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DIGITAL TRANSFORMATION OF THE BANKING SECTOR IN UZBEKISTAN: CHALLENGES AND OPPORTUNITIES

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Abstract: Uzbekistan's banking sector has moved rapidly to digital channels. Between January 2023 and January 2026 the number of bank cards in circulation doubled to 68.3 million, and registered users of remote banking exceeded 62 million. This paper asks whether this growth in access has turned into deeper use of banking services and what still limits the transformation. Using official statistics, survey data and the main legal acts of 2019–2026, it groups the evidence into three layers: access, usage and trust. The results reveal a clear gap between access and use. About 47% of cards were inactive in 2025, person-to-person transfers made up 69% of payment transactions, and only 7.4% of adults saved in a formal financial institution. State-owned banks still held 63% of banking assets in early 2026, against a 2025 target of 40%, and card fraud has become the main form of cybercrime. The paper argues that the next stage of reform should target active, varied and safe use rather than the number of cards and accounts.

Keywords: digital transformation; digital banking; financial inclusion; fintech; state-owned banks.

JEL classification: G21, G28, O33

Introduction

Payments and banking in Uzbekistan have changed quickly in recent years. On 1 January 2026, 68.27 million bank cards were in circulation, almost twice the 34.2 million recorded three years earlier (Kun.uz, 2026a), in a country with a permanent population of 38.2 million (National Statistics Committee, 2026). This change was largely driven by policy: new payments and banking laws in 2019, a banking reform strategy that aimed to cut the state's share of banking assets from about 85% to 40% by 2025, the "Digital Uzbekistan – 2030" strategy (President of the Republic of Uzbekistan, 2020a, 2020b) and, most recently, a National Fintech Strategy of the Central Bank of the Republic of Uzbekistan (CBU) for 2026–2030 (CBU, 2026).

The literature distinguishes digitisation from transformation. Vial (2019) describes digital transformation as a process in which digital technologies create disruptions that lead organisations to change the way they create value, while structural barriers shape the outcome. In banking, fintech is the main source of this pressure (Gomber et al., 2018). Rather than replacing banks, fintech tends to change how banking is done (Thakor, 2020) and can split the traditional bank business model into separate services offered by different firms (Boot et

al., 2021). Technology firms usually enter finance through payments and then move into credit, especially where banking is less competitive (Frost et al., 2019).

A second stream of research links digital finance with financial inclusion. Ozili (2018) shows that digital finance can widen access for low-income households but also brings fraud and cyber risk. The Global Findex 2025 introduces new measures of digital safety and of how often people use their accounts (Klapper et al., 2025), reflecting a shift from counting accounts to measuring use. Continued use, in turn, depends on whether early experience confirms users' expectations (Bhattacherjee, 2001). For Uzbekistan, the IMF has pointed to structural weaknesses: under an adverse stress scenario, the capital adequacy of many banks, especially state-owned ones, would fall below the required minimum (IMF, 2025b), and preferential and directed lending should be phased out (IMF, 2025a). However, digital indicators and these structural issues are rarely analysed together.

This paper addresses that gap by answering three research questions. **RQ1:** How did the legal and infrastructure base of digital banking in Uzbekistan develop between 2019 and 2026? **RQ2:** Has wider access turned into active and diversified use of banking services? **RQ3:** Which institutional and risk factors limit further transformation, and which opportunities are emerging? The contribution of the study is to bring together recent indicators that are usually reported separately and to read them through a single access–usage–trust framework.

Methods

The study uses a descriptive mixed-method design based on public secondary data. First, the main laws, decrees and strategies on banking and digital finance adopted in 2019–2026 were analysed. Second, official indicators for 2022–2026 were collected from the CBU (often published through national news agencies), the National Statistics Committee, the World Bank Global Findex 2025 and the national financial inclusion survey carried out by the CBU with the Asian Development Bank (ADB). Third, the operating data of TBC Uzbekistan, a leading digital banking group, served as a short case study.

The indicators were grouped into three layers: **access** (cards, terminals, registered users, accounts), **usage** (active cards, active users, structure of payments, formal saving) and **trust and institutions** (ownership of bank assets, funding structure, fraud). The framework follows Vial's (2019) view of transformation as a process shaped by structural barriers and Ozili's (2018) analysis of the risks of digital finance. Transformation is treated as incomplete when access grows much faster than usage and trust.

Growth was measured with annual rates and the compound annual growth rate, CAGR $= (V_{end} / V_{start})^{1/n} - 1$, where n is the number of years between two observations. Ratios, such as active users as a share of registered users, were calculated only within one source, because definitions differ across sources. The data cut-off date is October 2026.

Results

Legal and institutional base (RQ1)

By 2026 Uzbekistan had a complete legal base for digital banking, built in two waves (Table 1). The first wave, in 2019–2020, created the basic rules: a payments law, a new banking law, a banking reform strategy and a national digital strategy. The second wave, which began in late 2025, shifted attention from building payment rails to innovation, competition and consumer safety.

Table 1. Main legal and policy acts shaping digital banking, 2019–2026

Date and act	Relevance for digital banking

1 Nov 2019 — Law ZRU-578 "On Payments and Payment Systems"	Rules for payment systems, operators, payment organisations and electronic money; replaced the 2005 law on electronic payments
5 Nov 2019 — Law ZRU-580 "On Banks and Banking Activity" (new edition)	Updated prudential rules and licensing
12 May 2020 — Decree PF-5992	Banking reform strategy for 2020–2025: privatisation of six state banks; non-state banks' share of assets to rise from 15% to 60%; digitalisation as a priority
5 Oct 2020 — Decree PF-6079	"Digital Uzbekistan – 2030" strategy and programmes for the digital transformation of sectors and regions
27 Nov 2025 — Resolution PP-359	CBU made responsible for fintech development, the regulatory sandbox and consumer protection; open banking planned by September 2026
24 Sep 2026 — National Fintech Strategy 2026–2030	Innovation Hub, Regulatory Sandbox 2.0, open API standards, digital identity

Sources: Republic of Uzbekistan (2019a, 2019b); President of the Republic of Uzbekistan (2020a, 2020b); Kun.uz (2025b); CBU (2026).

Access: rapid growth of infrastructure

Access indicators grew very quickly (Table 2). The card base doubled in three years, which corresponds to a CAGR of 25.9%, and payments through POS terminals rose by 40.9% in 2025. Registered users of remote banking reached 62.1 million by 1 April 2025 (Trend, 2025). With a population of 37.5 million at the start of 2025 (National Statistics Committee, 2026), this means about 1.65 registrations per resident, so many people use the applications of several banks.

Table 2. Payment infrastructure in Uzbekistan (as of 1 January)

Indicator	2023	2024	2025	2026
Bank cards in circulation, million	34.2	46.2	62.0	68.27
Annual growth of cards, %	–	35.1	34.2	10.1
POS terminals, thousand units	–	–	426.2	430.8
Payments through POS terminals in the previous year, UZS trillion	–	–	326.7	460.25

Source: CBU data reported by Kun.uz (2026a); growth rates calculated by the author.

Two signals stand out. Card growth slowed to 10.1% in 2025, which suggests that the access phase is close to saturation. The number of POS terminals rose by only 1.1%, so the growth of card payments came from more intensive use of existing merchants rather than from a wider acceptance network. Survey data also confirm better access, but they show a regional gap (Table 3). Account ownership in Uzbekistan rose from 44.1% of adults in 2021 to 59.7% in 2024 (Klapper et al., 2025), still well below Kazakhstan and the Kyrgyz Republic.

Table 3. Account ownership and use in Central Asia, Global Findex 2025 (% of adults aged 15+)

Country	Account ownership	Paid bills online	Saved any money
Kazakhstan	87.0	51.0	53.0
Kyrgyz Republic	72.3	35.4	43.7

Uzbekistan	59.7	24.1	32.2
Tajikistan	54.5	21.5	28.3

Source: Klapper et al. (2025); values as compiled by Finprom.kz and reported by 24.kz (2026).

Usage: the gap between access and active use (RQ2)

Usage indicators are much weaker. The CBU's pilot National Financial Inclusion Index for 2025 found that an adult holds 3.2 bank cards on average, but only 53% of cards were used during the year. Person-to-person (P2P) transfers made up 69% of all payment transactions, and the payment services sub-index scored only 34 out of 100 (Kun.uz, 2026b). According to the CBU–ADB survey, 72% of respondents made or received a digital payment in 2025, up from 39% in 2021, and 59% of adults owned an account. Yet only 7.4% saved in a formal financial institution, about half kept their savings in cash at home, and 39% did not save at all (ADB, 2026). Digital channels are therefore used mainly to move money, not to keep or grow it.

The same gap appears inside a leading digital bank (Table 4). In 2025 TBC Uzbekistan added 4.6 million registered users, but its monthly active users grew by only 1% and its daily active users fell by 15%.

Table 4. User base and engagement at TBC Uzbekistan

Indicator	Dec 2024	Dec 2025	Change
Registered users, thousand	18,351	22,962	+25%
Digital monthly active users (MAU), thousand	5,918	6,003	+1%
Digital daily active users (DAU), thousand	1,950	1,666	−15%
MAU as % of registered users	32.2	26.1	−6.1 p.p.

Source: TBC Bank Group PLC (2026); MAU share calculated by the author.

3.4 Trust and institutions (RQ3)

Institutional change has been the slowest. At the start of 2026, banks with state participation held 63% of assets, 67% of loans and 51% of deposits (Table 5), while the 2025 target for their share of assets was 40%. The updated draft target is 55% by 2030 (Kun.uz, 2026c).

Table 5. Ownership structure of the banking sector, 1 January 2026 (UZS trillion)

Indicator	State-owned banks	Private banks	Total
Assets	586.9 (63%)	337.8 (37%)	924.8
Loans	404.5 (67%)	199.5 (33%)	604.0
Deposits	212.7 (51%)	204.6 (49%)	417.3
Deposits per 100 of loans	53	103	69

Source: CBU data reported by UzDaily (2026); private-bank deposits and ratios calculated by the author.

Fraud is the second major constraint. Recorded cybercrimes rose from 863 in 2019 to 58,800 in 2024, and 98% of them were linked to bank cards. Most cases relied on malicious links and software (60%) or stolen SMS confirmation codes (16%), and losses exceeded UZS 1.9 trillion over five years (Kun.uz, 2025a).

Discussion

Interpreting the access–usage gap

The results show that digital transformation in Uzbekistan's banking sector has advanced much further in access than in usage and trust. This supports the view that inclusion should be judged by use rather than by the number of accounts (ADB, 2026; Klapper et al., 2025), and Vial's (2019) argument that new channels alone do not amount to transformation. Multiple registrations, the dominance of P2P transfers and an almost flat merchant network show that digital rails mainly replace cash passed from person to person. Low formal saving points to a trust problem rather than a technology problem: in line with Bhattacherjee (2001), users move to more demanding services only when their early experience confirms that these services are safe and useful.

Market structure reinforces the gap. State-owned banks fund only about half of their loans with deposits, which weakens their incentive to compete for retail customers through better digital products. Digital players, in contrast, follow the path described by Frost et al. (2019): TBC Uzbekistan, whose ecosystem combines a mobile-only bank with the Payme payments app, already held 17.1% of all unsecured consumer loans in the country in early 2025 (UzDaily, 2025). This is the unbundling described by Boot et al. (2021), in which customers keep a salary account in one bank but pay and borrow elsewhere. Fraud adds a further barrier, because new users are likely to be the most exposed to social engineering and stolen money is difficult to recover.

Opportunities

Despite these constraints, the conditions for deeper transformation are improving. First, the open API standards planned under the National Fintech Strategy could allow lenders to assess borrowers using their payment histories; Frost et al. (2019) show that such data can give lenders an information advantage over traditional credit bureaus, which matters especially for small firms without collateral. Second, remittances to Uzbekistan reached USD 9.3 billion in January–June 2026, 13% more than a year earlier (Kun.uz, 2026d), and 77% of remittance recipients reported saving at least part of the money (ADB, 2026). Digital products that link incoming transfers to simple savings goals could turn a payment habit into a saving habit.

Conclusions and recommendations

Uzbekistan has completed the first, extensive phase of digital banking. The legal base and infrastructure are in place (RQ1), but access has grown much faster than active use (RQ2), mainly because of the continued dominance of state-owned banks and the rapid rise of card fraud (RQ3). Four recommendations follow:

1. The CBU should regularly publish indicators of active cards, active users, merchant payments and digital saving, and set targets for them in the National Fintech Strategy.
2. Banks, payment organisations and mobile operators should share fraud data in real time, with clear rules on who bears the loss in each fraud scenario.
3. Privatisation should stay on schedule and directed lending should be phased out, as the IMF recommends, so that all banks compete for customers on equal terms.
4. Lower acceptance fees, interoperable QR payments and simple goal-based savings tools would help turn frequent payments into long-term financial relationships.

Limitations

The study relies on secondary data, partly published through news agencies quoting the CBU, and is descriptive, with one case company. Future research could use a household survey to explain why people stop using digital services after registration.

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