



STRATEGIC TRANSFORMATION AND COMPETITIVENESS OF COMMERCIAL BANKS IN UZBEKISTAN: A CONCEPTUAL AND METHODOLOGICAL APPROACH

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Article history:	Abstract:
Received: 24 th March 2026 Accepted: 14 th April 2026	This article examines the processes of strategic transformation of commercial banks and their impact on the formation of competitiveness in the context of developing financial markets. Using the example of the Republic of Uzbekistan, key structural changes in the banking sector are identified, and an integrated conceptual model of competitiveness is developed, taking into account the interaction of financial, technological, and institutional factors. The findings have both theoretical and practical significance for improving banking policy and the development strategies of financial institutions.
Keywords: Competitiveness, commercial banks, strategy, transformation, banking sector, digitalization, Uzbekistan, financial market.	

INTRODUCTION. In the context of the globalization of financial markets and the accelerated development of digital technologies, the competitiveness of commercial banks is becoming a key factor in ensuring the sustainable functioning of the banking system. This issue is particularly relevant for developing economies, where the banking sector is undergoing an active transformation phase.

The Republic of Uzbekistan represents a vivid example of a transition economy in which, in recent years, large-scale reforms have been implemented aimed at liberalizing the financial market, reducing the share of state participation, and developing digital financial services. These transformations significantly reshape the competitive environment and necessitate a revision of traditional approaches to assessing the competitiveness of banks.

Despite the substantial volume of academic research, existing conceptual models are predominantly focused on financial indicators and do not fully incorporate institutional and technological factors.

The purpose of the research is the development of an improved conceptual-methodological model for increasing the competitiveness of commercial banks under conditions of strategic transformation.

LITERATURE REVIEW ON THE TOPIC. The issue of the competitiveness of commercial banks under conditions of the transformation of financial markets has received wide coverage in both foreign and national academic literature, which indicates its high theoretical and practical significance.

The fundamental foundations of the theory of

competitiveness were laid in the works of Michael Porter, who considers competitive advantages as the result of the interaction between an organization's internal resources and industry structure. In the context of banking activity, this approach makes it possible to interpret competitiveness as the ability of financial institutions to effectively adapt to changes in the external environment and to form sustainable strategic positions [1].

A significant contribution to the development of the theory of banking competition was made by Stijn Claessens and Luc Laeven, who, based on international empirical data, demonstrated that increased competition in the banking sector contributes to improving the efficiency of financial intermediation; however, under conditions of insufficient regulation, it may lead to a rise in systemic risks. These conclusions are of particular relevance for developing economies, where the institutional environment is in the process of formation [2].

In the works of Thorsten Beck, the key role of institutional factors— including the quality of the legal system, the level of regulation, and the development of financial infrastructure— in shaping the competitiveness of banks is substantiated. According to his approach, it is precisely the institutional environment that determines the long-term stability of the banking system and the efficiency of financial markets [3].

Contemporary studies also emphasize the growing importance of digitalization and fintech. In particular, it is noted that the adoption of digital technologies contributes to the reduction of transaction costs, the enhancement of accessibility of financial services, and



the formation of new competitive advantages of banking institutions.

At the national level, issues of bank competitiveness are actively studied in the context of the reform of the banking system of the Republic of Uzbekistan. Studies by domestic authors (for example, Khamidov B., Rakhimov Sh., Tursunov D.) focus on the institutional and technological aspects of the development of the banking sector. In particular, it is emphasized that the reforms initiated within the framework of the state strategy are aimed at the privatization of state-owned banks and the formation of a competitive environment [4;5;6].

At the same time, it is noted that the adoption of digital technologies and the development of fintech solutions are becoming key drivers of improving the efficiency of banking activities and strengthening their competitive positions.

The conducted analysis of the academic literature makes it possible to identify a number of fundamental provisions:

- foreign studies are predominantly focused on the theoretical and empirical aspects of banking competition and financial stability;
- national studies are oriented toward the specifics of the transformation of the banking sector of Uzbekistan and the impact of reforms;
- contemporary works emphasize the growing role of digitalization and institutional factors.

At the same time, a number of unresolved scientific problems have been identified:

- the absence of an integrated model that combines financial, technological, and institutional factors;

- insufficient development of mechanisms for assessing the structural imbalance of competitiveness;
- the limited scope of studies that take into account the specifics of developing financial markets.

Thus, the conducted literature analysis substantiates the need to develop a multifactor conceptual model of the competitiveness of commercial banks that takes into account financial development parameters, the institutional environment, the level of digitalization and innovation, and strategic aspects of management. It is precisely this direction that forms the basis of the present study and determines its scientific novelty.

RESEARCH METHODOLOGY. The methodological foundation of the present study is based on a systemic and interdisciplinary approach that integrates the provisions of financial market theory, institutional economics, and strategic management.

Within the framework of the study, the competitiveness of commercial banks is interpreted as a multi-level, dynamic, and non-linear category, formed as a result of the interaction of financial, institutional, technological, and strategic factors.

ANALYSIS AND RESULTS. For the purpose of empirically verifying the developed theoretical and methodological provisions and substantiating the proposed conceptual model of competitiveness, this study conducts a comprehensive multi-level analysis of the banking sector of the Republic of Uzbekistan, based on the use of official statistical data from the Central Bank of the Republic of Uzbekistan.

Table 1
Dynamics of Key Indicators of the Banking Sector of Uzbekistan¹

Indicator	01.01.2025	01.01.2026	Growth Rate (%)	Structural Commentary
Assets (billion UZS)	769 330	924 763	+20%	Growth of the scale of financial intermediation
Loan Portfolio	533 121	604 002	+13%	Moderate credit expansion
Deposits	308 692	417 258	+35%	Strengthening of the resource base
Capital	114 792	135 339	+18%	Enhancement of banks' stability
Share of Deposits in Liabilities (%)	48.2%	53.1%	↑	Reduction of dependence on external funding

The data presented in Table 1 make it possible to draw more in-depth scientific conclusions about the nature of the transformation of the banking sector of Uzbekistan:

- an outpacing growth of the deposit base (+35%) compared to lending (+13%) has been

recorded, which indicates a qualitative change in the model of financing banking activities. This trend reflects a transition from a credit-oriented model to a resource-balanced growth model based on internal funding;

- an increase in the share of deposits in the structure of liabilities from 48.2% to 53.1% confirms the

¹ Central Bank of the Republic of Uzbekistan — statistical data



strengthening of the financial stability of the banking system, as well as a reduction in dependence on interbank and external borrowing;

- a 20% growth in assets, alongside moderate lending dynamics, indicates a structural diversification of banking operations, including the expansion of investment instruments and liquid assets;

- an 18% increase in capital reflects the tightening of capital adequacy requirements and

indicates the gradual adaptation of the banking sector to international regulatory standards.

The identified structural changes in the dynamics of key indicators of the banking sector indicate the need for an in-depth analysis not only of quantitative parameters, but also of the internal structure of the assets and liabilities of the banking system, which determines the stability and competitiveness of financial institutions.

Table 2
Structure of Assets and Liabilities of the Banking Sector of Uzbekistan (as of 01.01.2026)²

Indicator	Volume (billion UZS)	Share (%)	Change compared to 2024	Economic Interpretation
ASSETS				
Loans	604 002	65.3%	↓	Reduction in the concentration of credit risk
Investments in Securities	96 850	10.5%	↑	Diversification of Assets
Interbank Assets	52 410	5.7%	↓	Reduction of dependence on the interbank market
Other Assets	171 501	18.5%	↑	Growth of Liquid and Auxiliary Assets
TOTAL ASSETS	924 763	100%	—	—
LIABILITIES				
Customer Deposits	417 258	53.1%	↑	Increase in trust and stability
Funds from Banks and Microfinance Institutions	51 200	6.5%	↓	Reduction of external dependence
External Borrowings	119 480	15.2%	↓	Reduction of foreign exchange risks
Other Liabilities	201 486	25.2%	↑	Diversification of Liabilities
TOTAL LIABILITIES	789 424	100%	—	—

In this regard, further analysis should be directed toward examining the structural characteristics of the banking balance sheet, which make it possible to identify the sources of formation of the resource base and the features of asset allocation, as presented in Table 2.

The structural analysis of assets and liabilities makes it possible to identify qualitatively new patterns in the development of the banking sector of Uzbekistan:

- a decrease in the share of the loan portfolio to 65.3%, alongside a simultaneous increase in investment assets, indicates a transition to a diversified model of resource allocation, which reduces the concentration of credit risk and enhances the stability of the banking system;

- an increase in the share of deposits to 53.1% confirms the formation of a deposit-oriented funding model, which corresponds to international practices of sustainable banking development and reduces

dependence on external sources;

- a reduction in external borrowings and interbank liabilities indicates a decrease in systemic and foreign exchange risks, as well as the strengthening of the domestic financial market;

- an increase in the share of other assets and liabilities reflects the growing complexity of the structure of banking operations, including the development of investment instruments, digital services, and off-balance-sheet transactions.

The identified structural changes in the balance sheet of the banking system indicate that the competitiveness of commercial banks is determined not only by the scale and structure of resources, but also by the distribution of market power among participants in the banking sector.

In this regard, particular relevance is attached to the analysis of the institutional structure of the banking system, including the ratio of state-owned and private

² Central Bank of the Republic of Uzbekistan — statistical data of the banking sector for 2025 (<https://cbu.uz>)



banks, which makes it possible to assess the level of competition and the degree of market concentration

(Table 3).

Table 3
Institutional Structure of the Banking Sector of Uzbekistan (2025)³

Indicator	State-owned banks	Private banks	Total
Number of banks	13	20	33
Assets (billion UZS)	662 814	261 949	924 763
Share of assets (%)	71.7%	28.3%	100%
Loan portfolio (billion UZS)	417 000	187 002	604 002
Share of loans (%)	69.0%	31.0%	100%
Deposits (billion UZS)	230 500	186 758	417 258
Share of deposits (%)	55.2%	44.8%	100%

The presented data make it possible to identify the key institutional features of the banking sector of Uzbekistan.

First, the high share of state-owned banks in total assets (71.7%) and lending (69.0%) indicates the continued dominant role of the state, which forms a specific model of banking competition that differs from classical market systems.

Second, despite a smaller share of assets, private banks accumulate a significant portion of deposits (44.8%), which indicates their higher market adaptability and client-oriented focus. This reflects differences in business models:

- state-owned banks are oriented toward financing large-scale projects and government programs;

- private banks are oriented toward the retail market and services for businesses.

Third, the observed structure indicates an

asymmetric distribution of market power, which constrains the development of a fully competitive environment and reduces the efficiency of market mechanisms.

The identified institutional imbalances and the asymmetry in the distribution of market power indicate that assessing the competitiveness of the banking sector requires not only structural analysis but also the quantitative measurement of the contribution of key factors.

In this regard, there arises a need to develop an integral assessment toolkit that makes it possible to aggregate financial, technological, and institutional parameters into a single indicator.

The implementation of this approach is presented in Table 4, which proposes the author's methodology for calculating an integral index of the competitiveness of commercial banks.

Table 4
Integral Index of the Competitiveness of Commercial Banks (2025)⁴

Component	Indicators	Normalized value (0–1)	Weight (wi)	Weighted contribution
Financial Stability	ROA, capital, liquidity	0.80	0.25	0.20
Innovation Potential	Digital services, fintech	0.75	0.20	0.15
Customer Orientation	Service quality, trust	0.65	0.15	0.097
Institutional Environment	Competition, regulation	0.60	0.20	0.12
Strategic Management	Adaptability, risk management	0.72	0.20	0.144
TOTAL (index)	—	—	1.00	0.711

Formula for calculating the integral index.

³ Central Bank of the Republic of Uzbekistan — statistical data of the banking sector for 2025 (<https://cbu.uz>)

⁴ Author's elaboration based on data from the Central Bank of the Republic of Uzbekistan and the methodological approaches of Michael Porter, Stijn Claessens, and Thorsten Beck.



$$CI = \sum_{i=1}^n w_i \cdot x_i$$

CI — integral competitiveness index;

w_i — weight of the i-th component;

x_i — normalized value of the indicator;

n — number of factors.

The calculated value of the integral index (0.711) makes it possible to classify the banking sector of Uzbekistan as being at a moderately high level of competitiveness, reflecting the presence of both stable competitive advantages and systemic constraints.

The structural analysis of the index shows that the largest contributions are provided by financial stability (0.20) and innovation potential (0.15), which indicates a strong resource base and active digital transformation, as well as:

- relatively low values of the institutional environment (0.12) indicate the limited nature of the competitive environment and the influence of the state sector;

- a moderate level of customer orientation (0.097) suggests the need to transition toward more personalized banking strategies.

In contrast to traditional approaches:

- an integral index combining financial, technological, and institutional factors is proposed;

- the existence of a structural imbalance in competitiveness is demonstrated;

- the necessity of transitioning to a balanced development model is substantiated.

Thus, the conducted comprehensive analysis, including dynamic, structural, and integral assessment, makes it possible to form a holistic understanding of the state and development trends of the competitiveness of commercial banks of the Republic of Uzbekistan.

CONCLUSION. The conducted study has made it possible to comprehensively reconsider the theoretical and methodological approaches to ensuring the competitiveness of commercial banks under conditions of the transformation of developing financial markets, using the example of the Republic of Uzbekistan.

Based on the conducted analysis, an integrated conceptual model of competitiveness has been developed, which makes it possible to systematically assess the state of the banking sector and identify key directions for its development.

The empirical results of the study have made it possible to identify a number of fundamentally significant patterns. It has been established that the banking sector of Uzbekistan is characterized by stable growth and structural transformation; however, this

process is unbalanced in nature. In particular, the outpacing development of financial and technological components has been recorded, alongside the relative lag of the institutional environment and mechanisms of competitive interaction.

Of particular importance are the proposed directions for development, which include:

- accelerating institutional reforms and developing the competitive environment;

- reducing the share of state participation in the banking sector;

- deepening digital transformation and integrating fintech solutions;

- enhancing the level of customer orientation and the quality of banking services;

- improving corporate governance and risk management.

In theoretical terms, the results of the study contribute to the development of the modern theory of banking competitiveness through the integration of institutional, technological, and strategic approaches.

Thus, the results of the study confirm that the sustainable enhancement of the competitiveness of commercial banks is possible provided there is balanced development of financial, institutional, and technological components, which forms the foundation for the effective functioning of the banking sector in the context of the global transformation of financial markets.

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