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THE SILENT REVOLUTION: FINTECH'S GROWING INFLUENCE ON SME BANKING AND THE FUTURE OF TRADITIONAL BANKS

Abstract. This article examines how financial-technology (FinTech) firms are increasingly reshaping the small and medium-sized enterprise (SME) banking segment in Uzbekistan and, in doing so, challenging the traditional banking model. Globally, payment giants and FinTechs have moved from transactional services into embedded finance and ecosystems that serve SMEs. In Uzbekistan, digital-payments growth, FinTech startup expansion, and demand for streamlined SME financial services present a window of change. Drawing on global literature and emerging Uzbek evidence, the paper analyses the state of SME finance, highlights key FinTech initiatives, explores the strategic response required of traditional banks, and presents empirically grounded tables and figures. The findings suggest that unless Uzbek banks shift from product orientation to ecosystem thinking, they risk becoming mere infrastructure providers rather than front-line SME financial partners. The article concludes with recommendations for regulators, banks and SMEs to navigate this transformation.

Keywords. FinTech; SMEs; banking model; Uzbekistan; digital ecosystems; SME finance; banking transformation

Introduction. Small and medium-sized enterprises (SMEs) are a critical component of economic growth, employment and innovation — particularly in emerging markets. In Uzbekistan, SMEs contribute a substantial share of GDP and employment. Yet many traditional banks continue to serve SMEs using legacy processes, product-centric models (current accounts, credit lines, acquiring) and slow onboarding. At the same time, the rise of FinTech — enabled by digital payments, open-APIs, big data and mobile platforms — is changing the nature of financial intermediation. Globally, payment giants and FinTechs are moving beyond simple transaction services to offer embedded finance, lending based on transaction data, seamless onboarding and ecosystem integration. Within Uzbekistan's evolving financial sector, such dynamics are increasingly visible. For example, digital-banking ecosystem TBC Uzbekistan launched a fully digital SME banking solution in December 2024.

This paper explores how FinTech is influencing SME banking in Uzbekistan, how banks are responding (or failing to respond), and what strategic implications arise for the future of banking in the region. It is structured as follows: after a literature review, we provide empirical analysis — including tables and figures — on the Uzbek context, followed by conclusions and implications.

Literature Review. The literature on FinTech's impact on SME finance is broad and growing. On a global level, FinTech has been shown to increase SME access to credit, improve innovation outcomes and lower transaction costs. For example, Chen & Guo (2024) find that FinTech

advancement significantly enhances the likelihood of micro & small enterprises engaging in innovative activities. [arXiv](#) Digital platforms leveraging alternative data, machine learning, blockchain and cloud infrastructure can offer faster, leaner and more responsive services than traditional banks.

In emerging markets, the role of FinTech in promoting financial inclusion and supporting SMEs is well documented. For Uzbekistan, Nozimova (2024) explores how FinTech innovations (digital payments, micro-finance, blockchain) are increasing inclusion and supporting SMEs. On the banking side, many papers note that traditional banks are under pressure: their product-based legacy models, heavy compliance burdens and slow onboarding hinder their responsiveness to SME needs. One emerging concept is “ecosystem banking” — where financial institutions move from selling standalone products toward embedding finance into business operations (payments, cash-flow, working-capital, analytics).

In the Central Asian context, scholarship highlights the importance of digital infrastructure, regulatory frameworks and human-capital development in enabling FinTech uptake. Also, research underscores that mere presence of a digital banking app is insufficient if the underlying processes remain unchanged (“façade digitisation”). Based on these streams, this article focuses on three key dimensions: (1) how FinTech is altering the SME banking value-chain, (2) how banks in Uzbekistan are responding, and (3) what future strategic trajectories emerge.

Analysis and Results. Context of Uzbekistan’s SME and Financial-Services Environment.

Uzbekistan’s financial-services sector is in transition: with over 30 commercial banks and a growing contribution of the financial sector to GDP. SMEs are major players: they contributed approximately 54% of GDP and employed about 78% of the workforce in 2021. The digital-payments market is expanding rapidly: one estimate places the market value at around US\$100 billion, of which SMEs account for approximately 55%. Moreover, cashless transactions now comprise about 43% of total payments in the country (43% in 2024 vs 38% in 2023) according to Mastercard.

Key Indicators for SME & FinTech in Uzbekistan

Indicator	Value	Year / Source
SMEs share of GDP	~54 %	2021, Uzbekistan. (dev-portal.miit.uz)
SMEs employment share	~78 %	2021. (dev-portal.miit.uz)
Digital payments market size	~US\$100 billion	2025 estimate. (frank.uz)
Share of cashless payments	~43 % of all payments	2024. (Kursiv Media Ўзбекистан)
FinTech companies (domestic)	From 24 in 2018 → 103 in 2025	(UzDaily.uz)

FinTech Innovations Targeting SMEs. Several local FinTech and digital banking players have begun to target SMEs. For example, TBC Uzbekistan introduced its fully digital SME banking service (TBC Business) in December 2024. In April 2025, TBC launched a lending product integrated into the TBC Business suite: short-term business loans up to UZS 300 million (~US\$23k) with minimal collateral and digital credit-scoring. Another player, Alif Uzbekistan, plans to create a bank aimed at SMEs, moving from payment services to banking licence-holding. A study by Visa found that 48% of micro- and small-business owners in Uzbekistan using digital

payments conduct half or more of their transactions digitally; 85% report a positive impact of digital payments on their business.

FinTech SME-Targeted Products & Features in Uzbekistan

FinTech/Bank	Product/Service	Key Features	Implication for SMEs
TBC Uzbekistan – TBC Business	Fully digital SME banking & lending	Paperless onboarding, digital credit scoring, team accounts	Reduces friction in account opening and financing
Alif Uzbekistan	Proposed SME bank	Payment services + marketplace + bank licence	Potential integrated platform linking commerce + finance
Visa study (digital payments)	Digital payment adoption by SMEs	Large share of transactions, positive business impact	Payment infrastructure becomes daily operational tool

Traditional Banks’ Situation and Strategic Gap. Traditional banks in Uzbekistan are actively digitising—launching mobile apps, online portals and digital payment initiatives. However, multiple reports indicate that many banks remain product-centred, using legacy processes, and their digital transformation is only superficial (“façade digitisation”). For example, opening an SME account or obtaining a loan often still involves manual verification, collateral demands and slow onboarding. Meanwhile, FinTechs are integrating deeper into business workflows: payment acceptance, cash-flow data, automated lending decisions. The strategic gap is clear: banks continue to think in terms of “credit”, “current account”, “acquiring” whereas FinTechs think in terms of “ecosystem”, “APIs”, “business-platform”

Comparative Business Model Features: Traditional Banks vs FinTech Ecosystems (for SMEs)

Feature	Traditional Banks	FinTech / Payment Ecosystems
Product view	Separate: account + loan + acquiring	Integrated: one window for payments, lending, analytics
Onboarding & account opening	Often manual, paperwork heavy	Digital onboarding, data-driven scoring
Credit decisioning	Collateral + income + legacy credit history	Transaction and cash-flow data, alternative scoring
Integration with business operations	Peripheral: treasury, payments separate	Embedded: in e-commerce/operations, API-first
Role in SME’s daily routine	Occasional interactions	Constant platform touch-points (payments, dashboard, analytics)
Risk of displacement	High if remains product-centric	Advantage if ecosystem expands

Key Findings & Results

- A significant portion of SMEs in Uzbekistan are already using digital payments for half or more of their transactions.
- FinTech company numbers have quadrupled from ~24 in 2018 to ~103 in 2025 in Uzbekistan.
- The digital-payments market is estimated at ~US\$100 billion, with SMEs accounting for ~55% of transaction volume.
- Traditional banks continue to contribute significantly to the GDP through financial services (~43.3%).
- FinTech firms are shifting rapidly beyond payments into SME banking and lending (for example TBC's digital SME lending product).

The implication is clear: SME financial services demand is evolving — not just for payments but for integrated operational finance (cash-flow, credit, analytics, workflow integration). FinTechs are well positioned to meet this demand because of their agility, digital-first mindset and integration into SME operations. Traditional banks in Uzbekistan face a genuine risk: if they do not evolve their business model, they may be relegated to the backend infrastructure (rails) while FinTech ecosystems capture the front-line SME relationship.

Conclusions. The fintech-driven transformation of SME banking in Uzbekistan represents a “silent revolution.” While the analysis has centred on Uzbekistan, the pattern mirrors global dynamics: FinTechs moving from payments into credit and broader business-service ecosystems, thereby posing a strategic threat to traditional banks that cling to product-centric models.

For banks in Uzbekistan to remain relevant to SMEs, they must:

1. **Think in ecosystems, not products** – Shift from offering standalone credit or accounts to embedded platforms that integrate payments, cash-flow, analytics and operations.
2. **Partner and integrate** – Rather than trying to build every capability internally (which is slow and expensive), collaborate with fintech providers or embed fintech API services. Partnerships can act as the new R&D.
3. **Simplify radically** – Bureaucracy and slow compliance are key barriers. Banks need fast onboarding, data-driven scoring (leveraging transaction data), and streamlined processes.
4. **Embed into daily business workflows** – The SME should feel the bank's (or bank-fintech's) presence in their daily operations: payment acceptance, analytics, working-capital, inventory, e-commerce. If they don't, they might “not notice” the bank at all.
5. **Regulators & infrastructure support** – Digital identity, open banking APIs, sandbox environments, fintech-friendly regulation and improved data infrastructure are enablers. Uzbekistan is already moving in this direction (e.g., strategy for 2025-2030).

SMEs themselves should be strategic: they should seek end-to-end solutions, partner with platforms that help not just with payments but with cash-flow and growth. They should value their time: if their bank keeps them waiting for weeks, then perhaps a more agile fintech platform is worth considering. If traditional banks delay their transformation, their future may simply be as “infrastructure back-end” providers, while nimble fintech platforms dominate the front-line SME interaction. In a fast-digitising market like Uzbekistan, the opportunity window remains open — but it is closing quickly. Strategic partnerships, agile processes and ecosystem thinking are now imperative in the war for SME financial relationships.

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