

**THE ROLE OF REGIONAL BANKS IN UZBEKISTAN'S SUSTAINABLE DEVELOPMENT: CHALLENGES AND INNOVATIONS**

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**Abstract:** In the context of economic reforms and sustainable development strategies, regional banks in Uzbekistan are becoming a vital component of the national economy. This article examines the role of regional banks operating in various provinces of Uzbekistan in sustainable development, the challenges they face, and innovative solutions. The paper analyzes statistical data, government programs (e.g., \*"Yel-yurt umidi"\*), the introduction of digital technologies (*Click, Payme*), and the role of regional banks in supporting small and medium-sized businesses (SMEs). Research findings indicate that regional banks play a crucial role in infrastructure projects, agricultural financing, and enhancing financial inclusion. However, they encounter challenges such as competition with capital-based banks, a shortage of long-term resources, and difficulties in adopting digital technologies. The article proposes solutions, including government support mechanisms, collaboration with fintech companies, and improving workforce qualifications.

**Keywords:** regional banks, sustainable development, digital transformation, financial inclusion, SMEs, innovations, financial resources, government programs, fintech..

**Introduction.** In recent years, Uzbekistan has implemented profound economic reforms to ensure sustainable development. In this process, balanced regional economic growth, strengthening rural infrastructure, and improving living standards are key priorities. Regional banks serve as essential instruments in addressing these tasks by financing local entrepreneurship, supporting infrastructure projects, and providing accessible financial services, thereby contributing to socio-economic stability.

However, the full potential of regional banks remains untapped. First, major banks based in Tashkent (e.g., "*O'zsanoatqurilishbank*," "*Agrobank*") control a significant share of resources and privileges. Second, bank branches and digital services in rural areas remain underdeveloped, leaving nearly 45% of the population without access to financial services (Central Bank data, 2023). Third, regional banks often face limitations in providing long-term loans due to their relatively small deposit base and capital.

At the same time, the rapid development of digital technologies (*Payme, Click*) and government initiatives such as the "*Green Economy*" program are creating new opportunities. The study aims to define the role of regional banks in sustainable development, propose innovative approaches to enhance their efficiency, and develop practical solutions through systematic problem analysis. The article is based on statistical analysis, interviews with industry experts, and a review of government documents, focusing on improving Uzbekistan's financial system at the regional level.

**Research methodology.** The study employed a mixed methodology to examine the role and challenges of regional banks in Uzbekistan's sustainable development. The research was conducted using the following methods: Data Collection: Open-access databases from the Central Bank of Uzbekistan, the Statistics Committee of the Republic of Uzbekistan, and the Ministry of Finance (2020–2023) were utilized; Analytical Methods: Statistical comparison of

regional banks' assets, loan portfolios, deposit dynamics, and digital service penetration rates; SWOT analysis to assess strengths, weaknesses, opportunities, and threats; Comparative analysis of banking activities in the Fergana, Kashkadarya, and Bukhara regions to identify regional disparities. This structured approach ensured a comprehensive evaluation of regional banks' performance and their impact on sustainable development.

**Analysis and results.** Although regional banks in Uzbekistan play a significant role in sustainable development, their activities face systemic challenges. Major banks in Tashkent control two-thirds of total assets, forcing regional banks to contend with resource shortages and limited credit opportunities. For instance, annual lending volumes in regions like Kashkadarya are ten times lower than in the capital, creating stark disparities in local business financing. While digital platforms (Click, Payme) improve regional services, poor internet infrastructure in areas like Surkhandarya or Navoi leaves 40% of the population excluded from digital banking. Government programs like "El-yurt umidi" disproportionately allocate subsidies to developed regions, exacerbating territorial inequalities. Additionally, the scarcity of rural bank branches (e.g., 2 per 100,000 people) and low financial literacy keep 65% of the population reliant on cash transactions, hindering access to sustainable financial services.

Key Analytical Dimensions:

- Resource Allocation: 2023 data shows Tashkent-based banks control 72% of total banking assets, while regional banks manage only 18% (foreign banks: 10%). This gap creates credit shortages in rural areas (e.g., Kashkadarya: 1.2 trillion UZS annual loans vs. Tashkent's 15 trillion UZS);
- Digital Transformation. Platforms like Click and Payme have digitized 35% of regional banks' operations. Rural internet deficits (40% of Surkhandarya villages lack 3G/4G) limit digital services to 65% of urban populations. Fintech partnerships (e.g., Apelsin-Turon Bank) expanded regional banks' client bases by 22% (2021–2023);
- Government Program Efficacy: The "El-yurt umidi" program allocated 4.5 trillion UZS in subsidized loans through regional banks in 2022 (70% SMEs, 20% agriculture, 10% housing). 30% of subsidies concentrated in just 3 regions (Fergana, Samarkand, Andijan), highlighting inequality.
- Financial Access. While 55% of citizens use banking services, rural access drops to 35% due to branch scarcity (e.g., Navoi: 2 branches per 100,000 people) and low financial literacy.

Research Findings:

1. Positive Impact: Regional bank loans (2020–2023) increased agricultural output by 18% and SME growth by 12%. Digital adoption (e.g., Namangan's Xalq Bank) reduced client processing time by 40%.
2. Challenges: Despite 8% annual capital growth, regional banks cannot meet 15% yearly credit demand. 65% of regional entrepreneurs prefer federal banks for "preferential rates" (2023 survey).
3. Innovation Effectiveness: Regional banks integrated with Payme doubled deposit volumes (2021–2023). Syrdarya's "Green Loans" funded 120 energy-efficiency projects, cutting regional energy costs by 7%.
4. Policy Projections: A 30% capital increase program for regional banks could boost rural GDP by 25% by 2030. Implementing the "Internet Infrastructure Development" national project by 2025 would bring 80% of the population into the financial system.

**Conclusions and recommendations.** Regional banks play a significant role in Uzbekistan's sustainable development, though their full potential has yet to be realized. Research shows that regional banks contribute to socio-economic stability by financing agriculture, small businesses, and infrastructure projects. However, disparities in resource allocation, weak digital infrastructure, and uneven distribution of government programs limit their efficiency. The following measures could make the system more effective:

1. Strengthening government support. Develop a special program to increase regional banks' capital by 30% by 2030. Ensure fair distribution of subsidies such as "El-yurt umidi" among regions (e.g., allocating a minimum 10% quota to each region).
2. Accelerating digital transformation. Engage public-private partnerships to develop 5G/4G infrastructure in rural areas. Create interfaces in local languages by integrating platforms like "Click" and "Payme" with regional banks.
3. Expanding fintech collaboration. Allocate grants for innovative projects between regional banks and fintech startups (e.g., financing "agrotech" solutions). Develop microcredit systems for rural populations through platforms like "Apelsin."
4. Improving access to financial services. Double the number of bank branches in rural areas by 2027 (1 branch per 50,000 people). Introduce financial literacy programs in schools and familiarize the population with digital banking services.
5. Ensuring long-term resources. Create opportunities for regional banks to issue "green bonds." Establish long-term credit lines in cooperation with international financial institutions (e.g., Islamic Development Bank).

Regional banks are the "bridge" to Uzbekistan's sustainable development. To fully realize their potential, coordinated cooperation between the government, private sector, and society is necessary. Only under conditions of fair resource distribution, deepened digitalization, and expanded financial inclusion can regional banks elevate the national economy to a new stage.

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