

PROSPECTS FOR DEVELOPING REMOTE LENDING SERVICES IN COMMERCIAL BANKS OF UZBEKISTAN

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Abstract

The paper analyzes the development prospects of remote lending services in Uzbekistan's commercial banks. It distinguishes remote lending from simple digital application channels and argues that a mature model requires end-to-end digital onboarding, identity verification, affordability assessment, automated decision rules, electronic contracting, disbursement, monitoring and problem-loan management. Official Central Bank statistics show rapid growth of banking assets, loans and deposits during 2025 and extensive use of remote banking systems by individuals. These conditions create a strong platform for expansion of remote lending, but sustainable growth requires stronger fraud controls, borrower affordability assessment, cyber resilience, transparent pricing and integration of digital lending with credit-risk governance. The study proposes a staged model for expanding remote lending across retail and small-business segments.

Keywords: Remote lending; digital banking; online credit; financial inclusion; credit scoring; customer identification; banking services; Uzbekistan.

1. Introduction

Remote banking has moved from an auxiliary distribution channel to a core component of bank competition. Customers increasingly expect to open accounts, make payments, obtain information and apply for financing without visiting a branch. Lending is the most risk-sensitive part of this transition because a remote process must reproduce all key safeguards of traditional lending while removing physical contact. Therefore, the development of remote lending should be assessed not only in terms of



convenience but also in terms of risk management, consumer protection and operational resilience.

Uzbekistan has favorable structural preconditions for further remote lending growth. The banking system expanded considerably in 2025: assets reached UZS 924.8 trillion and loans UZS 604.0 trillion by 1 January 2026. Deposits increased even faster, reaching UZS 417.3 trillion. In parallel, Central Bank statistics show that millions of customers use remote banking systems across major banks. As of 1 October 2025, for example, the National Bank reported more than 3.24 million remote banking users, Uzpromstroybank about 6.01 million, Agrobank 4.28 million, Ipoteka-bank 4.74 million and Xalq bank 8.19 million. These figures demonstrate that the customer interface required for digital lending already has substantial reach [1–3].

2. Concept and research approach

Remote lending is defined in this study as credit origination and servicing in which the borrower can complete the principal stages of the process electronically without mandatory physical presence. The analysis uses descriptive statistics, process analysis and comparative institutional reasoning. It focuses on the banking sector rather than unregulated digital lenders. The key question is how remote lending can be expanded without generating excessive credit, fraud or conduct risk.

Stage	Traditional process	Mature remote-lending process
Application	Paper/branch form	Mobile/web application
Identification	Physical documents	Digital KYC and identity verification
Income assessment	Certificates, manual checks	Verified income/account-flow analytics
Decision	Manual committee or officer	Rules + scoring + risk-based manual escalation
Contract	Paper signature	Legally valid electronic agreement
Disbursement	Branch/account processing	Automated account/card disbursement
Monitoring	Periodic review	Continuous digital monitoring
Collection	Phone/branch workflow	Digital reminders + risk-based collection routing

3. Current banking-sector environment

The growth of deposits is especially relevant to remote lending. Between 1 January 2025 and 1 January 2026, system deposits rose from UZS 308.7 trillion to UZS 417.3 trillion, an increase of approximately 35.2%, while the loan portfolio rose by about 13.3%. Consequently, the system-wide loan-to-deposit ratio fell from 173% to 145% [1,4]. This suggests that domestic funding capacity strengthened relative to lending. However, greater funding capacity should not be interpreted as a reason to loosen underwriting standards. Digital channels can accelerate credit growth very quickly, which makes affordability controls and portfolio limits more important.

The decline of the aggregate NPL ratio from 4.0% to 3.0% during 2025 provides a positive starting point. Yet remote lending changes the operational profile of credit risk. Application volumes can grow sharply, fraud attempts can be automated, and weak scoring rules can affect thousands of borrowers before problems become visible in arrears. For that reason, digital scale must be matched by digital controls.

Indicator	1 Jan 2025	1 Jan 2026	Implication for remote lending
Loans, UZS bn	533,121	604,002	Larger addressable credit market
Deposits, UZS bn	308,692	417,258	Stronger domestic funding base
Loan/deposit ratio	173%	145%	Lower system funding intensity
NPL ratio	4.0%	3.0%	Improved aggregate asset quality
State-owned banks' share of loans	69%	67%	Gradual structural diversification

4. Main economic benefits

Remote lending can reduce transaction costs for both banks and borrowers. A customer avoids travel and waiting time, while the bank can reduce manual data entry and branch workload. This is particularly relevant for standardized retail products and small working-capital loans. Lower processing cost can make smaller loan sizes economically viable and thereby support financial inclusion.



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The second benefit is speed. When identification, income verification and scoring are integrated, a bank can provide a decision much faster than in a fully manual process. Speed is valuable for households facing short-term liquidity needs and for small businesses that require quick working capital. Nevertheless, speed should be the outcome of better information processing, not the removal of necessary checks.

The third benefit is data continuity. A digital loan process creates structured information at every stage. Banks can compare approval cohorts, analyze default by score band, evaluate customer acquisition channels and identify problematic product designs. This supports evidence-based pricing and portfolio management.

5. Key risks and safeguards

Risk	How it arises in remote lending	Required safeguard
Identity fraud	Stolen credentials, synthetic identity	Strong e-KYC, liveness checks, device analytics
Over-indebtedness	Fast multi-lender borrowing	Affordability and debt-service checks
Model risk	Weak or biased scoring	Independent validation and monitoring
Cyber risk	Account takeover, malware, phishing	Multi-factor authentication and transaction monitoring
Conduct risk	Opaque fees or automatic renewals	Clear pricing and consent
Operational risk	System outage or API failure	Business continuity and fallback procedures
Collection risk	Aggressive automated contact	Responsible collection rules and audit trails

Affordability should be treated as distinct from probability of default. A borrower may have a statistically low default probability but still be placed under excessive financial strain by a new obligation. Therefore, debt-service-to-income limits, disposable-income floors and stress scenarios should be embedded in the decision engine. This is especially important for unsecured consumer lending.



Fraud controls require real-time rather than ex-post analysis. Device fingerprinting, unusual login patterns, rapid changes in contact information, repeated applications, mismatches between declared and observed behavior and abnormal transaction routing can be used as red flags. High-risk cases should be escalated to manual review.

Consumer protection must be designed into the interface. Effective interest cost, fees, repayment dates, penalties and consequences of delinquency should be displayed clearly before acceptance. Consent for data use should be specific and traceable. Digital convenience must not become a mechanism for obscuring the economic cost of credit.

6. Proposed staged development model

Stage	Products	Decision model	Risk controls
Stage 1	Pre-approved small retail loans	Existing customer behavioral score	Strict limits, short tenor
Stage 2	Standard consumer loans	Income + bureau + account analytics	Affordability and fraud engine
Stage 3	Micro/SME working capital	Cash-flow and turnover analytics	Sector and concentration limits
Stage 4	Integrated ecosystem lending	API/open-data supported models	Advanced model governance and continuous monitoring

The staged model allows banks to expand remote lending first where information quality is strongest. Existing customers with a long transaction history are generally easier to assess than new-to-bank applicants. After performance data are accumulated, banks can broaden eligibility and product complexity. This reduces the risk of rapid uncontrolled expansion.

7. Conclusion

Remote lending is a natural next stage of Uzbekistan's banking digitalization, but its success should be measured by sustainable repayment and customer value rather than the number of instant approvals. The rapid growth of deposits and broad adoption of remote banking provide a strong infrastructure base. The priority now is to build end-to-end processes in which digital onboarding, affordability checks, scoring, fraud prevention,



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contracting, monitoring and collection operate as one controlled system. A staged expansion beginning with data-rich existing customers and standardized products can support financial inclusion while protecting asset quality.

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