

Digital Banking and SME Development: The Strategic Role of Commercial Banks in The Era of Financial Technologies

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Abstract: This article analyzes the role of commercial banks in supporting small business and entrepreneurship through digital technologies. The study examines the digitalization of banking services, the introduction of fintech solutions, and their influence on entrepreneurial activities. Particular attention is given to improving access to financial resources, simplifying lending procedures, and expanding financial inclusion through digital banking platforms. The results show that the digital transformation of the banking sector significantly contributes to the development of small businesses and strengthens the competitiveness of the digital economy.

Keywords: Digital economy, commercial banks, small business, entrepreneurship, fintech, digital banking services, financial inclusion.

Introduction: The rapid development of digital technologies has become one of the defining features of the modern global economy. Digital transformation is reshaping traditional economic systems and significantly influencing various sectors, particularly the financial and banking industries. Technological innovations such as mobile banking, internet banking, electronic payment systems, and financial technologies (fintech) have fundamentally changed the way financial services are delivered. These developments provide new opportunities for improving efficiency, accessibility, and transparency in financial operations. Small businesses and entrepreneurship play a vital role in the economic development of any country. They contribute significantly to job creation, innovation, and regional economic growth. However, limited access to financial resources has traditionally been one of the major challenges faced by small businesses. Complex banking procedures, lengthy credit approval processes, and high transaction costs often restrict entrepreneurs from obtaining necessary financial support for business development.

In recent years, digital banking services have emerged

as an effective solution to these challenges. The introduction of digital platforms allows entrepreneurs to manage financial transactions, apply for loans, and access banking services remotely. This not only simplifies financial procedures but also reduces operational costs and increases the efficiency of business activities. In Uzbekistan, the development of the digital economy has become one of the key priorities of national economic policy. The government has implemented several reforms aimed at modernizing the financial sector and expanding digital infrastructure. In particular, the national strategy “Digital Uzbekistan – 2030” focuses on accelerating digital transformation across various sectors, including the banking system. Additionally, several presidential decrees and government initiatives have emphasized the importance of improving digital financial services and strengthening support for small businesses and entrepreneurship. Commercial banks play a crucial role in implementing these reforms by introducing innovative financial technologies and expanding digital banking services. Therefore, analyzing the role of commercial banks in promoting small business development through digital technologies is essential

for understanding the future prospects of the digital economy and entrepreneurial growth.

METHODOLOGY

This study employs a comprehensive methodological framework to examine the role of digital technologies in strengthening the activities of commercial banks and their impact on the development of small businesses and entrepreneurship. The research combines both theoretical and empirical approaches in order to provide a systematic analysis of the relationship between digital banking services and entrepreneurial growth. The theoretical basis of the research is formed by scientific studies related to the digital economy, financial technologies (fintech), and the modernization of banking systems. Academic publications, analytical reports, and policy documents from international financial institutions such as the World Bank, OECD, and the International Monetary Fund were reviewed to identify global trends in digital banking and financial inclusion. In addition, national policy documents and reports published by the Central Bank of Uzbekistan were analyzed to understand the development of the digital financial ecosystem in the country.

Several research methods were applied during the study. First, a statistical analysis method was used to evaluate the dynamics of digital banking services in Uzbekistan. Indicators such as the number of mobile banking users, the volume of electronic payments, and the growth of digital lending services were examined using official statistical data. Second, a comparative analysis method was employed to assess the impact of digital technologies on the accessibility of financial services for small businesses. This method allowed the research to compare key financial indicators before and after the implementation of digital banking solutions.

Furthermore, a systemic analytical approach was used to examine the interaction between commercial banks, digital technologies, and entrepreneurial activities. This approach considers the financial system as an integrated structure in which technological innovation, banking institutions, and business entities interact with each other. Economic and logical analysis methods were applied to interpret the obtained data and identify key trends in digital banking development. The combination of these methodological approaches made it possible to evaluate the effectiveness of digital banking services in supporting small business growth and improving financial inclusion.

RESULTS

The empirical analysis demonstrates that the expansion of digital banking technologies has significantly influenced the operational performance of small and medium-sized enterprises (SMEs) and the efficiency of financial intermediation in Uzbekistan. Unlike traditional banking models, digital financial platforms provide entrepreneurs with faster access to financial services, automated payment systems, and simplified credit evaluation procedures. One of the key findings of this research is the positive relationship between digital banking adoption and SME productivity. Businesses that actively use digital banking services demonstrate higher levels of operational efficiency, mainly due to faster transaction processing and improved financial management tools. To evaluate this relationship, several indicators were analyzed, including the Digital Banking Adoption Rate (DBAR) among SMEs, the average transaction processing time, and the volume of SME financial transactions conducted through digital platforms.

Table 1. Digital Banking Adoption and SME Operational Performance

<i>Indicator</i>	2020	2022	2024
SMEs using digital banking (%)	28	49	67
Average transaction processing time (minutes)	35	18	7
SME digital transaction volume (trillion UZS)	95	176	294

Source: Author's calculations based on Central Bank data.

The results show a strong upward trend in the use of digital banking services by SMEs. Between 2020 and 2024, the share of small businesses using digital financial platforms increased from 28 percent to 67 percent. At the same time, the average processing time for financial transactions decreased dramatically from 35 minutes to approximately 7 minutes, demonstrating significant improvements in banking efficiency.

Another important aspect revealed by the analysis is the growing role of fintech integration in SME financing. Fintech tools, including automated credit scoring systems and online lending platforms, have reduced the time required for credit approval and minimized bureaucratic procedures traditionally associated with bank lending.

Table 2. Digital Lending and SME Credit Accessibility

<i>Indicator</i>	<i>2019</i>	<i>2022</i>	<i>2024</i>
Average SME loan approval time (days)	12	6	2
SME loans issued via digital channels (%)	6	19	37
Number of fintech-supported SME loans (thousand)	45	118	243

Source: Central Bank reports and fintech platform statistics.

The findings indicate that digital lending technologies have significantly improved credit accessibility for small businesses. The average loan approval time decreased from 12 days in 2019 to only 2 days in 2024, highlighting the efficiency of automated financial technologies. In addition, digital financial ecosystems have enabled banks to reduce operational costs while expanding their customer base among SMEs. The increased use of digital platforms has allowed banks to process a larger volume of financial transactions without significantly increasing administrative expenses. Overall, the results suggest that the integration of digital technologies into commercial banking operations has not only enhanced financial accessibility but also improved the productivity and competitiveness of small businesses within the national economy

DISCUSSION

The findings of this study can be interpreted through the framework of SME competitiveness in the digital economy. In this context, digital banking technologies influence entrepreneurial performance through three key dimensions: financial accessibility, operational efficiency, and innovation capacity.

First, digital banking platforms significantly improve financial accessibility for small and medium-sized enterprises. Traditional banking systems often require extensive documentation, lengthy approval procedures, and physical interaction with financial institutions. Digital platforms reduce these barriers by enabling entrepreneurs to apply for financial services remotely and receive rapid credit assessments through automated systems. As a result, SMEs gain faster access to working capital, which directly supports business expansion and market participation.

Second, the integration of digital financial services enhances operational efficiency within small businesses. Digital payment systems, online transaction management, and mobile banking applications allow entrepreneurs to perform financial operations in real time. This reduces administrative burdens and transaction costs, enabling firms to allocate more resources toward productive activities such as investment, marketing, and product development.

Third, digital financial ecosystems contribute to the innovation capacity of SMEs. The availability of fintech

solutions encourages businesses to adopt new technological tools and modern financial management practices. This process strengthens the digital capabilities of enterprises and increases their competitiveness in both domestic and international markets.

However, despite these positive developments, several structural challenges remain. The uneven distribution of digital infrastructure across regions may limit the ability of some entrepreneurs to fully utilize digital financial services. In addition, limited digital literacy among certain groups of entrepreneurs can reduce the effectiveness of newly introduced financial technologies. Therefore, strengthening digital infrastructure and improving financial education programs remain essential components of sustainable SME development within the digital economy.

CONCLUSION

The results of this study confirm that digital technologies are transforming the role of commercial banks in supporting small business development. Digital banking platforms, fintech innovations, and online financial services have significantly improved access to financial resources for entrepreneurs while reducing operational costs and increasing efficiency. In Uzbekistan, ongoing economic reforms and digital transformation strategies have created favorable conditions for the development of digital financial ecosystems. Commercial banks have become key actors in this transformation by introducing innovative banking services that simplify financial operations for small businesses. Nevertheless, the full potential of digital banking for SME development can only be achieved through coordinated policy actions. Based on the findings of this research, several policy recommendations can be proposed.

Expanding digital infrastructure should remain a strategic priority. Improving internet accessibility and digital connectivity in rural and remote regions will allow a larger number of entrepreneurs to benefit from digital financial services. Financial institutions should continue investing in fintech innovation. The development of automated credit scoring systems, digital lending platforms, and integrated payment technologies can further improve financial accessibility for small businesses. Increasing digital and financial literacy among entrepreneurs is essential for

maximizing the benefits of digital banking. Training programs and educational initiatives can help business owners better understand and effectively utilize digital financial tools. Strengthening cooperation between government institutions, financial regulators, and commercial banks will play an important role in ensuring the stability and sustainability of the digital financial ecosystem.

Overall, the digital transformation of the banking sector represents a powerful mechanism for enhancing SME competitiveness and supporting long-term economic growth. Continued development of digital financial services will contribute to a more inclusive and innovative economic environment in the future.

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