

**THE ROLE OF FINANCIAL TECHNOLOGIES IN BANKING SECTOR OF
UZBEKISTAN**

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Abstract: *In recent years, Uzbekistan has witnessed significant growth in technology-based startups. These startups, mainly in the fintech and e-commerce sectors, have the potential to drive economic development and create new opportunities. However, the ecosystem supporting these startups is still in its early stages, and there are several challenges that need to be addressed. This article will explore the importance of fintech in Uzbekistan and the challenges that need to be overcome to foster its growth.*

Key words: *fintech, fintech ecosystem, startups, technological innovation, collaboration, investment, government, financial services, security, financial transactions.*

Technological advancements and changing market dynamics have greatly impacted the financial sector in Uzbekistan. As the fintech industry continues to evolve, policymakers face the challenge of balancing innovation and consumer protection. It is crucial to strike the right balance to foster innovation while ensuring the safety and security of financial transactions and customer data.

One of the key benefits of fintech in Uzbekistan is the potential to improve financial inclusion and access to financial services. Historically, the banking sector in Uzbekistan has been dominated by state-owned commercial banks, which primarily serve state-owned enterprises. This limited access to financial services for individuals, especially women, who often relied on alternative methods like investing in livestock, gold, and foreign currency.

With the government's financial sector overhaul, there has been a push to open up the financial system and promote technological innovation and

entrepreneurship. The adoption of a National Financial Inclusion Strategy for 2021-2023 aims to provide basic financial services, enhance access to finance for micro, small, and medium-sized enterprises (MSMEs), and promote digital financial services. This strategy recognizes the importance of fintech in expanding financial access and improving economic opportunities for individuals and businesses.

Fintech brings with it a wave of technological innovation and entrepreneurship. Startups in Uzbekistan are exploring various segments beyond traditional fintech and e-commerce, such as health tech, agritech, edtech, and clean tech. These segments have the potential to significantly impact the economy and address pressing challenges in healthcare, agriculture, education, and sustainability.

The government's focus on promoting technological innovation and entrepreneurship has led to the emergence of digital banks and the development of a supportive ecosystem. While financing remains a constraint for many startups, the creation of the National Venture Fund and the efforts to attract angel investors and venture capital are promising steps toward providing the necessary funding for scaling up these startups.

One of the major challenges facing fintech startups in Uzbekistan is access to financing and investment. While personal savings and support from family and friends are common sources of funding for early-stage startups, external financing is crucial for scaling up and reaching a wider market. Angel investment and venture capital play a vital role in providing the necessary funds, expertise, and networks to propel startups to the next level.

To address this challenge, the government has established the National Venture Fund to support startup financing. However, further development and promotion of angel investment and venture capital are essential to attract more funding into the fintech ecosystem. Collaboration with international organizations and investors can also help bridge the financing gap and provide access to global markets.

Creating a conducive regulatory framework and policy environment is crucial for the sustainable growth of the fintech sector. In Uzbekistan, efforts have been made to update legislation and regulations to enable digital payments and provide oversight for payment service providers. The Central Bank of Uzbekistan now supervises the previously unregulated sector and has issued licenses to payment system companies.

However, there is still a need for continuous improvement and adaptation of regulations to keep pace with technological advancements

and changing market dynamics. Balancing innovation and consumer protection is a delicate task, and policymakers must strike the right balance to foster innovation while ensuring the safety and security of financial transactions and customer data.

Building a skilled workforce is crucial for the growth of the fintech sector. Startups require a diverse range of skills, including technology, finance, marketing, and business development. However, there is a skills gap in Uzbekistan, particularly in the field of fintech. Bridging this gap requires investments in education and training programs that focus on developing the necessary skills and knowledge.

Collaboration between universities, industry players, and government agencies can help create specialized programs and initiatives to nurture and develop fintech talent. Providing mentorship, internships, and incubation programs can also support aspiring entrepreneurs and startups in acquiring the skills and knowledge needed to succeed in the fintech industry.

Fintech has the potential to drive economic growth, enhance financial inclusion, and foster technological innovation in Uzbekistan. The government's efforts to promote technological innovation and entrepreneurship, along with the adoption of a National Financial Inclusion Strategy, demonstrate a commitment to developing the fintech ecosystem. However, challenges such as financing, regulatory framework, and talent development need to be addressed to unlock the full potential of fintech in Uzbekistan.

By fostering collaboration between stakeholders, including the government, financial institutions, investors, and educational institutions, Uzbekistan can create an enabling environment for fintech startups to thrive. With the right support, these startups can contribute to the country's economic development, improve access to financial services, and address pressing social and environmental challenges.

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