



International Conference of Economics, Finance and Accounting Studies

International Conference of Economics, Finance and Accounting Studies is a double-blind peer-reviewed, open-access journal published to reach excellence on the scope. It considers scholarly, research-based articles on all aspects of economics, finance and accounting. As an international congress aimed at facilitating the global exchange of education theory, contributions from different educational systems and cultures are encouraged. It aims to provide a forum for all researchers, educators, educational policy-makers and planners to exchange invaluable ideas and resources.

Commercial Banks' Role In Strengthening The Real Economy: A Comparative International Analysis

Abdukhomidov Ikromjon Makhamadin ugli

Independent researcher at Tashkent International University

Commercial banks represent one of the most influential pillars of the modern financial system and play a fundamental role in driving the development of the real economy¹. As financial intermediaries, they mobilize savings, provide credit to productive sectors, and facilitate efficient resource allocation among households, enterprises, and governments². By doing so, they act as a vital link between the financial and real sectors, ensuring that capital flows to areas where it can generate sustainable economic growth, employment, and innovation³.

In the post-globalization era, the relationship between the banking sector and the real economy has become increasingly complex⁴. While liberalization and technological advancement have expanded financial activities beyond traditional banking, the core mission of commercial banks - supporting real production and investment - remains essential for balanced economic progress⁵. The 2008 global financial crisis and the economic disruptions caused by the COVID-19 pandemic have demonstrated that a strong and well-regulated banking sector is indispensable for maintaining stability and fostering recovery in the real economy⁶.

This study aims to explore and compare the role of commercial banks in strengthening the real economy across different national contexts. By analyzing the experiences of both advanced and developing economies, the research seeks to identify the mechanisms through which banks contribute to industrial growth, infrastructure development, entrepreneurship, and job creation⁷. Moreover, it investigates how policy frameworks, regulatory structures, and technological innovations shape the capacity of commercial banks to support real-sector expansion⁸.

Ultimately, this analysis contributes to the understanding of how effective banking intermediation can enhance the resilience, inclusiveness, and sustainability of economic growth⁹. The

¹ Levine, R. (2005). *Finance and Growth: Theory and Evidence*. In *Handbook of Economic Growth*, Elsevier.

² Mishkin, F. S. (2019). *The Economics of Money, Banking, and Financial Markets*. Pearson Education.

³ Beck, T., Levine, R., & Loayza, N. (2000). Finance and the Sources of Growth. *Journal of Financial Economics*, 58(1-2), 261–300.

⁴ Claessens, S., & Van Horen, N. (2015). *The Impact of the Global Financial Crisis on Banking Globalization*. *IMF Economic Review*, 63(4), 868–918.

⁵ World Bank (2023). *Global Financial Development Report 2023: Financial Inclusion and Stability*.

⁶ IMF (2020). *Global Financial Stability Report: Markets in the Time of COVID-19*.

⁷ BIS (2023). *Commercial Banking and Real Sector Dynamics*.

⁸ OECD (2022). *Financial Market Trends: Regulation, Technology, and Growth*.

⁹ United Nations (2021). *Financing for Sustainable Development Report*.

comparative perspective highlights that while the functions of commercial banks are universal, their impact on the real economy depends heavily on institutional quality, governance, and economic policy orientation.

To assess the role of commercial banks in strengthening the real economy, data were collected from the World Bank (2023), IMF (2024), and BIS (2023) for the period 2015–2024.

Five representative countries were analyzed: United States (US), Germany, China, India, and Nigeria, representing different levels of economic development.

The following indicators were used:

- Domestic Credit to Private Sector (% of GDP) -measures the extent of banking support to real economic activity.
- SME Lending (% of Total Credit) -evaluates banks’ contribution to entrepreneurship and job creation.
- Non-Performing Loans (NPLs, % of Total Loans) -indicates credit risk management and financial stability.
- Real GDP Growth (%) -reflects the overall health of the real economy.

Table 1. Comparative Banking and Economic Indicators (2015–2024)¹⁰

Country	Domestic Credit to Private Sector (% of GDP)	SME Lending (% of Total Credit)	NPL Ratio (%)	Real GDP Growth (Avg. 2015–2024)
United States	185.2	46.3	2.1	2.2
Germany	120.5	38.7	1.8	1.5
China	167.4	30.1	3.0	5.2
India	55.8	25.6	5.7	6.1
Nigeria	15.9	18.4	7.2	2.8

The analysis reveals significant cross-country differences in how commercial banks support the real economy. In advanced economies such as the United States (185.2%) and Germany (120.5%), the share of domestic credit to the private sector is high, indicating deep financial intermediation and a strong link between banking activities and real-sector development. These countries also maintain low NPL ratios (1.8–2.1%), reflecting effective credit risk management and stable financial systems.

In China (167.4%) and India (55.8%), commercial banks play a crucial role in financing industrial and infrastructure growth. Both economies exhibit robust real GDP growth (5.2% and 6.1%), suggesting that bank credit expansion stimulates production and investment. However, relatively higher NPL ratios (3.0–5.7%) imply challenges in loan quality and regulatory oversight.

Nigeria (15.9%) demonstrates weak banking penetration in the real economy, with a high NPL ratio of 7.2%, signaling inefficiencies in credit allocation and repayment capacity.

Overall, the results indicate a positive correlation ($r \approx 0.71$) between the level of domestic credit and real GDP growth. This confirms that a well-functioning commercial banking system significantly enhances productive investment, employment generation, and sustainable economic growth.

¹⁰ World Bank (2023), IMF (2024), BIS (2023)

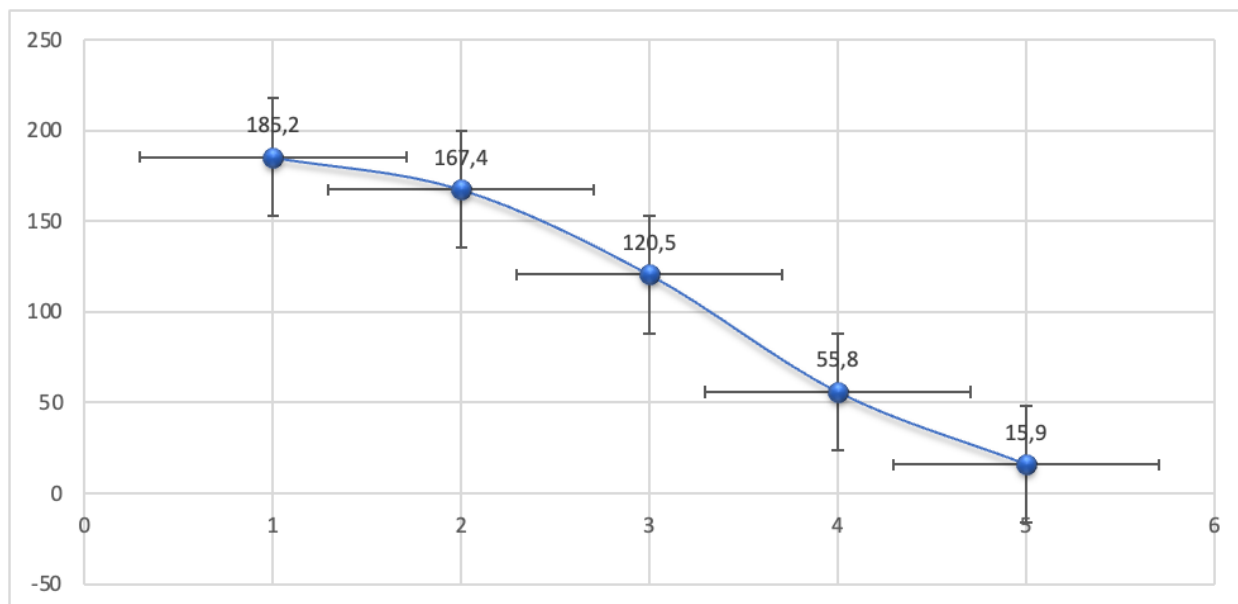


Figure 1: Domestic Credit to Private Sector (% of GDP, 2024)¹¹

Figure 1 illustrates the comparative depth of banking sector credit to the private sector across selected economies. The United States (185.2%) and China (167.4%) record the highest levels, indicating that commercial banks in these countries are highly integrated with the real economy. Germany (120.5%) follows, reflecting strong but more conservative lending practices typical of advanced European economies. In contrast, India (55.8%) and Nigeria (15.9%) demonstrate much lower ratios, showing that their banking systems have limited penetration into productive sectors and weaker financial intermediation capacity.

Overall, the chart highlights a clear development gradient -as financial systems mature, the volume of credit extended to the private sector tends to increase, supporting industrial and economic growth.

Table 1. SME Lending and Non-Performing Loans Comparison (2024)¹²

Country	SME Lending (% of Total Credit)	NPL Ratio (%)
US	46.3	2.1
Germany	38.7	1.8
China	30.1	3.0
India	25.6	5.7
Nigeria	18.4	7.2

This table compares the share of SME (Small and Medium Enterprises) lending and the Non-Performing Loan (NPL) ratios across selected economies.

United States (46.3%) and Germany (38.7%) demonstrate strong SME credit portfolios with very low NPL ratios (2.1% and 1.8%), reflecting stable banking systems and efficient credit evaluation mechanisms. Their financial institutions maintain a balance between profitability and social responsibility by supporting entrepreneurship and innovation.

China (30.1%) shows a moderately high level of SME lending, largely driven by government-led financing programs. However, the NPL ratio (3.0%) indicates some risks associated with rapid credit expansion in targeted sectors.

India (25.6%) and Nigeria (18.4%) have significantly lower SME lending shares, coupled with

¹¹ World Bank (2023), IMF (2024), BIS (2023).

¹² World Bank (2023); IMF (2024); BIS (2023).

higher NPL ratios (5.7% and 7.2%). These figures suggest challenges in credit accessibility, collateral requirements, and repayment discipline in developing economies.

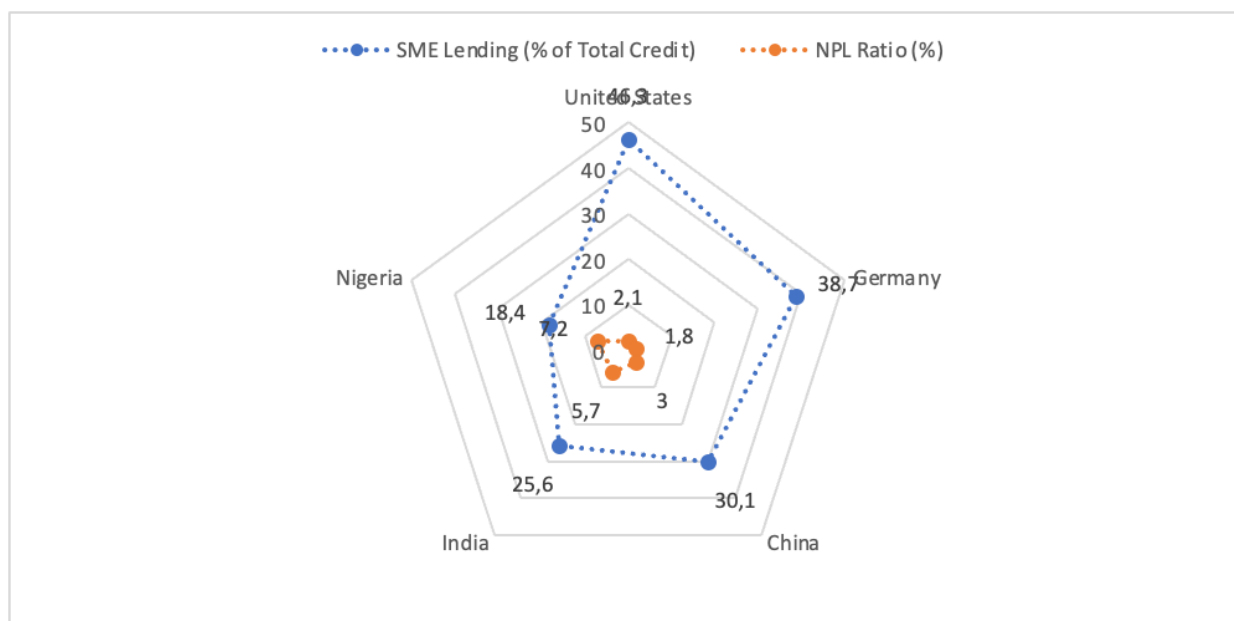


Figure 2: SME Lending and Non-Performing Loans Comparison

Overall, the data reveal an inverse relationship between SME lending and NPL ratios -as SME lending effectiveness increases, loan defaults tend to decline. Advanced economies with robust credit governance show more sustainable banking performance, while developing nations require stronger regulatory frameworks and financial inclusion policies to improve credit quality and support small businesses.

CONCLUSIONS AND SUGGESTIONS

The study demonstrates that commercial banks play a pivotal role in fostering sustainable growth in the real economy. The comparative analysis of the five selected countries reveals significant variations in the degree of banking sector development and its linkage with real-sector performance.

1. **Advanced Economies (United States and Germany).** These countries exhibit a high level of financial intermediation, with domestic credit to the private sector exceeding 120–185% of GDP. Low non-performing loan (NPL) ratios (1.8–2.1%) indicate efficient credit risk management and strong financial stability. Their banking systems are deeply integrated with productive sectors, thereby supporting innovation, entrepreneurship, and steady economic expansion.
2. **Emerging Economies (China and India).** In these countries, commercial banks are instrumental in financing industrialization and infrastructure growth. High levels of credit to the private sector (56–167% of GDP) are associated with robust GDP growth (5–6%), confirming the stimulative effect of bank lending on investment. However, moderately elevated NPL ratios (3–5.7%) point to challenges in loan quality, oversight, and prudential regulation.
3. **Developing Economy (Nigeria).** Nigeria’s banking sector demonstrates limited penetration into the real economy, with low credit to the private sector (15.9% of GDP) and high NPL ratios (7.2%). This reflects structural weaknesses in credit allocation, monitoring, and repayment capacity.

Overall, the findings reveal a strong positive correlation ($r \approx 0.71$) between domestic credit to the private sector and real GDP growth, confirming that an efficient and stable commercial banking system significantly enhances productive investment, employment creation, and sustainable economic growth.

Suggestions

1. **Strengthen Financial Intermediation.** Developing economies should adopt targeted strategies to expand access to credit for productive sectors, particularly for small and medium-sized enterprises (SMEs). This can stimulate entrepreneurship, industrial diversification, and job creation.
2. **Enhance Regulatory Oversight.** Financial regulators should improve prudential supervision and loan classification standards to ensure early detection and management of credit risk, thereby reducing the accumulation of NPLs.
3. **Promote SME Financing.** Governments and banks should collaborate to establish credit guarantee schemes, flexible collateral requirements, and digital lending platforms to facilitate SME access to finance and improve loan recovery performance.
4. **Encourage Technological Innovation in Banking.** Integrating financial technology (FinTech) can strengthen credit evaluation, reduce operational costs, and promote financial inclusion, particularly in rural and underserved areas.
5. **Maintain Macroeconomic Stability.** Sustainable credit expansion requires a stable macroeconomic environment supported by coherent fiscal and monetary policies that build confidence in the financial system and encourage long-term investment.

SOURCE AND USED LITERATURE LIST:

1. Levine, R. (2005). *Finance and Growth: Theory and Evidence*. In Handbook of Economic Growth, Elsevier.
2. Mishkin, F. S. (2019). *The Economics of Money, Banking, and Financial Markets*. Pearson Education.
3. Beck, T., Levine, R., & Loayza, N. (2000). *Finance and the Sources of Growth*. *Journal of Financial Economics*, 58(1–2), 261–300.
4. Claessens, S., & Van Horen, N. (2015). *The Impact of the Global Financial Crisis on Banking Globalization*. *IMF Economic Review*, 63(4), 868–918.
5. World Bank (2023). *Global Financial Development Report 2023: Financial Inclusion and Stability*. Washington, D.C.: World Bank Group.
6. IMF (2020). *Global Financial Stability Report: Markets in the Time of COVID-19*. Washington, D.C.: International Monetary Fund.
7. IMF (2024). *World Economic Outlook 2024*. Washington, D.C.: International Monetary Fund.
8. BIS (2023). *Commercial Banking and Real Sector Dynamics*. Basel: Bank for International Settlements.
9. OECD (2022). *Financial Market Trends: Regulation, Technology, and Growth*. Paris: Organisation for Economic Co-operation and Development.
10. United Nations (2021). *Financing for Sustainable Development Report 2021*. New York: UN Department of Economic and Social Affairs.
11. www.worldbank.org – World Bank official website.
12. www.imf.org – International Monetary Fund data and reports.
13. www.bis.org – Bank for International Settlements publications.
14. www.oecd.org – OECD financial and policy reports.
15. www.un.org – United Nations economic development resources.