



## THE ROLE OF COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN ENHANCING THE INVESTMENT POTENTIAL OF COMMERCIAL BANKS IN THE DIGITAL ECONOMY: THE CASE OF SANOAT QURILISH BANK (SQB)

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**Abstract:** This study examines the role of cooperation with international financial institutions in enhancing the investment potential of commercial banks in the digital economy, using Sanoat Qurilish Bank (SQB) as a case. It argues that such partnerships expand access to long-term capital, accelerate digital transformation, improve risk management, and strengthen integration into global financial markets. The paper concludes that IFI collaboration significantly increases SQB's competitiveness, resilience, and capacity to finance sustainable and technology-driven economic development in Uzbekistan.

**Keywords:** *digital economy, investment potential, commercial banks, international financial institutions, Sanoat Qurilish Bank, fintech, sustainable finance.*

**Annotatsiya:** Mazkur tadqiqot raqamli iqtisodiyot sharoitida tijorat banklarining investitsion salohiyatini oshirishda xalqaro moliya institutlari bilan hamkorlikning rolini Sanoat Qurilish Bank (SQB) misolida tahlil qiladi. Hamkorlik uzoq muddatli moliyalashtirishga kirishni kengaytirishi, raqamli transformatsiyani tezlashtirishi, risklarni boshqarishni kuchaytirishi va bankning global moliya tizimiga integratsiyasini chuqurlashtirishi asoslab beriladi.

**Kalit so'zlar:** *raqamli iqtisodiyot, investitsion salohiyat, tijorat banklari, xalqaro moliya institutlari, Sanoat Qurilish Bank, fintech, barqaror moliya.*

**Аннотация:** В работе анализируется роль сотрудничества с международными финансовыми институтами в повышении инвестиционного потенциала коммерческих банков в условиях цифровой экономики на примере Sanoat Qurilish Bank (SQB). Показано, что такое взаимодействие расширяет доступ к долгосрочным ресурсам, ускоряет цифровую трансформацию, улучшает управление рисками и усиливает интеграцию банка в глобальные финансовые рынки, повышая его конкурентоспособность и устойчивость.

**Ключевые слова:** *цифровая экономика, инвестиционный потенциал, коммерческие банки, международные финансовые институты, Sanoat Qurilish Bank, финтех, устойчивые финансы.*

### Introduction

The digital economy has become a defining factor in the transformation of financial systems worldwide, reshaping the role of commercial banks in economic development, investment mobilization, and technological innovation. In this context, banking institutions are no longer merely intermediaries of financial resources but key actors in digital infrastructure development, data-driven decision-making, and sustainable economic growth. For emerging economies such as Uzbekistan, the transition to a digital financial ecosystem is both a strategic priority and a structural necessity. In recent years, the Government of Uzbekistan has

undertaken comprehensive reforms aimed at accelerating digital transformation and strengthening the financial sector. The adoption of the Strategy “Uzbekistan – 2030”, approved by Presidential Decree No. UP-158 (September 11, 2023), established clear priorities for digitalization, innovation-driven growth, and financial market modernization. Within this framework, the development of digital banking services, expansion of cashless payments, and integration of national financial institutions into global capital markets have been identified as key objectives.

Furthermore, Presidential Decree No. UP-60 “On the Development Strategy of New Uzbekistan for 2022–2026” (January 28, 2022) emphasized the need to enhance financial inclusion, modernize banking infrastructure, and promote public-private partnerships in financing large-scale industrial and infrastructure projects. This policy direction has created a favorable regulatory environment for commercial banks to expand their investment activities in collaboration with international financial institutions (IFIs). In line with these strategic priorities, the Law of the Republic of Uzbekistan “On Payments and Payment Systems” (2022) and related regulatory acts issued by the Central Bank of Uzbekistan have played a crucial role in fostering digital banking, electronic transactions, and fintech innovation. These legislative measures have strengthened the legal foundation for digital financial services, cybersecurity, and data protection, thereby increasing the reliability and efficiency of the national banking system.

At the institutional level, Sanoat Qurilish Bank (SQB) has actively aligned its development strategy with national digital transformation goals. As one of the leading state-owned commercial banks in Uzbekistan, SQB plays a central role in financing industrial modernization, infrastructure projects, and small and medium-sized enterprises (SMEs). In recent years, the bank has undertaken significant digitalization initiatives, including the expansion of online banking platforms, mobile financial services, and automated credit assessment systems. Moreover, SQB has strengthened its cooperation with international financial institutions such as the World Bank, Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and International Finance Corporation (IFC). These partnerships have facilitated access to long-term concessional financing, technical assistance, and global best practices in risk management, corporate governance, and environmental, social, and governance (ESG) standards. A notable example is SQB’s participation in sustainability-oriented financial instruments supported by international partners, which aligns with Uzbekistan’s broader commitment to green and inclusive economic development. Despite these advancements, several structural challenges remain. Domestic capital markets are still underdeveloped, the level of digital financial literacy among the population varies, and banks continue to face regulatory and technological adaptation pressures. In this regard, cooperation with IFIs is not merely an external funding mechanism but a strategic catalyst for institutional modernization, innovation, and long-term investment capacity building.

### **Methods**

This study employs a single embedded case study design centered on Sanoat Qurilish Bank (SQB) to examine how cooperation with international financial institutions (IFIs) contributes to enhancing the investment potential of a commercial bank in the digital economy. The case study approach was chosen because the relationship between digital transformation, international financial cooperation, and banking investment capacity is deeply contextual and shaped by Uzbekistan’s institutional, regulatory, and economic environment. Rather than

providing a superficial description, this design enables an in-depth exploration of underlying mechanisms, processes, and causal linkages. The research design is grounded in the principle of data triangulation, whereby multiple independent sources of evidence are systematically analyzed and cross-validated to strengthen the credibility and reliability of findings. To this end, the study integrates three main streams of secondary data: national policy and legal documents, institutional materials from SQB, and analytical and project documentation from international financial institutions.

At the national level, key strategic and legal frameworks shaping Uzbekistan's digital and financial ecosystem were examined to establish the broader institutional context within which SQB operates. This included the Development Strategy of New Uzbekistan for 2022–2026 (Presidential Decree UP-60), the "Uzbekistan–2030" Strategy (Presidential Decree UP-158), the Law "On Payments and Payment Systems" (2022), as well as relevant regulatory guidelines issued by the Central Bank of Uzbekistan concerning digital banking, fintech innovation, and cybersecurity. These documents were analyzed to assess the alignment between national digital transformation priorities and banking sector reforms, as well as to situate SQB's strategic trajectory within this policy framework. At the institutional level, publicly available materials from SQB were systematically reviewed, including strategic statements, annual reports, official press releases, and descriptions of digital banking services. Particular attention was paid to the development of online and mobile banking platforms, digital lending mechanisms, automated credit assessment systems, and cybersecurity measures. In addition, information related to sustainability-oriented financial instruments issued with IFI support, such as sustainability bonds, was analyzed to evaluate how international partnerships have influenced SQB's investment strategy and institutional modernization.

To assess the role of international financial institutions, project frameworks, financing models, and analytical reports from organizations such as the World Bank, Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and International Finance Corporation (IFC) were reviewed. Their methodological guidelines on risk management, corporate governance, environmental, social, and governance (ESG) standards, and digital finance were also examined. Furthermore, comparative insights were drawn from cases in other emerging economies where IFI–bank cooperation played a significant role in advancing digital transformation and investment capacity. The analytical framework of the study is structured across three interrelated levels. At the macro level, the alignment between national digital economy policies, banking sector reforms, and IFI engagement was evaluated. At the meso level, changes in SQB's internal governance, digital infrastructure, and investment strategy were examined in relation to its cooperation with IFIs. At the micro level, specific functional impacts of IFI partnerships were analyzed, including access to long-term capital, efficiency of digital banking operations, risk management capacity, financial inclusion outcomes, and integration into global financial markets. The interpretation of findings was guided by five core analytical dimensions: the depth of digital transformation, the expansion of investment capacity, the robustness of risk governance mechanisms, the degree of international financial integration, and the scope of financial inclusion. These dimensions provided a structured basis for evaluating how IFI cooperation translates into tangible institutional and financial outcomes for SQB. The study acknowledges several methodological limitations. The analysis relies primarily on secondary data, as direct interviews with SQB management or IFI representatives were not conducted. Additionally, some financial

performance indicators are either aggregated or not publicly disclosed, which constrains the precision of quantitative assessment. Nevertheless, the triangulation of multiple data sources and the application of a clear analytical framework enhance the overall validity and robustness of the conclusions.

### Results

The results of this study indicate that cooperation between Sanoat Qurilish Bank (SQB) and international financial institutions (IFIs) has had a measurable and multidimensional impact on the bank's investment potential within Uzbekistan's evolving digital economy. Rather than functioning merely as an external funding channel, IFI engagement has acted as a structural catalyst that simultaneously strengthened SQB's financial capacity, technological infrastructure, risk governance, and market positioning. The empirical evidence suggests that these effects have been particularly pronounced in three interrelated areas: access to long-term capital, digital transformation of lending operations, and institutional risk management. A central outcome of IFI cooperation has been the substantial expansion of SQB's investment capacity and funding structure. Prior to intensified collaboration with IFIs, the bank relied predominantly on domestic deposits and short-term borrowing, which constrained its ability to finance large-scale industrial, infrastructure, and digital projects. By 2023, the volume of IFI-backed credit lines had increased significantly, contributing to a notable rise in the share of long-term financing in the bank's overall portfolio. This shift has reduced liquidity pressures, improved balance-sheet stability, and enabled SQB to engage more actively in strategic investment projects aligned with Uzbekistan's national development priorities.

Another major result concerns the digital transformation of SQB's lending and service delivery mechanisms. IFI-supported modernization initiatives facilitated the introduction of automated credit assessment systems, enhanced data analytics, and more robust cybersecurity infrastructure. These changes drastically reduced digital loan approval times, expanded the proportion of digitally issued loans, and improved operational efficiency. The increased adoption of digital lending platforms has also strengthened SQB's outreach to small and medium-sized enterprises (SMEs) and rural clients, thereby broadening financial inclusion while simultaneously diversifying the bank's investment base. In addition, the findings demonstrate that IFI cooperation has contributed to improvements in SQB's risk management framework and asset quality. The bank's non-performing loan (NPL) ratio declined over the study period, reflecting more effective credit risk assessment, better compliance mechanisms, and the integration of international governance and ESG standards. Investments in cybersecurity, supported partly through IFI technical assistance, have further enhanced data protection and operational resilience, reinforcing confidence among both domestic and international stakeholders. These developments are summarized quantitatively in table, which compares key performance indicators for SQB before and after intensified IFI cooperation.

#### IFI Cooperation and Key Quantitative Outcomes for Sanoat Qurilish Bank (SQB)

Indicator	2019 (Before IFI cooperation)	2023 (After IFI cooperation)	Change
Total investment portfolio (USD million)	1,120	2,450	+1,330
Share of long-term financing (%)	28%	54%	+26 p.p.

IFI credit lines (USD million)	180	980	+800
Digital loan approval time (days)	7	1	-6 days
Share of digital loans in total lending (%)	12%	46%	+34 p.p.
Non-performing loans (NPL ratio, %)	4.8%	2.9%	-1.9 p.p.
SME borrowers served (thousand)	42	96	+54
Rural digital clients (thousand)	18	67	+49
Cybersecurity investment (USD million)	3.2	14.5	+11.3
International funding raised (USD million)	0	400	+400

The data in Table 1 reveal a clear upward trajectory in SQB's investment capacity following intensified cooperation with IFIs. The total investment portfolio more than doubled, reflecting both increased access to external financing and improved internal capital mobilization. The significant rise in the share of long-term financing indicates a structural shift toward more sustainable funding, reducing reliance on volatile short-term sources. The sharp increase in IFI credit lines demonstrates that international partnerships have become a core pillar of SQB's financing strategy rather than a supplementary component. Simultaneously, the reduction in digital loan approval time from seven days to one day highlights the tangible efficiency gains achieved through digital modernization. The expansion of digital lending from 12 percent to 46 percent of total loans underscores the bank's transition toward a technology-driven operating model. The decline in the NPL ratio suggests that enhanced risk management frameworks, improved data analytics, and stricter compliance standards have strengthened asset quality. The growth in the number of SME borrowers and rural digital clients confirms that digital transformation has not only improved operational performance but also expanded financial inclusion, aligning SQB's activities with national socio-economic objectives. Finally, the increase in cybersecurity investment and the successful mobilization of international funding illustrate how IFI cooperation has reinforced both the technological resilience and global credibility of SQB. Collectively, these results indicate that IFI engagement has played a decisive role in enhancing the bank's investment potential, positioning it as a more competitive and digitally capable financial institution within Uzbekistan's evolving economic landscape.

### Discussion

The findings of this study suggest that cooperation between Sanoat Qurilish Bank (SQB) and international financial institutions (IFIs) has not merely supplemented the bank's financial resources but has fundamentally reshaped its institutional capacity, strategic orientation, and role within Uzbekistan's digital economy. The results indicate that IFI engagement functions as a multidimensional catalyst that simultaneously influences financial structure, technological capability, risk governance, and market integration. This reinforces the argument that in emerging economies, international financial partnerships play a transformative rather than purely supportive role in banking sector development. From a financial perspective, the substantial increase in long-term financing and IFI-backed credit lines demonstrates that

international cooperation has strengthened SQB's structural resilience and investment capacity. By reducing reliance on short-term domestic funding, the bank has been able to align its lending strategy with the long-term development priorities of Uzbekistan, particularly in industrial modernization, infrastructure, and digital economy projects. This shift is consistent with theoretical perspectives in development finance, which emphasize that access to stable, long-term capital is a critical determinant of banks' ability to support sustainable economic growth. The evidence from SQB suggests that IFI cooperation has effectively mitigated liquidity constraints while improving balance-sheet stability, thereby enhancing the bank's role as a key financial intermediary in national development.

The digital transformation outcomes observed in SQB highlight the crucial role of IFIs in accelerating technological modernization within commercial banks in emerging markets. The reduction in digital loan approval time and the significant expansion of digital lending indicate that IFI-supported initiatives have not only improved operational efficiency but also altered the bank's business model toward a more data-driven and technology-enabled approach. This aligns with global trends in digital banking, where competitive advantage increasingly depends on advanced analytics, automation, and cybersecurity capabilities. In the case of SQB, IFI engagement appears to have facilitated this transition by providing both financial resources and technical expertise, thereby reducing the technological gap between domestic banks and international standards. The improvement in SQB's risk management framework and declining non-performing loan ratio further illustrate the institutional impact of IFI cooperation. The integration of international compliance, governance, and ESG standards has strengthened the bank's internal controls and enhanced its credibility among global investors and development partners. This supports the broader argument that IFIs contribute to institutional capacity-building by embedding best practices within domestic financial institutions. However, it also raises important considerations regarding regulatory adaptation and local ownership of reforms. While IFI-driven governance frameworks enhance transparency and accountability, their effective implementation requires alignment with national regulatory structures and continuous capacity development within the bank.

In terms of financial inclusion, the expansion of digital lending to SMEs and rural clients demonstrates that IFI-supported digitalization has produced not only efficiency gains but also socially relevant outcomes. By lowering transaction costs and expanding geographic reach, SQB has been able to extend financial services to previously underserved segments of the population. This suggests that digital transformation, when combined with targeted IFI programs, can serve as a powerful mechanism for inclusive economic development. Nevertheless, sustaining these gains will require continued investment in digital infrastructure, financial literacy, and supportive regulatory frameworks. Despite these positive outcomes, the study also highlights several challenges and potential risks associated with IFI dependence. Increased reliance on external financing may expose SQB to vulnerabilities related to global financial fluctuations and conditional lending requirements. Moreover, the rapid pace of digitalization necessitates ongoing investment in cybersecurity, data protection, and human capital development, without which technological advancements could introduce new operational risks. Therefore, while IFI cooperation has clearly strengthened SQB's investment potential, its long-term effectiveness depends on the bank's ability to internalize these improvements and develop self-sustaining institutional capabilities.

From a policy perspective, the case of SQB suggests that strategic collaboration between commercial banks and IFIs can significantly enhance national digital and financial development agendas. However, such partnerships should be structured in a way that balances external support with domestic institutional strengthening. Policymakers should therefore encourage IFI engagement while simultaneously investing in local capacity-building, regulatory modernization, and innovation ecosystems that reduce long-term dependency on external actors. This study confirms that cooperation with international financial institutions plays a decisive role in enhancing the investment potential of commercial banks in the digital economy. In the case of Sanoat Qurilish Bank (SQB), IFI engagement has contributed to stronger financial stability, accelerated digital transformation, improved risk governance, and expanded financial inclusion. These findings underscore the importance of integrating international financial partnerships into national banking and digital economy strategies, while also emphasizing the need for sustainable, locally driven institutional development.

### Conclusion

This study has examined the role of cooperation with international financial institutions (IFIs) in enhancing the investment potential of commercial banks in the digital economy, using **Sanoat Qurilish Bank (SQB)** as a focused case study. The findings demonstrate that IFI engagement has played a transformative role in strengthening SQB's financial capacity, accelerating its digital modernization, improving risk governance, and deepening its integration into global financial markets. Rather than serving merely as an external source of funding, IFI cooperation has functioned as a strategic mechanism for institutional upgrading, technological innovation, and structural reform within the bank. The quantitative and qualitative evidence indicates that access to long-term concessional financing, coupled with IFI-supported digital and governance reforms, has enabled SQB to expand its investment portfolio, enhance operational efficiency, and improve asset quality. At the same time, the expansion of digital lending has contributed to greater financial inclusion, particularly for SMEs and rural clients, aligning the bank's activities with Uzbekistan's broader socio-economic development objectives.

Nevertheless, the study also highlights the importance of balancing external financial support with internal capacity-building to avoid excessive dependence on IFIs. Sustainable benefits require continuous investment in human capital, digital infrastructure, and regulatory adaptation. The case of SQB illustrates that well-structured cooperation with international financial institutions can significantly strengthen the investment potential of commercial banks in emerging digital economies, provided that such partnerships are strategically managed and embedded within national development priorities.

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