



ASSESSING FINANCIAL INCLUSION IN UZBEKISTAN: PROGRESS AND CHALLENGES

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Abstract

Financial inclusion has become an essential element of economic development strategies in developing and transition economies. In Uzbekistan, expanding access to formal financial services has been a key policy objective since the introduction of comprehensive economic reforms in 2017. This paper looks at the state of financial inclusion in Uzbekistan right now by looking at the major obstacles that still need to be overcome and the progress that has been made in recent years. Secondary data from the World Bank, the Asian Development Bank (ADB), the Asian Development Bank Institute (ADBI), and national financial institutions are used in the research. The findings, which are supported by statistical indicators and graphical analysis and are based on a qualitative descriptive methodology, show that although access to bank accounts and digital payment systems has significantly increased, financial inclusion remains limited in depth. Disparities between regions, limited access to finance for small and medium-sized businesses (SMEs), and a lack of financial literacy continue to impede inclusive financial development. The paper concludes that stronger financial education, enhanced consumer protection, and targeted policies geared toward SMEs and rural areas are necessary for Uzbekistan to achieve sustainable financial inclusion.



Keywords: Financial inclusion; Financial deepening; Digital financial services; Financial literacy; Institutional reforms; Banking sector development; Demand-side constraints; Regional inequality; Rural finance; SME financing; Financial capability; Consumer trust; Digital payments; Transition economy; Inclusive growth

Introduction

Financial inclusion refers to the ability of individuals and businesses to access and effectively use formal financial services such as payments, savings, credit, and insurance. The long-term growth of the economy, household welfare, and economic participation all benefit greatly from these services. Inclusive financial systems allow households to manage income fluctuations, cope with unexpected shocks, and invest in productive activities, while businesses benefit from improved access to capital and financial stability.

Due to historical legacies that reduce engagement with formal finance and limit trust in financial institutions, financial inclusion is particularly important in transition economies. Uzbekistan inherited a financial system that was highly centralized and dominated by the state. Cash transactions were common, and access to a variety of financial products was limited. Prior to 2017, a large share of the population relied on informal financial practices such as saving money at home or borrowing from relatives.

Since 2017, Uzbekistan has implemented wide-ranging economic and financial sector reforms aimed at liberalizing the banking system, expanding digital payments, and increasing access to financial services. [1] Financial inclusion remains uneven across regions and population groups, despite these reforms' visible improvements. This paper assesses both the progress made and the challenges that continue to limit meaningful financial inclusion in Uzbekistan.

Literature Review

Financial inclusion is a multifaceted concept that encompasses access, use, and quality of financial services, according to academic literature. Studies emphasize that access alone does not guarantee inclusion unless individuals actively use financial products and understand their costs and benefits. [2] In developing and



transition economies, financial inclusion often expands slowly due to income instability, weak financial literacy, and low institutional trust.[3]

Research on post-socialist economies shows that even when banking infrastructure expands, households may continue to rely on informal financial practices. This behavior reflects historical experiences, limited product understanding, and concerns about financial risk. As a result, financial inclusion is frequently limited in these economies. [3]

The Asian Development Bank's Assessment of the State of Financial Inclusion in Uzbekistan provides one of the most comprehensive evaluations of financial inclusion in the country. [4] The use of bank cards to receive salary and pension payments is largely to blame for the increase in access to transaction accounts, according to the report. However, it also points out that financial services continue to be concentrated in urban areas, whereas rural areas have limited access to digital connectivity and banking infrastructure.

The report further emphasizes that the dominance of state-owned banks limits competition and reduces product diversity. As a result, many financial products are not suitable for households and small businesses with low incomes.

Enhancing Financial Capability and Inclusion in Uzbekistan, which focuses on household behavior and financial knowledge, examines the demand-side perspective in depth. Survey results indicate that financial literacy levels are relatively low. Many individuals struggle with basic financial concepts such as interest rates, inflation, and loan repayment conditions.

Additionally, the study reveals that a lack of trust in financial institutions persists. A large number of households would rather keep their savings in cash than deposit them in banks. These attitudes reduce the effectiveness of financial inclusion policies and limit the mobilization of domestic savings.

Digital finance has become an important driver of financial inclusion in Uzbekistan. According to the ADBI Working Paper No. 858, the expansion of digital payment systems and mobile banking has reduced transaction costs and increased convenience, especially for salary payments and government transfers. [5]

Digital inclusion, on the other hand, remains uneven. Urban populations benefit more from digital services due to better internet access and higher digital skills,



while rural populations face technological and educational barriers. This demonstrates the necessity of coordinating investments in infrastructure and digital literacy.

Methodology

This study adopts a qualitative descriptive research methodology based on secondary data analysis. The objective is to assess trends, challenges, and policy implications rather than to test causal relationships.

Data Sources

The following reliable sources are used in the analysis:

- Uzbekistan's financial inclusion is discussed in reports from the Asian Development Bank.
- The Asian Development Bank Institute's Working Paper No. 858
- Global Findex Database, World Bank
- The publications of the Uzbek Central Bank
- Academic research on financial inclusion that has been peer reviewed

These sources provide both quantitative indicators and qualitative insights.

Analytical Framework

Financial inclusion is analyzed using three dimensions:

1. Access means having access to financial services and having bank accounts.
 2. Usage: how often and for what purpose do you use financial products
 3. Barriers – financial literacy, trust, income constraints, and regional inequality
- Trends and disparities are depicted through tables and graphs, and institutional findings are interpreted through qualitative analysis.



Results

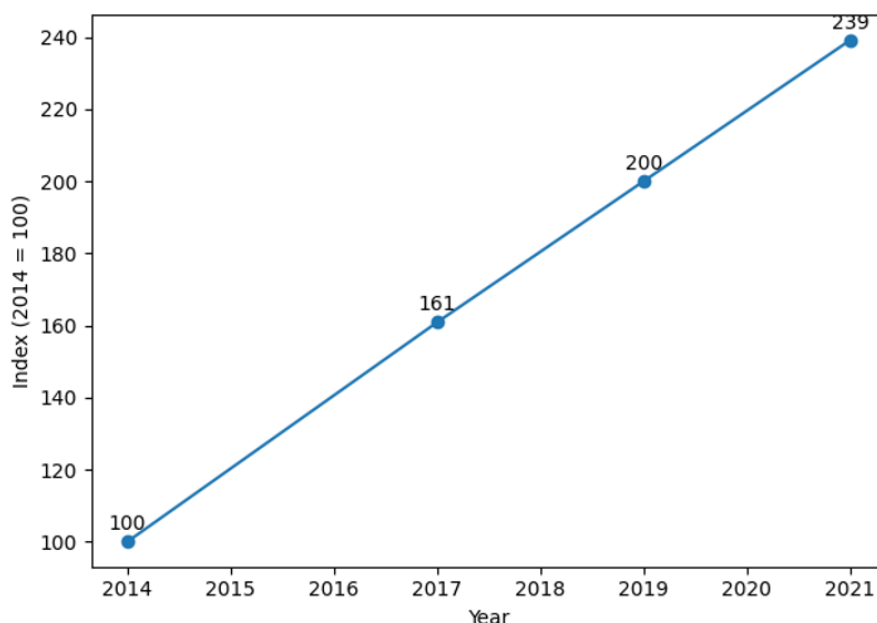


Figure 1. Growth of Financial Account Ownership in Uzbekistan (2014–2021).[6]

As depicted in Figure 1, the percentage of adults with official bank accounts is steadily increasing, rising from approximately 23% in 2014 to over 55% by 2021. This growth is largely attributed to the expansion of digital payment systems and the requirement to pay salaries using bank cards. [9]

Analytical interpretation: The rise in account ownership indicates that policy-driven channels like bank card payments for salary and pensions have successfully expanded basic access. Nevertheless, account ownership is only an "access" indicator; if a large number of new account holders primarily use their accounts to withdraw cash, financial inclusion will remain limited. Reforms should increase regular use of savings and payment products for deeper inclusion, reduce fees and friction for low-balance users, and strengthen consumer protection so that households feel safe keeping their money in the formal system.

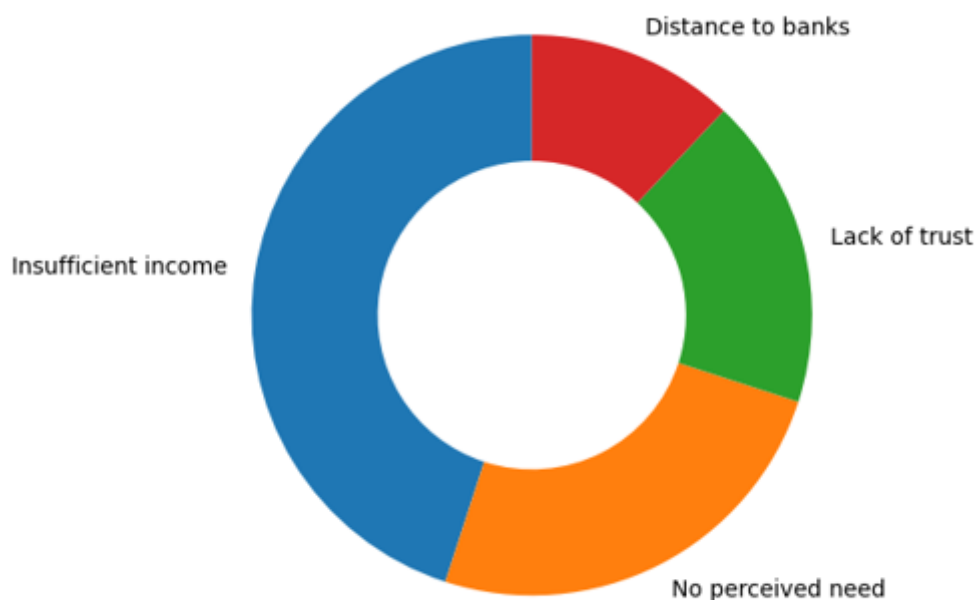


Figure 2. The main reasons why formal financial services are rarely used

[7 Asian Development Bank's 2020 Demand-Side Financial Capability Survey serves as the source. Analytical interpretation: The preponderance of "insufficient income" hints at a connection between economic vulnerability and financial exclusion. Low and irregular incomes make it harder to see the benefits of having an account and make it harder to save for emergencies. The relatively high proportion of "lack of trust" indicates constraints on the demand side: even when infrastructure is in place, households may avoid formal services out of concerns about hidden costs, complicated terms, or negative experiences in the past. Low-cost basic accounts, transparent pricing, stronger complaint-resolution mechanisms, and targeted financial education that explains interest, fees, and borrower rights in simple language are some of the policy implications. Insufficient income is the most frequently cited barrier to using financial services, as shown in Figure 2, followed by a lack of trust in financial institutions and the perception that formal accounts are unnecessary.

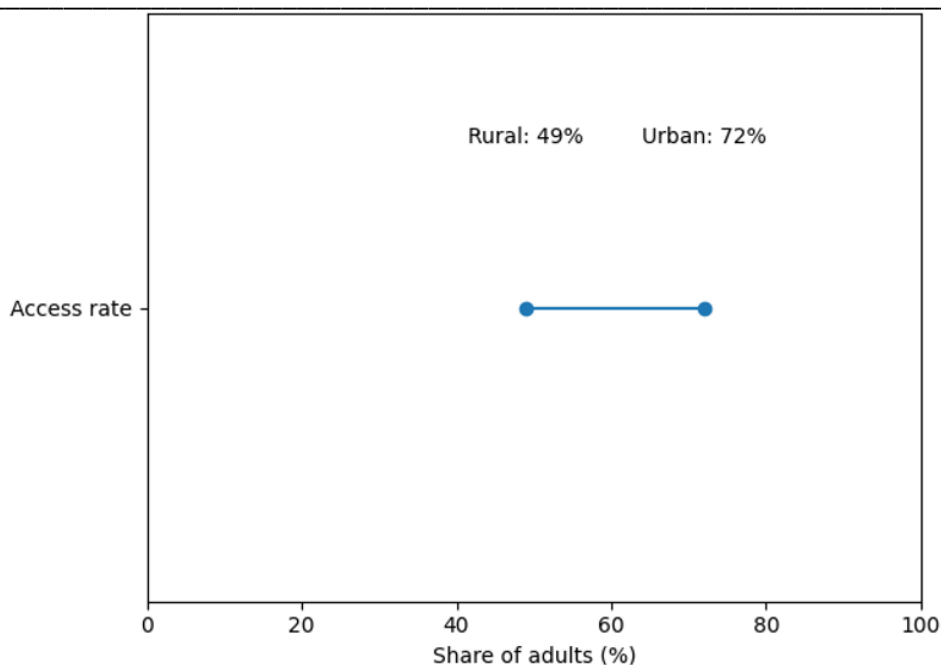


Figure 3. Financial access between urban and rural populations

According to Figure 3, there is a significant gap in financial access between urban and rural populations, with urban residents having significantly more access to formal financial services than rural populations.

Analytical interpretation: The gap between urban and rural areas reflects differences on both the supply and demand sides. On the supply side, rural areas typically have fewer ATMs and agent networks, and poor internet quality also makes mobile banking and digital payments less user-friendly. On the demand side, rural households may have lower digital skills and less exposure to financial education, which slows adoption even when services are available. Uzbekistan can invest in broadband coverage and community-based training as well as expand agent banking, mobile service points, and interoperable QR/card acceptance in rural commerce to close the gap.

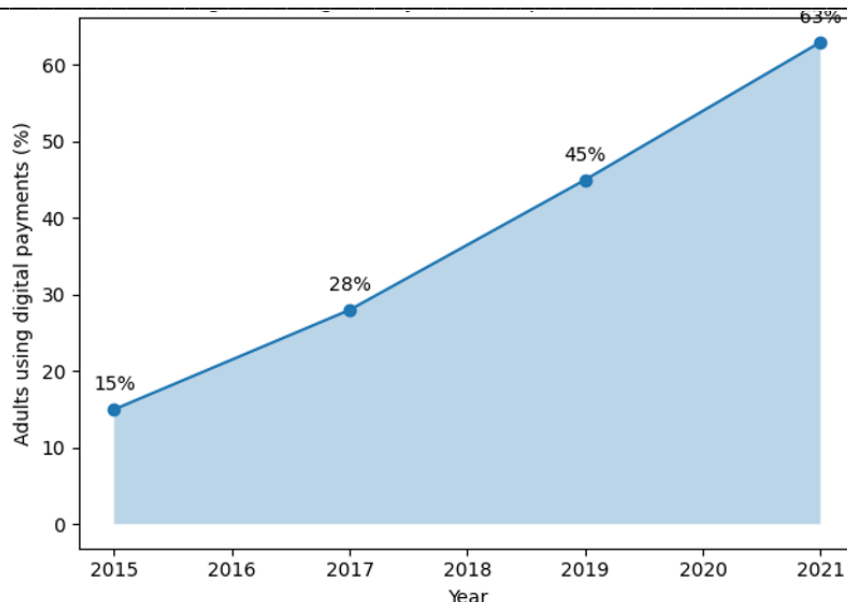


Figure 4. Growth of Digital Payment Usage in Uzbekistan.

Figure 4 depicts an increase in the use of digital payments, particularly for salary transfers and payments, despite the fact that adoption remains primarily urban. Analytical interpretation: Growth in digital payments signals progress toward lower transaction costs and greater convenience, especially for wages, pensions, and government transfers. However, if adoption is concentrated in urban areas, digital finance may increase inequality by leaving rural and low-skill groups behind (“digital exclusion”). Digital expansion ought to be accompanied by enhancements in connectivity, user-friendly low-data apps, and digital/financial capability programs to ensure inclusive outcomes. Promoting merchant acceptance (POS/QR) and guaranteeing service reliability can also encourage cashless transactions.

Discussion

The findings of this study indicate that Uzbekistan has made notable progress in expanding financial access, particularly since the launch of economic and financial sector reforms in 2017. However, the results also show that financial inclusion in the country remains uneven and shallow, meaning that access to financial services has increased faster than their effective and regular use. These



findings are discussed in greater depth and placed in a broader theoretical and policy context in this section.

One of the most important insights from the results is the distinction between access to financial services and effective usage. Policy measures aimed at expanding access, such as mandating bank card salary payments and expanding digital payment systems, have been largely successful, as evidenced by the rise in bank account ownership. However, the majority of account holders only make use of their accounts for basic transactions, primarily cash withdrawals following the receipt of wages or transfers.

This pattern suggests that financial inclusion in Uzbekistan is still largely transactional rather than developmental. Individuals are able to receive payments with transactional inclusion, whereas developmental inclusion enables saving, borrowing, risk management, and investment. Without deeper usage of financial services, the broader economic benefits of financial inclusion—such as increased household resilience and higher levels of investment—remain limited.[9]

The findings lend credence to previous research pointing to financial literacy as an important factor in financial inclusion. Low levels of financial knowledge reduce individuals' confidence in using formal financial products and increase reliance on informal financial practices. A lot of people don't save in banks or take out loans because they don't know everything about interest rates, repayment terms, and risks to their finances.[8]

Closely related to financial literacy is the issue of trust in financial institutions. Skepticism toward banks has been fueled by past experiences, a lack of transparency, and inadequate consumer protection mechanisms. As a result, even individuals with access to financial services may prefer to keep savings in cash. This conduct reduces the amount of financial intermediation that can be performed and the amount of money that is available for investment and lending. The discussion highlights that improving trust requires more than infrastructure expansion. Transparent pricing, clear communication, and effective consumer protection frameworks are essential for encouraging active participation in the formal financial system.



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Digital finance has emerged as one of the most powerful tools for expanding financial inclusion in Uzbekistan. The rapid spread of payment cards, mobile banking, and electronic transfers has lowered transaction costs and improved convenience. Digital systems have also played a crucial role in delivering salaries, pensions, and social benefits efficiently.[12]

However, the findings show that digital finance alone cannot guarantee inclusive outcomes. Digital adoption is still uneven, especially between cities and the countryside. Some segments of the population are unable to reap the full benefits of digital financial services due to factors such as a lack of awareness, low digital skills, and limited internet access.

This creates a risk of digital exclusion, where individuals without access to technology become increasingly marginalized as financial services move online. As a result, digital finance ought to be regarded as a complement rather than a full solution. Digital and financial education initiatives must accompany investments in digital infrastructure.

One of the most significant obstacles identified in this study is the persistent gap in financial inclusion between urban and rural areas. Urban residents benefit from denser banking networks, better internet connectivity, and greater exposure to financial education. In contrast, rural populations face limited physical access to banks and weaker digital infrastructure.[11]

These regional disparities reduce the overall effectiveness of national financial inclusion strategies. If rural populations remain excluded or only partially included, financial inclusion cannot be considered truly inclusive. Mobile banking, agent banking, and community-based financial education programs are all necessary for addressing rural financial exclusion.

Additionally, the discussion emphasizes the close connection between access to finance for small and medium-sized businesses (SMEs) and financial inclusion. SMEs are essential for job creation and economic diversification in Uzbekistan, yet many face difficulties accessing formal credit. SME financing is limited by high collateral requirements, short loan terms, and limited credit histories.[10]

Shallow financial inclusion limits the ability of SMEs to grow and invest. Without improved access to tailored financial products, SMEs may remain reliant on informal financing or underinvestment. Strengthening SME inclusion



requires improved credit information systems, risk-sharing mechanisms, and greater competition in the banking sector.

Overall, the discussion suggests that Uzbekistan's financial inclusion strategy has been effective in expanding access but less successful in promoting deep and sustainable inclusion. As a result, the quality of inclusion should take precedence over the quantity of access.

- Important repercussions for policy are:
- Expanding nationwide financial literacy programs
- Strengthening consumer protection and transparency
- Investing in rural financial and digital infrastructure
- Improving banking sector innovation and competition

Uzbekistan can ensure that financial inclusion contributes more effectively to inclusive economic growth and social development by addressing both supply-side and demand-side obstacles.

Conclusion

By combining evidence from institutions and the demand side, this study looked at the state of financial inclusion in Uzbekistan. The findings show that while access to financial services has improved significantly since 2017, financial inclusion remains shallow and uneven.

Inclusive financial development is still constrained by regional inequality, a lack of financial literacy, a lack of trust in financial institutions, and limited SME financing. To achieve sustainable financial inclusion, policymakers should focus on improving financial education, strengthening consumer protection, expanding rural financial infrastructure, and supporting SME access to finance. By addressing both supply-side and demand-side barriers, Uzbekistan can transform expanded access into meaningful financial participation and inclusive economic growth.



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