
Actual Issues of Improving the Accessibility of Banking Services in Uzbekistan

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Abstract: The article examines the features, specific legal aspects of increasing the availability of banking services in Uzbekistan in the context of digital transformation, and also examines existing problems based on practical data. Based on the conducted research, practical proposals and scientific recommendations have been developed.

Keywords: bank, financial accessibility, banking, deposit, loan, online microloan, digital transformation, client, financial literacy.

Introduction. In Uzbekistan, in recent years, fundamental changes and reforms have been carried out in the banking system, in particular, special attention is paid to such priority tasks as the introduction of market mechanisms in the provision of banking services, expanding the range of banking services, and increasing financial openness for entrepreneurs and the population. However, in our republic, there are a number of problems related to wider coverage of the population with financial services, protection of consumer rights, and increasing financial literacy.

Therefore, in order to positively solve this problem, a number of scientific studies are being conducted, and the issue of financial accessibility is relevant as a priority area of activity of the Central Bank of the Republic of Uzbekistan.

The Decree of the President of the Republic of Uzbekistan dated January 9, 2018 "On Measures for the Fundamental Improvement of the Activities of the Central Bank of the Republic of Uzbekistan"[5] and the Resolution of the President of the Republic of Uzbekistan dated March 23, 2018 "On Additional Measures to Increase the Accessibility of Banking Services"[7] define increasing the accessibility of banking services and the level of financial literacy, as well as protecting the rights of consumers of banking services, as one of the main tasks of the Central Bank.

On August 17, 2018, the Board of the Central Bank decided to join the Alliance for Financial Inclusion.[8].

The Financial Accessibility Alliance (FAA) was established in 2008 to assist member countries in developing and implementing financial accessibility policies, establishing and training working groups on topical issues of banking services by creating a platform for exchanging experience, protecting consumer rights, and financing small businesses.

The MOA currently includes 104 institutions, 91 of which are developing countries (central banks, financial regulators, associations). The MOA headquarters is located in Kuala Lumpur (Malaysia) [8].

The Alliance for Financial Accessibility will assist the Central Bank in studying international

experience and attracting leading experts to develop national programs to increase the accessibility of banking services and the level of financial literacy, as well as to protect the rights of consumers of banking services.

Analysis of literature on the topic.

The concept of financial accessibility was first studied in 1993 by foreign researchers, geographers E. Leishon and N. Trift [10], who identified physical limitations in the use of financial services and conducted a series of scientific studies on the problems faced by certain segments and groups of the population when applying to banking and insurance organizations.

The problems of studying the popularity of banking services were also considered in the research of Russian economists Bondar A. P. [11], Imayeva G., Lobanov I., Tomilov O. They believe that the concept of financial accessibility is closely related to the concept of financial literacy and believe that when creating a financial system, it is necessary to predetermine the level and intensity of service development based on modern technologies, based on the population's demand for banking services.

According to other economists, O.S. Mochalina, Ya.A. Lobacheva, the concept of financial accessibility is explained by clarifying the composition of subjects in the provision of banking services, the main set of financial services, and the composition of its evaluation indicators.

"Financial accessibility is a smart investment that opens up a world of new opportunities and long-term benefits for everyone in society"[13].

Chairman of the Central Bank of the Republic of Uzbekistan M. Nurmuratov "In Uzbekistan, financial services are mainly provided by banks, and in many cases, the financial sector is also understood as banks. Therefore, when I talk about the popularity of financial services, I mean activities in this area[8].

According to economist Sh. Abdullayeva[14], the concept of financial accessibility is usually interpreted from the point of view of the population's demand for financial services and compliance with the supply of financial institutions. The basis for the successful adaptation of these people is the influence of external reality on the personality.

Research methodology.

The theoretical and methodological basis of this article includes general economic literature and scientific articles, scientific works of economists, economic views of scientists and representatives of the industry in improving the popularity of banking services, analysis of their opinions, expert assessment, observation of processes, a systematic approach to economic phenomena and processes, conclusions, proposals and recommendations in the relevant areas through comparative analysis with the author's experience.

Analysis and results. In recent years, a number of problems and shortcomings have been observed in the banking system of our republic in the observance of the rights and legitimate interests of consumers of banking services, especially in the regions, as well as in expanding financial openness, as well as in further increasing the culture of banking services and public trust in the banking system. Therefore, a number of fundamental changes have been implemented to increase the accessibility of banking services. In particular, the Decree of the President of the Republic of Uzbekistan "On Additional Measures to Increase the Accessibility of Banking Services"[7], the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" adopted in a new edition in 2019, and the Law of the Republic of Uzbekistan "On Amendments and Additions to the Law of the Republic of Uzbekistan "On Banks and Banking Activities"[7], all issues in this area are reflected in the article on the functions of the Central Bank. In particular, it provides for the provision of "credit organization services.

A separate chapter dedicated to the protection of the rights and legitimate interests of consumers of financial services was introduced into the Law of the Republic of Uzbekistan "On Banks and Banking Activities."

Based on the best practices of developed countries, digital channels have been introduced into the banking system as an effective way to expand the accessibility of banking services, and this process is currently being improved. At the present stage, the coverage of the population with banking services has accelerated due to the development of remote banking services in small towns and villages.

The adoption of the law will allow for uninterrupted payments, the widespread introduction of innovative technologies, and ensuring the reliable and secure operation of the payment system.

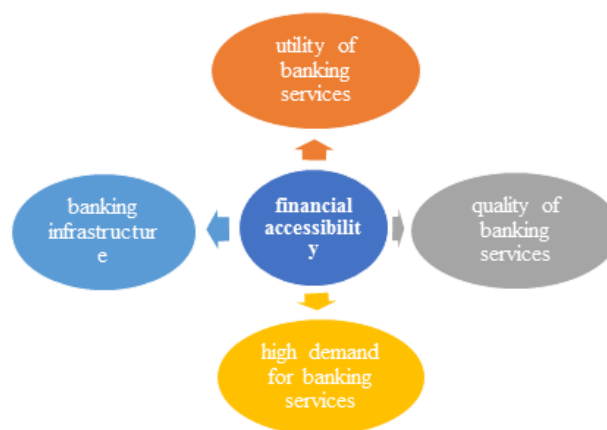


Figure 1. Factors determining financial accessibility¹.

Also, the Coordinating Council for the Implementation of the National Strategy for Increasing the Accessibility of Financial Services in our country approved the "National Strategy for Increasing the Accessibility of Financial Services for 2021-2023"[15] (National Strategy), developed by the Central Bank of the Republic of Uzbekistan. This document was developed with the support of World Bank experts, taking into account the results of a survey conducted by the International Finance Corporation with the population to comprehensively and objectively assess the level of financial literacy and financial accessibility in the country.

Within the framework of the National Strategy, the implementation of the following reforms is planned in the coming years. (Fig. 2)

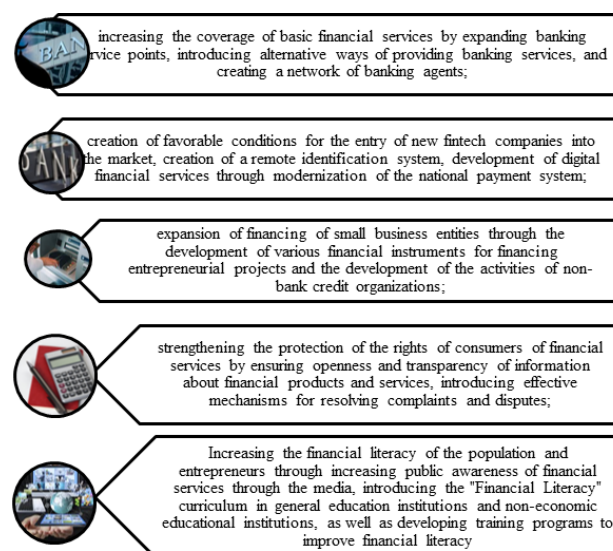


Figure 2. Main tasks defined in the National Strategy for Increasing the Accessibility of Financial Services for 2021-2023 ²

¹ The image was created by the author.

² Figure 2 was developed by the author based on data from the website <https://review.uz/oz/post/utverjdjena-strategiya-povsheniya-finansovoy-dostupnosti-na-2021-2023-god>.

The main directions of the banking system reform strategy include strategic investors, adaptation to market principles, elimination of dependence on state funds, and the creation of equal competitive conditions. In the transition of banks to this process, the change in their business models and the introduction of a client-oriented work system are of great importance.

Today, the number of commercial banks operating in our republic is 36. (Table 1).

Analysis of the data in Table 1 shows that as of January 1, 2025, there were 288 branches of commercial banks, 1720 banking service centers (service offices and mini-banks), and 4447 bank branches operating around the clock in the "24/7" mode. It is also worth noting that currently seven banks operate as digital banks, namely TBC Bank, Anor Bank, Uzum Bank, Smart Bank, Apex Bank, Hayot Bank, Yangi Bank.[20]

Table 1. Main indicators of the activities of credit organizations³

	01.01.20	01.01.21	01.01.22	01.01.23	01.01.24	01.01.25
1. Credit organizations, total*	147	160	177	199	204	229
including:						
Commercial banks, including:	30	32	33	32	35	36
State-owned banks	13	13	12	12	10	9
Other banks	17	19	21	20	25	27
Non-bank credit organizations, including:	117	128	144	167	169	193
Microfinance organizations	56	63	70	85	84	100
Pawnshops	61	64	73	81	84	92
Mortgage refinancing organizations		1	1	1	1	1
2.Branches of commercial banks, total	850	861	860	832	696	288
3.Banking Service Centers (service offices and mini-banks)	1 050	1 222	1 244	1 543	1 816	1720
4. 24/7 branches	902	1 452	2 287	2 974	3 723	4447

During the analyzed period, the number of branches of commercial banks decreased year by year, while the number of banking service centers (service offices and mini-banks) increased, and the number of bank branches operating around the clock in the "24/7" mode increased over five years. The basis for the creation of these centers of commercial banks is the Decree of the President of the Republic of Uzbekistan "On Additional Measures to Increase the Accessibility of Banking Services," and due to the accelerated implementation of work in this area, expenses are being reduced by reducing bank branches, and the activities of banking service centers (service offices and mini-banks) and 24/7 branches are being expanded. This, in turn, serves to increase the accessibility of financial services by creating certain conveniences for the population and business entities.

It should also be noted that on January 1, 2024, the Central Bank of the Republic of Uzbekistan issued a license to JSC "Eurasian Bank," bringing the number of banks operating in Uzbekistan to 36[16].

As is known, the "Uzbekistan - 2030" Strategy defines priority goals and objectives for the development of the banking system, which will serve to increase the attractiveness and competitiveness of banks operating in our country.

³ Table compiled by the author based on the data of the Statistical Bulletin of the Central Bank of the Republic of Uzbekistan

It defines a number of tasks and goals for accelerating reforms in the banking system, increasing the volume of the banking services market, and developing competition in the sector. Achieving them will bring today's banking system to a completely new level.

In particular, as a first goal, it is planned to bring the volume of annual lending in the banking and financial system to 40 billion dollars, and to increase the volume of bank deposits by 4 times.

Only by implementing the task of improving the norms and regulatory framework by introducing internationally recognized minimum standards and requirements for banks, ensuring the stability of the banking system, strict compliance of banks with prudential norms, will it increase the attention of international investors to our banking system.[17] In addition, ensuring the norms of banks regarding assets and capital is primarily aimed at protecting the rights of depositors of these banks, and by 2025, the minimum authorized capital for opening a bank has been set at 500 billion soums.

The strategy also sets the task of introducing Islamic finance criteria and procedures in at least 3 commercial banks and forming the legal basis of Islamic finance. In recent years, Islamic finance, along with FinTech sectors, has been considered one of the most effective sectors in the international financial services industry.

Currently, the Islamic finance sector is growing at the international level by 15 to 25 percent annually, and institutions in this direction manage assets worth more than 2.7 trillion dollars worldwide.

According to a study conducted by the Chamber of Commerce and Industry with the UN Development Programme, 38% of business representatives and 56% of individuals do not take loans from traditional banks due to their religious beliefs. Thus, the demand for financial institutions that comply with Islamic rules has increased.

However, for the population of Uzbekistan, there are problems with the rapid development of this sector and the lack of a legal framework for the emergence of Islamic banks, the absence of tax and management infrastructure, as well as low financial literacy among the population related to Islamic financing. Taking these factors and results into account, the state plans to introduce Islamic finance in the financial and banking market of Uzbekistan and allow Islamic banks to operate by 2030.

Conclusion.

In conclusion, the reforms being implemented in our country serve to ensure the well-being of the population, the stability of the financial system and economic growth by increasing the financial literacy of the population, expanding the availability and accessibility of basic financial services, strengthening public confidence in credit and payment organizations, and reducing the share of the shadow economy in the country. At the same time, we consider the following proposals justified for increasing the financial accessibility of banks:

Increasing the coverage of basic financial services by expanding the service points of banks in all regions of the republic, while it should be noted that only three of the commercial banks operating in our country, namely Hamkorbank, Universalbank, and Madad Investbank, have their head offices in the regions, and we believe that this location can also partially negatively affect the increase in financial accessibility. However, all banks.

Expansion of financing of small business entities through the widespread use of financial instruments for financing projects of business entities and the development of the activities of non-bank credit organizations, Islamic finance;

Improving the qualifications and stress resistance of bank employees, improving the system of evaluating and incentivizing their activities based on KPI criteria in bank personnel management;

Expansion of the transmission of sufficient and complete information about banking products and services offered by banks through the media and social networks;

Strengthening the protection of the rights of clients, consumers of financial services;

It is necessary to increase the financial literacy of the population and entrepreneurs by introducing the "Financial Literacy" curriculum in general education institutions and non-economic educational institutions, widely involving young people and students in volunteering.

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