

INNOVATION SCIENCE AND TECHNOLOGY



Scopus || Electronic journal specializing in Scopus

ISSUE 1



Acceptance of papers **January, 2026**



Acceptance of papers

Published monthly



Topics

economics, technology, social sciences

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THE SCIENTIFIC-POPULAR ELECTRONIC JOURNAL **"INNOVATION SCIENCE AND TECHNOLOGY"** HAS BEEN REGISTERED UNDER THE NUMBER **C-5669633** BY THE AGENCY FOR INFORMATION AND MASS COMMUNICATIONS (AOKA) OF THE REPUBLIC OF UZBEKISTAN, EFFECTIVE FROM OCTOBER 9, 2024.

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The scientific electronic journal "Innovation Science and Technology" has been included in the list of scientific publications recommended for the publication of main scientific results of dissertations for the award of PhD and DSc degrees in economics and technical sciences, in accordance with the Resolution No. 370 of the Presidium of the Higher Attestation Commission of the Republic of Uzbekistan, dated May 8, 2025.

Electronic publication, Issue 1. 195 pages.
Approved for publication on January, 2026.

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УДК: 336.719(334.7)

CONSUMER CREDITS IN USA

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Abstract: This article examines the mechanisms of consumer lending by U.S. commercial banks, including revolving and non-revolving credit instruments, as well as modern approaches to optimizing the lending process. The study analyzes the dynamics of the consumer credit market, the impact of interest rates and macroeconomic factors on lending volumes, and the role of consumer credit in household financial behavior. Particular attention is paid to creditworthiness assessment through scoring systems, the functioning of credit bureaus, and the use of digital technologies to mitigate credit risk. Based on the U.S. experience, key challenges in consumer lending are identified, and practical recommendations for improving credit risk management and sustainable lending practices are proposed.

Key words: consumer credit, scoring, credit risk, creditworthiness, credit card, revolving credit, non-revolving credit, debt burden.

Annotatsiya: Mazkur maqolada AQSh tijorat banklarida iste'mol kreditlarini ajratish mexanizmlari, ularning qayta tiklanadigan va tiklanmaydigan shakllari, shuningdek kreditlash jarayonini optimallashtirishda qo'llaniladigan zamonaviy yondashuvlar atroflicha tahlil qilinadi. Tadqiqot davomida iste'mol kreditlari bozorining rivojlanish dinamikasi, foiz stavkalari va makroiqtisodiy omillarning kreditlash hajmiga ta'siri ko'rib chiqiladi. Shuningdek, jismoniy shaxslarning kreditga layoqatligini baholashda skoring tizimlarining o'rni, kredit byurolari faoliyati va raqamli texnologiyalar asosida kredit riskini kamaytirish usullari yoritiladi. Maqolada AQSh tajribasi asosida iste'mol kreditlashda yuzaga kelayotgan muammolar va ularni bartaraf etish bo'yicha ilmiy-amaliy xulosalar ishlab chiqilgan.

Kalit so'zlar: iste'mol krediti, skoring, kredit riski, kreditga layoqatlik, kredit kartasi, revolver (qayta tiklanadigan) kredit, tiklanmaydigan kredit, qarz yuki.

Аннотация: В статье рассматриваются механизмы предоставления потребительских кредитов коммерческими банками США, их возобновляемые и невозобновляемые формы, а также современные подходы к оптимизации кредитного процесса. В ходе исследования проанализирована динамика развития рынка потребительского кредитования, влияние процентных ставок и макроэкономических факторов на объемы кредитования. Особое внимание уделено роли скоринговых систем в оценке кредитоспособности физических лиц, деятельности кредитных бюро и применению цифровых технологий для снижения кредитных рисков. На основе опыта США выявлены основные проблемы потребительского кредитования и сформулированы практические рекомендации по их решению.

Ключевые слова: потребительский кредит, скоринг, кредитный риск, кредитоспособность, кредитная карта, револьверный кредит, невозобновляемый кредит, долговая нагрузка.

INTRODUCTION

The consumer lending market plays an important role in the global economy, as it creates opportunities for individuals to purchase goods and services to meet their needs, while also serving as one of the credit types that supports legal entities by ensuring the circulation of goods and the movement of working capital. This type

of credit is provided to the population through credit cards, mortgages, education loans, and other purposes to meet personal and family needs, and it encompasses a wide range of credit products offered by commercial banks, credit unions, and other non-bank credit institutions. In recent years, this market has developed significantly due to flexible financing mechanisms and the application of digital technologies, resulting in an increase in lending volumes.

In 2024, although the total volume of consumer lending in the United States was forecast to grow by USD 10 billion annually, the lending volume increased by USD 3.13 billion in August and reached USD 13.09 billion by September 2025. This indicates an annual increase of 3.1 percentage points in consumer lending volume. Within this growth, revolving credit increased by 2% (USD 1.65 billion), while non-revolving credit (auto loans and student loans) grew by 2.9% (USD 11.44 billion). This trend indicates a growing share of consumer loans in banks' loan portfolios; however, lending to individuals is riskier than lending to legal entities. This is because individuals' creditworthiness is influenced by several factors, such as health, employment, inflation levels, and political and economic conditions. Increasing lending volumes while reducing credit risk, as well as proposing solutions to existing problems through the adoption of foreign experience in our country, remains one of the most pressing issues today. This underscores the relevance and importance of the topic of this article.

REVIEW OF LITERATURE ON THE SUBJECT

In the scientific works of foreign authors such as J. Baudrillard, J. Hembruff, R. Noon, S. Soederberg, P. Rose, R. Smith, T. Saaty, and K. Kerneler, the importance of consumer credit in reducing poverty levels has been highlighted.

In the studies of economists from CIS countries, including N. Aggarval, I. Alekseev, I. Uklein, A. Saraev, L. Krolivetskaya, O. Lavrushin, G. Panova, V. Ulanov, and V. Usoskin, issues related to increasing bank lending volumes and reducing costs through the digitalization of consumer credit have been examined.

In the Republic of Uzbekistan, the practice and significance of consumer lending in commercial banks have been studied in the scientific works of T. Bobokulov, I. Qulliyev, O. Ortiqov, X. Xudoyorova, and others. Local scholars have explored consumer credit and its role in meeting the needs of the population, as well as the issues of increasing commercial banks' revenues through the digitalization of consumer lending practices.

Consumer credit is a loan provided to an individual (consumer) for the purpose of purchasing goods (works, services) to meet primary and secondary needs.

In the Financial and Credit Encyclopedic Dictionary, consumer credit is defined as follows: consumer credit (English: "consumer credit," "purchase loan") is a form of credit whereby the population purchases consumer goods, durable goods, and household services from trade and service enterprises under deferred payment conditions.

In the Financial Manager's Handbook, consumer credit is described as the sale of goods to individual buyers in retail form under conditions of partial deferred payment.

According to the Law of the Republic of Uzbekistan "On Consumer Credit," consumer credit is defined as a loan provided to an individual (consumer) for the purpose of purchasing goods (works, services) to meet consumer needs.

Generally, loans provided to the population are referred to as consumer loans. In global practice, creditors may include banks, trade organizations, non-bank credit institutions (pawnshops, credit unions), as well as enterprises and organizations where citizens are employed.

RESEARCH METHODOLOGY

The article examines the methods used in providing consumer credit, namely revolving and non-revolving credit methods, and highlights their importance in optimizing the lending process. It also discusses the scoring method used to assess the creditworthiness of individuals prior to granting loans. In addition to these approaches, the article employs analysis, synthesis, and grouping methods.

ANALYSIS AND RESULTS

The development of the consumer credit market is influenced not only by economic factors, but also by interest rates, inflation, and the financial condition of consumers. Therefore, as a result of the increase in the base interest rate in the United States to 5.25–5.5% in 2023, the volume of consumer lending declined relatively. However, by October 2025, the reduction of the base rate to 3.75–4% led to an increase in lending volumes (Figure 1).

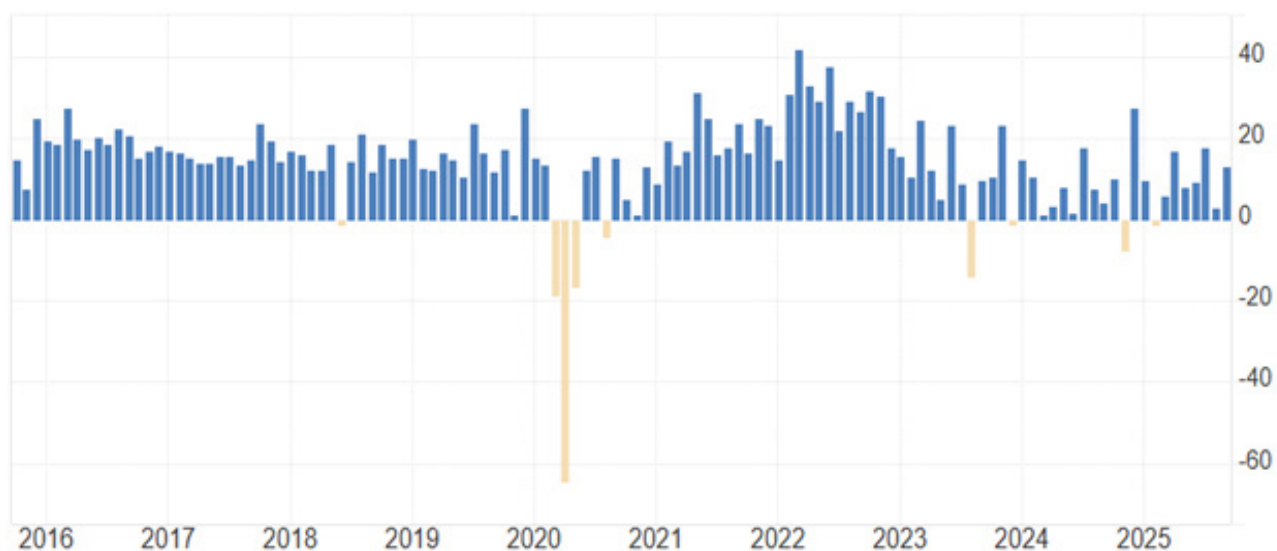


Figure 1. Volume of consumer loans issued in the United States over a 10-year period, in billion US dollars¹

As can be seen from the figure data, there has always been steady demand for consumer credit; however, during the peak of the COVID-19 pandemic in 2020, demand for credit resources declined. In the United States, demand for consumer credit began to grow again from 2021 after the pandemic. Lending volumes were influenced by seasonality and factors such as the start of the academic year for students. However, geopolitical conflicts that began worldwide in 2022 pushed global inflation above 6%, prompting the Federal Reserve to raise the base interest rate. As a result, in 2023 the volume of credit card issuance and consumer lending in the United States declined. Nevertheless, despite high interest rates, demand for mortgages and auto loans among the population remained strong. According to data from the U.S. Bureau of Economic Analysis, due to rising interest rates, problematic consumer loans increased by 4% in 2023 compared to 2022².

Consumer credit is widespread in the United States. Over the past 20 years, Americans' consumer credit debt has increased fivefold, and currently two-thirds of everyday consumer goods are purchased on credit. In the first half of 2025, household debt amounted to 68% of GDP, while the ratio of household debt to GDP reached its maximum level of 98.4% in 2007 over the period from 1947 to 2025. According to data from the Microeconomic Data Center of the Federal Reserve Bank of New York, total household debt and credit amounted to USD 18.59 trillion. The composition of this debt includes USD 13.07 trillion in mortgage loans, USD 1.23 trillion in credit card debt, USD 1.66 trillion in auto loans, and USD 1.65 trillion in student loans³.

Under U.S. federal legislation and the laws of certain states, consumer credit is defined as credit obtained by an individual to meet personal, family, and household needs. This includes the purchase of goods and services for current consumption or for long-term use. Due to their specific characteristics, mortgage loans are treated as a separate category. In the United States, consumer credit is classified into the groups presented in Figure 2 below (Figure 2).

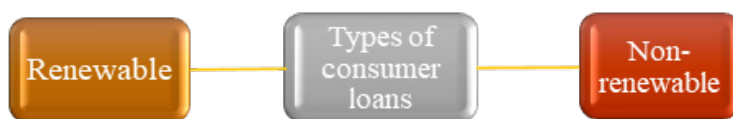


Figure 2. Consumer credit categories in the United States⁴

The revolving credit types presented in the figure include credits issued under pre-agreed terms, primarily overdrafts and credit cards. Non-revolving credit (lending through a closed credit line) includes loans with a fixed amount and a clearly defined repayment schedule, mainly auto loans and education loans.

Loans repaid through a single lump-sum payment are usually provided by commercial banks or enterprises operating in the service sector. Installment loans are repaid through two or more payments. This type of credit is the most widespread in the United States (excluding mortgage loans).

1 <https://tradingeconomics.com/united-states/consumer-credit> ma'lumotlari

2 <https://www.mql5.com/en/economic-calendar/united-states/consumer-credit-mm> ma'lumotlari

3 <https://www.foxbusiness.com/economy/us-household-debt-hits-new-record-ny-fed-finds> ma'lumotlari

4 Muallif ishlanmasi

This is particularly associated with the widely used and well-developed revolving credit products. Unlike one-time loans, revolving credit allows borrowers to obtain credit repeatedly through a revolving account provided by the lender. One form of such credit is debit-linked credit cards.

Revolving credit can be defined as follows: "This is a credit agreement under which:

1. The lender grants the consumer (borrower) the right to periodically purchase (or lease) goods and services and obtain loans through a credit account or credit card provided by the lender;
2. The amount of credit provided, accrued interest, as well as all costs and fees related to the credit operation are deducted from the borrower's loan account;
3. Interest on the use of credit, if stipulated, is calculated periodically;
4. The consumer (borrower) has the following priority rights: to repay the loan in a single payment or in installments, or to continue purchasing or leasing goods on credit, with the lender charging additional interest for deferred payments."

Revolving credit is widely used through credit cards issued by commercial banks, retail enterprises, and companies operating networks of fuel stations.

Another way to classify consumer loans is by the type of provider:

- primary agents — sellers;
- secondary agents — creditors.

In many cases, the seller and the creditor are the same entity. However, situations involving two agents are also common. For example, auto loans are often arranged by the car dealer at the point of sale and later transferred to a bank or financial company. In such cases, the auto dealer assigns its credit rights to the financial institution at a discount.

In addition, U.S. legislation classifies consumer credit as follows:

- financial credit — the provision of a cash loan;
- commodity credit — the granting by the seller of the right to defer payment for goods purchased.

Accordingly, consumer credit in the United States can be classified based on the following criteria:

- by payment method:
 - lump-sum (single);
 - installment-based;
- by credit type:
 - one-time credit;
 - revolving credit;
- by lending terms:
 - revolving;
 - contract-based.

Americans also widely use another type of credit known as a "personal loan," which consists of funds borrowed for personal needs, such as major purchases or expensive medical treatment. The average interest rate ranges from 6% to 12%, depending on factors such as loan maturity, amount, the borrower's credit history, and income level. According to Bankrate Monitor data, as of January 2026, under the FICO scoring system, a borrower with a score of 700 can obtain a USD 5,000 consumer loan for three years at an interest rate of 12.19%⁵. Among the lenders reviewed by Bankrate, the lowest available rate is 6.24%, while the highest reaches nearly 35.99%. Interest rates offered by online lenders are presented in the table below.

In the United States, non-bank online lenders charge a commission of up to 12% of the loan amount for providing credit (Table 1).

Table 1. Interest rates on online loans in the United States by borrower category⁶

Online lender	Interest rate
Achieve	8.99%–29.99%
Avant	9.95%–35.99%
Best Egg	6.99%–35.99%
Happy Money	7.95%–29.99%
LendingClub	6.53%–35.99%
LendingPoint	7.99%–35.99%
LightStream	6.24%–24.89%* with autopay

5 <https://www.bankrate.com/loans/personal-loans/average-personal-loan-rates/> ma'lumotlari

6 <https://www.bankrate.com/loans/personal-loans/average-personal-loan-rates/> ma'lumotlari

Online lender	Interest rate
OneMain Financial	18.00%–35.99%
Prosper	8.99%–35.99%
SoFi	8.99%–29.49% with autopay
Upgrade	7.99%–35.99% with autopay
Upstart	6.60%–35.99%

As can be seen from the table, banks apply differentiated interest rates depending on the borrower's credit risk. This allows banks to reduce and hedge risk. The minimum interest rate starts at 6.24%, while the maximum reaches nearly 36%. The U.S. lending system has a strong ideological foundation: if you are granted credit, it implies that you have a good reputation.

The successful development of consumer credit in the United States is largely associated with the activity of specialized information services—credit bureaus and credit reporting agencies. Credit bureaus are usually established by associations of trade and financial enterprises, although the existence of independent bureaus is not uncommon. These agencies collect financial information not only about current clients of participating enterprises but also about potential clients.

Such information includes, in addition to data on a client's income, an approximate assessment of the status of bank accounts, information on loans granted and repaid, and other data that may affect creditworthiness. A client's file may also contain additional information influencing creditworthiness, such as marital status, number of dependents, court cases, and sometimes personal characteristics, including academic performance at educational institutions, potential personal-life issues (for example, the likelihood of divorce), moral character, and similar factors.

Credit bureaus provide this information to association members on a subscription basis, but they may also sell it to third parties on a one-time basis at a significantly higher price. In many cases, member enterprises submit their own data to credit bureaus, making this information accessible to other members as well.

Thus, credit bureaus also function as a shared database of customer information for association participants. Moreover, the existence of credit bureaus in the United States is a crucial factor in the effective functioning of the lending system. By collecting, storing, and providing financial and personal information about clients to lenders, these bureaus reduce risks and facilitate decision-making (Table 2).

Table 2. Lending terms in the United States by customer credit score⁷

Credit score	Interest rate	Loan amount
720+	17.71%	\$18,813
680–719	29.96%	\$15,077
660–679	42.87%	\$10,695
640–659	53.56%	\$8,422

As shown in the table, the higher a customer's credit score, the larger the loan amount granted. Applied interest rates are lower because credit risk is also lower. A customer's high credit score depends on factors such as average monthly income, length of service at the current workplace, number of dependents, education level, position, and the availability of liquid assets.

The U.S. Congress has adopted the Equal Credit Opportunity Act, which prohibits discrimination in lending based on race, religion, gender, marital status, age, or nationality. In the loan application process, an application form is first completed, containing key information such as the borrower's personal characteristics, general education level, technical qualifications, health status, property ownership, and other relevant details.

Today, the United States applies an "automatically renewable credit" system, in which current accounts are integrated with installment payments. The essence of this system lies in the fact that banks independently determine the maximum loan amount based on the borrower's repayment capacity.

For example, if a borrower is able to repay USD 100 per month to online lenders from their income, the creditor sets the maximum debt amount between USD 1,200 and USD 2,400, based on the possibility of repayment over 12–24 months. The borrower uses the approved credit amount through checks issued by the bank. As monthly payments are made, the borrower's outstanding debt decreases, while the available balance within the credit limit increases and may be reused at the borrower's discretion.

⁷ <https://www.bankrate.com/loans/personal-loans/average-personal-loan-rates/> ma'lumotlari

Taking the borrower's repayment capacity into account, the creditor has the right to revise the established credit limit. In addition, if the account balance does not exceed the credit limit, the borrower may also earn interest income.

Through a current account, the borrower may automatically pay taxes charged to the revolving account. Interest rates applied to consumer loans by U.S. banks are presented in Table 3 (Table 3).

Table 3. Consumer loan interest rates in U.S. commercial banks⁸

Banks	Interest rate
Citi	7.99%–19.49%
M&T Bank	7.49%–13.69%
TD Bank	7.99%–23.99%
Santander Bank	7.99%–24.99%
U.S. Bank	8.74%–24.99% with autopay
Wells Fargo	6.74%–26.74% with autopay
USAA	9.64%

Based on the table data, it can be concluded that the better a customer's credit history and scoring results, the lower the interest rate at which they can obtain a loan. If a higher interest rate is applied to a customer, they are advised to use travel credit cards more conservatively in order to improve their credit score. The widely used system of automatically renewable loans and credit cards in the United States has provided consumers with financial flexibility and convenience. Within this system, the credit limit is determined based on the borrower's repayment capacity and is continuously replenished as the debt is repaid.

In the United States, loans to individuals may be provided in secured or unsecured form. Collateral may include movable and immovable property, valuable items, or gold. Interest rates on secured loans are relatively lower. Unsecured loans may be granted up to USD 100,000; however, such loans are prohibited from being used for gambling, purchasing securities, illegal goods, or paying school tuition (Table 4).

Table 4. Structure of loans issued to individuals in the United States, trillion USD⁹

Loans	2025
Credit card accounts	0.642
Outstanding auto loans	1.66
Credit card debt	1.23
Outstanding mortgage debt	13.07
Outstanding student loan debt	1.65
Total household debt	18.59

Based on the table above, although the majority of U.S. citizens have credit lines opened through credit cards, their level of indebtedness under this type of credit remains relatively low. Mortgage loans account for the largest share of total debt. According to 2025 data, total household debt amounts to USD 18.59 trillion. The largest portion of this debt consists of mortgage loans, indicating high demand for housing and the population's increasing engagement in long-term financial obligations.

Auto loans and student loans also occupy a significant share, reflecting the important role of lending in meeting the population's needs for transportation and education. Although credit card debt is relatively low, it is actively used to finance short-term consumer expenditures.

Overall, the growth of credit indicates increasing financial activity among the population. However, the rising debt burden necessitates maintaining financial stability and using credit responsibly.

For the successful development of consumer lending in the United States, the following measures have been implemented:

- Acceleration of digitalization processes;
- Expansion of access to credit based on principles of social equity;
- Use of modern technologies in credit risk assessment;
- Enhancement of financial literacy and consumer protection.

⁸ <https://www.bankrate.com/loans/personal-loans/average-personal-loan-rates/> ma'lumotlari

⁹ <https://www.bankrate.com/loans/personal-loans/average-personal-loan-rates/> ma'lumotlari

In general, consumer lending helps individuals satisfy their needs more quickly, increases economic activity, accelerates the circulation of produced goods, and thereby contributes to overall economic growth.

Based on the above analysis, several key problems can be identified in the process of granting and timely repayment of consumer loans in the United States:

- a) The growth of total household debt, with a large share attributable to mortgage loans, indicates an increase in long-term financial obligations of the population;
- b) Political changes within the country and global geopolitical developments lead to instability in the impact on the U.S. Federal Reserve's base interest rate. As a result, volatility in lending rates, inflation levels, and employment conditions has a direct negative effect on the creditworthiness of individuals;
- c) For customers with low credit scores, interest rates are extremely high (up to 30–36%), which further exacerbates the debt burden;
- d) Extensive use of revolving credit, if left uncontrolled, may lead to excessive indebtedness;
- e) Due to insufficient awareness among all segments of the population regarding loan terms, interest rates, and the long-term consequences of borrowing, many borrowers lack a clear understanding of the true cost of credit and their future repayment capacity.

In order to address the above-mentioned problems, the following measures are considered necessary:

1. The broad use of modern scoring systems, credit bureau data, and the introduction of digital technologies—such as Open Banking and APIs—can significantly reduce credit risk;
2. Loan terms should be aligned with borrowers' actual incomes and repayment capacity, and preferential interest rates for long-term loans should be expanded. In credit operations, the following risk assessment criteria should be strictly applied: expected loss of 0–0.25% — minimal risk; 18–25% or 25–50% — high risk; 50–75% — critical risk; 75–100% — unacceptable risk;
3. It is essential to develop educational programs for the population focused on responsible use of credit, debt burden planning, and personal financial management;
4. Prudential supervision by the Federal Reserve should be strengthened to regulate online lending and BNPL (Buy Now, Pay Later) services, enhance transparency, and protect consumer rights.

CONCLUSIONS AND SUGGESTIONS

This article provides a comprehensive analysis of the development characteristics of the consumer credit market in the United States, its impact on household financial conditions, and credit risk management practices. The findings indicate that consumer credit is a vital financial instrument for meeting diverse household needs and stimulating economic activity.

At the same time, the high share of mortgage loans and the increasing household debt burden pose certain risks to long-term financial stability. While credit cards and revolving credit systems offer convenience to consumers, uncontrolled and non-purposeful use may lead to excessive indebtedness.

In the United States, the application of credit bureaus, scoring systems, and digital technologies plays a crucial role in reducing credit risks. Therefore, enhancing financial literacy, ensuring transparency, and improving lending processes are considered essential for the sustainable development of consumer lending.

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Proofreader: Zokir ALIBEKOV

Layout and Designer: Oloviddin Sobir ugli

2026. № 1

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