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FINANCIAL TECHNOLOGIES AS A DRIVER OF ALTERNATIVE FINANCING DEVELOPMENT AMIDST THE DIGITAL TRANSFORMATION OF UZBEKISTAN'S ECONOMY

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Abstract

This article examines the impact of financial technologies on the development of alternative finance amidst the digital transformation of the economy. It focuses on how digital platforms, data analytics technologies, electronic payments, and automated risk assessment systems are reshaping traditional methods of raising capital. Based on an analysis of academic literature and official data from the Republic of Uzbekistan for 2024–2026, the study demonstrates that the development of fintech infrastructure is gradually establishing a technological foundation for expanding alternative funding sources. Particular attention is paid to digital factoring as a prime example of the shift of financial services into a platform-based environment. The article also explores the prospects for applying similar technological solutions to crowdfunding, crowdlending, and other forms of platform-based finance. Consequently, key directions for establishing a digital ecosystem for alternative finance in Uzbekistan are identified, including regulatory improvements, digital infrastructure development, the implementation of intelligent risk assessment tools, and enhanced investor protection.

Keywords: financial technologies, fintech, alternative finance, crowdfunding, crowdlending, digital platforms, digital factoring, financial infrastructure, digital economy, investments.

Introduction

In recent years, the financial sector has been evolving not only through the emergence of new technologies but also through a fundamental shift in the nature of financial intermediation. While banks and other traditional financial institutions previously served as the primary link between capital providers and recipients, a significant portion of these functions can now be performed by digital platforms.

It is within this context that the development of financial technologies should be viewed. Fintech can no longer be perceived merely as a collection of mobile applications, electronic payment systems, or remote banking services. In essence, it represents a profound transformation of the financial market, wherein technology serves as the foundation for new products, interaction channels, and business models (3).

One outcome of this transformation is the growth of alternative finance. Its significance is particularly evident for small and medium-sized enterprises (SMEs), startups, and innovative projects, which often struggle to secure necessary resources through traditional bank lending. Alternative mechanisms expand the range of potential capital sources by leveraging digital platforms and facilitating direct interaction between entrepreneurs and investors or other providers of financial resources.

Such instruments include crowdfunding, crowdlending, crowdinvesting, digital factoring, and various other platform-based models. However, the level of their development varies significantly across different countries.

This issue is of particular relevance to Uzbekistan. The country is actively expanding its digital financial infrastructure, seeing increased adoption of electronic financial services, and witnessing the emergence of new fintech solutions. At the same time, the question arises as to how the existing technological foundation can be utilized to broaden entrepreneurs' access to capital.

Digital factoring serves as a prime example in this regard. Electronic factoring platforms were launched in Uzbekistan in 2024, and by the end of 2025, the total volume of factoring services had reached 9.5 trillion soums (8).

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Against this backdrop, a research question emerges: can the existing fintech infrastructure serve as a foundation for the further development of a broader range of alternative financing sources?

The study aims to determine the role of financial technologies in the development of alternative financing and to identify prospects for establishing a corresponding digital ecosystem in Uzbekistan.

To achieve this objective, the study examines the theoretical underpinnings of the relationship between fintech and alternative financing, analyzes the development of the country's digital financial infrastructure, and outlines key directions for its future use in expanding business access to capital.

1. Financial technologies and alternative financing: the relationship between concepts

In academic literature, financial technologies are primarily viewed as a factor transforming the delivery of financial services. Gomber, Koch, and Siering note that the development of digital finance is linked to the emergence of new financial products, technological solutions, and interaction models among market participants (3). However, the technology itself is not the ultimate goal. Its economic significance becomes apparent when it enables the resolution of a specific financial market problem—such as reducing costs, accelerating transactions, increasing service accessibility, or improving the quality of risk assessment.

This is precisely why the link between fintech and alternative finance appears particularly important.

The traditional financial system relies on an intermediary to pool funds and redistribute them among economic agents. A digital platform can alter this model. It creates an environment where entrepreneurs, investors, and platform operators interact much more rapidly and with fewer intermediary steps.

In its simplest form, this process can be visualized as follows:

Fintech technology → digital platform → reduced transaction costs → expanded pool of participants → new financing channel.

Crowdfunding is one of the most obvious examples of this model. Belleflamme, Lambert, and Schwienbacher define it as a mechanism for raising funds from a large number of participants via a specialized platform (1). Depending on the economic model, financing can take the form of donations, rewards, loans, or equity participation in the project.

Research by Mollick also demonstrates that the characteristics of the project itself and how it is presented on the platform can influence the outcome of a crowdfunding campaign (2). This is significant in the context of a broader issue: trust among participants in the digital marketplace.

Trust is fundamental to alternative finance. A potential investor needs to understand who is receiving the funds, how realistic the proposed project is, and what risks are associated with the investment.

This is where one of fintech's most significant functions comes into play. Big data analytics, automated scoring, artificial intelligence, and digital identity verification can help bridge the information gap between the parties to a transaction.

Thus, financial technologies impact alternative finance in ways that go beyond mere transactional convenience. Their greater significance lies in their potential to transform the very mechanism of financial decision-making.

2. How technology is changing the mechanism of alternative finance

The impact of fintech on alternative finance can be examined from several angles.

The first relates to access to capital. A digital platform enables an entrepreneur to present a project to a large number of potential investors simultaneously. Consequently, the geographical reach for raising funds expands, and reliance on a single source of financing decreases.

A second area involves the reduction of operating costs. Digital identification, electronic document processing, and automated payment processing help minimize manual tasks.

A third area is risk assessment. In the traditional model, financial institutions rely heavily on standard creditworthiness metrics. Digital platforms allow these to be supplemented with alternative data. This is particularly relevant for small companies that lack an extensive credit history.

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A fourth area relates to monitoring. The digital environment makes it possible to go beyond the initial funding decision and track the project's ongoing progress and the fulfillment of its financial obligations.

Finally, technology can enhance the transparency of interactions. This aspect is especially critical in models where the investor and the funding recipient have no direct contact.

However, digitalization should not be viewed as an automatic solution to the problem of risk. On the contrary, the emergence of new technological tools raises new questions: how personal data is used, the extent to which algorithmic decisions are explainable, who bears responsibility for errors in automated assessments, and how investor funds are protected.

Therefore, the development of fintech and the evolution of regulation must proceed in parallel.

3. Financial Digitalization in Uzbekistan as a Foundation for Alternative Financing

In recent years, a significant technological foundation for the further development of digital finance has been established in Uzbekistan.

The expansion of payment infrastructure and remote financial services is a key indicator. However, for the purposes of this study, the primary interest lies not merely in the growth of digital payments, but in the fact that more complex financial products are gradually emerging on that foundation.

Factoring serves as a particularly illustrative example.

In 2024, the Central Bank announced the launch of electronic factoring platforms. Four platforms—Oz Planet, Finmakon, Factoring.uz, and V2—were put into operation, with 26 commercial banks connecting to them. The volume of factoring services in 2024 totaled 1.9 trillion soums; of this amount, approximately 1.1 trillion soums (58%) was processed via electronic platforms (8).

The market continued to grow in 2025. According to Central Bank data, the total volume of factoring services reached 9.5 trillion soums by the end of the year. Commercial banks accounted for 93% of the market, while microfinance organizations accounted for 7% (8).

The trends observed in 2026 are particularly interesting. In the first quarter, credit institutions provided factoring services totaling 2.3 trillion soums—a 75% increase compared to the same period the previous year. Notably, 53% of these factoring services were provided through electronic platforms (8).

These data lead to an important conclusion: digital platforms in Uzbekistan are beginning to function not merely as service channels but also as financial intermediaries.

For this reason, the experience with digital factoring is of interest for the future development of other forms of alternative financing.

If a technology platform enables an entrepreneur to secure financing against accounts receivable, a similar principle could be applied to other assets and projects—provided there are appropriate regulations and risk assessment systems in place.

4. Fintech development: from digital payments to new financial models

In 2026, the digitalization of Uzbekistan’s financial sector entered a new phase. The Central Bank has approved the National Strategy for Financial Technology Development for 2026–2030, which envisions the development of digital infrastructure, attracting investment into fintech, and refining regulatory mechanisms. One of the tools for implementing this strategy is a regulatory "sandbox," which allows for the testing of innovative financial products under controlled conditions (12).

Equally significant is the regulator's focus on collaborating with fintech startups. In March 2026, seven startups presented digital solutions to the Central Bank, including digital factoring for small businesses, transaction data analytics, artificial intelligence integration, and personal finance management services (13).

In our view, this is precisely where an opportunity arises to link fintech development more directly with alternative finance.

Currently, digital financial infrastructure primarily performs payment, banking, and microfinance functions. The next stage could involve the development of platforms that not only execute financial transactions but also facilitate the capital-raising process.

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This signifies a shift from a model of:
"digitizing an existing financial service"
to a model of:
"creating a new financial mechanism based on digital technology."

This transition is fundamentally important. In the first case, technology enhances the efficiency of an existing model; in the second, the technology itself enables the creation of a new method of financing.

5. Key constraints on the development of alternative finance

Despite positive changes, it is premature to speak of a fully established alternative finance market in Uzbekistan. While the existing infrastructure lays the groundwork for its development, there remains a significant gap between technological readiness and the market's full-scale operation.

The first challenge is regulatory.

For crowdfunding and crowdlending platforms, it is essential to clearly define the rights and obligations of operators, investors, and funding recipients. Requirements regarding information disclosure, the management of conflicts of interest, and the protection of participants' funds are of particular importance.

International practice demonstrates that the regulation of such platforms must balance the need to foster innovation with the risks posed to investors. The OECD, in particular, highlights issues regarding adverse selection, moral hazard, and credit risk management in loan-based crowdfunding (6).

The second issue is information asymmetry.

Investors are not always able to independently assess a project's true status. Therefore, a digital platform must provide not only the means to list a project but also a standardized set of information to facilitate investment decisions.

The third issue is investor protection.

A platform’s high level of technological sophistication does not imply low financial risk. On the contrary, the simplicity of digital investing can lead users to perceive a financial transaction as a routine digital purchase.

Consequently, mechanisms for informing investors about risks, restrictions for specific investor categories, and transparent dispute resolution procedures are essential.

The fourth issue is data quality.

While the use of artificial intelligence and automated scoring can enhance the efficiency of project assessment, the outcome depends directly on the quality of the source data. Thus, the development of digital finance requires not only algorithms but also a robust information infrastructure.

6. Proposed model for a digital alternative finance ecosystem

Based on the analysis conducted, it is proposed that the development of alternative finance in Uzbekistan be viewed as the phased creation of a digital ecosystem.

The first level comprises the foundational infrastructure: digital identification, electronic payments, open APIs, information systems, and data exchange mechanisms.

The second level consists of fintech platforms that facilitate interaction among entrepreneurs, investors, and financial institutions.

The third level involves risk analysis and management systems, utilizing scoring models, Big Data, and artificial intelligence tools.

The fourth level encompasses the alternative financing instruments themselves: digital factoring, crowdlending, crowdfunding, crowdinvesting, and other models. The fifth level concerns regulation and participant protection.

Thus, the proposed model can be represented as follows:

Digital infrastructure → fintech platform → data analysis → project assessment → investor/funder → financing → digital monitoring.

Crucially, the system of regulation and investor protection must span all levels of the ecosystem rather than being confined to the final stage.

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In our view, this specific architecture allows fintech to be viewed not merely as a distinct technological segment, but as the infrastructural foundation of a new financing mechanism.

Conclusion

The analysis demonstrates that financial technologies are gradually transforming not only the way financial services are delivered but also the very architecture of financial intermediation.

This process is particularly significant for Uzbekistan, as the country is simultaneously developing its digital infrastructure and seeking new ways to expand business access to financial resources.

The factoring market serves as a prime example. By 2024, 58% of factoring services were already being provided via electronic platforms, and by the end of 2025, the total volume of the factoring market had reached 9.5 trillion soums. In the first quarter of 2026, the volume of factoring services totaled 2.3 trillion soums, with 53% of transactions executed through electronic platforms (8).

These indicators suggest that digital factoring serves as a practical example of how a financial service gradually transitions into a platform-based environment.

The next stage may involve expanding the range of such mechanisms. Promising areas include crowdfunding, crowdlending, and other forms of digital capital raising. However, their development requires a more sophisticated institutional environment, as investment platforms directly implicate issues of investor protection, information disclosure, and risk management.

An important step in this direction is the National Strategy for Financial Technology Development (2026–2030), which envisions the further development of digital financial infrastructure and the use of a regulatory sandbox to test innovative solutions (12).

Based on the study, it can be concluded that it is advisable for Uzbekistan to shift from primarily digitizing existing financial services toward establishing new platform-based financing mechanisms.

At the same time, the development of alternative financing should be viewed not as an alternative to the banking system, but as a complement to it. Banks, fintech companies, digital platforms, investors, and government institutions can become interconnected elements of a unified financial ecosystem.

Proposed priority areas include: improving the regulatory framework for alternative financing; developing digital infrastructure; standardizing project information disclosure; implementing modern risk assessment tools; and enhancing investor protection and financial literacy.

Ultimately, the result of this transformation should be not merely an increase in the number of digital financial services, but an expansion of businesses' capacity to raise capital. In our view, this constitutes the primary economic significance of financial technologies for the development of alternative financing in Uzbekistan.

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