



Inclusive Sustainable Economic Domain (ISED) IFC Financial Inclusion for Growth



Scientific evidence shows that Financial Inclusion (FI), provided in a responsible manner, is an enabler of many development goals. Thus, FI is reflected in the Sustainable Development Goals (SDGs), for example regarding poverty eradication, promotion of economic growth, job creation and reducing inequalities that affect disadvantaged people and businesses, particularly micro, small and medium enterprises (MSMEs).

Rationale

In Central Asia FI remains limited due to various factors, including macroeconomic issues, geographic particularities, lack of trust in the financial system as well as poor financial education of individuals and MSMEs. The Financial Inclusion for Growth Project (FIG) seeks to improve access to credit, payment and saving services for individuals and businesses through formal (financial) institutions in a responsible manner.

Objectives and activities

The overall goal of the FIG is improve access to affordable, more widely available and demand-oriented productive credit, savings and payments products for individuals and MSMEs, provided by formal (financial) institutions in a responsible manner. This, in turn, will lead to economic growth and job creation. Using financing models that go beyond the traditional banking approach - such as mobile network operators or microfinance institutes - helps to reach financial markets and segments in an affordable manner that would not be reached otherwise.

Country:

Uzbekistan

Duration:

2019 –2023

Total Budget:

USD 500'000

Partners:

Central Bank;

State owned and private banks;

Mobile network operators

Executing Agency:

IFC

Outcomes and envisaged results

The Electronic and Digital Financial Services (EDFS) Component of the Project was designed to support governments and relevant sector institutions in the development of digital solutions. It also supports the adaptation of the legislative framework for example by proposing innovations and appropriate solutions for a smooth transformation. Moreover, it also help to foster the inclusion of unbanked and underbanked populations into the formal financial services' sector. The project supports participants in developing and offering payment-related products that meet the needs of the unserved and underserved population by digitizing payment flows and channeling them through the formal financial system.

- Strategic understanding of FI and commitment to FI of key stakeholders, notably the National Banks, is achieved.
- Capacity of financial institutions to provide services and products for the underserved segments is strengthened.
- Consumer capacity in terms of motivation and knowledge is increased.

Target groups

Unbanked rural population, women and youth.

Selected Key results achieved

- Strategies and policies, notably the National Banks' financial inclusion strategies, are drafted and approved;
- New and additional savings, credit and payment products are developed by financial institutions;
- People are reached through financial literacy, educational programs and tools, leading to observable improvements in client behaviour;
- A joint Road Map was developed with Central Bank of Uzbekistan (CBU) on creating an effective regulatory environment for promoting digital financial services and to formulate the legal and regulatory framework;
- CBU adopted the Law on Payments System, which accelerated digital finance reform and resulted in a new e-money regulation and e-registering of the first-ever e-money products in Uzbekistan;
- The law structured the payments system landscape and facilitated the introduction and penetration of modern digital finance opportunities;
- Five regulations and policies, including for concretizing the landmark Law on Payments, e-money regulation, amendments to regulation for commercial banks and banking account regulation were adopted;
- The total number of e-wallet transactions reached 7.7 million from a baseline of zero prior to the adoption of the e-money regulation;
- The Digital Finance system reforms have led to large increase in number of registered DFS users, which increase rapidly from 1.2 million to 17.4 million.

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printed in May 2023