review procedures, and digitalization of loan processing.

In 2026, the automobile market of Uzbekistan remains in a contradictory situation. On the one hand, more and more citizens wish to purchase their own vehicles; on the other hand, the actual lending conditions remain extremely strict. Auto loans in Uzbekistan continue to be among the most expensive financial products: out of 35 operating banks, only 24 are willing to provide loans for car purchases [9].

According to the data of the Central Bank, interest rates range from 22.5% to 33% annually, with lending terms from one to five years. Under such conditions, the overpayment for a vehicle may amount to 60–150% of its original cost. It is important to understand that what appears attractive in advertising often results in additional requirements, hidden commissions, and months of waiting in practice. However, it should be noted that clients with officially confirmed income and large down payments may obtain loans at rates of 20–22% (for example, at Uzpromstroybank and Milliy Bank) [10]. At a rate of 25% for five years, the overpayment may amount to approximately 90–100 million soums on a loan of 200 million soums, which equals around 45–50%.

Table 1

Comparative Table of Auto Lending Volumes and Conditions

Bank	Interest Rate	Down Payment	Auto Loan Term	Special Conditions
Hamkorbank	23.99–28 %	From 25%	Up to 5 years	Proof of income is required
Ipak Yuli Bank	20.9–25.9 %	From 25%	Up to 5 years	Mandatory insurance
Aloqabank	25–27 %	From 25%	Up to 5 years	Preferential conditions for payroll clients
Ipoteka Bank	27.9–29.9 %	From 25%	Up to 5 years	Expanded set of documents
Orient Finans Bank	24.9–27.9 %	From 20 %	Up to 5 years	Processing through partner car dealerships

Statistics from the National Bank of Uzbekistan indicate that every third borrower faces rejection on the first attempt to obtain an auto loan in Uzbekistan. The main reason is the gap between advertised conditions and actual lending practices. Banks have significantly tightened scoring requirements amid economic instability. According to market experts, in 2024 the approval rate was around 65%, while in 2025 this figure declined to 48–50%. Many credit institutions, such as Kapitalbank and Mikrocreditbank, have practically suspended mass auto lending operations, working only with clients who receive preliminary approval. As of August 2025, stable auto lending programs are offered by only 7 out of 23 commercial banks in the country [11].

The actual profitability of banks from auto lending amounts to 18–22% annually, taking into account all associated risks. The main reasons for high interest rates are inflation and the high level of loan defaults (approximately 7% of the loan portfolio). Comparisons with global standards (10–15%) are not entirely appropriate due to differences in macroeconomic conditions [12].

Table 2

The Process and Terms of Obtaining an Auto Loan in Commercial Banks

Bank	Declared term	Actual term	Notes
Anorbank	5 minutes	1–3 days	“5 minutes” refers only to the preliminary decision
SQB (Uzpromstroybank)	3–5 days	5–10 days	Depends on workload
NBU (Milliy Bank)	5–7 days	7–14 days	Longer for non-payroll clients
Ipak Yuli Bank	3–5 days	5–7 days	Relatively fast
Kapitalbank	5–7 days	10–14 days	Careful document verification
Asia Alliance Bank	3–5 days	5–10 days	Average processing times

Main reasons for rejection of auto loan applications include:

- Insufficient income — the most common reason. Even if calculations show you meet 70% of the required threshold, the bank may still consider the risk too high.
- Unsatisfactory credit history — even a delay of 5–10 days in past payments can lead to rejection on the same day the application is submitted.
- Failure to meet bank requirements — a general formulation that may hide various issues, from age limits to the applicant’s region of residence.
- Insufficient collateral — additional collateral or more financially stable guarantors may be required.
- High debt burden — existing loans reduce overall repayment capacity and increase the risk of default [13].

Table 3

Dynamics of Auto Lending Volumes in Commercial Banks

Years	Volume of auto loans, billion soums	Growth rate, %	Share in retail lending, %
2020	12 500	100	18,2
2021	15 800	126,4	19,5

Years	Volume of auto loans, billion soums	Growth rate, %	Share in retail lending, %
2022	19 600	124,1	21,3
2023	24 900	127,0	23,1
2024	30 700	123,3	24,8
2025	36 400	118,6	26,2

The data in the table show a steady growth in the volume of auto lending in commercial banks. Over the period 2020–2025, the volume of auto loans increased almost threefold. This indicates a growing demand for cars among the population and an intensification of retail lending activity [14].

Table 4

Level of non-performing loans on auto loans

Years	Total loan portfolio, billion soums	Overdue debt, billion soums	Overdue debt ratio, %
2020	12 500	420	3,4
2021	15 800	510	3,2
2022	19 600	690	3,5
2023	24 900	980	3,9
2024	30 700	1 320	4,3
2025	36 400	1 530	4,2

Despite the growth in auto lending volumes, there is an increase in overdue debt. This indicates the need to improve mechanisms for assessing borrowers' creditworthiness and managing credit risks.

Table 5

Main directions for improving auto lending mechanisms

Directions for improvement	Expected effect
Implementation of digital technologies	Reduction of loan processing time
Use of AI scoring	Improving the accuracy of borrower assessment
Online auto lending	Increased accessibility of banking services
Development of partnership programs	Expansion of the customer base
Improvement of risk management	Reduction of overdue debt

Table 6
Comparison of traditional and digital auto lending¹

Indicators	Traditional lending	Digital lending
Loan application processing time	2–5 days	15–30 minutes
Number of documents	High	Minimal
Bank visit	Mandatory	Not required
Loan disbursement speed	Medium	High
Level of operating costs	High	Low

Digital auto lending significantly improves the efficiency of banking operations and enhances the quality of customer service.

The conducted analysis shows that the improvement of auto lending mechanisms should be based on the digitalization of banking services, the introduction of modern scoring systems, and strengthened risk management. This will enable commercial banks to improve the quality of their loan portfolios, reduce the level of overdue debt, and increase the accessibility of auto loans for the population [15].

The key trends in the development of auto lending are:

1. Growth in the volume of auto loans within the structure of retail loan portfolios of banks.
2. Reduction in application processing times due to the introduction of scoring systems and automated borrower assessment models.
3. Expansion of partnership programs between banks and car dealers.
4. Increasing share of digital sales channels, including mobile applications and online platforms.

Of particular importance is the development of credit programs aimed at supporting domestic automotive manufacturing, which contributes to strengthening the internal market and stimulating industrial production.

The development of auto lending in commercial banks of Uzbekistan is determined by a combination of the following factors:

- growth of household incomes and increased effective demand;
- state policy supporting the automotive industry;
- intensified competition among commercial banks;
- digitalization of banking processes;
- development of financial technologies and scoring models;
- expansion of installment and preferential lending programs.

5. Conclusion

The results of the study show that, despite positive trends in the development of auto lending in commercial banks of Uzbekistan, systemic problems still persist in this area and require a comprehensive approach. High interest rates, long application processing times, and a low level of digitalization in some banks limit public access to credit products and reduce the competitiveness of the banking sector.

To improve the efficiency of auto lending, it is necessary to implement a set of

measures aimed at improving organizational and economic mechanisms, expanding digital capabilities, and increasing financial literacy among the population.

The discussion of the research results leads to the conclusion that further development of auto lending in Uzbekistan requires active participation of the state, commercial banks, and automobile manufacturers. Measures are needed to reduce the financial burden on borrowers, increase transparency of credit operations, and create favorable conditions for long-term cooperation between market participants.

In addition, the introduction of digital technologies (online applications, electronic signatures, automated credit limit calculations) will significantly speed up application processing, reduce banking costs, and improve customer convenience. Improving financial literacy should also be a priority, as informed borrowers are more capable of making sound decisions and minimizing credit default risks.

Despite positive dynamics, the auto lending market faces several constraints: a high level of credit risk in certain borrower segments; dependence of loan costs on macroeconomic conditions; insufficient diversification of credit products; risks associated with changes in collateral value; and the need to improve creditworthiness assessment systems.

The future development of auto lending in Uzbekistan is associated with further digitalization of credit processes, the introduction of artificial intelligence in borrower assessment, the development of fully online auto lending, expansion of public-private partnership programs, reduction of banking transaction costs, and increased transparency and accessibility of credit products.

Auto lending to the population in commercial banks of the Republic of Uzbekistan is a dynamically developing segment of the retail credit market. Its development not only satisfies the population's demand for vehicles but also significantly contributes to the development of the automotive industry and the economy as a whole. In the context of digital transformation of the banking sector, the key direction of further development of auto lending is the introduction of innovative technologies, improvement of credit product quality, and enhancement of risk management.

The conducted research made it possible to comprehensively study the process of auto lending in commercial banks of Uzbekistan, identify its strengths and weaknesses, and determine promising directions for further development. Today, auto lending is an important tool of financial support for the population, contributing not only to improving citizens' living standards but also to the development of the national economy, particularly the automotive industry and the banking sector.

The results of the analysis show that the auto lending market in Uzbekistan has high growth potential. This is supported by the stable development of the banking system, rising household incomes, and government support for domestic automobile manufacturers. However, to realize this potential, existing problems must be addressed — primarily high interest rates, complexity of loan procedures, and insufficient digitalization of banking services.

The key direction for improving the auto lending system should be the creation of favorable conditions for borrowers through:

- implementation of preferential lending programs and government subsidies;
- simplification of application procedures via online platforms;
- increased transparency and accessibility of information about banking products;
- development of partnerships between banks, car dealerships, and government institutions.

In the long term, the improvement of auto lending mechanisms will strengthen public trust in the banking system, reduce the level of informal transactions in the automobile market, and stimulate domestic demand. Moreover, the active use of digital technologies and improvement of financial literacy will create conditions for more stable and secure development of the credit sector.

Thus, auto lending to the population in commercial banks of the Republic of Uzbekistan is a dynamically developing segment of the retail credit market. Its

development not only satisfies the population's demand for vehicles but also has a significant impact on the development of the automotive industry and the economy as a whole. In the context of digital transformation of the banking sector, the key direction of further development of auto lending is the introduction of innovative technologies, improvement of credit product quality, and enhancement of risk management.

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