



Macroeconomic and Technological Drivers of Banking Growth in Uzbekistan

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ABSTRACT

This paper studies how economic growth and digital technology have influenced the development of the banking sector in Uzbekistan from 2019 to 2023. The analysis is based on data about GDP, household income, consumer loans, and digital payments. The results show that strong macroeconomic performance together with rapid digital transformation has expanded financial inclusion and strengthened the stability of the banking system. The findings suggest that sustainable banking growth in Uzbekistan depends on maintaining a balance between economic policy, technological innovation, and institutional development.

Keywords:

banking growth, macroeconomic factors, digitalization, financial inclusion, Uzbekistan

Introduction

The banking sector of Uzbekistan has changed quickly in recent years. Economic reforms, new digital tools, and state strategies have made the sector more modern and competitive. The Presidential Decree PF-60 (2022) — *"Development Strategy of New Uzbekistan for 2022–2026"* — defines the country's goals for stable growth and modernization. Earlier documents such as the Presidential Decree No. PF-5992 of May 12, 2020, "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025," and the Presidential Decree No. PF-4720 of April 24, 2021, "On Measures to Introduce Modern Corporate Governance Methods in Joint-Stock Companies." Both of these programs supported the digitalization of banks and the improvement of corporate governance practices.

Other important documents include the Presidential Resolution No. PQ-4487 of October 9, 2019, "On Measures to Further Improve the Financial Stability of the Banking System," the

Presidential Resolution No. PQ-3620 of March 23, 2018, "On Additional Measures to Increase the Accessibility of Banking Services," and the Presidential Resolution No. PQ-3270 of September 12, 2017, "On Measures to Further Develop and Increase the Stability of the Banking System of the Republic of Uzbekistan."

Together, these reforms have encouraged both economic and technological progress in the financial sector. This paper examines how these two directions — macroeconomic development and digital innovation — have worked together to strengthen Uzbekistan's banks.

Research Background

Many international studies show that countries with stable economies and advanced technologies experience faster financial development (World Bank, 2023; IMF, 2023). When people's income increases and access to digital tools improves, they use banking services more actively.

In Uzbekistan, the government has followed the same direction by promoting economic diversification, supporting digital

finance, and improving the efficiency of commercial banks. National reforms have focused on expanding access to financial services, increasing the role of private banks, and developing modern payment systems.

The Digital Economy Concept introduced in 2017 also created the foundation for fintech platforms and non-cash payments. These initiatives show that Uzbekistan is moving toward a balanced model that combines market innovation with government support—similar to trends observed in fast-growing Asian economies.

Uzbekistan's recent economic performance also supports these policy directions. Between 2019 and 2023, the country's economy grew rapidly, reflecting the impact of structural reforms and rising domestic demand. The Gross Domestic Product (GDP) more than doubled during this period—from 510 trillion UZS in 2019 to 1,066 trillion UZS in 2023. The average income per person also increased notably, from 15.3 million UZS to 29 million UZS, indicating a steady improvement in living standards and consumer capacity (Table 1).

Table 1. Macroeconomic Indicators of the Republic of Uzbekistan (2019–2023)

Year	Population (thousand people)	Gross Domestic Product (GDP, mln UZS)	Average Income per Capita (thousand UZS)	GDP per Capita (UZS)	Average Exchange Rate (USD/UZS)	Tax Revenues to the State Budget (mln UZS)
2019	33 256	510 117 192	10 887	15 339 316	108 851	83 323 900
2020	33 905	580 203 167	12 122	17 112 492	10 064	103 561 688
2021	35 106	721 043 314	14 870	24 539 560	10 651	128 000 650
2022	36 025	896 617 897	17 773	24 888 838	11 812	148 388 306
2023	36 800	1 066 569 027	20 016	28 983 012	11 808	165 917 465

Tax revenues nearly doubled over this five-year period, showing stronger fiscal performance and better financial management. A relatively stable exchange rate contributed to a predictable environment for both investors and financial institutions. Together, these conditions helped expand savings, support consumer lending, and attract new investments to the banking sector.

The positive economic environment also stimulated business expansion and household borrowing. The number of retail enterprises increased from 151,822 in 2019 to 194,050 in 2022, representing growth of around 28%. This rise reflects higher levels of entrepreneurship, urbanization, and consumer activity, all of which created stronger demand for financial and banking services (Figure 1).

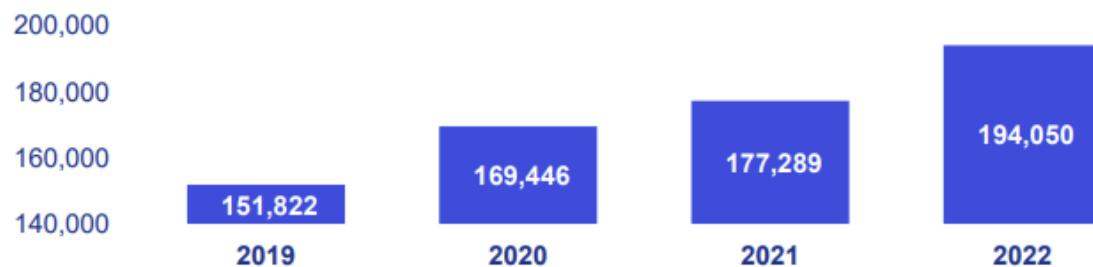


Figure 1. Growth in the number of retail enterprises in Uzbekistan

At the same time, consumer loans grew sharply—from USD 753 million in 2020 to USD 3.4 billion in 2023. Easier access to credit, combined with rising household income,

enabled more families to purchase housing, goods, and services through bank financing. This trend demonstrates that the role of banks in Uzbekistan's economy is expanding from

simply serving as savings institutions to becoming active drivers of consumer and business growth (Figure 2).

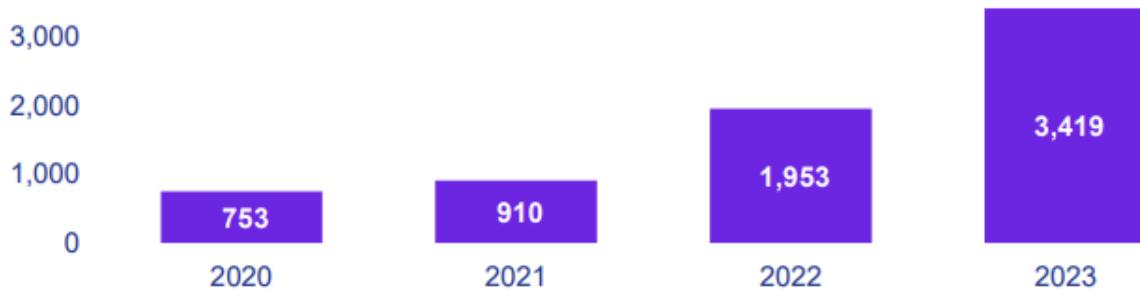


Figure 2. Growth of consumer loans in local currency to the population of Uzbekistan

Along with the expansion of lending and business activity, digitalization has become one of the main driving forces of banking growth in Uzbekistan. The total volume of POS-terminal payments increased from USD 10.6 billion in 2021 to USD 21.6 billion in 2023, while cash payments also rose from USD 23.7 billion to USD 35.3 billion during the same period (Table 3).

This data reveals two important trends. First, overall consumer spending has grown in line with higher income levels. Second, there is a clear shift in public behavior toward digital

and cashless payments. Mobile platforms such as Payme, Click, and Apelsin have made electronic transactions faster, safer, and more convenient, encouraging more people to use digital banking services.

By 2023, electronic payments accounted for approximately 38% of all retail transactions, compared with 31% in 2021. This steady growth reflects the country's successful progress toward building a modern digital economy and a more transparent, technology-based financial system.



Figure 3. Dynamics of cash and POS-terminal payments in Uzbekistan

The relationship between economic growth and technological development in Uzbekistan's banking sector is strong and mutually reinforcing. As GDP and household income continued to rise, more people began to use banking services regularly. At the same time, the introduction of new digital tools made financial transactions faster, easier, and more affordable, enabling a wider segment of the population to participate in the formal financial system.

This interaction has created a positive cycle: higher incomes have increased the demand for loans and electronic payments, which in turn have stimulated more business activity and overall economic expansion. The ongoing modernization of the financial system,

supported by effective regulation and technological innovation, continues to strengthen this connection between the economy and the banking sector.

Recommendations and conclusion

The analysis of Uzbekistan's recent banking development highlights the need for consistent policies that connect macroeconomic growth with digital innovation. To sustain the progress achieved so far, several strategic directions can be recommended.

First, it is important to continue investing in digital infrastructure, especially in rural and remote regions. Broader access to the internet and electronic payment systems will help reduce the gap between urban and rural populations in using banking services.

Second, the government and financial institutions should encourage collaboration with fintech companies. Public-private partnerships can support the creation of new products such as mobile lending, online investment platforms, and digital credit scoring systems.

Third, improving financial literacy is essential. As more citizens begin using online services and consumer loans, training programs should focus on responsible borrowing, cybersecurity, and digital awareness to protect consumers and build trust.

Fourth, stronger regulatory frameworks are needed to balance innovation with risk control. Banking supervision should ensure data security, privacy, and stability, while allowing space for experimentation and technological growth.

Finally, the country should move toward open banking and data-driven management. Integrating digital tools into the supervisory process will make financial decision-making faster and more transparent.

Overall, these policy measures would help maintain the positive connection between economic development and technology adoption, ensuring that Uzbekistan's banking sector remains inclusive, stable, and competitive in the digital age.

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