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# Stimulating Innovation in Commercial Banking: A Policy Framework for Strengthening Uzbekistan's Financial Innovation Ecosystem

Maxamadjanov Muxammadali Muzaffarovich  
*Andijan branch of Kokand University (KUAF)*

**Abstract:** This article introduces a framework for strengthening incentives for innovation in commercial banking and for improving the national innovation environment in Uzbekistan. The study is based on a qualitative analysis of national banking reforms, the 2025 fintech policy package, Central Bank analytical materials, and recent international literature on open banking, RegTech, data governance, and cyber resilience. The central argument is that banking innovation should be treated not as a symbolic technology agenda but as a measurable management instrument capable of increasing fee income, reducing operating costs, improving risk quality, and strengthening trust and resilience. The results show that banks need three interconnected groups of incentives: external regulatory and institutional incentives, financial and economic incentives, and internal organizational incentives. For Uzbekistan, the most important external priorities are the practical rollout of open banking, a cost-saving RegTech architecture, a usable regulatory sandbox, and co-financing of shared infrastructure in cyber defense, fraud analytics, AML, and data quality. At the bank level, the critical levers are portfolio-based innovation funding, formal data governance led by a chief data officer, and cyber resilience embedded directly into innovation budgets. The proposed framework may help convert the current reform momentum into a scalable and safer financial innovation ecosystem.

**Keywords:** commercial banks, innovation incentives, fintech, open banking, RegTech, cyber resilience, data governance, Uzbekistan



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## 1. Introduction

Uzbekistan has entered a new stage of banking modernization, but the innovation ecosystem surrounding commercial banks remains uneven in depth and quality. The banking reform strategy for 2020-2025 explicitly linked low financial accessibility to the dominance of corporate-oriented banking models, as well as to the weak development of non-bank financial institutions, innovation, and information systems [1]. This diagnosis remains important because the digital transformation of banks is no longer limited to interface modernization. In a competitive environment, innovation must generate measurable business outcomes: higher fee-based income through payments, acquiring and value-added services; lower operating costs through automation and remote channels; improved risk quality through scoring, anti-fraud analytics and better data; and stronger resilience through cybersecurity, compliance and consumer trust [2].

A major institutional shift occurred with Presidential Resolution No. PP-359 of 27 November 2025, which established concrete targets for fintech development in 2026-2030, including USD 1 billion in foreign investment into fintech start-ups, at least 200 fintech market participants, 100 incubated or accelerated start-ups, training for at least 5,000 young people, and pilot testing of digital currencies and stable tokens [3]. The same agenda links fintech growth with open banking, new payment standards, sandbox mechanisms and wider collaboration between banks and technology firms [4]. This creates an opportunity to rethink how the state and banks should stimulate innovation in a coordinated manner.

The objective of this article is to propose an integrated framework of incentives for commercial bank innovation in Uzbekistan and to identify the policy sequence most likely to improve the national financial innovation environment over 2026-2030.

## 2. Methodology

The article applies a qualitative policy-analysis approach. The evidence base combines four groups of sources: (1) national strategic and regulatory documents on banking and fintech development [5] Central Bank analytical materials and public statements on digital banking, payment systems and fintech priorities [6]; (3) international policy papers on open banking and open finance [7]; and (4) recent academic studies on RegTech, open banking, data governance, cybersecurity, and digital banking in Uzbekistan and comparable markets [8].

Methodologically, the study uses comparative institutional synthesis. First, it identifies the main constraints that limit innovation incentives in Uzbekistan. Second, it compares these constraints with findings from international literature on data-sharing frameworks, compliance technology, and cyber resilience. Third, it translates this synthesis into a practical policy design for Uzbekistan. Because the purpose is normative and policy-oriented, the “results” of the article are analytical proposals rather than econometric coefficients[9].

### Integrated Incentive Architecture for Banking Innovation in Uzbekistan

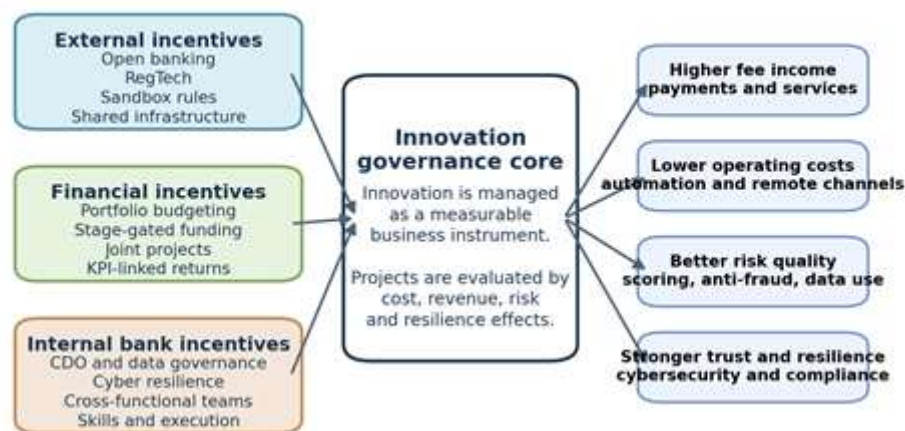


Figure 1. Integrated incentive architecture for banking innovation in Uzbekistan.

## 3. Results and Discussion

The analysis suggests that banks require three mutually reinforcing categories of incentives (Figure 1). The first category consists of regulatory and institutional incentives. Open banking should be the anchor reform. International evidence shows that customer-permissioned data sharing can lower integration costs, stimulate competition and accelerate digital product development, but only when API standards, consumer-consent rules, liability allocation and data-protection safeguards are clearly specified [10]. For Uzbekistan, where open banking is scheduled for implementation by 1 September 2026 the key task is not only to launch the regime formally, but to define common technical standards, minimum security rules, interoperable consent management and clear

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responsibility for fraud, leakage and operational errors. Without such clarity, banks may remain defensive and delay collaboration with fintech partners.

The second external priority is RegTech. Recent research shows that compliance technologies can improve profitability, operations and market structure when they reduce manual reporting burdens and improve the quality of supervisory data [11]. For Uzbekistan, this implies that a unified digital reporting system should be built around machine-readable formats, shared data dictionaries and risk-based supervision. Banks that demonstrate higher data quality and cyber preparedness should be allowed to pass pilot supervisory procedures faster. In this form, RegTech becomes not an additional compliance burden but a productivity tool.

The third institutional lever is a genuinely usable regulatory sandbox. International and national policy discussions increasingly recognize sandbox regimes as transition mechanisms between experimentation and regulation [12]. However, sandboxes stimulate innovation only when pilots produce standardized exit rules. In the Uzbek context, the sandbox should therefore generate reusable templates for AML/CFT controls, cyber requirements, consumer protection, and operational testing for new digital products. This would reduce legal uncertainty and make successful pilots easier to scale.

The fourth external lever is targeted co-financing of shared innovation infrastructure. Banks often treat customer-facing applications as innovation, but the most expensive and systemically important layer is infrastructure: anti-fraud engines, AML analytics, data-quality architecture, secure identity tools, and cyber-defense capabilities. These investments create spillovers beyond individual banks by improving trust, lowering fraud losses, and stabilizing digital payments. For this reason, part of the public innovation agenda should use grants, competitive subsidies, or sectoral co-financing for infrastructure projects that have clear system-wide effects [13].

At the bank level, the first internal incentive should be portfolio-based innovation management. Instead of financing innovations ad hoc, banks should separate investments into four buckets: mandatory innovations (security, AML/KYC, payment continuity), efficiency innovations (RPA, document automation, process redesign), growth innovations (new products, ecosystems, marketplace cooperation), and pilots. Funding should be released in stages - concept, pilot, scale-up - and each stage should be tied to measurable indicators such as cost reduction, fee growth, lower fraud losses, faster onboarding or improved service reliability. This approach makes innovation financially disciplined rather than symbolic.

The second internal lever is formal data governance. Recent literature identifies data quality and governance as central enablers of digital transformation because they improve decision quality, compliance, customer analytics and operational coordination [14]. Uzbek banking studies point to similar problems, including the need to improve remote services, mobile technologies and transformation processes [15]. Commercial banks should therefore institutionalize the role of the chief data officer, define data ownership, introduce completeness-accuracy-timeliness metrics, and create controlled data environments for scoring, anti-fraud analytics and management reporting.

The third internal lever is cyber resilience as a core innovation input rather than a separate technical function. The expansion of digital banking increases vulnerability to fraud, leakage, identity theft and operational disruption. Studies of cyber resilience show that security capability strengthens long-run innovation performance because it protects trust and stabilizes digital operations [16]. For Uzbek banks, this means that every innovation budget should contain a dedicated security block covering monitoring, multi-factor authentication, anti-fraud tools, resilience testing, backup systems and business continuity arrangements. Innovation without cyber resilience would create fragile growth and undermine consumer confidence.

Taken together, these findings suggest that the strongest policy model for Uzbekistan is not isolated bank digitalization, but a coordinated ecosystem logic. External rules should reduce uncertainty, financial mechanisms should reduce the cost of shared infrastructure, and internal bank governance should convert digital investments into measurable performance outcomes. Figure 2 summarizes the proposed reform sequence for 2026-2030.

**Suggested Reform Sequence for 2026-2030**  
Roadmap linking system reform and bank-level action

Year	System priority	Bank action
2026	Adopt national fintech strategy; set API, consent and liability standards.	Create innovation portfolio; appoint CDO or equivalent.
2027	Launch open banking pilots, A2A transfers and QR interoperability.	Use stage-gated funding for pilot products.
2028	Scale RegTech, shared data dictionaries and fraud analytics.	Connect data-quality metrics with risk and pricing models.
2029	Expand sandbox exit rules; co-finance AML and cyber infrastructure.	Embed cyber resilience in all innovation budgets.
2030	Evaluate outcomes and institutionalize KPI-based scaling.	Scale profitable and safe digital solutions.

Figure 2. Suggested reform sequence for 2026-2030.

At the system level, sequencing matters as much as ambition. Uzbekistan already has a reform window in which the national fintech strategy, open-banking rollout, and digital payment modernization can be aligned into one operating architecture. The first phase should prioritize technical standards, consent rules, liability allocation, and pilot criteria; the second phase should scale shared data dictionaries, RegTech reporting, fraud analytics, and interoperable payment rails; the final phase should institutionalize performance evaluation and selective scaling of the most effective solutions. Such sequencing would reduce policy fragmentation and help convert separate banking and fintech initiatives into a coherent national innovation environment.

The framework also has direct managerial implications for commercial banks. Innovation units should be evaluated not by the number of digital launches alone, but by a compact scorecard that links each project to business and control outcomes: additional fee income, lower cost-to-serve, faster onboarding, fewer fraud losses, lower manual-processing time, and stronger compliance stability. Cross-functional teams involving business, risk, IT, data, cybersecurity, and compliance should review projects at each funding gate so that innovation spending remains disciplined and comparable across initiatives. In this logic, a pilot is successful only when it proves measurable value under safe operating conditions rather than when it merely demonstrates a new technology.

**4. Conclusion**

The current phase of financial reform in Uzbekistan creates a rare window for building a stronger banking innovation ecosystem. The policy agenda already contains ambitious targets, but targets alone do not generate innovation. Banks innovate when incentives are clear, risks are manageable, and expected returns are visible. The article shows that three conditions are decisive: transparent regulatory architecture, economically rational innovation financing, and internal organizational capabilities built around data and cyber resilience.

For the state and the regulator, the priority is to move from declarations to operational rules: open banking standards, practical RegTech design, useful sandbox outputs, and co-financed infrastructure with public spillovers. For banks, the priority is to professionalize innovation management through portfolio funding, staged investment decisions, formal data governance, and security-by-design. In this configuration, innovation becomes a disciplined driver of profitability, efficiency and resilience rather than a collection of disconnected digital projects.

The main contribution of this article is a policy framework that links national fintech development with bank-level managerial incentives. Its practical value lies in showing how Uzbekistan can transform current reform momentum into a safer, scalable and more competitive financial innovation environment.

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