

# The Importance and Functions of the Central Bank in the Regulation of Payment Systems

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**Abstract:** This article analyzes the strategic role and significance of the Central Bank in ensuring the stability and security of the country's payment systems. The research places particular emphasis on the priority tasks established by the President of the Republic of Uzbekistan regarding the assurance of payment transparency, acceleration of digitalization, and the eradication of the shadow economy. The article highlights the regulatory, supervisory, and operational functions of the Central Bank based on current legislation. Furthermore, it presents statistical data and graphical analysis concerning the development of payment infrastructure (bank cards, terminals, mobile applications) in recent years, while also evaluating contemporary trends in the digital financial market and cybersecurity mechanisms.

**Key words:** Central Bank, payment system, digitalization, financial stability, cybersecurity, licensing, statistical analysis, electronic money, non-cash settlements.



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## INTRODUCTION

The modern market economy is a complex and multifaceted mechanism, the effective functioning of which is inextricably linked to the degree of organization of monetary and credit relations. The banking sector, acting as the "circulatory system" of any economic system, serves as the primary driver stimulating economic growth by accumulating capital, redistributing resources, and ensuring continuous settlements. Therefore, the reliability and liquidity of the banking system play a decisive role not only in maintaining financial stability but also in ensuring investment activity within the economy and payment discipline among business entities. Today, the rapid integration of digital technologies into the financial sector has transformed the security and transparency of payment systems into a priority area of state policy.

Highlighting the importance of payment infrastructure in the process of modernizing the national economy, the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, emphasized: **“The lack of regulation in the payment system, along with the absence of digitalization and transparency, causes funds to remain uncontrolled in certain sectors. Payments must, first and foremost, be carried out through the banking system and must be transparent and secure.”**<sup>1</sup> This strategic directive defines that regulating payment systems is not merely a technical process, but a fundamental basis for reducing "shadow" turnover in the economy, securing state budget revenues, and protecting consumer rights. Consequently, the role of the Central Bank in this direction has been fundamentally reformed from an institutional perspective.

In this hierarchy, the Central Bank, considered the "brain" of the two-tier banking system, serves as the ultimate guarantor of overall financial stability. In accordance with Law No. LRU-582<sup>2</sup> of the Republic of Uzbekistan dated November 11, 2019, ensuring the stable operation of the banking and payment systems was established as one of the primary objectives of the Central Bank. Today, the regulator acts not only as the operator of a single centralized platform for interbank settlements but also as the authority responsible for licensing payment system operators and payment organizations, as well as supervising their cyber-resilience. The strict technical standards and information security protocols established by the Central Bank ensure the integrity of financial transactions, thereby fostering high public confidence in the banking and financial system as a whole.

Amidst digital transformation and the rapid development of the "Fintech" sector, the regulatory functions of the Central Bank have been enriched with new instruments. Specifically, systemic risks in the financial market are being minimized through the regulation of electronic money circulation (Rules No. 3231) and the establishment of discipline in non-cash settlements (Regulation No. 3229). Furthermore, the improvement of licensing procedures based on the 2023 Regulation No. 3431 ensures that only reliable entities with high technological and financial capabilities enter the market. This research work provides a comprehensive analysis of the Central Bank's multi-level mechanisms in regulating payment systems, their economic efficiency, and the prospects for modernizing the national payment infrastructure based on international standards.

## METHODS

In conducting this research, a comprehensive set of methods was employed, including systematic analysis, the comparative-legal method, induction, deduction, and empirical analysis. The foundation of the research methodology is based on the fundamental legislative acts of the Republic of Uzbekistan regulating Central Bank activities and payment systems—specifically, Laws No. LRU-582 and LRU-578—as well as the Central Bank’s regulatory and legal documents defining the procedures for non-cash settlements, electronic money circulation, and licensing.

During the research process, the degree of compliance with international standards was comparatively studied to evaluate the oversight and monitoring functions over the national payment system, particularly focusing on the principles of the Committee on Payments and Market Infrastructures (CPMI) under the Bank for International Settlements (BIS). Official statistical bulletins and annual reports of the Central Bank were utilized to form an empirical database. Using the statistical analysis method, the dynamics of bank cards, terminals, and remote banking services in recent years were analyzed, alongside their impact on financial stability. This methodological approach serves to ensure a scientific and practical solution to the problem by

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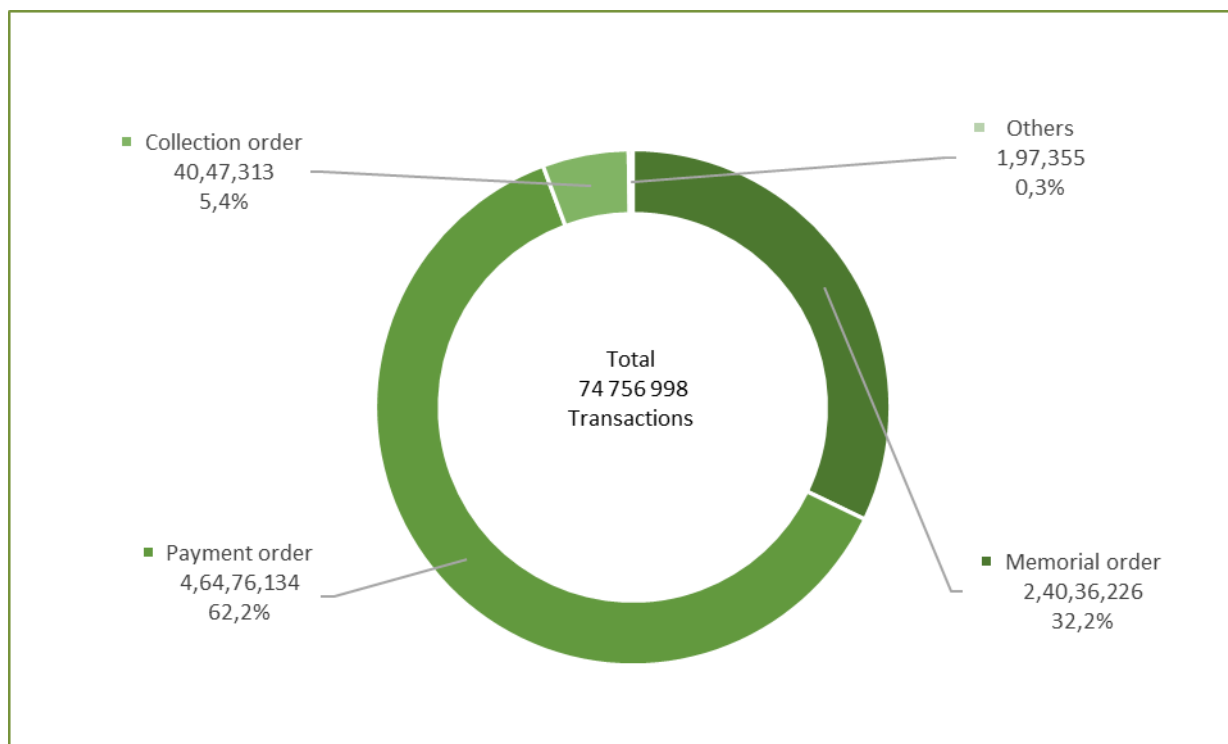
<sup>1</sup> From the speech of the President of the Republic of Uzbekistan, Sh. M. Mirziyoyev, at a meeting on the banking, financial, and housing sectors held on December 12, 2024.

<sup>2</sup> Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan," No. LRU-582 dated November 11, 2019 (Adopted by the Legislative Chamber on August 17, 2019; Approved by the Senate on October 11, 2019).

inextricably linking theoretical conclusions with practical statistical indicators and legal frameworks.

## RESULTS

When analyzing the circulation of payment documents formed on the basis of uniform standards established by the Law of the Republic of Uzbekistan "On Payments and Payment Systems" and Regulation No. 3229 of the Central Bank, a unique structural dynamic was observed in the interbank payment system. During the period of September-October 2024-2025 (1 year), a total of **74,756,998** transactions were executed, with their total volume amounting to **10,055,478 billion** soums. These indicators reflect the stable economic flows resulting from the digital transformation within the banking system and the centralized regulation of settlements.



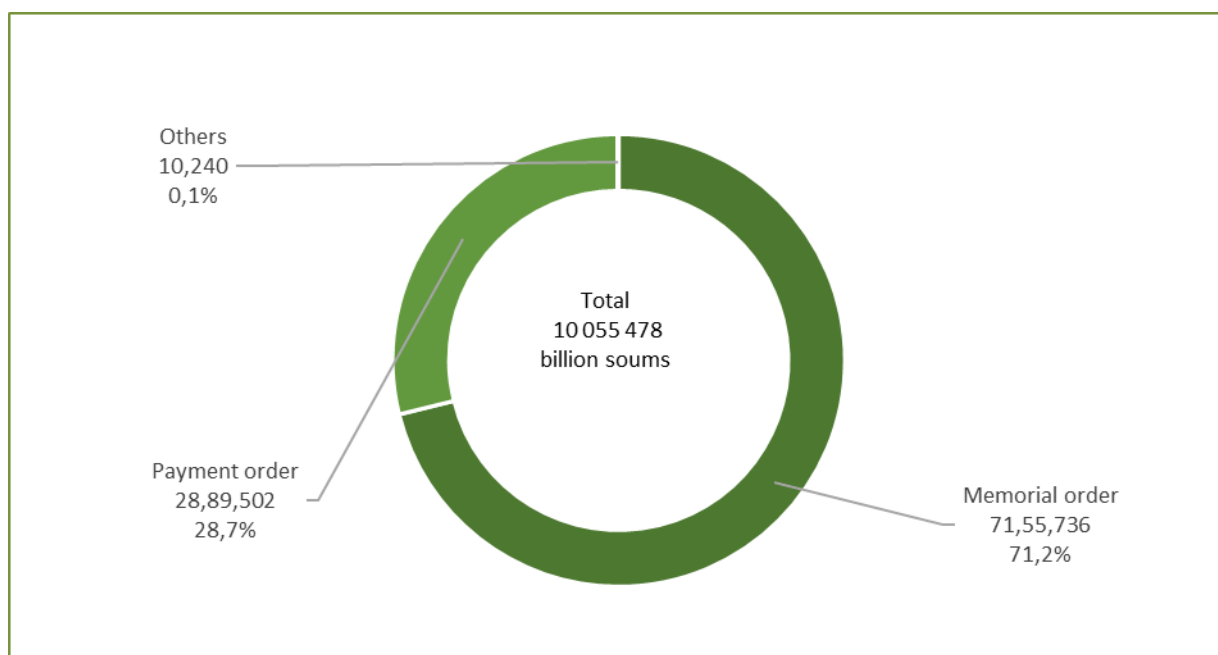
*Figure 1. Number of settlements carried out through the interbank payment system between October-September 2024 and 2025<sup>3</sup>*

The quantitative analysis of transactions, categorized by their specific types, reveals significant insights into the behavioral patterns of market participants regarding account management and liquidity control. The data demonstrates that the activity of customers in managing their financial resources is most prominently manifested in the high volume of **payment orders**, which accounted for a substantial **62.2% of total operations** (exceeding 46.4 million units). This dominance of payment orders reflects a high level of proactive financial planning and the widespread adoption of digital payment tools among both corporate and individual clients.

Following payment orders, the second-highest indicator was recorded in the share of **memorial orders**, which comprised **32.2%** of the total transaction volume. In contrast, more specialized instruments such as **collection orders (5.4%)** and other miscellaneous payment documents (**0.3%**) were utilized with relatively lower frequency. From a structural perspective, this distribution signifies that the payment discipline of business entities in Uzbekistan is primarily shaped by voluntary instructions and autonomous financial decisions, rather than forced or automated debt recovery mechanisms. Such a trend underscores the increasing maturity of the

<sup>3</sup> **Source:** Compiled by the authors based on data from the Central Bank. [www.cbu.uz](http://www.cbu.uz)

national payment ecosystem and the success of the Central Bank's efforts in promoting non-cash settlement efficiency.



**Figure 2. Total value of transactions carried out through the interbank payment system between October and September 2024–2025 (in billion soums).**

However, an analysis of financial flows in terms of value (by total amount) presents a fundamentally different picture compared to the quantitative analysis. While payment orders were the most frequently used instrument by number, they accounted for only 28.7% of the total monetary turnover. In contrast, memorial orders, despite being fewer in quantity, represented a staggering 71.2% of the total value (exceeding 7.1 quadrillion soums). This disparity confirms that memorial orders are the primary instrument utilized for high-value interbank transfers, internal bank gross operations, and the management of large-scale assets within the financial market.

Currently, the infrastructure for national currency bank cards, managed by commercial banks through the “Uzcard” and “Humo” payment systems, is expanding rapidly. Although these two system operators received their licenses in April 2020, competition and mutual integration between them reached a new milestone by the final quarter of 2024.

Digital transformation processes in the financial market of Uzbekistan have transitioned beyond mere infrastructure expansion to a stage of fundamentally reshaping the payment habits of both the population and business entities. As a result of the favorable licensing environment and stringent cybersecurity requirements established by the Central Bank, banking services are shifting from traditional formats toward fully digital models. The following statistical data<sup>4</sup> clearly illustrates the dynamic growth in the circulation of bank plastic cards, the expansion of the payment terminal network, and, most importantly, the surge in the contingent of remote banking service users over recent years.

<sup>4</sup> Compiled by the authors based on data from the Central Bank. [www.cbu.uz](http://www.cbu.uz)

Date	Number of bank plastic cards in circulation	Number of installed payment terminals	Number of installed ATMs and infokiosks	Amount of payments made through terminals (from the beginning of the year), bln. soums
1	2	3	4	5
01.10.2021 y.	25 207 659	434 971	12 710	76 919,50
01.10.2022 y.	31 820 600	432 269	19 318	122 195,20
01.10.2023 y.	41 359 507	429 182	24 036	181 544,90
01.10.2024 y.	53 583 382	424 009	28 433	237 480,70
01.10.2025 y.	63 639 505	430 178	38 118	318 179,20

**Figure 3. Number of bank plastic cards in circulation, installed payment terminals, ATMs, and infokiosks, and the total value of payments processed through payment terminals.**

An analysis of the figures presented in the tables indicates that between 2021 and 2025, the number of bank cards in circulation increased **2.5-fold**, reaching **63.6 million units**, while the total number of remote banking service users grew **6-fold** (from 12.3 million to 74.1 million). Notably, alongside the rising popularity of mobile application transactions among individuals, legal entities and business entities are also actively transitioning to digital settlements, with over **1.6 million registered users**. These indicators confirm the population's growing trust in non-cash settlements and the overall effectiveness of the digital ecosystem established by the Central Bank.

The integration of national payment systems with international brands (Visa, Mastercard, UnionPay, Mir), which began in 2019, reached its logical peak by 2024. Currently, not only is the operation of international cards within the national infrastructure fully supported, but the issuance of co-badged cards (such as Humo-Visa and Uzcard-Mastercard) by local banks has enabled citizens of Uzbekistan to conduct direct payments abroad seamlessly.

Furthermore, the mutual integration (interoperability) of "Humo" and "Uzcard" terminals was fully completed by 2024, eliminating previous restrictions for entrepreneurs and customers regarding terminal selection. Consequently, as of October 1 of last year, the volume of transactions processed through payment terminals since the beginning of the year exceeded 318 trillion soums. This trend confirms a decline in "cash dependency" within the economy and demonstrates the practical efficiency of the Central Bank's regulatory function in ensuring the stability of payment systems.

The Central Bank's Clearing System holds particular strategic importance within the payment infrastructure, as it facilitates retail payments in real-time and ensures integration with the billing systems of service providers. Under this project, implemented since 2014, more than **30 large agencies and organizations**—including utility services, the Treasury of the Ministry of Finance, tax and customs authorities, the Ministry of Internal Affairs, and entities such as "UzAuto Motors"—now have the capability for instantaneous payment identification and reflection.

## DISCUSSION

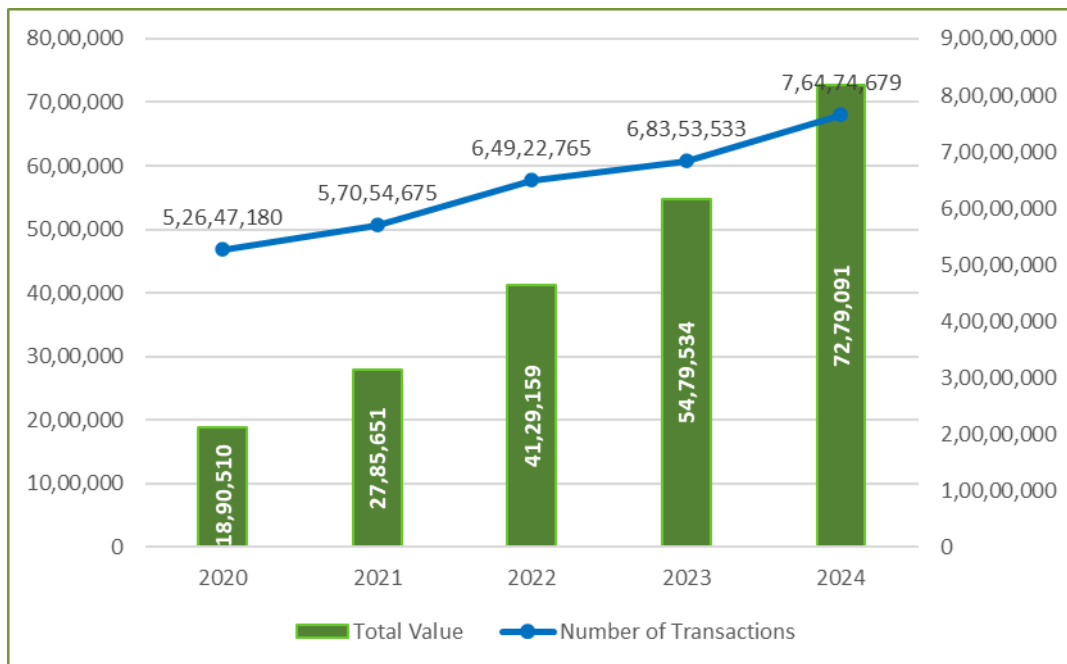
The evolution of the national payment system of the Republic of Uzbekistan has traversed a complex path, transitioning from the paper-based document circulation of the early years of independence to today's comprehensive digital transformation. In the initial stages (1991–1997), settlements were conducted via postal services, with funds taking several months to circulate. However, the introduction of electronic mail and specialized software suites by the Central Bank reduced payment processing times to hours, and subsequently, to minutes. The establishment of settlement centers in the mid-1990s and the transition to a new chart of accounts accelerated the

turnover of working capital for business entities, providing banks with the capability for real-time liquidity and credit risk management.

Starting from the 2000s, the system underwent further institutional and technological refinement. The creation of the Common Republican Processing Center (UPC/Uzcard) in 2004 expanded the retail payment system through plastic cards. In subsequent decades, clearing mechanisms integrated with billing systems and the adoption of the Law "On Payments and Payment Systems" in 2019 strengthened the competitive environment and legal guarantees in the sector. Since 2020, the launch of the Instant Payment System in 24/7 mode has allowed enterprises and organizations to conduct continuous, real-time settlements even on weekends. Together with the Central Bank’s Data Processing Center and integrated information-analytical systems, this serves as the technological foundation for national financial stability.

The regulation of payment document circulation by the Central Bank remains a key factor in ensuring transparency within the financial market. In particular, the extensive scope of memorial orders—encompassing internal bank operations, contract-based debt settlements, and individual customer requests—enables banks to manage operational processes with high agility.

The Central Bank’s interbank payment system is the primary mechanism driving the gross financial flows of the national economy, ensuring the final settlement of mutual obligations between banks. The dynamics of transactions processed through this system have shown rapid growth over the last five years: while the number of operations exceeded **52.6 million in 2020**, this figure surpassed **76.4 million by the end of 2024** (a 45% increase). Such a surge in transaction volume signifies the intensification of economic relations between commercial banks and the migration of customer activities toward digital platforms.



**Figure 4. Value of settlements processed through the interbank payment system between 2020 and 2024 (in billion soums)**

When analyzed from the perspective of financial volume, the total value of interbank settlements exhibits even higher growth rates. Specifically, while the total settlement amount in 2020 stood at **1.8 quadrillion soums** (1,890,510 billion soums), by 2024, this indicator increased nearly **fourfold**, reaching a record **7.2 quadrillion soums** (7,279,091 billion soums). These figures confirm that reforms initiated by the Central Bank to ensure the liquidity and security of payment systems have enabled the seamless management of large-scale financial flows.

The regulatory frameworks under discussion indicate that the Central Bank oversees not only the security of payments but also their legal integrity. For instance, while the mechanism for unconditional fund withdrawal via collection orders serves to strengthen payment discipline in the economy, letter of credit (LC) based settlements ensure secure and guaranteed trade relations between business entities.

In this regard, it can be concluded that the Central Bank's Regulation No. 3229 of 2020 has elevated the non-cash settlement system to a qualitatively new level within the digital economy.

The regulatory role of the Central Bank is prominently reflected today in the rapid advancement of Remote Banking Services (RBS). Remote technologies allow customers to perform informational and transactional operations via computers or mobile devices without the need to visit a bank branch. For legal entities, mechanisms for real-time payments and currency conversion orders have been established through Internet-banking and Bank-Client systems.

Mobile applications developed for the public—encompassing P2P (person-to-person) transfers, online micro-loans, and remote deposit services—contribute significantly to increasing the transparency of monetary circulation within the economy. Security protocols established by the Central Bank, alongside instant notification systems like SMS-banking, play a vital role in safeguarding the sanctity of customers' financial assets.

As a result of the rapid adoption of digital technologies in the Uzbek financial market, a sharp growth dynamic is observed in the number of RBS users. Specifically, as of October 1, 2020, the total number of users stood at **12.3 million**; however, by the same period in 2025, this figure surpassed **74.1 million**, representing a **sixfold increase** over five years. Individual users serve as the primary driver of this growth, with their numbers surging from 11.5 million to 72.4 million. This trend signifies a fundamental shift in the population's digital literacy and trust in mobile banking for daily operations such as P2P transfers, online deposits, and utility payments.

From this perspective, the Central Bank acts not only as a supervisor but as a technological driver of the digital finance market. The refinement of licensing procedures in 2020 and the completion of terminal interoperability (integration) between "Humo" and "Uzcard" by 2025 have further fostered a healthy competitive environment.

One of the critical functional tasks of the Clearing System is serving as the "Settlement Bank" for national retail payment systems (Uzcard and Humo). This mechanism allows the final interbank settlement of millions of card transactions to be consolidated on the Central Bank's unified platform.

Operating under bilateral agreements with the Central Bank's Main Informatization Center, this system ensures the transparency of the financial chain between payers and service providers through billing integration. This not only provides convenience for the population but also strengthens the Central Bank's regulatory role in monitoring state budget revenues and reducing the "shadow economy" turnover.

Digital transformation processes in the financial market of Uzbekistan have transitioned beyond mere infrastructure expansion to a stage of fundamentally reshaping the payment habits of both the population and business entities. As a result of the favorable licensing environment and stringent cybersecurity requirements established by the Central Bank, banking services are shifting from traditional formats toward fully digital models. Statistical analysis indicates that between 2020 and 2025, the total number of remote banking service users grew more than **sixfold** (from 12.3 million to 74.1 million), with individual digital payment activity surpassing 72.4 million users. Concurrently, infrastructure indicators have improved proportionally, with bank cards in circulation reaching **63.6 million units** and the number of ATMs and infokiosks increasing **threefold** (from 12,710 to 38,118 units).



*Figure 5. Total value of transactions processed through the Central Bank's clearing settlement system (in billion soums)<sup>5</sup>*

The Central Bank's clearing settlement system serves as the strategic core of this digital ecosystem, centrally coordinating retail payments between business entities and the population. The number of transactions processed through the system rose from **66.6 million units in 2020 to 123.1 million units in 2024**, while the financial volume surged from 24.9 trillion soums to a record **100.3 trillion soums**. According to the results for the first nine months of 2025, the transaction volume has already reached 104.5 million units, with a total value of 86.1 trillion soums. These indicators confirm a declining level of "cash dependency" within the economy and demonstrate the practical efficiency of the Central Bank's regulatory function in ensuring the stability of payment systems.

Based on the statistical trends of the first nine months of the current year and the traditional end-of-year surge in financial activity, extrapolation analysis predicts that by the end of 2025, the number of clearing transactions will reach **138–142 million units**, with payment volumes hitting **115–118 trillion soums**. This anticipated growth represents an approximately 15% increase over the record-breaking figures of 2024. In conclusion, the rapid development of the national payment system is not merely a technical achievement but a direct result of the institutional reforms implemented by the Central Bank to encourage non-cash settlements and ensure financial transparency.

The stable operation of the clearing system is guaranteed on the basis of strict regulatory requirements established by the Central Bank (Regulation No. 2570), which elevates the cyber-resilience and operational reliability of the national payment system to a new level.

## CONCLUSION

The results of the conducted research and the analysis of long-term dynamics in the national payment infrastructure demonstrate that the activities of the Central Bank of the Republic of Uzbekistan in regulating payment systems serve as a fundamental mechanism ensuring the stability of the country's economy. The findings formed during the study confirm that the Central Bank's regulatory role is not merely supervisory but acts as a strategic driver for the development of the digital financial market:

<sup>5</sup> Compiled by the authors based on data from the Central Bank. [www.cbu.uz](http://www.cbu.uz)

Firstly, the rapid development of the payment infrastructure and the sharp expansion of remote banking service users indicate the formation of an environment of "digital trust" in the economy. Quantitative growth indicators in the infrastructure prove that the strict technical standards, licensing mechanisms, and cybersecurity protocols established by the Central Bank have fundamentally changed the financial behavior of the population and business entities. Non-cash settlements have now evolved beyond technical convenience into a primary tool guaranteeing the transparency and security of economic relations.

Secondly, the efficient operation of the interbank payment system and centralized clearing mechanisms has elevated the efficiency of the economy's "circulatory system" to a qualitatively new level. Record indicators of transaction volumes measured in quadrillions of soums and real-time settlements manifest the Central Bank's institutional capacity to manage macroeconomic stability and financial system liquidity. The integration of the clearing system with billing platforms and public services has further strengthened the Central Bank's regulatory role in reducing the share of the "shadow economy" and ensuring the transparency of state budget revenues.

Thirdly, growth forecasts expected by the end of 2025 indicate that the national payment system still possesses significant technological and institutional growth potential. However, as transformation processes deepen, ensuring cybersecurity and data integrity is becoming the highest priority on the Central Bank's strategic agenda. The control mechanisms introduced by the regulator are aimed not only at protecting current financial operations but also at creating a secure legal and technical environment for innovative instruments within the framework of "FinTech" and "Sandbox" (regulatory sandboxes) in the future.

In conclusion, it should be emphasized that the Central Bank's activities in regulating payment systems, while raising Uzbekistan's financial market to the level of international standards, serve as a key factor in stimulating economic growth and ensuring financial inclusion. Future reforms by the Central Bank regarding the introduction of a Central Bank Digital Currency (CBDC) and the optimization of cross-border payments will serve to further strengthen national financial sovereignty and enhance the country's prestige in the international financial market.

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