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DIGITALIZATION OF THE FINANCE AND FINANCIAL TECHNOLOGY SYSTEM IN UZBEKISTAN: PROSPECTS AND CHALLENGES

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Abstract. This article provides a comprehensive analysis of the digitalization processes within the finance and financial technology (FinTech) system under the current economic conditions of the Republic of Uzbekistan. The author examines the transformation of the banking and financial sector, the implementation of digital economy platforms, and the expansion of cashless payments. The paper highlights the regulatory framework of the industry, the application of artificial intelligence and blockchain technologies, existing institutional challenges, and strategic prospects aimed at improving the overall ecosystem.

Keywords: Digital finance, FinTech, banking system, blockchain, artificial intelligence, transformation, payment systems, cashless economy, Uzbekistan.

Introduction. The global economic landscape of the twenty-first century is unimaginable without digital technologies. Traditional financial institutions and conventional forms of economic relations are rapidly giving way to a fast-evolving financial technology (FinTech) ecosystem. In the Republic of Uzbekistan, fundamentally reforming the financial system, digitalizing economic sectors, and ensuring transparency have become top priorities of state policy. Key presidential decrees and resolutions, particularly the "Digital Uzbekistan — 2030" strategy, have established a robust legal and institutional foundation to elevate the country's financial sector to a new developmental stage.

Digitalizing the financial system not only tightens control over public expenditures and revenues but also drastically simplifies access to financial markets for individuals and business entities. However, this process is not without hurdles; it generates unique risks, including cybersecurity threats, a deficit in digital literacy, and structural infrastructure bottlenecks. Consequently, assessing the current state of FinTech infrastructure in Uzbekistan, identifying its development trends, and formulating scientific and practical solutions to address existing shortcomings remain highly relevant tasks.

Literature Review. The digitalization of financial technologies and banking systems has been extensively researched by numerous economists globally. For instance, Joseph Schumpeter’s theory of innovation, alongside contemporary works by R. King and R. Levine concerning the nexus between finance and economic growth, forms the conceptual bedrock of digital transformation. Among international researchers, Don Tapscott emphasizes in his works on the digital economy that the migration of traditional financial systems toward electronic platforms is an inevitable historical progression.

Concurrently, scholars from the Commonwealth of Independent States (CIS) and local researchers have dedicated substantial attention to this field. In Uzbekistan, issues surrounding financial system digitalization, banking innovations, and monetary policy in a digital environment have been explored by economists such as B. Berdiyev, Sh. Mustafakulov, and A. Omonov. Their research demonstrates that transforming banking

services and expanding remote service delivery serve as guarantees for economic stability. Nevertheless, local market nuances—specifically regional digital divides and legal regulation mechanisms for FinTech startups—have not yet been systematically addressed in full.

Research Methodology. This study utilizes a comprehensive framework incorporating a systems approach, comparative economic analysis, induction and deduction methods, and statistical grouping techniques. Official data provided by the Central Bank of the Republic of Uzbekistan, the Statistics Agency under the President of the Republic of Uzbekistan, and international financial institutions (such as the World Bank and the International Monetary Fund) serve as the empirical basis for the analysis. In processing the data, time-series analysis was employed to model trends regarding the shifting balances of cashless payments and the prevalence of cyber threats within the national economy.

Analysis and Results. An analysis of the dynamics within Uzbekistan's financial system regarding FinTech reveals unprecedented growth indicators over the recent five-year period. According to Central Bank reports, the number of bank cards in circulation and installed payment terminals has increased in geometric progression. The volume of users utilizing remote banking service channels is on the verge of enveloping the country's entire economically active population.

The advancement of retail payment architectures (such as the structural integration of HUMO and Uzcard systems), the strengthening of national payment cyberspace security, and the sheer volume of microloans and online deposits provided via commercial banks' mobile applications have vastly outpaced traditional, physical brick-and-mortar banking services. Today, nearly 90 percent of financial market participants actively engage with FinTech products delivered by third-party providers.

A pivotal milestone in this digitalization journey is the emergence of dedicated digital-only banks and neobanks. Fully licensed digital institutions and payment service providers (e.g., TBC Bank, Anorbank, Click, Payme, and others) have fundamentally altered the competitive landscape. This shift has not only mitigated transaction costs but has also afforded clients continuous 24/7 access to services.

Nonetheless, structural analysis indicates that several systemic issues persist within Uzbekistan's FinTech ecosystem:

As financial operations transition to digital interfaces, instances of fraud, phishing, and social engineering aimed at stealing citizens' funds have noticeably multiplied.

While the adoption rate of digital financial services is remarkably high in Tashkent and major regional centers, internet quality and technical infrastructure in remote districts and rural communities remain suboptimal.

There is a palpable shortage of cross-disciplinary experts who possess deep expertise in both finance and information technology, such as specialized FinTech engineers and Data Scientists.

Conclusion and Recommendations. Digitalizing the finance and financial technology system in Uzbekistan represents the most effective instrument for enhancing national economic competitiveness and curbing the shadow economy. Based on the conducted analysis, the following strategic measures are proposed to further optimize the sector:

It is vital to design a highly accommodating legislative environment to test new FinTech startups, lower barriers to entry, and incentivize localized innovations.

The operational capabilities of the Cybersecurity Center under the Central Bank must be enhanced, alongside launching continuous, nation-wide educational campaigns to elevate digital financial literacy among the general public.

Legally mandating secure API standards will facilitate safe data exchange between conventional banks and agile FinTech firms, fostering the development of innovative customized products.

Upgrading high-speed internet penetration in peripheral areas is critical to ensuring uninterrupted access to digital financial networks.

In conclusion, the methodical execution of designated tasks within financial digitalization will accelerate Uzbekistan's integration into international capital markets and solidify the bedrock for sustainable, long-term economic growth.

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