



CURRENT ISSUES OF DIGITALIZATION OF THE PROCESS OF LENDING INDIVIDUALS

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A B S T R A C T	KEY WORDS
This article analyzes the importance of digitization in the process of crediting individuals and its role in the modern banking system. Today, digital technologies are an important factor in automating banking services, increasing service speed, and creating convenience for clients. Also, the article considers the main problems of the digitalization of the lending process, in particular, issues of information security, digital inclusion, and infrastructure improvement. At the same time, foreign experiences will be analyzed, and proposals will be made to improve digital lending mechanisms in the banking system of Uzbekistan.	Lending, individuals, banking system, information security, digital technologies.

Introduction

Digitization of the process of crediting natural persons in Uzbekistan is gaining importance today. By introducing digital technologies, it is possible to increase the efficiency of banking services, create convenience for clients and make financial processes transparent.

In the “Uzbekistan-2030” strategy, adopted on September 11, 2023, special attention is paid to the development of the digital economy, and in this regard, the digitization of the banking system is also set as one of the priorities[1].

According to the Central Bank, in the first 9 months of 2021, the volume of problem loans of individuals increased by 5.4 times and amounted to 5.2 trillion soums[2].

These figures demonstrate the need to reduce risks and improve the quality of the loan portfolio by digitizing the lending process.

Also, Decision No. 3492, adopted on January 23, 2024, establishes the procedure for banks and non-bank credit organizations to grant loans to individuals in foreign currency, and this is an important step aimed at improving the lending process through digital technologies[3].

Literature Review

Digitization of the lending process is the process of automating, optimizing, and more effectively organizing the lending, repayment, and monitoring processes in banks and financial organizations based on digital technologies. Through digitization, it is possible to increase the speed and quality of banking services, reduce costs, and create convenient conditions for clients. This process is especially important in the field of lending to individuals.

The decree of the President of the Republic of Uzbekistan No. PF-5953 dated March 2, 2020 pays special attention to the development of the digital economy, and in this regard, the digitization of the banking system is set as one of the important tasks. By introducing digital technologies, it is possible to increase the efficiency of banking services, create convenience for clients, and make financial processes transparent [4].

According to the results of the 2020 “Analysis of Islamic Financing Instruments in Uzbekistan” study, 38% of private entrepreneurs and 56% of individuals reported that they do not use loans from traditional banks. At the same time, most of them expressed interest in Islamic financial services. These numbers show the possibility of reaching a wider audience through the digitization of Islamic financing [5].

Khusanova Zulfia Rakhmatullaevna studied the mechanisms of support and development of women's entrepreneurship in her research. In his opinion, digital technologies are of great importance in increasing the economic activity of women, simplifying the process of crediting them, and improving their access to financial resources [6].

Economists E.Muminova and U.Khamdamova have analyzed the prospects for the introduction of blockchain technologies in their articles, emphasizing the importance of digital technologies in the economy. In their opinion, such technologies will serve to make the lending process more transparent and efficient [7].

The above studies clearly demonstrate the relevance of digitizing the lending process for individuals and its importance in the banking system. The introduction of digital technologies can make the lending process more efficient and transparent, create convenience for customers, and expand the scope of financial services.

Research Methodology

Foreign and domestic experiences in digitizing the process of lending to individuals were analyzed theoretically and practically. Also, the article effectively used methods such as comparison, scientific-theoretical comparison, observation, comparative economic analysis, systematic approach, and logical approach.

Analysis and Results

The need to digitize the lending process is explained by the current state of the Uzbek banking system and efforts to increase its competitiveness. One of the main tasks of the banking system in the country is to provide financial services to the broad segments of the population and to simplify the lending process. From this point of view, digitization is important not only for banks but also for customers. These important aspects can be seen through:

- The first important aspect is to increase the speed and efficiency of banking services. In traditional banks, the process of granting and presenting loans requires a lot of time and resources. Digitization

automates these processes and makes it possible to provide quick and cheap services. For example, the process of crediting through digital platforms can be done in a few hours rather than in a few days;

- The second important aspect is to reduce costs in the crediting process. Through digital technologies, it is possible to shorten the bureaucratic processes and significantly reduce the operational costs of the bank. This, in turn, provides an opportunity to reduce interest rates for clients;

- The third important aspect is to expand the possibilities of using financial services. It may be difficult for people living in rural and remote areas to use banking services. Digital platforms bring them closer to banking services through the Internet;

- The fourth important aspect is information security and fraud prevention. The use of modern cryptographic technologies in the digitization process ensures the confidentiality and security of data. The results of analyses and studies show that the main share of loans granted to individuals in developed and developing countries is carried out on the basis of digital technologies. The table below provides information on this.

Table 1

The share of digital technologies used in crediting individuals in some countries in 2019-2024
[15, 16, 17, 18, 19]

Country	Share	Basic technologies	Growth rate (annual)
USA	65%	AI-based credit assessment, blockchain, mobile app	15%
China	75%	Big data analysis, mobile payment platforms, blockchain	20%
India	70%	AI credit systems, UPI platforms, digital wallets	25%
Great Britain	60%	Open Banking API, AI credit check, mobile add-on	12%
Germany	55%	AI credit analysis, digital ID systems, blockchain	10%

It is clear from this table that in 2019-2024, China has the highest share (75%) in the use of digital technologies in the process of crediting individuals, and it widely uses big data analysis and mobile payment platforms as the main technologies. India is in second place with a 70% share, with AI credit systems and UPI platforms being the leading technologies. The USA, Great Britain, and Germany are also achieving high efficiency in this process, in which technologies such as AI-based credit assessment and blockchain are widely used. Among the countries, the growth rates are the highest in India (25%), which is explained by the expansion of the digital infrastructure and the activation of innovations. The rate of growth in the USA and Germany is relatively low (15% and 10%), which is due to the high level of saturation in their markets.

The table shows that the effective use of digital technologies is essential for accelerating the lending process and ensuring its transparency.

Table 2 The share of digital technologies used in crediting individuals in some CIS countries in 2019-2024 [8, 9, 10, 11, 12, 14]

Country	Share	Basic technologies	Growth rate (annual)
Russia	55%	AI-based credit assessment, mobile app, blockchain	12%
Kazakhstan	45%	Mobile banking services, digital ID, big data analysis	10%
Uzbekistan	30%	Mobile application, electronic payment systems, credit platforms	15%
Kyrgyzstan	25%	Mobile application, electronic wallets, credit history analysis	8%

It can be seen from the table that in 2019-2024, Russia and Kazakhstan are leading among the CIS countries in the process of crediting individuals through digital technologies. Although this process has a relatively low share in Uzbekistan, the 15% annual growth rate shows that the development of digital lending in the country is accelerating. Current state programs, modernization of banking infrastructure, and expansion of electronic payment systems are seen as decisive factors. The development of digital technologies in Uzbekistan provides wider access to financial services and has a positive impact on various sectors of the economy. This, in turn, will help increase financial inclusion in the country and strengthen the competitiveness of banking services.

Therefore, the digitization of the lending process plays an important role in increasing the efficiency and stability of the banking system of Uzbekistan, in creating convenience for clients, and in economic development. This process gives banks an opportunity to increase their competitiveness and contributes to the expansion of financial inclusion in the country. Also, through digitization, banking services will be adapted to global standards, which will create more opportunities for attracting investments on an international scale.

There are a number of problematic situations in the digitization process of crediting individuals in Uzbekistan and the world, which limit the effective and complete implementation of this process. These problems are related to technological, economic, legal, and human factors. Below we will try to present the main problems.

The first problem is insufficient technological infrastructure. Although great attention is being paid to the digitalization process in Uzbekistan, the territorial coverage of the Internet network is still limited. Internet speed is low in rural areas, which limits the possibility of effective use of digital platforms. According to 2020 data, only 56 percent of the population of Uzbekistan had access to the Internet. Also, high Internet prices and limited technical services reduce the level of use of digital platforms by the population [13].

The second problem is the lack of technological resources in banks and financial institutions. The digitization process requires expensive software, high-powered servers, and security systems. Big investments will be needed to introduce such technologies. However, many banks do not have the opportunity to make such investments. For example, as of the end of the 9th month of 2024, some commercial banks in Uzbekistan are not able to allocate the necessary funds for digitization due to a slight decrease in their net profit [14].

The third problem is the increase of information security and cyber threats. In the process of

digitization, the storage of data in digital systems increases the vulnerability against cyber attacks. For example, in 2023, more than 11.2 million cyber attacks were carried out on web resources in Uzbekistan. This situation reduces customer trust in digital platforms and increases the risk of fraud. Also, cyber attacks cause huge financial losses for banks and financial institutions.

The fourth problem is the weakness of the legal framework. In Uzbekistan, the relevant legal framework for the use of digital platforms and blockchain technologies has not yet been fully formed. The lack of clear legislation on information security, personal data protection, and digital contracts slows down the transition of banks to digital technologies. Although the “Digital Uzbekistan – 2030” strategy has been adopted, further improvement of the legal framework is required for its full implementation.

The fifth problem is the low digital literacy of the population. Many citizens do not have the skills to use digital platforms. In particular, the population in rural areas does not have enough information about the Internet and digital financial services. This reduces their interest in the digital lending process and prevents them from fully using the services.

The sixth problem is financial inclusion problems. In order to effectively use digital technologies, everyone should have the same access to credit. However, some population groups in Uzbekistan, including low-income and remote areas, are unable to fully benefit from financial inclusion. This limits the possibilities of digital lending.

The seventh problem is difficulties in introducing blockchain technologies. High-level IT infrastructure and specialists are required to implement the blockchain system. The lack of skilled personnel in the field of IT in Uzbekistan is slowing down the process of introducing blockchain technology. At the same time, the high price of the technology limits its implementation for many banks [20].

A complex approach is required to solve these problems. It is possible to fully implement the digitalization process by improving the technological infrastructure, increasing the digital literacy of the population, improving the legislation, and ensuring cybersecurity. In addition, it is necessary to strengthen cooperation between the public and private sectors, train personnel in the field of IT, and attract investments. These measures will help to increase the efficiency of the use of digital technologies and radically improve the process of crediting individuals.

Conclusion

Based on the research and studies carried out within the scope of the digitization of the crediting process of natural persons, we managed to form the following conclusions:

- Digitization of the lending process is important in increasing the competitiveness of the banking system of Uzbekistan and creating opportunities for wide use of financial services. This process helps to make banking services fast and efficient, creates convenient conditions for clients, and allows for the reduction of the bank's operational costs;
- World experience shows that digital technologies have taken the main place in the lending process in developed and developing countries. For example, in China and India, 70-75% of the lending process is carried out through digital platforms, which is considered an important factor in increasing the efficiency of banking activities;
- In Uzbekistan, the digital lending system is in the process of development, and its share is currently 30%. At the same time, the 15% annual growth rate shows the development of the digital infrastructure in the country. It is possible to increase this share through the wider introduction of electronic payment

systems and mobile banking services;

- To accelerate the process of digitization, it is necessary to increase the digital literacy of the population and strengthen financial inclusion. Currently, the low-income population and citizens living in remote areas cannot fully use digital crediting opportunities. By solving these issues, it is possible to expand the coverage of digital services in the banking system and further develop the economy.

In short, the digitization of the crediting process will increase the competitiveness of the banking system of Uzbekistan, make financial services faster and more efficient, reduce operational costs, provide the opportunity for crediting to wide segments of the population, reduce the level of poverty in society, and further improve the standard of living of the population.

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