

APPROACHES TO ENHANCING THE FINANCING SYSTEM FOR HOUSING PROVISION TO THE POPULATION

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Housing provision is one of the most essential components of social and economic development. Adequate housing ensures not only physical comfort but also social stability, improved health, and human capital formation. In Uzbekistan, housing policy has been given great importance during the past decade as the country continues its process of modernization and urbanization. The government has implemented numerous programs to expand access to affordable housing, develop mortgage markets, and attract private investment. However, despite significant achievements, the financing mechanisms for housing provision still require further improvement to meet the growing needs of the population and to adapt to market realities.

Since independence, Uzbekistan has followed a comprehensive approach to improving housing conditions for its citizens. In recent years, large-scale reforms have been introduced to stimulate mortgage lending, attract investment, and diversify financing sources. According to the State Committee on Statistics of Uzbekistan, more than 14.5 million square meters of new housing were commissioned in 2023, showing an increase of 7.8 percent compared to the previous year. The construction sector accounted for around 6.2 percent of the national gross domestic product, demonstrating its growing importance for economic growth. About three-quarters of newly built housing units were financed through bank loans and private investment, while roughly one-quarter relied on state budget support and targeted social programs. A major milestone was the establishment of the Uzbekistan Mortgage Refinancing Company in 2019, which has provided more than 4.2 trillion soums (approximately 340 million US dollars) in refinancing for mortgage loans by 2024. This institution has played a crucial role in increasing liquidity for commercial banks and promoting longer-term mortgage products.

The current system of housing finance in Uzbekistan consists of several key components. State programs continue to be the foundation of social housing policy, especially through initiatives like “Obod Qishloq” and “Obod Mahalla,” which have focused on improving living standards in both rural and urban communities. Between 2018 and 2023, these programs enabled the construction and renovation of more than 400,000 housing units across the country. In addition, the government provides preferential mortgage loans for young families, civil servants, and low-income

households, often at subsidized interest rates of seven to nine percent, whereas market loans can reach up to twenty percent.

Commercial banks also play a major role in housing finance. Large banks such as Asaka Bank, Ipoteka Bank, and Qishloq Qurilish Bank are the principal providers of mortgage lending. The total amount of mortgage loans issued by the end of 2024 exceeded 50 trillion soums, which is more than double the volume of 2020. The private sector and foreign investors are increasingly active participants as well. In 2023, foreign direct investment in housing and real estate reached 1.1 billion US dollars, much of it coming from partnerships with Turkish, Chinese, and South Korean companies that introduced modern construction technologies and new financing models such as public-private partnerships and build-to-rent schemes.

Despite these achievements, the system still faces a number of persistent challenges. Access to affordable credit remains limited, particularly for households in rural areas where income levels are significantly lower. The average monthly wage in Uzbekistan in 2024 was about 3.6 million soums, or roughly 280 US dollars, which makes regular mortgage payments difficult for many families. Furthermore, most commercial loans have relatively high interest rates and short repayment periods, often limited to fifteen years. The secondary mortgage market is still underdeveloped, which restricts banks' ability to recycle funds and offer long-term credit. Regional disparities also remain significant, as the majority of financing is concentrated in major cities such as Tashkent, Samarkand, and Bukhara, while rural regions continue to depend on state subsidies. Another weakness is the absence of modern financial instruments such as mortgage-backed securities or real estate investment trusts, which could attract institutional investors and diversify funding sources.

To address these problems and improve the efficiency of housing finance, several approaches can be considered. One of the most promising directions is the expansion of mortgage refinancing and the creation of a secondary mortgage market. The Uzbekistan Mortgage Refinancing Company has already made progress by issuing bonds worth 500 billion soums in 2023 with a ten-year maturity, which were fully purchased by local financial institutions. Such instruments could be expanded in the coming years to attract pension funds, insurance companies, and other institutional investors, thereby providing long-term liquidity for the banking sector. Another significant opportunity lies in the introduction of real estate investment trusts. By establishing a legal and regulatory framework for REITs, Uzbekistan could mobilize large-scale private and foreign capital for residential construction. Experts estimate that within three years of launching REITs, the sector could attract between 500 and 700 million US dollars of investment.

Public-private partnerships also represent a highly effective mechanism. A good example is the Tashkent City project, launched in 2017, which successfully attracted

1.3 billion US dollars in private investment and resulted in the creation of about twenty thousand new housing units. Expanding similar models to regional centers would promote balanced territorial development. The digital transformation of housing finance can further simplify access and enhance transparency. The introduction of the Unified Housing Platform, known as “Yagona Uy-joy Platformasi,” allows citizens to submit online mortgage applications and track their progress. Integrating artificial intelligence-based credit scoring and mobile financial tools could increase efficiency and make credit accessible to self-employed and informal sector workers.

In addition, Islamic finance offers an alternative model that could be especially appealing in the cultural and religious context of Uzbekistan. Islamic financial instruments such as Murabaha and Ijara allow homebuyers to access housing through profit-sharing or leasing arrangements instead of traditional interest-based loans. Pilot projects launched by Trustbank and Uzbek Leasing International in 2024 demonstrated strong demand, issuing over 300 billion soums in Sharia-compliant housing products. These programs not only diversify financial options but also help to include populations that may avoid conventional lending for religious reasons.

Regulatory reform is another crucial component of improving housing finance. The Central Bank of Uzbekistan has developed a housing finance strategy for 2024–2030, which aims to extend average mortgage terms from fifteen to twenty-five years and gradually reduce interest rates to below ten percent. The strategy also foresees the creation of a centralized housing information system that will enhance market transparency, improve risk management, and support policymaking based on reliable data.

International experience provides useful guidance for Uzbekistan’s ongoing reforms. Malaysia’s Cagamas Berhad, established in 1986, successfully built a secondary mortgage market by issuing long-term bonds valued at more than 40 billion US dollars. Turkey’s Housing Development Administration (TOKI) combines public land contributions with private financing, resulting in the construction of more than one million affordable housing units. Kazakhstan’s Otbasay Bank introduced a system of housing savings that encourages long-term deposits from citizens while providing low-interest mortgage loans. Each of these models demonstrates practical mechanisms that could be adapted to Uzbekistan’s institutional and economic conditions.

In conclusion, Uzbekistan is at a decisive stage in the evolution of its housing finance system. The country has already built a strong foundation through government programs, active banking participation, and the growing role of private investors. Yet, to ensure sustainable progress, it is necessary to diversify financing instruments, strengthen the regulatory base, and expand the participation of capital markets. The future of Uzbekistan’s housing sector will depend on its ability to combine innovation with inclusivity, ensuring that all citizens—urban and rural, high-income and low-

income—have access to safe and affordable homes. By modernizing its housing finance system through secondary markets, investment trusts, digitalization, and international cooperation, Uzbekistan can achieve a housing model that not only meets current needs but also supports long-term social stability and economic growth.

The successful enhancement of Uzbekistan's housing finance system depends on coordinated action among the government, the banking sector, and private investors. Strengthening institutional cooperation and adopting transparent market practices will help attract both domestic and international capital. The gradual liberalization of interest rates, expansion of long-term refinancing mechanisms, and implementation of modern financial technologies can make mortgages more affordable and accessible to the wider population.

In the long run, the development of an inclusive and diversified housing finance system will not only meet the population's housing needs but also stimulate employment, industrial production, and infrastructure development. As a result, housing finance can become one of the main drivers of Uzbekistan's sustainable economic growth and social well-being.

Through continuous reform, innovation, and partnership, Uzbekistan can create a modern and resilient housing finance framework capable of ensuring that every family has access to a comfortable and affordable home.

Uzbekistan's progress in housing finance shows that consistent reform and investment can bring tangible results. Yet, further steps are needed to expand credit access, attract private capital, and improve efficiency through digital and innovative tools. Strengthening cooperation between the state, banks, and investors will help create a balanced and sustainable housing finance system.

In essence, a modernized and inclusive financing model will not only provide affordable housing for the population but also support long-term economic stability and social development across the country.

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