

FACTORING AS A DRIVER FOR SME BUSINESS AND FINANCIAL SECTOR DEVELOPMENT

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Abstract. *This article examines aspects of the formation of the factoring services market and the development of digitalization in this sphere in Uzbekistan. The authors substantiate its benefits for both small and medium-sized enterprises (SMEs) and financial and credit institutions.*

Keywords: *digital transformation, factoring, small and medium-sized enterprises (SMEs), electronic document management (EDM), fin-tech companies and their services, artificial intelligence (AI).*

In the era of digital transformation, the country's financial sector is on the verge of global changes, and factoring is gradually becoming a key driver of this process.

On the one hand, the formation of the factoring market and the introduction of digitalization technologies, and on the other, the emergence of fintech companies and the inclusion of new participants - commercial banks and credit organizations - are opening up new horizons for consumers and SMEs by reducing barriers and increasing competition.

Factoring is a financial service that allows small and medium-sized enterprises (SMEs) to quickly receive funds for deferred payments (accounts receivable) without waiting for clients to pay their invoices²⁶⁵.

Analyzing the factoring services market, it should be noted that in the first half of 2025 alone, credit institutions provided services totaling 4 trillion soums. Of this amount, 3.7 trillion soums (93%) of factoring transactions were handled by commercial banks, and 289 billion soums (7%) by microfinance organizations. Furthermore, 2.3 trillion soums (58%) of the total volume of factoring services provided were for digital factoring services. Of these, 1.2 trillion soums (52%) were carried out through the "Finmakon" electronic factoring platform, and 1.1 trillion soums (48%) through the "Ozplanet" electronic factoring platform²⁶⁶.

The Decree of the President of the Republic of Uzbekistan No. UP-109 of August 12, 2024, "On Measures for the Accelerated Development of the Factoring Services Market," established the following main targets for the development of the factoring services market:

- a tenfold increase in the volume of factoring services within 3 years;
- bringing the share of factoring services provided by state-owned banks to 3 percent of the total financing volume by the end of 2026²⁶⁷.

²⁶⁵ Богданов «Факторинг- финансовый ключ к развитию бизнеса». Журнал «The mag business»-№5, 2024, с.28

²⁶⁶ Центральный банк РУз. Обзор рынка факторинговых услуг в I полугодие 2025 года. Т.: 2025. с.2

²⁶⁷ Decree of the President of the Republic of Uzbekistan No. UP-109 "On Measures for the Accelerated Development of the Factoring Services Market," dated August 12, 2024. – www.lex.uz

Table 1 presents a comparative analysis of short-term financing through bank loans versus factoring services.

Table 1
Short-term financing for SMEs through bank loans and factoring services²⁶⁸

Performance metrics	Factoring services	Bank loans
Processing time	Short term (from 2 hours to 1 day)	1-5 days
Provision	Not applicable	Wanted
Feasibility	Not required	Wanted
Funding limit	No restrictions	No limit set
Financing term	No limit set	Within the timeframe specified in the contract

For SMEs in need of quick and simple financing, factoring offers several attractions: increased liquidity, reduced financial risks, simplified accounts receivable management, the possibility of short-term financing, and flexible service conditions, among others.

Unlike a traditional loan, factoring does not require collateral and does not increase the debt burden. It is especially convenient for businesses that operate with deferred payments, such as suppliers, manufacturers, exporters, and contractors, including those in the service sector. Key advantages include the ability to receive funds immediately after shipment, the elimination of cash flow gaps, improved payment discipline from counterparties, and the minimization of financial risks. Furthermore, most banks provide the option to apply online, which makes the process as efficient as possible. In a related development, the National Bank of the Republic of Uzbekistan has begun to provide factoring services in foreign currency for export contracts, aiming to expand the export potential of the country's business entities and increase the competitiveness of their products in foreign markets.

It should be noted that all the aforementioned processes are supported by the implementation of the Electronic Platform for Factoring Services, which serves as the technological infrastructure for commercial banks and credit organizations to provide these services to supply chain participants.

If SME clients are interested in and striving for digitalization and the convenience of online services, it is worth looking into the activities of "Ozplanet" and "Finmakon," which offer online factoring services through their electronic platforms. Their advantages are as follows: favorable financing terms, no need to visit bank offices, a minimal package of documents, electronic document interchange (EDI), application decisions within an hour, and personalized service through a private online account. The EDI on these platforms is a modern method of document management that facilitates the legally significant exchange of documents over the Internet. To date, more than 2,000 enterprises and 25 of the country's commercial banks are integrated into these systems, and credit limits for 1,600 enterprises have been set at over 2.5 trillion soums.

Thus, digital factoring services are currently offered by almost all leading commercial banks based on electronic document interchange (EDI), and other fintech services are provided to accelerate cash flow and scale business for SMEs.

²⁶⁸ Factoring Services and Their Key Aspects. www.finlit.uz

Experts in the factoring market expect that the most successful commercial banks and factoring companies will be those whose activities are directly linked to process digitalization, including the implementation of artificial intelligence (AI) and the automation of customer service. At the same time, special attention will be paid to expanding geographical coverage and adapting factoring to meet the needs of regional clients. It is also important not to forget the need to comprehensively develop and raise entrepreneurs' awareness of factoring services, which remains low. Meanwhile, financial and credit institutions recognize the need to improve their employees' qualifications to implement and scale up these services.

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INTEGRATION OF THE ARTIFICIAL INTELLIGENCE IN THE UNIFIED BILLING SYSTEM FOR ENHANCING ONLINE PAYMENTS IN DIGITAL GOVERNMENT SERVICES IN UZBEKISTAN

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Research Problem: the Unified Billing System (UBS) in Uzbekistan now processes payments for hundreds of online public services, but it lacks the advanced analytics and automation needed to handle rapidly growing transaction volumes. In practice, the UBS is “tracking state duties and service fees,” integrating around 595 services by 2025, yet there is limited real-time monitoring or predictive insights. Consequently, the payment platform faces challenges in fraud detection, transaction monitoring, and data-driven decision-making. This thesis addresses the problem of how to integrate artificial intelligence (AI) into the UBS to improve the efficiency, security, and analytical capabilities of online payments in Uzbekistan’s digital government.

Research Gap: despite the acceleration of Uzbekistan’s digital government where more than 800 services are now available online and more than 12.5 million citizens use the national portal, there is little published research on applying AI specifically to public-sector payment systems. Existing studies mostly focus on e-government service delivery and infrastructure, but do not examine AI-driven optimization of a billing platform. In Uzbekistan’s case, national technology reports note that “a unified billing system simplifies payments and transactions” yet have not detailed how AI could enhance this system. Thus, there is a clear gap in understanding which AI methods can be used to optimize transaction processing and financial analytics within the UBS in Uzbekistan.

Uzbekistan’s digital transformation has centralized public-service payments. The Unified Billing System, developed under the Digital Government Project Management Center, automates payment acceptance, accounting, and inter-agency