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## **The Impact of Digital Payment Systems on Small Business Development in Uzbekistan**

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### **Introduction**

In recent years, the global economy has undergone a fundamental transformation driven by the rapid spread of digital technologies. Among these innovations, digital payment systems have emerged as a cornerstone of the digital economy, offering efficiency, security, and accessibility for both consumers and businesses. The shift away from cash-based transactions towards electronic and mobile payments is not only a matter of convenience but also a catalyst for economic inclusion and small business development. Small enterprises, which often face limitations in terms of financial resources and market access, are particularly influenced by the adoption of such technologies.

In Uzbekistan, digitalisation has become a central pillar of economic reforms, and the government has prioritised the creation of a supportive infrastructure for financial technologies. The introduction of mobile banking applications, QR-code payments, and e-wallet services has made it possible for entrepreneurs to engage with customers in faster and more transparent ways. For many small business owners, the use of digital payment platforms reduces transaction costs, minimises risks of fraud, and improves financial record-keeping. At the same time, customers benefit from greater convenience and flexibility, which encourages more frequent engagement with local businesses.

However, the adoption of digital payments is not without challenges. Limited digital literacy, infrastructural gaps in rural areas, and cybersecurity concerns remain significant barriers. Understanding how these systems truly impact the growth and sustainability of small enterprises in Uzbekistan is therefore essential. This study aims to explore the role of digital payment systems in enhancing the performance of small businesses, focusing on their contribution to efficiency, customer engagement, and long-term growth. By examining both the opportunities and obstacles, the research seeks to provide insights that may guide policy development and practical strategies for entrepreneurs operating in the evolving digital economy.

### **Methods**

To understand the impact of digital payment systems on small business development in Uzbekistan, this study adopted a mixed-method approach, combining both quantitative and qualitative techniques. Such a design was chosen because small business growth is influenced not

only by measurable financial indicators but also by human perceptions, behavioural changes, and cultural factors that cannot always be captured through numbers alone.

The quantitative component was based on a structured survey distributed to 120 small business owners operating in Tashkent and several regional centres, including Samarkand and Fergana. These locations were selected deliberately, as they represent areas with relatively advanced digital infrastructure as well as regions still in transition. The survey included questions related to the frequency of digital payment usage, transaction volumes, perceived cost savings, and overall sales performance after adopting digital solutions. Data from the survey were coded and analysed using descriptive statistics and correlation methods to identify patterns and relationships between payment adoption and business growth.

For the qualitative part, semi-structured interviews were conducted with 15 entrepreneurs from diverse sectors such as retail, food services, and handicrafts. These conversations allowed participants to share their personal experiences with digital payments, highlighting not only the benefits but also the frustrations they encounter, such as technical glitches or difficulties in convincing customers to use non-cash methods. The interviews were transcribed and analysed thematically to capture recurring ideas and unique perspectives.

To ensure reliability, triangulation was applied by comparing insights from surveys, interviews, and official reports published by the Central Bank of Uzbekistan and international organisations like the World Bank. This multi-layered approach strengthened the validity of the findings and reduced the risk of bias.

Overall, the chosen methodology created a balanced framework that combined measurable evidence with human voices, making it possible to generate a nuanced picture of how digital payment systems influence small business sustainability in Uzbekistan.

## **Results**

The results of the study revealed that the integration of digital payment systems has had a largely positive effect on the performance and growth of small businesses in Uzbekistan. Survey responses indicated that over 70% of participating business owners reported a noticeable increase in customer satisfaction after adopting mobile payment options, such as QR-code transactions and e-wallets. Customers valued the speed and flexibility of these systems, which in turn encouraged repeat purchases and improved loyalty. Businesses that offered digital payments recorded, on average, a 15-20% rise in monthly sales compared to those relying exclusively on cash transactions.

The findings also showed that digital payment systems helped entrepreneurs streamline financial management. Approximately 65% of respondents stated that electronic transactions made bookkeeping more transparent and simplified tax reporting. Many participants explained that having an automated record of sales reduced errors and saved valuable time that could be redirected to improving products and services. In addition, the elimination of cash-handling costs, such as the need for physical safes or frequent bank visits, was highlighted as a significant benefit.

Interviews provided deeper insights into these numbers. For instance, one small café owner in Tashkent described how mobile payments allowed her to serve more customers during peak hours without long queues forming at the counter. Similarly, a craftsman from Samarkand emphasised that accepting online transfers enabled him to sell products to clients outside his region, expanding his market reach. These experiences illustrate that digital systems not only enhance efficiency but also create opportunities for growth beyond local boundaries. However, challenges were also documented. About 30% of participants reported difficulties related to unstable internet connectivity, especially in rural areas. Concerns over cybersecurity and fraud were also frequently mentioned, with some business owners hesitant to fully rely on digital platforms. Despite these issues, the overall trend suggested that the benefits outweighed the risks, and many entrepreneurs expressed optimism about the future role of digital finance in their business models.

## Discussion

The results of this study confirm that digital payment systems are becoming a powerful driver of small business development in Uzbekistan. The evidence that sales performance, customer satisfaction, and financial transparency improved after adopting such technologies supports global findings, where small enterprises in developing economies have similarly benefited from financial digitalisation. These outcomes suggest that the ongoing reforms in Uzbekistan's financial sector are on the right path, particularly in terms of promoting inclusion and enabling entrepreneurship.

One of the most significant observations is the link between digital payments and customer behaviour. The increased loyalty and repeat purchases reported by business owners reflect a shift in consumer expectations. In urban centres, people are increasingly unwilling to carry cash, preferring the convenience of mobile wallets or quick transfers. For entrepreneurs, this means that offering digital options is no longer an advantage but a necessity for competitiveness. At the same time, the study highlights the broader economic implications: as more transactions are recorded electronically, transparency improves, tax compliance becomes easier, and informal practices gradually decline.

Yet, the findings also underline structural challenges. Connectivity issues in rural regions demonstrate that without strong digital infrastructure, the benefits of these systems will remain unevenly distributed. This aligns with concerns raised in international literature, where the digital divide continues to exclude certain groups from fully engaging in the digital economy. Likewise, business owners' hesitation about cybersecurity reflects a lack of trust that could hinder wider adoption. Building confidence through stronger regulations, consumer education, and reliable technical support will be critical to sustaining progress.

Overall, the study shows that digital payments are not merely tools for transactions but catalysts for long-term growth, inclusion, and modernisation. With targeted policies that address infrastructure and security, Uzbekistan has the potential to accelerate small business development while simultaneously strengthening its national digital economy.

## Conclusion

This study examined the role of digital payment systems in supporting small business development in Uzbekistan and found clear evidence of their transformative potential. Entrepreneurs who adopted mobile wallets, QR-code payments, and online transfers experienced growth not only in sales but also in customer loyalty and financial transparency. These findings demonstrate that digital finance is becoming an essential component of competitiveness, especially in an economy where small businesses form the backbone of employment and innovation. At the same time, the study revealed important barriers that must be addressed. Limited internet coverage, particularly in rural areas, restricts access to digital platforms and reinforces regional disparities. Concerns over cybersecurity and fraud also continue to discourage some business owners from fully embracing digital solutions. Overcoming these challenges will require targeted policy efforts, such as expanding infrastructure, strengthening regulations, and investing in digital literacy programs. In conclusion, digital payment systems should be viewed not simply as technological conveniences but as strategic tools for inclusive economic development. If supported by comprehensive reforms, they can help small enterprises in Uzbekistan achieve greater sustainability, expand their market reach, and contribute to the broader vision of a modern digital economy.

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