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PROMISING DIRECTIONS FOR THE DEVELOPMENT OF DIGITAL BANKING SERVICES IN UZBEK BANKS

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Abstract

Uzbekistan has moved within a few years from a largely cash-based system to one of the most dynamic digital banking markets in Central Asia, led by digital-first banks and a modernized national payment infrastructure. As basic digital access becomes common, the strategic question for Uzbek banks is no longer whether to digitalize but which directions of development offer the strongest combination of market readiness, policy support, and social value. This paper identifies and assesses such directions. It uses a qualitative, document-based method that combines academic literature with recent industry reporting, market data, and the country's evolving legal and regulatory framework. Six promising directions are identified and examined: ecosystem and platform banking, open banking and interoperability through application programming interfaces, artificial intelligence and data-driven services adapted to local languages, Islamic digital banking under the new legal framework, digital financial inclusion for rural, small-business, and previously unbanked groups, and regulatory enablers such as a specialized digital-bank licence, a regulatory sandbox, digital identity, and instant payments. The analysis shows that these directions are complementary and that their value depends on shared foundations, in particular reliable data, digital identity, and proportionate regulation. The paper proposes a prioritized roadmap and argues that the largest gains will come from combining the rapid commercial momentum of digital ecosystems with deliberate public investment in inclusion and in the institutions needed for Islamic and open finance. The contribution is a structured, evidence-based agenda tailored to the conditions of an emerging market.

Keywords: digital banking; Uzbekistan; ecosystem banking; open banking; artificial intelligence; Islamic finance; financial inclusion.

1. Introduction

Over a short period Uzbekistan has transformed its retail financial landscape. National card schemes, a modernized payment infrastructure, and a wave of digital-first banks have shifted everyday finance from branches and cash toward mobile applications and instant transfers. The clearest sign of this change is the rise of digital banking ecosystems that already reach more than half of the population, a depth of penetration that few markets achieve so quickly. This momentum, together with an explicit national strategy for digital development, makes Uzbekistan a useful setting in which to ask not whether banks should digitalize, which is now settled, but in which directions their development should move next.

The motivation for the question is practical. Early gains in digital banking come from making existing services available online, but these gains are easily matched by competitors and do not by themselves build lasting advantage or broad social benefit. The harder and more valuable steps involve choices about business model, technology, and inclusion, and these choices are shaped by the specific conditions of the country, including its demographic youth, its dual national payment systems, its evolving regulation, and a large unmet demand for services aligned with religious

principles. Identifying the most promising of these directions is therefore a matter of both commercial strategy and public policy.

The academic literature offers general guidance. Research on digital finance argues that durable advantage comes from changes to core processes and from participation in wider ecosystems rather than from front-end features alone (Gomber et al., 2017; Vives, 2019). Work on financial inclusion shows that digital channels can widen access but can also deepen exclusion when skills, connectivity, and trust are weak (Demirguc-Kunt et al., 2022). These insights frame the analysis, but they must be combined with current, country-specific evidence to produce recommendations that are actionable for Uzbek banks.

This study pursues three objectives. The first is to describe the current state of digital banking in Uzbek banks as a baseline. The second is to identify and assess the directions of development that are most promising under local conditions. The third is to propose a prioritized roadmap that links each direction to the foundations and policies it requires. The research questions follow: what is the present state of digital banking in Uzbekistan; which directions of development offer the strongest combination of market readiness, policy support, and social value; and how should banks and regulators sequence their efforts to realize that value?

2. Materials and Methods

The study uses a qualitative, interpretive design appropriate for a forward-looking question that cannot be answered by a single dataset. Rather than testing a hypothesis, it identifies candidate directions and assesses them against transparent criteria, an approach common in applied research on digital transformation and on national financial development.

Three bodies of evidence were combined. The first was peer-reviewed research on digital finance and financial inclusion, used to establish general principles. The second was recent industry reporting and company disclosures concerning Uzbek banks and fintech firms, used to establish market facts and traction, and treated with appropriate caution because some sources are promotional. The third was the country's legal and policy framework, including the national digital strategy, banking and payment regulation, and the recently adopted legislation on Islamic banking, used to establish the conditions under which each direction can develop.

Candidate directions were screened against four criteria. Market readiness asks whether demand and supply already exist or are clearly emerging. Policy support asks whether the strategy and regulation enable the direction. Evidence of traction asks whether early movers show measurable results. Social value asks whether the direction advances inclusion and resilience rather than only profit. Directions that scored well on several criteria were retained and examined in detail, and the results were organized into a prioritized roadmap. The main limitations are the reliance on secondary and partly promotional sources, the absence of primary data such as interviews or proprietary performance records, and the speed at which the market changes, which means that specific figures should be read as indicative of direction rather than as precise measures.

3. Results

3.1. Baseline: the current state of digital banking in Uzbek banks

Uzbek digital banking rests on a strong base. Two national card schemes were designed as open platforms with programming access, which has allowed payment applications and mobile wallets to integrate quickly, and the acceptance network of cards, terminals, and automated teller machines has scaled alongside them. Forecasts place the value of digital payments in the country in the order of ten billion dollars for the mid-decade, growing at a compound annual rate above thirty percent toward the end of the decade, while the neobanking segment is projected to expand steadily to a market volume in the low billions by the late 2020s (Statista, 2025).

The market is led by digital-first institutions and fintech firms. One leading digital bank had grown its ecosystem to more than twenty million unique users, equivalent to over half of the population, reached profitability within about two years of launch, and reported rapid growth in its loan and deposit books together with investment of tens of millions of dollars in a proprietary artificial intelligence stack, including speech technology and a bank-specific language model for Uzbek and Russian (industry reports, 2025). Other digital banks position themselves explicitly as drivers of financial inclusion, while payment and commerce platforms compete through wallets, instant transfers, and installment products. This baseline shows a market that has largely solved the problem of basic digital access and that is now competing on the depth and breadth of services, which is precisely the point at which the choice of direction matters most.

3.2. Promising directions: overview

Applying the four criteria produced six directions that are both promising and feasible under Uzbek conditions. They are summarized in Table 1 and then examined in turn. The directions are presented separately for clarity, but the discussion shows that they share foundations and reinforce one another.

Table 1. Promising directions for digital banking development in Uzbek banks.

Direction	Rationale and current evidence	Enabling conditions and key risks
Ecosystem and platform banking	Digital ecosystems already reach over half the population and bundle banking, payments, commerce, and insurance	Needs data integration and partnerships; risk of market concentration and lock-in
Open banking and interoperability	National schemes built as open platforms; programming access supports rapid fintech integration	Needs common standards and consent rules; risk of security gaps and uneven adoption
Artificial intelligence and data	Local-language models and proprietary AI stacks are emerging; AI supports scoring, service, and fraud defense	Needs quality data and skills; risk of bias, error, and weak governance

Direction	Rationale and current evidence	Enabling conditions and key risks
Islamic digital banking	Large unmet demand; new legal framework and a dual banking system from 2026	Needs Sharia governance and product design; risk of slow institution building
Digital financial inclusion	Digital channels can reach rural areas, small businesses, and unbanked groups	Needs connectivity, literacy, and trust; risk of widening the digital divide
Regulatory enablers	Specialized digital-bank licence, sandbox, digital identity, and instant payments under discussion or in place	Needs proportionate rules and supervisory capacity; risk of regulatory lag

3.3. Ecosystem and platform banking

The first and most advanced direction is the move from a single bank toward an integrated ecosystem that combines daily banking, lending, payments, commerce, travel, and insurance within one platform. Leading Uzbek players already pursue this model and have extended it through acquisitions of retail software and online marketplace platforms, which deepen engagement and create new revenue beyond interest income. The strength of this direction is that it builds on demonstrated demand and on the convenience that customers value, and it raises the cost of switching, which supports loyalty.

For Uzbek banks the practical opportunity is embedded finance, in which banking services are offered at the point of need inside commerce, transport, and public service applications. The main risks are concentration, since a few large ecosystems may come to dominate, and lock-in, which can reduce competition and consumer choice. These risk s point to the importance of the open-banking and regulatory directions discussed below, which can keep ecosystems competitive and interoperable.

3.4. Open banking and interoperability

The second direction is open banking, in which banks expose account and payment functions through secure programming interfaces so that licensed third parties can build services on top of them, with customer consent. Uzbekistan is well placed for this because its national card schemes were designed as open platforms, and a layer of standardized interfaces would extend that openness from payments to a wider range of banking functions.

The promise of this direction is competition and innovation, since open interfaces let smaller firms and new entrants offer specialized services without building a full bank, and they let customers combine products from several providers. Realizing the promise requires common

technical standards, clear rules on data sharing and consent, and strong security at every connection point. The main risks are security weaknesses and uneven adoption if standards are voluntary or fragmented, which is why this direction depends closely on the regulatory enablers and on the data and security foundations discussed elsewhere in the analysis.

3.5. Artificial intelligence and data-driven services

The third direction is the disciplined use of artificial intelligence and data. Uzbek institutions have begun to invest in proprietary models, including speech recognition and language models tuned to Uzbek and Russian, which is significant because services in local languages reach users that generic tools serve poorly. Applied well, these capabilities support faster and fairer credit decisions, more natural customer service, and stronger defense against fraud.

The opportunity is large in a young and mobile population that generates rich transaction data, but the direction depends on foundations that are easy to underestimate. Models are only as reliable as the data beneath them, so investment in data quality and governance must come first, and the use of artificial intelligence in lending and risk requires careful attention to bias, explainability, and oversight so that automated decisions remain fair and accountable. The key risks are therefore not technical capability but data quality, skills, and governance, and banks that address these will convert local-language artificial intelligence into a durable advantage.

3.6. Islamic digital banking

The fourth direction is distinctive to the Uzbek context. A new legal framework establishes a dual banking system in which Sharia-compliant services may operate alongside conventional banking, either through dedicated Islamic banks or through Islamic windows in existing banks, with a specialized council under the central bank to oversee compliance and a tailored tax treatment. The framework draws on the experience of established markets and introduces recognized instruments based on partnership and risk sharing rather than interest.

The case for prioritizing this direction is the scale of unmet demand. Survey evidence cited by national authorities indicates that a large majority of the population and a clear majority of businesses prefer financial services aligned with religious principles, and officials estimate substantial annual financing potential once the sector is operational. Delivering these products through digital channels from the outset would let banks reach this demand efficiently and would draw informal savings into the formal system. The main risk is the time and capacity needed to build Sharia governance, audit, accounting, and product design, which suggests that early movers who invest in these institutional foundations, and who design digital-first Islamic products rather than retrofitting conventional ones, stand to gain the most.

3.7. Digital financial inclusion

The fifth direction uses digital channels to extend finance to groups that branches served poorly, including rural residents, small and micro businesses, women, and the previously unbanked. Digital banks in Uzbekistan already describe inclusion as a core part of their mission, and the

combination of high mobile use, national identity systems, and instant payments makes it technically possible to onboard and serve customers at low cost across the country.

This direction carries the highest social value, but it also carries the clearest risk of failure if pursued carelessly. Where connectivity is uneven, where digital literacy is low, or where trust in online transactions is weak, the same tools that include some users can exclude others, and inexperienced users are more exposed to fraud. Progress therefore depends on complementary investment in connectivity, in digital and financial literacy, in accessible design, and in consumer protection. For banks, inclusion is not only a social goal but a growth opportunity, because the unbanked and the small-business segments represent a large addressable market that ecosystem and Islamic models are well suited to serve.

3.8. Regulatory enablers

The sixth direction concerns the public foundations on which the others depend. Several enablers are in place or under development, including the modernization of the national payment system toward instant and interoperable payments, the expansion of digital identity and electronic public services, the privatization and governance reform of state-owned banks, and the consideration of a specialized licence for digital banks with lower capital requirements to ease entry for new players. A regulatory sandbox and a dedicated technology center provide controlled space to test new solutions.

These enablers matter because they lower the cost and risk of every commercial direction. A specialized digital-bank licence would widen competition, instant payments and digital identity would underpin open banking and inclusion, and a sandbox would let Islamic and artificial-intelligence products be tested safely. The main risk is regulatory lag, in which rules trail practice and create uncertainty, together with limited supervisory capacity to oversee fast-moving digital and Sharia-compliant activity. The enabling direction is therefore best understood not as separate from the others but as the condition that determines how far the others can go.

4. Discussion

Taken together, the six directions describe an agenda rather than a menu of independent options. The analysis shows that they share a small set of foundations, namely reliable data, digital identity, secure interfaces, and proportionate regulation, and that progress on any one direction is limited by weakness in these shared foundations. This interdependence has a clear implication for strategy. Banks and policymakers who treat the directions as separate projects and fund them in parallel will tend to under-invest in the foundations that all of them require, whereas those who build the foundations first can then advance several directions at once.

A prioritized reading follows. The shared foundations, in particular data governance, digital identity, instant payments, and a proportionate licensing and sandbox regime, deserve first priority because they unlock everything else. Ecosystem and platform banking can proceed in parallel because it is already commercially proven and largely self-funding, provided that open banking and competition rules prevent harmful concentration. Artificial intelligence and Islamic digital banking are high-value directions that depend on deliberate institution building, in data governance for the

former and in Sharia governance for the latter, so they reward early but disciplined investment. Digital financial inclusion should be treated as a cross-cutting objective that is pursued through all the other directions rather than as a separate program, since it is realized through ecosystem reach, inclusive credit models, Islamic products, and the public investment in connectivity and literacy that regulation can mobilize.

This reading is consistent with the broader evidence. Research on digital finance supports the emphasis on ecosystems and on core capabilities over front-end features, and research on financial inclusion supports the warning that access without literacy and trust can exclude rather than include (Gomber et al., 2017; Demirguc-Kunt et al., 2022). The Uzbek case adds two distinctive lessons. First, a large religiously motivated demand for alternative financial services, now supported by a legal framework, creates an opportunity for digital-first Islamic banking that has few parallels in the wider digital finance literature. Second, the strength of national payment infrastructure and digital ecosystems means that the binding constraint in Uzbekistan is less the availability of digital channels and more the governance, data, and inclusion foundations that turn channels into durable and equitable value.

Several practical recommendations follow. For bank management, the priorities are to invest in data quality and governance as a precondition for artificial intelligence, to design Islamic and inclusive products as digital-first offerings rather than as additions to conventional ones, to pursue ecosystem and embedded-finance models while supporting interoperability, and to build the skills and partnerships that these directions require. For regulators and policymakers, the priorities are to complete the enabling framework of digital identity, instant payments, open-banking standards, and a specialized digital-bank licence, to build supervisory capacity for both digital and Sharia-compliant activity, to monitor concentration so that ecosystems remain competitive, and to invest in connectivity and digital literacy so that inclusion is real. Because the directions are interdependent, coordination between banks and the state is itself a condition for success.

5. Conclusion

This paper asked which directions of digital banking development are most promising for Uzbek banks now that basic digital access has been largely achieved. Drawing on academic literature, current market evidence, and the country's legal and policy framework, it identified and assessed six directions, namely ecosystem and platform banking, open banking and interoperability, artificial intelligence and data-driven services in local languages, Islamic digital banking under the new framework, digital financial inclusion, and the regulatory enablers that support them all.

The central finding is that these directions are complementary and rest on shared foundations of data, identity, secure interfaces, and proportionate regulation, so that the largest gains will come from building those foundations first and then advancing several directions together, while combining the commercial momentum of digital ecosystems with deliberate public investment in inclusion and in the institutions needed for Islamic and open finance. The contribution is a structured, evidence-based, and prioritized agenda adapted to the conditions of an emerging market. The study is limited by its reliance on secondary and partly promotional sources, by the absence of primary data, and by the rapid pace of market change. Future research should test the proposed priorities with primary data from Uzbek banks, evaluate the early performance of Islamic digital

products and of a specialized digital-bank licence once introduced, and compare Uzbekistan's path with those of other fast-developing markets in the region.

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