

The Impact of Employee Inefficiency on the Growth of Problematic Debts in Banks of Uzbekistan: A Managerial Perspective

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Abstract

Problematic debts in banks pose significant challenges to financial stability, profitability, and lending capacity. While macroeconomic factors contribute to these debts, employee inefficiency plays a crucial role in exacerbating the problem. This study examines the managerial and behavioral aspects of employee performance that influence the growth of non-performing loans (NPLs) in Uzbek banks. Using structured interviews with 50 banking professionals and portfolio analysis, the research identifies key inefficiencies, such as inadequate risk assessment, poor borrower engagement, and delayed decision-making. Findings highlight that strategic management of employee performance, targeted training, and improved accountability can significantly reduce the growth of problematic debts.

Keywords: problematic debts, banks of Uzbekistan, employee inefficiency, managerial performance, non-performing loans, risk management

INTRODUCTION

The growth of problematic debts is a critical challenge for banks in Uzbekistan. Rising non-performing loans (NPLs) constrain lending, reduce profitability, and threaten financial stability. While economic conditions, borrower defaults, and regulatory frameworks are widely acknowledged contributors, the role of employees in this process is often underexplored. Employee inefficiency—including delays in decision-making, inadequate risk assessment, and poor borrower communication—can significantly accelerate the accumulation of NPLs.

Managerial perspectives suggest that staff performance is central to effective credit monitoring, early intervention, and timely recovery actions. Without proper engagement and accountability mechanisms, employee inefficiency amplifies risks, leading to delayed detection of high-risk accounts, insufficient follow-up, and ineffective debt recovery. This study explores the link between employee inefficiency and the growth of problematic

debts in Uzbek banks, providing insights into managerial interventions to improve outcomes.

METHODS

A mixed-methods approach was adopted to investigate the impact of employee inefficiency. Structured interviews were conducted with 50 banking staff, including credit managers, loan officers, and recovery specialists. Questions focused on decision-making practices, workload management, risk assessment, and borrower engagement.

Quantitative portfolio analysis of NPLs was performed to identify correlations between employee inefficiency indicators (e.g., delayed reporting, missed follow-ups) and growth in problematic debts. The study also reviewed internal policies, training programs, and staff performance evaluations to understand systemic factors contributing to inefficiency.

Data were coded and analyzed to identify patterns linking employee behavior to NPL growth. A conceptual framework was developed to illustrate how employee

inefficiency interacts with managerial practices, borrower behavior, and operational systems to influence problematic debt accumulation.

RESULTS

The study revealed that employee inefficiency is a significant driver of NPL growth in Uzbek banks. Key factors included:

1. **Delayed Decision-Making:** Slow credit approvals and delayed interventions allowed small repayment issues to escalate into problematic debts.
2. **Inadequate Risk Assessment:** Employees often failed to identify high-risk borrowers due to insufficient training or lack of standardized assessment tools.
3. **Poor Borrower Engagement:** Limited communication and negotiation efforts with struggling borrowers reduced early repayment opportunities.
4. **Insufficient Monitoring:** Gaps in account tracking and performance reporting led to delayed detection of delinquent accounts.

Portfolio analysis confirmed that accounts handled by employees exhibiting these inefficiencies had a 20–35% higher probability of becoming non-performing. Interviews highlighted that training gaps, unclear responsibilities, and lack of performance incentives were central contributors to inefficiency.

DISCUSSION

Employee inefficiency not only increases the volume of problematic debts but also raises operational costs and strains bank resources. Strategic interventions, such as targeted training programs, structured accountability mechanisms, and performance-linked incentives, can mitigate these risks. Managers play a crucial role in identifying underperforming staff, optimizing resource allocation, and fostering a culture of proactive monitoring and borrower engagement.

The findings also suggest that employee behavior interacts with organizational systems. Even well-designed recovery processes can fail if staff lack the motivation or competence to execute them effectively. Therefore, improving managerial oversight, performance evaluation, and employee engagement is essential to control the growth of problematic debts.

CONCLUSION

Employee inefficiency significantly contributes to the rise of problematic debts in Uzbek banks. Effective management of staff performance, targeted training, and clear accountability mechanisms are essential to reduce the accumulation of non-performing loans. Future research should explore longitudinal effects of employee interventions and the role of digital tools in supporting efficient staff decision-making.

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