DEVELOPMENT OF DIGITAL FACTORING AND RISK-BASED MECHANISMS FOR ENTERPRISE FINANCING BY COMMERCIAL BANKS

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One of the key problems in financing entrepreneurial activity is the time gap between the delivery of goods and receipt of payment from the buyer. An enterprise may demonstrate sales growth and accounting profits while simultaneously experiencing a shortage of cash due to a substantial volume of accounts receivable.

This problem is particularly acute for small and medium-sized enterprises, which have limited liquid collateral and cannot always obtain traditional bank credit promptly. Factoring makes it possible to transform an enterprise's accounts receivable into current liquidity without waiting for the contractual payment date.

Unlike conventional bank lending, factoring finance is based to a significant extent on the quality of the monetary claim and the debtor's creditworthiness. A study by L. Klapper shows that factoring can substantially expand access to finance for small and medium-sized enterprises, including in situations where the supplier is informationally opaque, provided that the obligation is associated with a reliable buyer.

International practice confirms the growing role of this instrument. According to FCI, global factoring turnover exceeded EUR 4 trillion for the first time in 2025, reaching EUR 4.039 trillion, which was 3.7% higher than in 2024.

For Uzbekistan, the development of factoring became particularly relevant following the adoption of Presidential Decree of the Republic of Uzbekistan No. UP-109 dated 12 August 2024, which provides for the creation of modern digital factoring infrastructure, the development of international operations, and a tenfold increase in the volume of factoring services within three years.

By the end of 2025, the volume of factoring services in Uzbekistan amounted to UZS 9.5 trillion. Commercial banks accounted for 93% of the total market volume, while microfinance organizations accounted for 7%. State-owned banks generated 56% of the volume, while private banks accounted for 44%.

An important indicator of the market's structural transformation is its digitalization. In 2025, 46% of factoring transactions were carried out through digital platforms. In the first quarter of 2026, the market volume reached UZS 2.3 trillion, increasing by 75% compared with the corresponding period of the previous year. The share of commercial banks rose to 94%, while the share of digital transactions reached 53%.

Consequently, more than half of the current flow of factoring transactions is already generated in digital form.

The dynamics of international factoring also indicate a gradual transition from predominantly domestic factoring to trade-finance instruments. In 2025, international factoring amounted to UZS 642 billion, while in the first quarter of 2026 alone it reached UZS 190 billion. The latter figure was 41 times higher than in the corresponding period of 2025.

However, in 2025 all international factoring transactions were conducted with recourse, indicating the insufficient development of a fully fledged mechanism for transferring credit risk to the factor.

A traditional factoring transaction requires verification of the supply contract, invoice, actual delivery of goods, existence and amount of the monetary claim, debtor creditworthiness, absence of duplicate assignment of the claim, and other circumstances. When documents are processed manually, these procedures increase both decision-making time and the cost of factoring.

Decree No. UP-109 provides for the integration of the factoring platform with databases of electronic invoices, electronic waybills, financial statements, and the foreign trade operations system. This creates a technological basis for automated verification of the authenticity of claims and real-time debtor analysis.

In our view, the next stage should be a transition from the digitalization of documents to the digitalization of the credit decision itself. In conventional lending, a bank directly assesses the borrower. In factoring, such an approach is not always economically optimal.

Suppose a small enterprise supplies products to a large and financially stable company. The supplier’s own financial position may be relatively weak, while the probability that the large buyer will fulfil its obligation remains high.

If the bank assesses only the supplier, factoring finance may be declined. If, however, the debtor becomes the key object of analysis, a high-quality monetary claim may be financed even when the supplier has limited creditworthiness.

Therefore, a two-level model is proposed:

Level I - supplier risk;

Level II - debtor and monetary-claim risk.

When making a factoring decision, the weight assigned to the second block should be substantially higher than in conventional lending.

Research by Mol-Gómez-Vázquez, Hernández-Cánovas and Koëter-Kant, based on a sample of more than four thousand small and medium-sized enterprises from 25 European countries, also shows that factoring can complement traditional bank finance and partially overcome institutional constraints in the credit market.

One of the specific risks in the factoring market is the financing of the same claim by several financial institutions. To minimize this risk, it is advisable to establish a unified digital passport for each monetary claim.

Each invoice offered for financing should be assigned a unique identifier containing the following information:

- supplier;
- debtor;
- amount;
- date of origination;
- maturity date;
- underlying contract;
- delivery status;
- existence of an assignment;
- current holder of the claim;
- amount of financing already provided;
- final repayment status.

After the claim is transferred to the factor, its status should change automatically.

The legal framework for strengthening the priority of assignments was significantly reinforced by factoring reforms that provide for the registration of notices of assignment of monetary claims in the collateral registry.

Development of Non-Recourse Factoring. Under recourse factoring, if the debtor fails to pay, the factor has the right to seek payment from the supplier. As a result, the supplier receives liquidity, but a significant share of the credit risk remains with the supplier.

Under non-recourse factoring, the factor assumes the creditworthiness risk of the approved debtor. The development of this form of factoring in commercial banks requires a combination of three elements: high-quality debtor scoring + trade credit insurance + a diversified factoring portfolio.

A bank may establish a separate risk limit for each major debtor and allocate that limit among numerous suppliers.

This approach simultaneously reduces supplier risk concentration and expands small businesses' access to finance.

Reverse factoring should be developed around large, financially sound buyers. A large enterprise confirms its obligation to pay suppliers' invoices. Based on the credit quality of the large buyer, the bank finances a small supplier at a lower cost than would be possible if the supplier were assessed separately.

The economic benefits are distributed among all participants:

– the supplier receives funds earlier;
– the buyer retains the deferred-payment period;
– the bank finances a claim against a reliable debtor.

This mechanism is particularly promising for industrial clusters, retail chains, large state-owned and private enterprises, and export supply chains.

It is proposed to move away from a uniform factoring tariff and make wider use of individualized pricing.

In simplified form, the rate may be determined as follows:

CF = RF + DR + MR + OC,

where:

CF - cost of factoring;

RF - cost of funding;

DR - debtor risk premium;

MR - maturity premium;

OC - operating fee.

As a result, a reliable debtor with a transparent payment history enables its suppliers to obtain financing at a lower cost.

At the same time, an economic incentive is created for enterprises to fulfil their payment obligations on time.

Decree No. UP-109 permits credit institutions to resell monetary claims acquired under factoring agreements - refactoring. In our view, this mechanism may become the basis for developing a secondary market for high-quality receivables.

A bank that has formed a substantial factoring portfolio will be able to transfer part of it to another financial institution, release liquidity, and finance new transactions.

In the longer term, this makes it possible to move from the model "the bank finances and holds the claim until maturity" to the model "the bank originates, assesses, finances, and manages the turnover of a portfolio of monetary claims."

Based on the study, the following measures are proposed:

1. Introduce a centralized system of debtor-oriented factoring scoring;
2. Create a digital passport for each assigned monetary claim;
3. Integrate factoring platforms with electronic invoices and bank payment data;
4. Expand reverse factoring for suppliers of large enterprises;
5. Apply risk-based pricing;
6. Expand non-recourse factoring in conjunction with credit insurance mechanisms;
7. Develop refactoring as an instrument for managing bank liquidity;
8. Establish standardized procedures for international factoring;
9. Use the debtor's payment-performance history to establish an automatic limit;
10. Conduct separate monitoring of the quality of a commercial bank's factoring portfolio by debtor, sector, and maturity.

Under modern conditions, factoring should be regarded not only as a form of short-term enterprise finance, but also as a technology for managing accounts receivable and credit risk.

The development of digital platforms in Uzbekistan has already resulted in more than half of factoring services being provided digitally by the first quarter of 2026. At the same time, the international segment is expanding rapidly.

The next stage of development should involve qualitative transformation: from electronic document exchange to automated risk management; from supplier assessment to debtor assessment; from recourse financing to comprehensive risk allocation; and from individual transactions to portfolio management of monetary claims.

Implementation of the proposed mechanisms will enable commercial banks to expand factoring operations without a proportional increase in credit risk, while allowing enterprises to obtain working-capital finance more rapidly and with less dependence on traditional collateral.

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