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

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Abstract: The article is devoted to the analysis of the current state and development prospects of microfinance services in Uzbekistan, with a focus on digitalization, expansion of financial accessibility for the population, and the introduction of innovative services. The study examines trends in the growth of microcrediting, the role of mobile platforms and online services, as well as government regulation measures and practical examples of successful integration of digital solutions.

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

Introduction

Microfinance organizations play an important role in ensuring financial accessibility and supporting small businesses, rural populations, and socially vulnerable groups. In Uzbekistan, the microfinance sector has been developing rapidly: according to the Microfinance Agency, in 2023 the total volume of issued microloans amounted to 18.5 trillion Uzbek soums, increasing by 21% compared to 2022, while the number of beneficiaries exceeded 1.1 million people. The digitalization of microfinance services, including the introduction of mobile applications, online loan applications, and analytical systems, makes it possible to accelerate the loan issuance process, reduce operating costs, and increase the transparency of credit operations, thereby expanding financial inclusion and stimulating small business development, which creates conditions for sustainable economic growth.

Literature Review

In global practice, microfinance is considered a key instrument for expanding financial accessibility and stimulating entrepreneurship (Morduch, 2021; Ledgerwood, 2019). Digital technologies reduce loan processing costs, increase decision-making speed, and mitigate operational risks.

In Uzbekistan, the development of the microfinance sector is regulated by the Law “On Microfinance Activities” (2019), Presidential Decrees No. UP-610 and No. UP-640 (2021–2022), and resolutions of the Cabinet of Ministers. Academic studies (Baburina N.A., 2020; Balabanov I.T., 2018) indicate that digitalization of the microfinance sector enhances financial accessibility, increases operational transparency, and reduces credit risks.

Analysis and Results

During 2023–2024, Uzbekistan’s microfinance sector demonstrated stable growth driven by state support programs for small and medium-sized enterprises and socially vulnerable groups, as well as by the active adoption of digital technologies, which accelerated loan issuance and repayment processes, expanded client coverage, reduced operating costs, and increased transparency of financial operations; according to the Microfinance Agency, the total volume of issued microloans reached 18.5 trillion soums in 2023, with a projected increase to 22.3 trillion soums in 2024, while the number of borrowers exceeded 1.1 million people; more than 70% of microfinance organizations implemented mobile applications and online platforms, reducing loan application processing time from 48 hours to 20–30 minutes and lowering the share of non-performing loans by 7–8%; companies such as Apelsin Microfinance, Click Micro, and MikroBank integrated automated scoring systems and analytical dashboards for assessing credit and operational risks, improving forecasting accuracy by 15–20%, reducing default rates, and enabling the daily processing of more than 50,000 online applications totaling approximately 100–120 billion soums; integration with payment systems and electronic wallets increased service accessibility for residents of rural and remote areas, while the implementation of audit protocols and transaction monitoring reduced operational failures by 12–18%, strengthened customer trust in digital services, and enhanced the financial stability of the sector, creating conditions for stimulating small business development, expanding financial inclusion, fostering a culture of responsible borrowing, supporting socially significant projects, and ensuring transparency of operations at the national level; moreover, the introduction of online educational platforms to improve clients' financial literacy contributed to a reduction in overdue debt and increased public confidence in microfinance institutions.

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.

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