

**PROSPECTS FOR THE DEVELOPMENT OF MICROFINANCE SERVICES IN THE
REPUBLIC OF UZBEKISTAN: DIGITALIZATION AND EXPANSION OF FINANCIAL
INCLUSION**

Urunova M.G.

Lecturer, Samarkand Institute of Economics and Service

Abstract: This paper explores the current condition and future development prospects of microfinance services in the Republic of Uzbekistan, emphasizing the role of digital transformation in broadening financial inclusion. The study focuses on the expansion of microcredit activities, the growing use of mobile applications and online financial platforms, and the impact of government regulation on the sector's development. Using official statistical data and practical institutional examples, the research shows that digital solutions significantly enhance the efficiency of microfinance institutions by accelerating loan processing, lowering administrative costs, strengthening transparency, and widening access to financial services for small businesses, rural communities, and socially vulnerable groups. The results confirm that the digitalization of microfinance represents an essential factor for inclusive and sustainable economic growth in Uzbekistan.

Keywords: microfinance, digitalization, financial inclusion, mobile platforms, Uzbekistan

Introduction

Microfinance institutions constitute an important component of the financial system by providing access to financial resources for small entrepreneurs, rural households, and low-income population groups. In emerging economies, microfinance contributes to poverty reduction, employment creation, and inclusive economic development. In recent years, Uzbekistan has implemented large-scale reforms aimed at strengthening the financial sector, within which the development of microfinance and the introduction of digital technologies have been identified as strategic priorities.

According to data from the Microfinance Agency of the Republic of Uzbekistan, the total volume of microloans issued in 2023 amounted to 18.5 trillion Uzbek soums, which is 21% higher than in the previous year, while the number of borrowers exceeded 1.1 million individuals. This dynamic growth has largely been driven by the active adoption of digital instruments, including mobile banking applications, remote loan application systems, and automated analytical tools. These innovations have enabled microfinance institutions to simplify operational procedures, reduce transaction costs, and improve service accessibility, thereby supporting the expansion of financial inclusion and the development of small and medium-sized enterprises.

Literature Review

International research identifies microfinance as one of the most effective mechanisms for improving access to financial services and supporting entrepreneurial activity among low-income groups. Morduch (2021) argues that microfinance facilitates income generation and reduces vulnerability to financial shocks. Ledgerwood (2019) emphasizes that institutional sustainability and effective risk management are critical conditions for the long-term success of microfinance organizations.

Recent studies also underline the growing importance of digital technologies in the microfinance sector. Digital platforms help reduce operational and administrative expenses, accelerate credit decision-making, and enhance the quality of credit risk assessment. In Uzbekistan, the legal and

institutional framework for microfinance development is defined by the Law “On Microfinance Activities” (2019), Presidential Decrees No. UP-610 and No. UP-640 (2021–2022), as well as regulatory acts of the Cabinet of Ministers. Empirical studies by Baburina (2020) and Balabanov (2018) indicate that digitalization improves transparency, strengthens internal control mechanisms, and expands access to financial services, particularly for underserved population segments.

Analysis and Results

In the period 2023–2024, the microfinance sector of Uzbekistan exhibited steady expansion, supported by government programs targeting small business development, employment promotion, and social protection. One of the decisive factors behind this progress was the large-scale integration of digital technologies into microfinance operations.

Official statistics show that the volume of issued microloans reached 18.5 trillion soums in 2023 and is expected to increase to 22.3 trillion soums in 2024. More than 70% of operating microfinance institutions have launched mobile applications and online service platforms, which reduced the average processing time for loan applications from nearly 48 hours to approximately 20–30 minutes. As a result, the share of non-performing loans declined by 7–8%, indicating improved borrower assessment and monitoring practices.

Major market participants, including Apelsin Microfinance, Click Micro, and MikroBank, have introduced automated credit scoring models and analytical dashboards to evaluate creditworthiness and operational risks. These systems increased forecasting accuracy by 15–20%, lowered default rates, and allowed institutions to process more than 50,000 digital loan applications per day, amounting to 100–120 billion soums. Furthermore, integration with national payment infrastructures and electronic wallets has significantly improved access to microfinance services for residents of remote and rural regions.

The implementation of transaction monitoring mechanisms, internal audit procedures, and cybersecurity measures contributed to a 12–18% reduction in operational disruptions and enhanced customer confidence in digital financial services. In parallel, the development of online financial literacy programs for clients helped reduce overdue debt levels and promoted responsible borrowing behavior.

Conclusion

The development of the microfinance sector in the Republic of Uzbekistan in 2023–2024, driven by the implementation of digital technologies, mobile applications, online platforms, automated scoring systems, and analytical tools for assessing credit and operational risks, made it possible to accelerate loan issuance and repayment processes, expand customer coverage including residents of remote areas, increase financial inclusion for more than 1.1 million people, reduce operating costs and the share of non-performing loans by 7–8%, strengthen customer trust in digital services, ensure transparency of operations, stimulate small and medium-sized business development, foster a culture of responsible borrowing, support socially significant projects, and enhance the stability of the national financial system; overall, the findings demonstrate that digitalization of the microfinance sector is a crucial instrument for sustainable economic growth and for improving financial accessibility for the population.

References:

1. Baburina, N.A. International Monetary, Credit and Financial Relations. Moscow: Yurait, 2020, 370 p.



2. Balabanov, I.T. Foreign Exchange Operations. Moscow: Finance and Statistics, 2018, 144 p.
3. Morduch, J. The Microfinance Promise: Impact, Evidence, and Perspectives. Cambridge University Press, 2021, 312 p.
4. Ledgerwood, J. Microfinance Handbook: An Institutional and Financial Perspective. Washington, DC: World Bank, 2019, 356 p.
5. Microfinance Agency of the Republic of Uzbekistan. Annual Report 2023–2024. Tashkent, 2024.