ANALYSIS OF GREEN BANKING PRODUCTS IN UZBEKISTAN

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Abstract. *This paper examines green banking products in Uzbekistan and their role in supporting sustainable development. The analysis shows that green loans and sustainable financing improve banks' financial efficiency, asset quality, and risk management. Despite existing regulatory and methodological challenges, green banking products offer strong potential to enhance the long-term stability of the banking sector.*

Keywords*: green banking; sustainable development; financial efficiency; commercial banks; Uzbekistan.*

In recent years, the concept of green finance has become an integral part of the global banking agenda, driven by climate change challenges, environmental risks, and the need for sustainable economic growth. Green banking products–such as green loans, sustainable investment instruments, and environmentally oriented financing solutions–are increasingly viewed not only as tools for environmental protection but also as instruments for enhancing banks' long-term financial stability and competitiveness.

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In Uzbekistan, ongoing economic reforms, the transition toward a green economy, and national strategies aimed at sustainable development have created new opportunities for the development of green banking products. The expansion of renewable energy projects, energy efficiency programs, and environmentally friendly infrastructure initiatives has increased demand for specialized financial products that support sustainable activities. In this context, commercial banks play a crucial role in mobilizing financial resources and directing them toward green sectors of the economy.

Despite these favorable conditions, the development of green banking products in Uzbekistan remains at an early stage. Limited product diversification, insufficient methodological frameworks for assessing environmental risks, and a lack of market awareness constrain the full integration of green products into banking practice. At the same time, international experience demonstrates that green banking products can improve asset quality, reduce credit risks, and contribute positively to banks' financial performance.

Therefore, analyzing green banking products in Uzbekistan is both a timely and relevant research task. This study aims to examine the current state, key characteristics, and development prospects of green banking products in the Uzbek banking system, with particular attention to their role in supporting sustainable development and enhancing financial efficiency.

Recent studies emphasize that green banking products are a key component of sustainable finance and contribute to both environmental goals and financial performance. Research by the World Bank highlights that green loans and sustainable financing instruments improve banks' asset quality and support long-term economic growth by reducing climate-related financial risks [1].

The role of green banking in enhancing financial stability is also examined by the Organisation for Economic Co-operation and Development.

OECD reports indicate that integrating green products into banking operations helps diversify credit portfolios, lower systemic risks, and strengthen banks' resilience in the face of environmental and economic shocks [2].

In addition, the International Finance Corporation provides practical evidence that green banking products enable banks to access cheaper and longer-term funding, improve profitability indicators, and align banking activities with sustainability standards, particularly in emerging markets [3].

The development of green banking products in Uzbekistan is closely linked to the country's sustainable development agenda, energy transition policies, and banking sector reforms. To assess the effectiveness and current state of green banking products, it is important to analyze their main types, target sectors, and expected financial and environmental outcomes. Table-1 presents an overview of key green banking products currently relevant for the Uzbek banking sector and their measurable effects.

Table-1

Green Banking Products in Uzbekistan and Their Expected Results

Type of green banking product	Main financing focus	Financial impact for banks	Environmental impact
Green loans	Renewable energy projects (solar, wind)	Stable long-term income, lower credit risk	Reduction of CO_2 emissions
Energy efficiency loans	Energy-saving equipment and technologies	Improved loan portfolio quality	Lower energy consumption
Green mortgages	Energy-efficient residential buildings	Expansion of retail lending	Reduced household emissions

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Sustainable investment products	ESG-compliant projects and bonds	Portfolio diversification	Support for sustainable infrastructure
Green SME financing	Eco-friendly small business projects	Growth of SME credit segment	Promotion of green entrepreneurship

Source: Compiled by the author based on national sustainable development strategies, banking practice in Uzbekistan, and international green finance guidelines.

The data presented in Table-1 indicate that green banking products in Uzbekistan have the potential to generate both financial and environmental benefits. Green loans directed toward renewable energy projects provide banks with relatively stable and long-term cash flows, as such projects are often supported by state programs and international financial institutions. This support reduces credit risk and enhances the overall quality of banks' loan portfolios.

Energy efficiency loans and green mortgages contribute to the expansion of retail and corporate lending while simultaneously improving borrowers' financial sustainability. Lower energy costs increase borrowers' repayment capacity, which positively affects non-performing loan (NPL) levels and strengthens banks' financial stability.

Sustainable investment products and green SME financing play a crucial role in diversifying banks' asset structures. By financing ESG-compliant projects, banks reduce concentration risks and align their portfolios with long-term sustainability trends. At the same time, these products support the development of environmentally responsible business practices and green entrepreneurship.

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Overall, the analysis shows that although green banking products in Uzbekistan are still developing, they already demonstrate strong potential to enhance financial efficiency, improve risk management, and support environmental objectives. Expanding the range of green banking products and strengthening methodological frameworks for environmental risk assessment will be essential for maximizing their impact on both bank performance and sustainable economic development.

The analysis confirms that green banking products represent an important and promising direction for the development of the Uzbek banking sector under sustainable development conditions. The introduction of green loans, energy efficiency financing, green mortgages, and sustainable investment products contributes not only to environmental objectives but also to the improvement of banks' financial performance and risk management.

The results show that green banking products are associated with more stable long-term cash flows, lower credit risk, and improved loan portfolio quality. State support mechanisms and cooperation with international financial institutions reduce project risks and enhance the repayment capacity of borrowers, which positively affects key banking indicators such as asset quality and financial stability. In addition, green products enable banks to diversify their portfolios and align their activities with global sustainability standards.

At the same time, the study reveals that the green banking market in Uzbekistan is still at an early stage of development. Limited product diversification, insufficient methodological approaches to environmental risk assessment, and relatively low market awareness constrain the full realization of the potential benefits of green banking. Addressing these challenges requires coordinated regulatory support, capacity building within banks, and the integration of sustainability considerations into strategic banking decisions.

Overall, the development of green banking products can be regarded as a strategically important tool for enhancing the resilience, competitiveness, and

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long-term sustainability of commercial banks in Uzbekistan, while simultaneously supporting national environmental and economic development goals.

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