

## POLITICAL AND ECONOMIC FACTORS IN THE DEVELOPMENT OF THE FINTECH INDUSTRY IN UZBEKISTAN

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**Abstract:** *This study examines the political and economic factors influencing the development of the fintech industry in Uzbekistan. Drawing on a review of academic literature, regulatory frameworks, and national policy documents, the article analyzes how government digitalization policies, regulatory reforms, and economic conditions have contributed to fintech growth. The findings suggest that supportive state policies, institutional development, financial sector modernization, investment availability, and digital infrastructure play a critical role in fostering fintech innovation and financial inclusion.*

**Keywords:** *fintech, political economy, financial innovation, digital transformation, regulation, financial inclusion, Uzbekistan*

### INTRODUCTION

In the global economy, the fintech market is experiencing rapid growth, with an average annual growth rate of approximately 21 percent. The global fintech market was valued at around \$395 billion in 2025 and is projected to reach \$460 billion in 2026 and approximately \$1.17 trillion by 2034 [1]. Driven by digital innovations and artificial intelligence-powered solutions, the integration of finance and technology is transforming the financial sector by making financial services more efficient, inclusive, accessible, and affordable [2]. As a result, fintech has become a key driver of financial modernization and economic development worldwide. At its core, fintech plays a pivotal role in facilitating the flow of money within the economy, improving the efficiency, accessibility, and speed of financial transactions.

However, the development of the fintech industry requires governments to pay close attention to political, economic, technological, and social factors that foster innovation and reduce uncertainty in financial markets. In particular, government digitalization policies, a supportive regulatory environment, and the development of the banking sector are among the most important determinants of fintech growth. Together, these factors create a stable and efficient financial ecosystem within which technological innovation, investment, and financial inclusion can flourish.

Therefore, it is important to analyze the recent political and economic reforms implemented in Uzbekistan to assess their contribution to the growth of the fintech industry and examine how the interaction between state regulation and market conditions influences fintech development in the country. As a result, this thorough examination facilitates the formulation of policy recommendations by providing practical solutions to existing challenges in the development of the fintech industry.

## LITERATURE REVIEW

Economists and policymakers have long recognized the importance of integrating technological innovations into the financial sector, commonly known as fintech, in fostering financial stability, stimulating economic growth, and enhancing financial inclusion. Digital financial technologies have not only reshaped the entire financial system but have also emerged as a significant driver of sustainable economic development [3]. In short, fintech represents the intersection of finance and technology, encompassing a wide range of digital platforms and services that differ from traditional financial models [4]. These innovations include mobile payments, peer-to-peer (P2P) lending, artificial intelligence-based fraud detection, digital banking, blockchain technology, and many other technology-driven financial solutions.

When fintech is examined from a broader perspective, the role of government regulation and state institutions becomes particularly important, as they can either facilitate or hinder the sector's development. One of the primary challenges for policymakers is maintaining fair competition between traditional financial institutions and emerging fintech firms [7]. The existing literature generally distinguishes three approaches to fintech regulation: government regulation, private regulation, and market regulation [8]. Each approach plays a distinct role in shaping the development, stability, and competitiveness of the fintech ecosystem (Table 1).

**Table 1**

**Types of Fintech Regulators: Characteristics, Advantages, and Disadvantages<sup>31</sup>**

Regulator Type	Brief Description	Advantages	Disadvantages
Government Regulators	Public authorities that regulate fintech through legislation, regulatory agencies, and supervisory institutions at national or international levels.	Provide legal certainty, consumer protection, financial stability, and standardized rules across the industry.	Regulatory processes may be slow and bureaucratic; overlapping jurisdictions can increase compliance costs and complexity for fintech firms.
Private Regulators	Industry participants regulate behavior through self-regulatory organizations (SROs), contractual arrangements, and private enforcement mechanisms.	Greater flexibility and industry expertise; can adapt more quickly to technological innovation than government regulators.	May face conflicts of interest, limited enforcement powers, and insufficient protection of public interests.
Market Regulators	Competitive market forces, including customers, investors, and rival firms, influence company behavior through commercial incentives and reputational pressures.	Encourages innovation, efficiency, customer-oriented services, and rapid responses to market demands.	Market discipline may be insufficient to prevent systemic risks, consumer harm, or anti-competitive practices.

Research conducted by an Uzbek scholar found that developments in lending, investment, and payment models have contributed to economic development in

<sup>31</sup> Author's compilation based on relevant literature.

Uzbekistan [5]. These changes are closely associated with the expansion of digital payment systems, mobile banking services, and e-commerce platforms. In another study, Serhan Cevik examined the relationship between fintech and economic growth using a panel dataset of 198 countries covering the period from 2001 to 2020 [6]. The findings revealed a positive relationship between fintech development and economic growth, thereby supporting the argument that financial innovations can serve as an important driver of economic development.

### METHODOLOGY

This study employs a qualitative research approach based on a review of academic literature, policy documents, and regulatory frameworks related to fintech development. The analysis focuses on recent political and economic reforms implemented in Uzbekistan and their impact on the fintech ecosystem. Comparative and descriptive analysis methods are used to identify the key factors influencing fintech growth and to evaluate the interaction between state regulation and market conditions. The findings are further used to formulate policy recommendations for the sustainable development of the fintech industry.

### DISCUSSION & ANALYSIS

Recognizing the rapid evolution of the global fintech industry, the Government of Uzbekistan has adjusted its policy priorities to support the development of the sector through targeted initiatives and regulatory measures. These efforts have contributed to significant growth in the domestic fintech ecosystem. Between 2018 and 2025, the number of fintech companies operating in Uzbekistan increased almost fivefold, while local fintech firms attracted approximately USD 260 million in foreign investment [9].

In addition, the government has focused on developing the institutional and legal frameworks necessary for the growth of the fintech industry by incorporating both national priorities and international best practices. Furthermore, the Development Strategy for 2025–2030 aims to position Uzbekistan as a regional hub for financial innovation, fostering a competitive environment for fintech companies and attracting greater investment into the sector [10].

The development of the fintech sector in Uzbekistan is supported by a comprehensive regulatory and policy framework that has evolved alongside the country's broader digital transformation agenda (Table 2).

**Table 2**

#### **Key Regulatory and Policy Documents Supporting Digitalization and Fintech Development in Uzbekistan<sup>32</sup>**

Name	Type of Document	Description	Impact on Fintech Development
<i>Digital Uzbekistan–2030 Strategy</i>	Presidential Decree No. PF-6079 (5 October 2020)	Establishes the national framework for digital transformation, digital infrastructure development, e-	Created a favorable environment for fintech innovation by promoting digital payments, financial inclusion, and the adoption of advanced financial

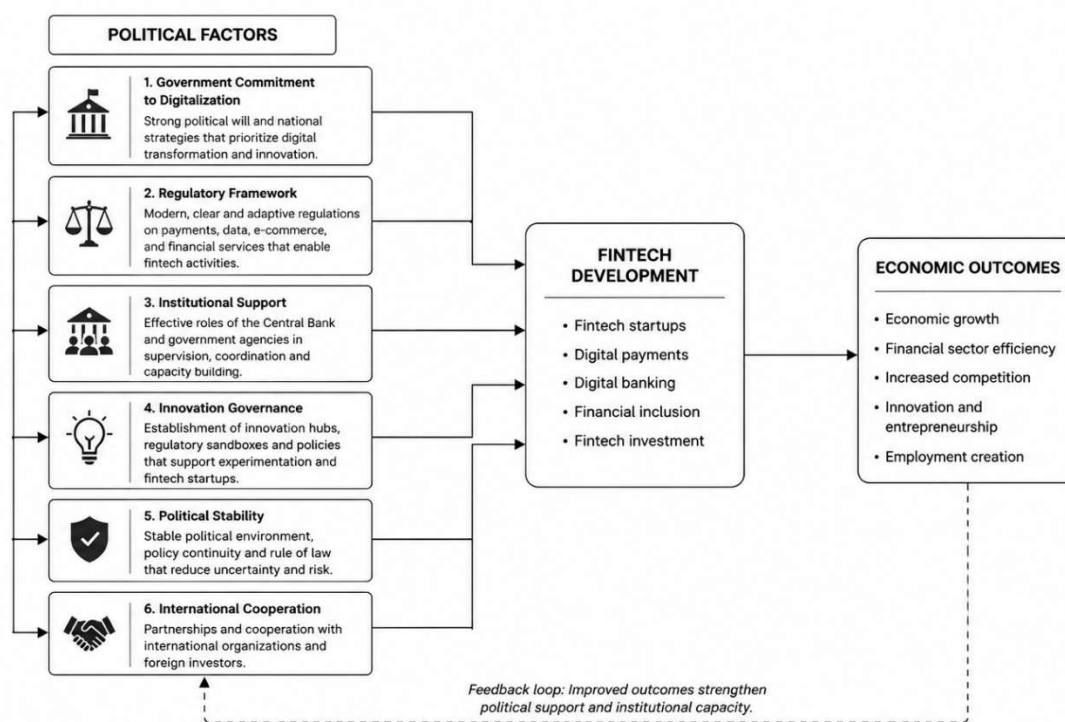
<sup>32</sup> Author's compilation based on the legislation of the Republic of Uzbekistan.

		government services, and the expansion of the digital economy.	technologies.
<i>On Measures for the Wide Introduction of the Digital Economy and E-Government</i>	Presidential Resolution No. PQ-4699 (28 April 2020)	Introduces measures to accelerate the implementation of digital technologies in public administration and economic sectors.	Enhanced the digital ecosystem necessary for fintech growth, including electronic payments, digital identification, and online financial services.
<i>Uzbekistan–2030 Strategy</i>	Presidential Decree No. PF-158 (11 September 2023)	Defines long-term national development priorities, including digital transformation, innovation, and technological modernization.	Supports the expansion of fintech services through increased digitalization, improved investment conditions, and the development of innovation-driven industries.
<i>National Strategy for the Development of Financial Technologies 2026–2030</i>	National Strategy of the Central Bank of Uzbekistan, approved pursuant to Presidential Resolution No. PP-359 (27 November 2025); published 27 April 2026	Establishes the strategic priorities for developing Uzbekistan's fintech sector, including digital financial infrastructure, investment attraction, innovation support, venture financing, regulatory improvements, and human capital development.	Provides the first comprehensive national roadmap dedicated exclusively to fintech development, fostering innovation, increasing investment in fintech startups, strengthening the regulatory environment, and promoting Uzbekistan as a regional fintech hub.
<i>Strategy for Reforming the Banking System of Uzbekistan for 2020–2025</i>	Presidential Decree No. PF-5992 (2020)	Aims to modernize the banking sector, increase competition, and expand digital services.	Stimulated fintech adoption and digital banking innovation.
<i>Law on Electronic Government</i>	Law of the Republic of Uzbekistan (2015)	Regulates the provision of government services through electronic platforms and information systems.	Facilitates fintech development by improving digital public services, reducing transaction costs, and increasing trust in digital platforms.
<i>Law on Electronic Commerce</i>	Law of the Republic of Uzbekistan (new edition, 2022)	Establishes the legal framework for conducting commercial transactions electronically.	Encourages the growth of digital payments, online marketplaces, and fintech-based business models.
<i>Law on Personal Data</i>	Law of the Republic of Uzbekistan (2019)	Establishes rules for the collection, storage, processing, and protection of personal data.	Strengthens consumer trust in fintech platforms by ensuring data security and privacy protection.

The reviewed documents reveal a gradual shift from general digitalization policies, such as the Digital Uzbekistan–2030 Strategy and Uzbekistan–2030 Strategy, toward more specialized regulations and strategies aimed directly at financial technologies and digital financial services. These initiatives have contributed to the expansion of digital infrastructure, electronic government services, online payment

systems, digital banking, and data protection mechanisms, thereby creating favorable conditions for fintech innovation and entrepreneurship.

In particular, the National Strategy for the Development of Financial Technologies 2026–2030 represents a significant milestone, as it provides the first dedicated national roadmap for fintech development, focusing on innovation support, venture financing, regulatory modernization, and human capital development. Thus, the regulatory framework indicates the government's commitment to developing a competitive and innovation-driven fintech ecosystem, enhancing financial inclusion, attracting investment, and strengthening Uzbekistan's position within the regional digital economy.



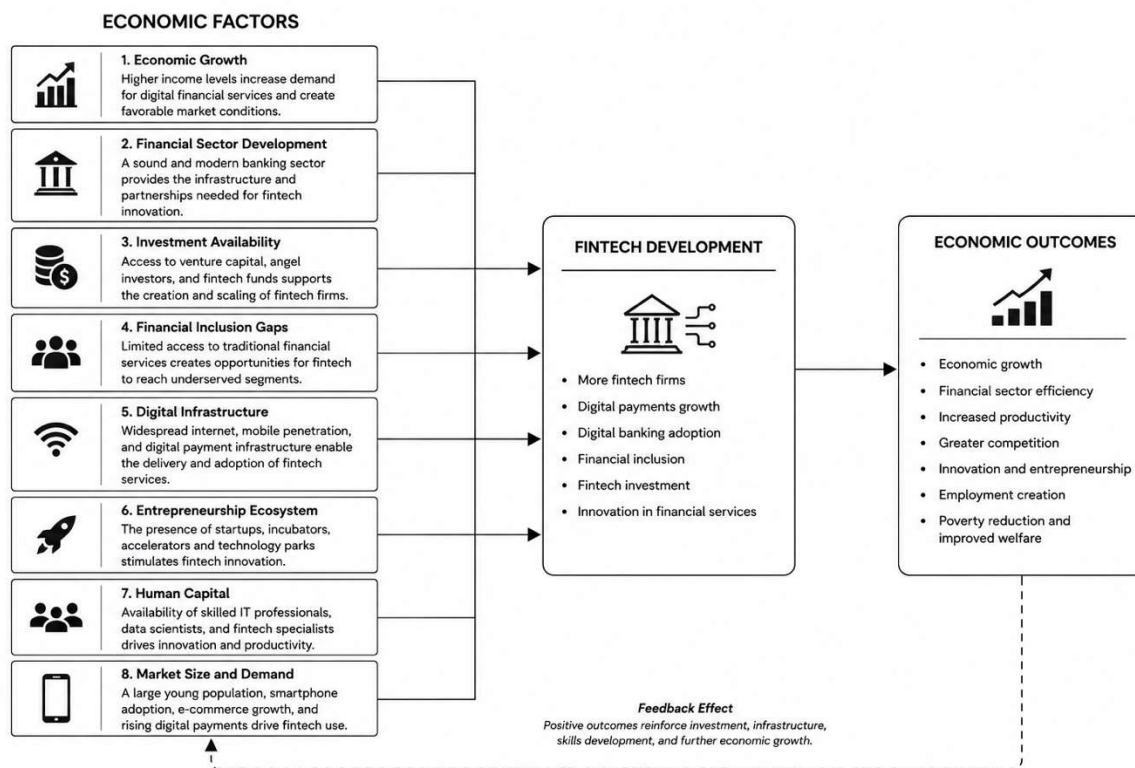
**Figure 1. Conceptual Framework of Political Factors Influencing Fintech Development in Uzbekistan<sup>33</sup>**

Based on the reviewed literature and regulatory framework, fintech development can be viewed as the outcome of a complex interaction between political institutions, government policies, and regulatory mechanisms. Figure 1 summarizes the principal political factors that contribute to the development of the fintech ecosystem in Uzbekistan.

The framework suggests that government commitment to digital transformation, an effective regulatory framework, institutional support, innovation governance mechanisms, political stability, and international cooperation collectively create a favorable environment for fintech growth. These factors reduce regulatory uncertainty, strengthen investor confidence, and facilitate the adoption of digital financial technologies. As a result, fintech development contributes to broader economic outcomes, including improved financial sector efficiency, increased competition,

<sup>33</sup> Author's conceptual framework.

greater innovation and entrepreneurship, enhanced financial inclusion, and employment creation. The feedback loop further indicates that successful economic outcomes reinforce political support and institutional capacity, thereby sustaining the long-term development of the fintech ecosystem.



**Figure 2. Conceptual Framework of Economic Factors Influencing Fintech Development in Uzbekistan<sup>34</sup>**

The growth of the fintech sector is also shaped by a range of economic factors that influence both the supply and demand for digital financial services. Figure 2 illustrates the key economic determinants of fintech development and their relationship with broader economic performance and financial sector modernization. The framework demonstrates that economic growth, financial sector development, investment availability, financial inclusion gaps, digital infrastructure, entrepreneurship ecosystems, human capital, and market demand constitute the primary economic drivers of fintech expansion. These factors stimulate the creation and growth of fintech firms by increasing demand for digital financial services and providing the resources necessary for innovation.

Consequently, fintech development promotes digital payments, digital banking adoption, financial inclusion, and investment in financial technologies. These developments contribute to economic growth, productivity improvements, increased competition, entrepreneurship, and welfare enhancement. The feedback mechanism suggests that positive economic outcomes further stimulate investment, infrastructure development, and human capital formation, creating a self-reinforcing cycle of fintech and economic development.

<sup>34</sup> Author's conceptual framework.

## CONCLUSION

The development of the fintech industry in Uzbekistan is influenced by a combination of political, economic, institutional, and technological factors. The study demonstrates that government-led digitalization reforms, a supportive regulatory framework, and the modernization of the banking sector have created favorable conditions for the gradual expansion of fintech services in the country. In particular, the active promotion of digital payments, remote banking services, electronic identification systems, and online financial platforms has contributed to the formation of a more dynamic financial ecosystem.

At the same time, economic factors continue to play a decisive role in shaping the pace and scale of fintech development. Investment availability, the quality of digital infrastructure, access to financial services, the level of financial literacy, and the readiness of businesses and consumers to use digital financial tools remain important conditions for further growth. The expansion of fintech solutions can also contribute to greater financial inclusion by providing individuals and small businesses with faster, more convenient, and more affordable access to financial services.

The findings suggest that Uzbekistan’s fintech sector has significant growth potential, especially if regulatory reforms, technological infrastructure, and private sector initiatives continue to develop in a coordinated manner. Strengthening cooperation between the government, banks, fintech companies, investors, and educational institutions will be essential for supporting innovation and reducing existing barriers in the market.

Overall, the sustainable development of Uzbekistan’s fintech ecosystem requires a balanced approach that combines innovation with financial stability, consumer protection, cybersecurity, and institutional trust. Strengthening these foundations will help attract investment, improve the competitiveness of the financial sector, expand digital financial services, and support the broader digital transformation of the national economy.

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