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DEVELOPING THE USE OF DIGITAL BANKING SERVICES IN LENDING TO SMALL BUSINESS ENTITIES

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Abstract:

This thesis analyzes the organizational and economic conditions for developing the digital lending process for small businesses. Electronic applications, remote identification, data exchange, contract conclusion, and subsequent monitoring are considered as interconnected processes. It is proposed to assess the outcomes of digitalization through decision-making speed, cost per loan, accessibility, and portfolio quality. Clear and understandable terms for entrepreneurs, along with assistance and complaint channels, are substantiated as essential components of service quality.

Keywords: digital banking, small business, remote lending, electronic application, digital identification, data exchange, service quality.

Relevance and Research Approach

For a small business manager, repeated visits to a bank, submission of the same documents, and checking the status of an application require both time and expense. Digital services can reduce these burdens. However, submitting an application online does not mean that the entire lending process has been digitalized. If document verification, decision-making, and post-loan monitoring remain manual, the expected gains in speed will be limited.



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The objective is to identify directions for developing digital lending services based on the needs of small businesses. The approach is based on comparing official announcements of the Central Bank and international analytical materials with a process map [1–3]. In September 2026, announcements by the Central Bank of Uzbekistan reported the presentation of the TadbirCore digital lending marketplace [1]. This institutional change demonstrates the existence of a digital channel; however, its impact on credit quality or business growth should be verified using separate data.

Key Components of Digital Services

At the initial stage, the entrepreneur should be informed about the purpose of the loan, its total cost, the required documents, and the expected decision timeframe. This is followed by submission of the electronic application and identification of the authorized person. Verification of the authority of a person applying on behalf of a legal entity is also a task distinct from identification. Detection of fraud indicators and verification of data consistency should begin at this stage.

The next component is obtaining data on bank accounts, financial statements, and credit history on the basis of the applicable legal framework. Where the entrepreneur's consent is required, its scope, purpose, and validity period should be clearly specified. Consent granted once cannot be interpreted as unlimited authorization to use data for any purpose. It is proposed that only the fields necessary for data processing be collected and that all access be logged.

After a decision is made, the electronic contract, disbursement of funds, and monitoring of the repayment schedule form a continuous part of the service. The application should display the outstanding loan balance, the next payment, and the conditions for early repayment. If an application is rejected, the entrepreneur should be provided with a clear reason and a mechanism for reconsideration. This



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reduces uncertainty in the service process and helps identify correctable errors in the submitted documents.

According to a 2025 BIS analysis, limited financial history and insufficient collateral remain barriers for small businesses in emerging market economies, while digital innovation alone cannot resolve all underlying structural problems [2]. Based on this conclusion, it is proposed to develop the digital channel together with bookkeeping support, alignment of loan products with seasonal business activity, and improvements in data quality.

Measuring Service Effectiveness

Rather than evaluating a digital service by the number of downloads, a bank should measure the full journey from the start of an application to the final lending decision. If drop-offs at each stage are recorded separately, it becomes possible to distinguish an interface problem from a credit policy constraint. The indicators proposed by the author are presented below.

Table 1. Comparison prepared by the author

Indicator	Measurement method	Management objective
Decision time	Median and 90th-percentile time from complete application to decision	Identify typical and prolonged delays
Process completion	Completed applications / initiated applications	Identify barriers faced by entrepreneurs
Cost per loan	Relevant operating costs / loans issued	Measure the economic effect of automation
Portfolio quality	Compare delinquencies across loan cohorts of the same maturity	Verify that greater speed has not been achieved at the expense of higher risk



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Development Proposals

The first direction is data interoperability. The bank's internal application, risk assessment, and contract systems should be linked through a common application identifier. Obtaining data through application programming interfaces may reduce errors; however, an alternative verification procedure should be available when a system does not respond. Missing data alone should not be treated as evidence of a negative credit history.

The second direction is accessibility. Pages adapted to low-speed internet, simple instructions, and remote assistance are necessary to reach entrepreneurs with limited digital experience. An application that has received support through a branch or by telephone should continue within the same integrated system. This prevents entrepreneurs from having to re-enter information from the beginning when switching channels.

The third direction is the integrated management of service and security. Multi-factor authentication, role-based access, incident logging, and a recovery plan should be introduced. The Basel Committee's 2025 principles on credit risk management emphasize regular measurement, monitoring, and appropriate credit administration [3]. Independent oversight should also be maintained in the digital channel. Pilot results should be compared with groups that have the same industry, risk level, and loan age, while taking seasonal changes in demand into account.

Conclusion

The value of digital banking services for small businesses is reflected in reduced time and costs in the lending process, clarity of terms, and reliable service delivery. The seamless integration of electronic applications, data exchange, decision-making, and monitoring is a key condition for further development. The proposed indicators make it possible to assess the practical benefits of digitalization together



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with the quality of the loan portfolio; however, the precise magnitude of these benefits should be determined through observations from bank pilot projects.

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