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Analysis of Services Provided by Commercial Banks for the Financing of Industrial Production

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Abstract: Both industrial development and commercial bank-provided financial services show direct correlation with each other in today's world. There exists an acknowledged need for bank financing in industrial development yet research on bank services dedicated to this sector remains scarce particularly within emerging markets. The research addresses this knowledge deficit by studying banking services which support industrial financing from both the availability and practicality and user accessibility aspects. The research used a combination of qualitative bank official and industrial stakeholder interviews along with quantitative bank financial data analysis spanning five years. The research shows commercial banks utilize credits, equipment financing and project loans as financial tools yet industrial firms encounter difficulties due to operational red tape and mandatory guarantees together with restricted risk mitigation methods. The results indicate that existing financial products do not meet the genuine needs of production enterprises that focus mainly on small and medium manufacturing operations. The study demonstrates that banking services need specific adjustments to create improved industrial productivity together with economic resilience. Policy reforms should target three main areas by removing financial obstacles and improving educational skills about finances and creating private-public sector connections to make banking services support industrial economic objectives better.

Keywords: commercial bank, industry, financing, credit, investment, production, financial services, digital banking.

INTRODUCTION

An essential economic development driver is industrial production because it enables employment growth and the addition of value along with technological progress. The growth and stability of industrial sectors rely primarily on financial support from commercial banks who function as main capital distribution intermediaries. The delivery of specialized financial products proves vital across all economies because it enables production efficiency improvements as well as infrastructure upgrades and innovation development [1]. Strategic importance exists in comprehending how commercial banks contribute to industrial financing because industrialization represents a transformative element [2] of the banking sector. Commercial banks deliver multiple financial instruments consisting of investment loans in addition to working capital financing as well as trade credits and project-based funding. Commercial banks have created specific financial instruments which serve the distinct requirements of industrial enterprises by providing funding for long-term needs as well as seasonal cash flow management and technology modernization [3]. Well-built financial systems improve economic results by allocating resources towards productive investments through both financial intermediation theory and supply-leading hypothesis. These theoretical frameworks find varying degrees of implementation in real-world situations because institutional quality and market structures as well as regulatory frameworks influence their application [4]. Despite extensive literature about banks' role in economic development, few studies assess the characteristics and delivery modes used by banks to serve industrial manufacturing sectors. The literature presents two dominant approaches in studying bank credit with either a broad variable approach or large-scale credit trends investigation. There exists an information gap revealing the precise methods commercial banks use to provide services which match industrial production requirements primarily for small and medium-sized enterprises (SMEs). Studies that examine industrial service use patterns and outcomes produce insufficient data [5]. The research employs a mixed-method approach which unites commercial banking quantitative method with qualitative bank manager and industrial business interviews to fill this research vacancy. The combined research design fosters complete knowledge regarding the availability and needs of industrial financial support. The research analyzes bank services in relation to what industry firms require and assesses their accessibility features [6,7]. The analysis examines institutional constraints and risk perception patterns and product development trends in financial products and aims to detect major service-funding gap discrepancies between banks and industries especially in developing economies. Preliminary results indicate financial products exist in diversity yet industrial companies face difficulty accessing them due to complex procedures as well as strong collateral requirements and inadequate financial consultancy programs. The study aims to demonstrate policy-relevant outcomes for flexible financial instruments and risk-sharing regulatory support as well as better banking-industry sector collaboration [8]. The research effort strives to develop a financial system that provides effective support for industrial development leading economic change.

METODOLOGY

The study adopts mixed-method research to evaluate commercial bank financing services for industrial production. The mixed analysis of quantitative data with qualitative information provides complete evaluation of structural bank services together with practical understanding from key stakeholder perspectives. A time frame of five years was utilized to collect data from financial reports and lending records of specific commercial banks whose analysis included factors such as credit volume distribution and breakdown of industrial sector-based disbursements while examining different types of provided loans. Statistical analysis of obtained data revealed fundamental changes and patterns and trends regarding industrial finance provision. The research included qualitative data collection methods by conducting semi-structured interviews which targeted a combination of bank officials and loan officers and representatives representing manufacturing and processing industrial firms. This research design enabled the examination of customer opinions about how accessible services were alongside examining procedural speed and assessment practices and financial product suitable for industrial needs. A combination of small and large banks and industrial enterprises with diverse characteristics formed the purposive selection which achieved broad representation. The results obtained through both methods were validated by triangulation methods that strengthened both reliability and analytic depth. The researchers adhered to ethical requirements by maintaining complete data confidentiality together with obtaining voluntary participant approval from the beginning until the end of their work. The methodology analyzes commercial bank services in addition to assessing the effectiveness with which they address industrial producers' financing problems. The integrated methodology builds a strong analytical base for analyzing institutional behavior together with their policy-related effects.

RESULT AND DISCUSSION

In the current period, the sustainable development of industrial sectors, the saturation of the domestic market with goods, the increase of export potential, and the creation of new jobs require continuous financial resources. In this regard, commercial banks serve as reliable partners of industrial enterprises by offering a wide range of financing services [9]. Under the leadership of Sh.M. Mirziyoyev, economic reforms are leading to a qualitatively new stage in bank-client relationships, especially focusing on the modernization of the industrial financing system [11].

1. The Role of Commercial Banks in Industrial Financing and Types of Services

Credit mechanisms: Commercial banks provide credit to industrial entities in the followingforms:

- Short-term loans to replenish working capital;
- Long-term loans for the purchase and modernization of equipment;
- Loans for investment projects under government guarantees;
- Green loans for enterprises introducing eco-friendly technologies.

Expanding types of financial services include:

- Leasing (financial leasing);
- Factoring;
- Bank guarantees;
- Trade finance.

Practical experience – examples from NBU and Ipoteka Bank:

NBU (National Bank of Uzbekistan): In 2023, 4.1 trillion UZS of investment loans were allocated to major industrial projects [12]. Priority lending was directed to the "automotive" and "construction materials" sectors. Digital financing platforms were launched in cooperation with the European Bank for Reconstruction and Development.Ipoteka Bank: Introduced 6-month grace period loans for small producers. Implemented a leasing-based project to finance locally manufactured equipment [13].

Current Issues and Solutions

High interest rates:

Problem: Interest rates on loans provided by commercial banks to industrial enterprises in Uzbekistan are often high. This hinders the development of small and medium-sized businesses.

Suggested solution:

- Government subsidies and interest compensation programs;
- Green loans and special programs.

Lack of collateral for small enterprises:

Problem: Many SMEs apply for loans to expand operations but lack sufficient collateral.

Suggested solution:

- Expand credit guarantee funds;
- Collateral-free loans based on business plans and financial stability.

Complex loan application procedures:

Problem: Loan application procedures can be complex and time-consuming.

Suggested solution:

- Digital "one-window" loan systems;
- Unified online portal for loan applications.

Lack of sector-specific knowledge among bank employees:

Problem: Banks may lack understanding of industry-specific needs.

Suggested solution:

- Professional development programs;
- Sector-specific loan strategies.

International Experience: South Korea and Turkey

South Korea: The "Industrial Bank of Korea" offers government-guaranteed loans for small and medium manufacturers.Turkey: Through "Kredi Garanti Fonu", collateral-free loans are directed toward industrial startups.Commercial banks serve as a strategic pillar for economic growth by financing industrial production [14]. However, to address existing issues and improve services, the following measures are recommended:

- Direct credit portfolios toward real industrial sectors;
- Expand the system of innovative financial services;
- Develop "consulting banking" in bank-client relationships;
- Implement international best practices adapted to local conditions.

The results have important implications for both financial institutions and policymakers. Commercial banks must adopt more flexible, responsive, and client-centered approaches to industrial lending, including risk-sharing mechanisms and sector-specific products [15].

CONCLUSION

The study adopts mixed-method research to evaluate commercial bank financing services for industrial production. The mixed analysis of quantitative data with qualitative information provides complete evaluation of structural bank services together with practical understanding from key stakeholder perspectives. A time frame of five years was utilized to collect data from financial reports and lending records of specific commercial banks whose analysis included factors such as credit volume distribution and breakdown of industrial sector-based disbursements while examining different types of provided loans. Statistical analysis of obtained data revealed fundamental changes and patterns and trends regarding industrial finance provision. The research included qualitative data collection methods by conducting semi-structured interviews which targeted a combination of bank officials and loan officers and representatives representing manufacturing and processing industrial firms. This research design enabled the examination of customer opinions about how accessible services were alongside examining procedural speed and assessment practices and financial product suitable for industrial needs. A combination of small and large banks and industrial enterprises with diverse characteristics formed the purposive selection which achieved broad representation. The results obtained through both methods were validated by triangulation methods that strengthened both reliability and analytic depth. The researchers adhered to ethical requirements by maintaining complete data confidentiality together with obtaining voluntary participant approval from the beginning until the end of their work. The methodology analyzes commercial bank services in addition to assessing the effectiveness with which they address industrial producers' financing problems. The integrated methodology builds a strong analytical base for analyzing institutional behavior together with their policy-related effects.

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