CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE

https://cajitmf.centralasianstudies.org/index.php/CAJITMF

Volume: 06 Issue: 03 | July 2025 ISSN: 2660-454X

Article

Participation of Commercial Banks In Financing Foreign Trade Operations: Trends and Prospects

Ishandjanov Sardor Tulashbekovich[1]

1. Independent researcher at the Banking and finance academy of the Republic of Uzbekistan

*Correspondence: ishandjanoff@gmail.com

Abstract: This study investigates the trends and prospects of the participation of commercial banks in financing foreign trade operations. The overall corporate loan portfolio expanded nearly 5.7 times during the period, driven by structural reforms, government support programs, and improved credit conditions. Forecasts using the SARIMA and Holt-Winters models provide different perspectives: SARIMA anticipates a moderate and risk-sensitive growth path, while Holt-Winters projects a more optimistic scenario with rapid expansion, particularly from 2026 onwards. Both models suggest continued lending growth, but emphasize the importance of strategic planning. SARIMA highlights the need for risk mitigation amid economic uncertainties, whereas Holt-Winters supports a long-term view grounded in technological advancement, digitalization, and sustained policy support. The insights from both models will be crucial for policymakers and financial institutions to design balanced, forward-looking credit strategies that support sustainable economic development.

Citation: Tulashbekovich, I. S. Participation of Commercial Banks In Financing Foreign Trade Operations: Trends and Prospects. Central Asian Journal of Innovations on Tourism Management and Finance 2025, 6(3), 916-921.

Received: 03th Mar 2025
Revised: 11th Apr 2025
Accepted: 24th May 2025
Published: 06th Jun 2025

Keywords:: banking system, bank loan, SARIMA model, Holt-Winters model, interest rates, money supply, risk-sensitive growth, digitalization

1. Introduction

All societies with a legal foundation have defined the rights and obligations of those engaged in foreign trade through a number of legal provisions. Human history has witnessed the movement towards interstate harmonization of the rights and obligations of these foreign trade participants. Even now, these efforts have not ceased. In particular, the United Nations Commission on International Trade Law, established in 1966, is carrying out various activities to harmonize solutions to issues related to international trade, associated transactions, international transportation of goods, international commercial arbitration, international payments, e-commerce, and cross-border payments. This commission has recommended "model" laws, which many countries have incorporated into their legislation.

Forecasting the bank credit portfolio plays a vital role in maintaining financial sector stability and enhancing the efficiency of monetary and credit policies. For banks, forecasting is a key tool in strategic planning, helping to anticipate future credit demand and manage risks associated with lending activities. Accurate forecasting allows banks to allocate capital more efficiently, ensure liquidity management, and make timely decisions regarding interest rate adjustments, reserve requirements, and credit terms. It also helps avoid the risks of under- or over-lending, which can lead to financial losses or missed economic opportunities.

One of the most critical areas where credit forecasting is particularly impactful is in foreign trade financing. Loans directed to exporters and importers significantly influence a country's trade balance and economic competitiveness. For export-oriented enterprises, access to financing enables the procurement of raw materials, modernization of production, compliance with international standards, and expansion into foreign markets. Commercial banks, therefore, play a strategic role by providing the necessary credit infrastructure to support and sustain foreign trade operations.

Forecasting the volume of loans directed to foreign trade helps policymakers and financial institutions understand future capital needs in the trade sector. This is especially important in developing economies, where fluctuations in foreign trade can have direct consequences on exchange rates, foreign currency reserves, and overall economic growth. Through effective forecasting, banks can prepare for potential surges in trade-related credit demand, adjust lending terms accordingly, and design products that better serve the needs of exporters.

Moreover, well-forecasted lending practices also contribute to risk mitigation. By understanding projected trends in trade financing, banks can identify vulnerable sectors, evaluate currency and payment risks, and implement hedging mechanisms when necessary. This enables financial institutions to remain resilient in the face of external shocks, such as changes in global commodity prices, exchange rate volatility, or geopolitical disruptions.

From a macroeconomic perspective, forecasting bank lending to foreign trade provides valuable insights for central banks and economic planners. It allows for better coordination between monetary policy and trade policy, ensuring that adequate financial support is extended to sectors that drive foreign exchange earnings and economic diversification.

Literature review

Financing of inter-company trade is widely used in both developing and developed countries. Trade credit agreements are associated with the sale and purchase of goods and services. If we look at the long history of trade credit development, we can see that manufacturers have paid special attention to its role in financing short-term trading activities. Many theories have emerged regarding why companies finance trade, with some exploring trade creditors, borrowers, or both. The results of these theories have also been empirically investigated, and numerous studies can be found on the subject. For instance, empirical research conducted by Petersen and Rajan[1] (1997), García-Teruel and Martínez-Solano[2] (2010), and Long et al.[3] (1993) can be cited as examples.

Trade credit can be implemented in various forms. When a company delivers goods and services to a client without immediate payment, it is essentially extending credit to the client (accounts receivable or supplier credit). If a company does not make payment after receiving a product, it is taking credit from the supplier, which is called accounts payable [4][5][6]. Additionally, if a buyer pays for a product fully or partially before it is delivered, the buyer is providing credit to the company [7][8]. In some literature, this practice is also referred to as reverse trade credit [9][10]. Full payment for trade credit before the delivery of goods is a rare occurrence in practice. Compared to traditional credit, trade credit is a limited form of financing, as it is tied to the sale of goods or services [11]. While commercial banks lend funds, companies lend products [12]. According to standard accounting rules, trade credit is reflected in the current assets of a company's balance sheet as accounts receivable and in current liabilities as accounts payable. Therefore, a given company can simultaneously be both a provider and recipient of trade credit, and this can be modeled as follows.

If a supplier provides trade credit, they consider themselves to be at high risk. If the buyer makes the payment in advance, the buyer considers themselves to be at high risk [13]. In such cases, enterprises try to transfer their risks to a third party to avoid risk. Factoring and credit insurance can be cited as examples of such transfer methods [14]. Although numerous regulatory mechanisms and norms have been developed for loans provided by commercial banks and other financial institutions, trade lending is almost unregulated [15][16][17].

2. Materials and Methods

The scientific work employs scientific abstraction, comparative and structural analysis, induction and deduction, economic-statistical and econometric assessment methods. In particular, it utilizes structural vector autoregression, Seasonal ARIMA, and Holt-Winters exponential smoothing models.

3. Results and Discussion

Foreign trade lending is a crucial financial instrument that serves to meet the financial needs of entities involved in export and import activities and plays an invaluable role in enhancing a country's trade potential. Specifically, exporting enterprises require credit funds to expand production volumes, penetrate new markets, and reduce delivery times. Similarly, importers gain the ability to fulfill their financial obligations promptly with the help of credit funds when prepayment is necessary for settlements with foreign suppliers. Consequently, foreign trade credits ensure the stability of international agreements and foster economic cooperation based on mutual trust.

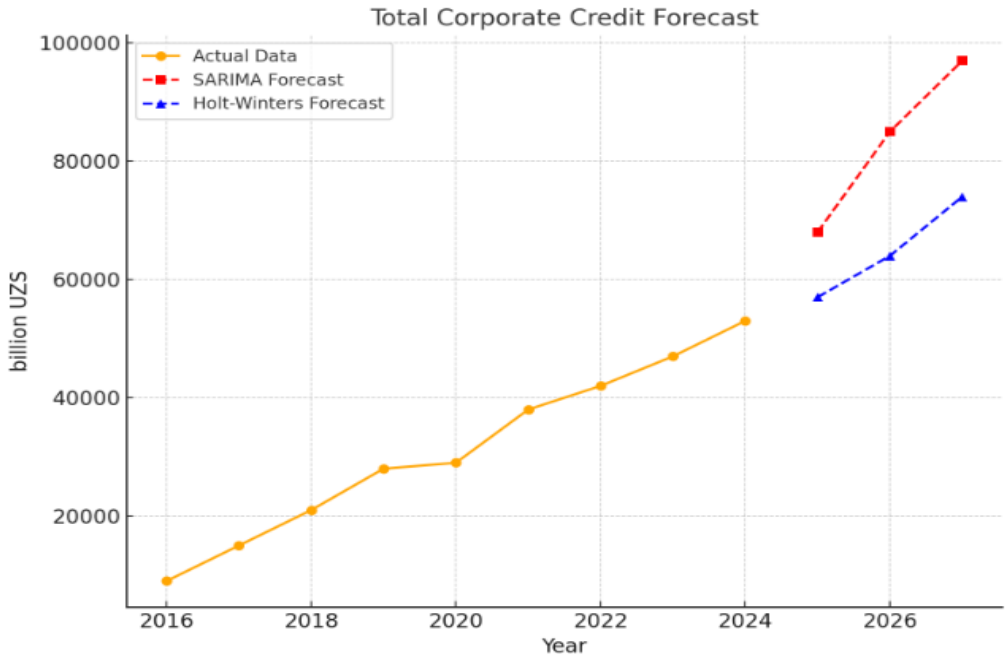
Foreign trade lending is an effective method for stabilizing and increasing foreign exchange earnings, particularly for export activities. Through loans, manufacturers can invest in raw materials, technologies, and logistics services essential for producing export-oriented goods. This leads to both an increase in export volumes and enhanced competitiveness of domestic products. For developing countries like Uzbekistan, export credits are especially valuable in diversifying sources of foreign currency inflows, reducing import dependence, and improving the foreign trade balance. From this perspective, foreign trade lending serves as a vital tool in ensuring economic stability.

Foreign trade lending enables commercial banks and financial institutions to expand their range of financial products and services. Financial instruments such as export-import loans, letters of credit, factoring, and forfeiting not only generate income for banks but also help broaden their client base and facilitate integration into international financial markets. Moreover, foreign trade loans allow banks to manage their risks and offer comprehensive financial solutions to clients. This contributes to increasing the efficiency of the banking sector, improving the quality of financial services, and fostering sustainable growth across the entire economy. Consequently, foreign trade lending becomes a strategic tool for supporting the real sector through the banking system.

In 2017, the amount of loans allocated to this sector was 357.4 billion soums, accounting for only 4.2% of total loans. In 2018, this amount reached 581.3 billion soums, and while the share increased to 2.9%, it still remained low relative to the overall portfolio. In 2019, there was rapid expansion in the sector - the volume of loans reached 1,370.9 billion soums, with the share rising to 5.1%. This year marked the beginning of prioritizing resources allocated to the trade and services sector.

In 2020, the amount of loans allocated to the trade and services sector reached 3,650.5 billion soums, comprising 13.2% of total corporate loans (27,562.18 billion soums). This can be noted as the largest relative increase observed up to that year. In 2021, the volume of loans allocated to this sector amounted to 4,338.7 billion soums, with its share decreasing to 11.9%. This indicates relatively higher growth in lending to other sectors. In 2022, the share was 11.1%, and in 2023 it was 12.1%, showing that the trade and services sector grew relatively steadily, but other sectors also continued to receive high levels of lending.

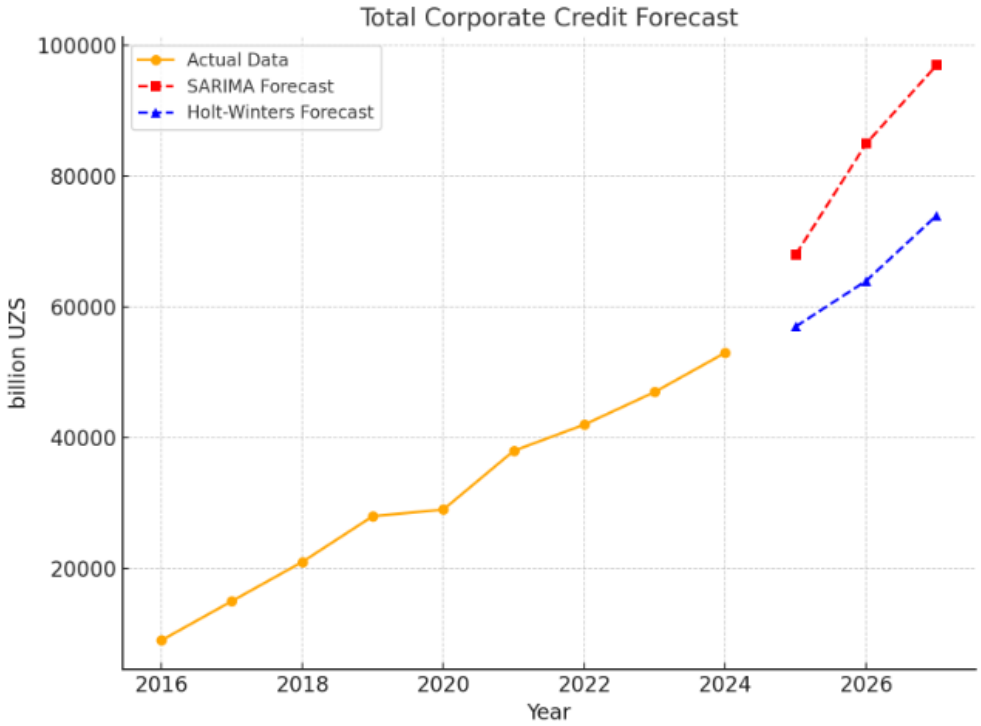
As of 2024, the volume of loans allocated to the trade and services sector reached 7,342.5 billion soums, and its share in total loans exceeded 14%. This indicates that the sector's share in the corporate loan portfolio is growing year by year. It can be said that the increase from 4.2% in 2017 to over 14% in 2024 confirms that this sector is becoming an important strategic direction for commercial banks. Thus, expanding credit resources in the trade and services sphere allows for influencing overall economic growth through the development of the service segment of economic activity [18].



The real data in the image demonstrates a steady growth in the total volume of corporate loans during 2016-2024. The volume of corporate loans, which amounted to only about 9,000 billion soums in 2016, reached 52,000 billion soums by 2024. This represents an increase of nearly 5.7 times over 8 years, indicating a rising demand for financing in the corporate sector of economic activity. The sharp growth in 2017-2018, in particular, may be the result of deepening reforms in the banking sector, easing of loan conditions for enterprises, and the government's policy of supporting large investment projects. In 2021-2024, the growth rate has smoothed out, suggesting the formation of a stable lending environment.

The SARIMA forecast predicts high growth rates in total corporate lending volume for 2025-2027. In 2025, the loan volume is expected to reach around 68,000 billion soums, representing an increase of over 30% compared to 2024. It is projected to reach 85,000 billion soums in 2026 and nearly 97,000 billion soums in 2027. This model, based on statistical seasonality and past trends, indicates that active lending in the economy will continue. The SARIMA forecast anticipates increased investment activity in the corporate sector and greater inflows of funds to large industrial and infrastructure projects. Therefore, this scenario also assumes the continuation of business support policies by the government and central bank.

The Holt-Winters model, however, forecasts relatively cautious and stable growth. It projects the total corporate loan volume in 2025 to be 57,000 billion soums, which is 11,000 billion soums less than the SARIMA forecast. Growth is expected to be consistent in subsequent years, reaching 64,000 billion soums in 2026 and 74,000 billion soums in 2027. This model smooths seasonal and trend components to provide a more realistic forecast, taking into account potential economic instabilities. The Holt-Winters model is primarily used in developing conservative financial strategies and serves as an important tool for banks and central financial institutions in assessing credit risks in advance. According to this forecast, financial institutions are expected to maintain cautious lending policies.



The real data shown in the figure indicates that from 2016 to 2024, the volume of loans directed to the trade and service sector increased significantly. The volume of these loans, which in 2016 was only about 400 billion soums, exceeded 7,300 billion soums by 2024. During this period, the volume of lending increased approximately 18-fold, which indicates the dynamic development of trade and services in the economy of Uzbekistan. Particularly sharp growth was observed in the years following 2019, which can be attributed to economic reforms, benefits provided to the private sector, and the transformation of the banking system. Despite the COVID-19 pandemic in 2020, stable growth rates were maintained in 2021-2024, and this sector has become one of the priority areas for lending.

The forecast of the SARIMA model shows a relatively conservative growth in loan volumes for 2025-2027. Specifically, by 2025, the volume of loans is expected to be around 8,500 billion soums, which is approximately 16% higher than in 2024. In 2026, it is projected to decrease slightly to 8,300 billion soums, and then rise again to 11,000 billion soums in 2027. This model offers a cautious forecast, taking into account seasonality and trends from previous years. It also suggests that the volume of trade loans may fluctuate due to global and local economic uncertainties, financial resource constraints, and regulatory policies. Such forecasts, based on the SARIMA model, help the banking sector reduce risks and make sustainable decisions.

The Holt-Winters exponential smoothing model predicts a stable and high growth rate of lending. According to this model, the loan amount is expected to be around 8,200 billion soums in 2025, but a sharp increase is anticipated in subsequent years, potentially reaching 11,500 billion soums by 2027. This model assumes the formation of real economic indicators in an optimistic direction, taking into account trends, seasonality, and cyclical changes. In particular, strong impacts related to technological upgrades in the service sector, digitalization processes, and small business support programs support this optimistic scenario. Additionally, the Holt-Winters model can serve as a basis for developing long-term strategies for banks and financial planners, as it projects sustainable growth of loan portfolios.

4. Conclusion

The analysis of corporate lending trends in Uzbekistan from 2016 to 2024 reveals a steady and substantial increase in the volume of loans, particularly in the trade and services sector. The share of loans allocated to this sector grew from 4.2% in 2017 to over

14% in 2024, indicating that it has become a strategic priority for commercial banks. This shift reflects both the dynamic development of the trade and service industries and the growing role of these sectors in driving economic growth.

The overall corporate loan portfolio expanded nearly 5.7 times during the period, driven by structural reforms, government support programs, and improved credit conditions. Forecasts using the SARIMA and Holt-Winters models provide different perspectives: SARIMA anticipates a moderate and risk-sensitive growth path, while Holt-Winters projects a more optimistic scenario with rapid expansion, particularly from 2026 onwards.

Both models suggest continued lending growth, but emphasize the importance of strategic planning. SARIMA highlights the need for risk mitigation amid economic uncertainties, whereas Holt-Winters supports a long-term view grounded in technological advancement, digitalization, and sustained policy support. The insights from both models will be crucial for policymakers and financial institutions to design balanced, forward-looking credit strategies that support sustainable economic development.

REFERENCES

1. Petersen, Mitchell A., and Raghuram G. Rajan. "Trade credit: theories and evidence." The review of financial studies 10.3 (1997): 661-691.
2. García-Teruel, P. J. & Martínez-Solano, P. M. (2010). Determinants of trade credit: a comparative study of European SMEs. *International Small Business Journal*, ***28***(3), 215-233
3. Long, M. S., Malitz, I. B. & Ravid, A. (1993). Trade credit, quality guarantees, and product marketability**.** *Financial Management*, ***22***(4), 117-127.
4. Emery, G. W. (1984). A pure financial explanation for trade credit. *Journal of Financial and Quantitative Analysis*, ***19***(3), 271-285.
5. Ng, C. K., Smith, J. K. & Smith, R. L. (1999). Evidence on the determinants of credit terms used in interfirm trade. *The Journal of Finance*, *54*(3), 1109-1129
6. Carvalho,C.J.D. & Schiozer,R.F. (2015). Determinants of supply and demand for trade credit by micro, small and medium-sized enterprises. *Revista Contabilidade and Finanças*, 26(68), 208-222.
7. Schwartz, R. A. (1974). An economic model of trade credit. *Journal of Financial and Quantitative Analysis*, *9*(04), 643-657
8. Ferris, J. S. (1981). A transactions theory of trade credit use. *The Quarterly Journal of Economics*, *96*(2), 243-270.
9. Daripa, A. & Nilsen, J. (2011). Ensuring sales: A theory of inter-firm credit. *American Economic Journal: Microeconomics*, ***3***(1), 245-279
10. Mateut, S. (2014). Reverse trade credit or default risk? Explaining the use of prepayments by firms. *Journal of Corporate Finance*, *29*, 303-326.
11. Nadiri, M. I. (1969). The determinants of trade credit in the US total manufacturing sector. *Econometrica: Journal of the Econometric Society*, *37*(3), 408-423.
12. Burkart, M. & Ellingsen, T. (2004). In-kind finance: A theory of trade credit. *The American Economic Review*, *94*(3), 569-590. 10.1257/0002828041464579.
13. Klapper, L., Laeven, L. & Rajan, R. (2012). Trade credit contracts. *Review of Financial Studies*, *25*(3), 838-867
14. Mian, S. L. & Smith, C. W. (1992). Accounts receivable management policy: Theory and evidence. *The Journal of Finance*, *47*(1), 169-200.
15. Marotta, G. (2005). When do trade credit discounts matter? Evidence from Italian firm-level data. *Applied Economics*, ***37***(4), 403-416.
16. Alarcón, L. S. (2011). The trade credit in the Spanish agrofood industry. *Mediterranean Journal of Economics, Agriculture and Environment*, *10*(2), 51-57
17. Fabbri, D. & Klapper, L. (2008). *Trade credit supply, market power and the matching of trade credit terms*. Policy Research Working Paper, 4754. World Bank,Washington DC.