



PROSPECTS OF DIGITAL BANKING IN UZBEKISTAN

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Article history:	Abstract:
Received: 1 st June 2022 Accepted: 1 st July 2022 Published: 4 th August 2022	In this article, digital banking services, which are a part of the digital industry, are analyzed both theoretically and practically.
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INTRODUCTION

In today's fast-paced age, the demand for modern financial technologies and software is growing. In particular, the introduction of digital technologies into the banking sector increases efficiency in the banking system, reduces costs, and creates opportunities for faster implementation of customer tasks.

Development of the market of digital financial services in our country, coverage of the population with quality digital financial services, economic of consumers support of interests, finance in the current period of economic reforms creates the need to organize digital activities in the services market. The reason is that as a result of the development of the digital economy, various areas of socio-economic activity are being digitized, even small enterprises.¹

MATERIALS

The development of the digital financial services market is directly characterized by the introduction of information technologies into the financial industry. By the beginning of the 21st century, the internal and external processes of banks, as well as their relations with their customers, began to be fully digitized. The introduction of computers to commercial banks in the 1980s, and the development of the Internet by the 1990s led to the development of online banking and e-commerce banking models.

In addition, one of the most important factors in the development of the digital financial services market can be explained by the entry of smartphones

into the mass market, which provide access to the Internet for millions of people around the world.

The reason is that the number of mobile phone users around the world has reached about 6 billion.

In the financial services market, the rapid development of information technology, FinTech companies and the development of digital banking are proof that the competitive environment is dramatically increasing.

Today, commercial banks in developed countries provide their services through "Digital banking", "Mobile banking", "Neobanking". In 2018, PwC compiled a rating of "Digital Champions" digital banking developed countries, according to this rating Denmark 89%, Norway 87%, Sweden 86%, India 45%, Russia 30%, Uzbekistan 9.58% population constituted users of digital services.² According to the Innovation in Retail Banking 2018 report, banks are focusing on increased digitization and innovation initiatives, using cloud technologies such as cloud technologies, advanced analytics and new distribution alternatives to meet consumer demands.³

METHODS

In this study, statistical tables and graphs, logical and comparative analysis, grouping methods, as well as research works of foreign and local scientists on the topic and official statistical websites were widely used.

ANALYSIS AND RESULTS

Decree No. PF-6079 of the President of the Republic of Uzbekistan dated October 5, 2020 "On approval of the strategy of Digital Uzbekistan - 2030 and measures for its effective implementation" was adopted, this decree priority directions and mid- and long-term prospective tasks for ensuring rapid digital

¹ Adilova Zulfia Djavdatovna, Honturaev Bobur Azimovich
THE NEED FOR DEVELOPMENT OF THE DIGITAL FINANCIAL SERVICES MARKET IN THE CONDITIONS OF ENSURING MACROECONOMIC STABILITY IN UZBEKISTAN // International Journal of Theoretical and Applied Research. 2021.

² www.pwc.ru/ru/publications/digital-champions.html

³ <https://www.edgeverve.com>



development of economic sectors, wider introduction of digital technologies have been defined.

In particular, within the framework of this strategy, the "road map" for 2020-2022 envisages the development of four main areas, which are "Electronic government", "Digital industry", "Digital education" and "Digital infrastructure".

It is noteworthy that in the development of the "Digital Industry" the digital transformation of commercial banks by providing a wide range of online services, including the realization of remote credit products, the opening of deposits and accounts, is special and attention is being paid to these issues. With the signing of the decree of the President of the Republic of Uzbekistan "On measures to fundamentally improve the activities of the Central Bank of the Republic of Uzbekistan", the establishment of "digital" banks and banking units in the banking system and customer service using innovative banking technologies was tasked with further expanding the quality of presentation. Accordingly, in Uzbekistan, in 2020, "Anorbank" and "TBC Bank" were registered as digital banks, and from November 1, 2021, the "Apelsin" application also began to be used as a digital bank.⁴

Today, digital banks are also providing their customers with a fully digital service through mobile applications or desktop computers. This means that the client of the digital bank can use banking services 24/7, that is, the client of the digital banking system is provided with a mobile application, and based on the mobile application, a high flexibility of banking operations supported by a high-tech IT infrastructure.

Currently, customers can access their accounts remotely, virtually in real-time Mobile banking - allows users of banking services to remotely manage their bank accounts through modern methods of using banking services through a mobile phone (smartphone) using the Internet and provides almost all Internet banking operations.

If we study the number of users of remote banking services in the current year 2022, we can see that this indicator has grown significantly in our country.

N ^o	Banks	Legal entities and individual entrepreneurs	Individuals	Total
1	National bank	76 013	1 324 849	1 400 862

				862
2	Industrial and Construction Bank of Uzbekistan	48 318	2 611 236	2 659 554
3	Agrobank	171 027	2 993 635	3 164 662
4	Mortgage bank	132 546	1 816 496	1 949 042
5	Mikrokreditbank	51 926	718 490	7 70 416
6	Xalkh banki	57 324	2 868 963	2 926 287
7	Savdogar bank	8 599	79 169	8 7 768
8	Rural construction bank	24 670	361 229	3 85 899
9	Turonbank	28 455	236 849	2 65 304
10	Hamkorbank	95 307	1 212 689	1 307 996
11	Asaka bank	32 277	902 397	9 34 674
12	Silk Road Bank	37 935	988 393	1 026 328
13	Ziraat bank Uzbekistan	2 402	31 984	3 4 386
14	Trastbank	32 987	161 438	1 94 425
15	Aloqabank	22 672	483 142	5 05 814
16	KDB Bank O'zbekiston	876	35 384	3 6 260
17	Turkistonbank	3 769	15 453	1 9 222
18	Soderot bank Toshkent	218	1 702	1 920
19	Universal bank	7 940	95 065	1 03

⁴ www.cbu.uz



				005
20	Kapitalbank	36 099	301 216	3 37 315
21	Ravnaqbank	2 241	44 610	4 6 851
22	Davr-bank	24 261	89 480	1 13 741
23	Invest Finance bank	23 781	354 609	3 78 390
24	Asia Alliance bank	14 142	237 334	2 51 476
25	Hi-Tech bank	1 622	22 211	2 3 833
26	Orient Finans bank	23 777	340 546	3 64 323
27	Madad Invest bank	884	2 485	3 369
28	Uzagroeksport bank	110	1 288	1 398
29	Poytaxt bank	801	4 762	5 563
30	Tenge bank	645	7 202	7 847
31	TBC bank	0	313 474	3 13 474
32	ANOR bank	4 956	577 024	5 81 980
	Total	968 580	19 234 804	2 0 203 384

Table 1. The number of users of systems providing remote banking services as of January 2022.⁵

One of the main tasks facing the development of the banking system of the Republic of Uzbekistan is to increase the quality of banking services, expand the scope of services, improve the liquidity indicators of commercial banks and bring them to the level of banks of developed countries.

In the new Development Strategy of Uzbekistan for 2022 - 2026, it is necessary to complete transformation processes in commercial banks with a

state share, release the share of the private sector in bank assets up to 60 percent by the end of 2026, and increase production and operational processes in the real sector of the economy, as well as in the financial and banking sectors and increasing the level of digitalization to 70 percent by the end of 2026 is recognized as one of the priorities.⁶

Also, in the 2020-2025 "Roadmap" for the reform of the banking system of the Republic of Uzbekistan, it is necessary to increase the quality and expand the scope of banking services, including the optimization of business processes and the introduction of international standards of management quality, by improving the risk management system, simplifying credit allocation processes, offering customers a wide range of services (financial consulting, investment banking, factoring, project financing, leasing, etc.) and introducing modern information technologies, i.e. remote banking services, including expanding the number and scope of contactless payments, wide use of automated scoring system, digital identification and credit conveyor, strengthening information security of bank data and systems, introducing new concepts and technologies in the banking sector (fintex, marketplaces, digital banking) is defined as an important task.⁷

In addition, the introduction of many financial technologies in the context of the digital economy leads to the improvement of the liquidity of commercial banks, that is, banks accept many deposits by offering remote banking services to attract the idle funds of the population and increase the trust of bank customers in the bank. Although this increases the bank's liability, it helps to increase its assets and convert more funds.

DISCUSSION

J. Bianchi, S. Bigio, I. Bobur, A. P. Emur⁸, W. Wodo, P. Blaskiewicz, D. Stygar, N. Kuzmalar⁹ from

⁶ Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022 - 2026" No. PF-60, January 28, 2022// <https://lex.uz/uz/docs/-5841063>.

⁷ Decree No. PF-5992 of the President of the Republic of Uzbekistan "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025", May 12, 2020.

⁸ Bastaria A., Eliyanab A., Syabarrudinc A., Ariefd Z., Emur A.P. (2020).

Digitalization in the banking sector: the role of intrinsic motivation // Heliyon. Volume 6, Issue 12, e05801. <https://doi.org/10.1016/j.heliyon.2020.e05801>.

⁵ www.cbu.uz



foreign scientists on the development of digital industry, in particular on the expansion and improvement of digital banking services, and local scientists N. Kh. Jumayev¹⁰, N. Sharipova¹¹, N.R. Ikramova¹², A. Azlarova¹³, A. Kasimov¹⁴, Z. Mamadiyov¹⁵ conducted scientific research.

In particular, according to the conclusion of Izbosarov Boburjon, in the conditions of the digital economy, the regulation of the liquidity of commercial banks is carried out on the basis of electronic services, and as a result of the failure to implement effective methods of this process, they first fall into a state of illiquidity, and later into a state of insolvency in their activities, and eventually, bankruptcy. Therefore, in order to meet the needs of banks in an unexpected situation for liquid funds in the digital economy, it is appropriate to establish an interbank electronic money market platform and ensure its effective operation.¹⁶

In addition, according to A. Azlarova, a number of works have been carried out in recent years in the banking system of Uzbekistan to improve the quality and scope of banking services. However, the changes taking place in the world, the process of globalization, excessive development of competitiveness, further

activation of the transformation process of commercial banks, create the need to reach a new level of banking services provided to customers.¹⁷

Today, traditional banking services are being replaced by digital banking services. As long as banks do not improve their services, they may be deprived of the opportunity to dramatically increase their income and the number of customers. The development of the financial services industry is accelerating.¹⁸

The introduction of modern information technologies, new banking products and services creates conditions for the expansion of the market of banking services in our country. As the relations of the market economy develop in our republic, commercial banks are diversifying their activities by increasing the types of retail practices and services provided to customers.¹⁹

In the current conditions, it is more important than ever for banks to develop innovative strategies, expand the resource base and increase the level of capitalization, and offer new banking products based on IT technologies.²⁰

The bank's innovation strategy is the general behavior of the bank to create and use innovations in all areas of banking activity. In practice, the action plans defining the direction, type and size of the innovative activity embodied in it are the activities that the bank should implement in order to achieve strategic and operational goals and to achieve a targeted competitive position.²¹

And this, in turn, strategy is noted as a business concept that includes a set of realistic actions that can lead the organization to achieve a long-lasting competitive advantage.²²

⁹ Evaluating the security of electronic and mobile banking // Computer Fraud & Security. Volume 2021, Issue 10, Pages 8-14. [https://doi.org/10.1016/S1361-3723\(21\)00107-X](https://doi.org/10.1016/S1361-3723(21)00107-X).

¹⁰ Jumaev N.Kh. (2020). Digital economy and financial technologies: opportunities and threats for commercial banks // Electronic scientific journal of finance and banking. Number VI. November - December.

¹¹ Sharipova N. (2020). The process of digital transformation of commercial banks and its application prospects in Uzbekistan // "International Finance and Accounting" scientific electronic journal. No. 3, June.

¹² Ikramova N.R. (2014). Retail banking services in Uzbekistan: foreign experience and development prospects // "Economics and innovative technologies" scientific electronic journal. No. 1, January-February.

¹³ Azlarova A. (2021). The impact of the development of the digital economy in Uzbekistan on the market of banking and financial services // "Economics and innovative technologies" scientific electronic journal. No. 2, March-April.

¹⁴ Kasimov, A. (2021). The development of the digital economy is the basis of the fourth industrial revolution. Archive of Science, 37(1).

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¹⁸ Mamadiyarov.Z.T. (2021). Risk management related to remote banking services in the conditions of transformation of banks // Ekonomika i finansy (Uzbekistan). #5 (141).

¹⁹ Umarov Z. (2020). New banking services, their development. Electronic source: <https://finance.uz/m>

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²¹ Podlozhenov Ilya Mikhailovich Innovative strategies of foreign banks // Model, system, set and economic, technical, nature and obshchestve. 2011. #1. s-106.

²² Shevlyakova Anna A. Osobennosti realizatsii strategii razvitiya v bankovskoy sphere // Vestnik Kemerovskogo



It is very important to analyze, learn about customer experience and customer needs over time, and develop a development strategy based on that. Because today the bank and its customers communicate through several electronic channels and platforms. Therefore, the customer experience is more social in nature.²³

Research is the creation of a long-term strategy by commercial banks in bringing innovative banking products to the market, and the introduction of principles specific to the digital interactive model of banking services by adopting new methods of mutual integration of traditional economic processes with the digital environment in digital projects is being offered. In our opinion, the introduction of a digital interactive model of banking services requires further improvement of the innovative policy strategy of commercial banks.²⁴

In the process of transformation of banks, it is inevitable that the demands of customers will increase, and as a result of not providing high-quality innovative banking services in this regard, it can lead to a decrease in the trust of bank customers in their bank. As a result, bank customers tend to switch banks or use other banking services. Therefore, it is necessary for banks to transform their activities according to the requirements of customers, that is, to create new banking services using modern information and communication technologies.

CONCLUSION

In fact, the use of electronic money and the establishment of remote banking services during the active use of modern electronic technologies will not only have a positive effect on the efficiency and liquidity of commercial banks and cause a decrease in costs, but also provide customers with It provides many conveniences.

By making extensive use of modern IT technologies, including modernizing their software with artificial intelligence, cloud technologies, and automation, they can rapidly develop banking products, services, and functionality. This helps improve customer experience and deepen trust and

loyalty. Of course, the use of digital technologies in the banking system and the creation of unique banking technologies and the provision of innovative digital banking services based on them largely depend on the bank's management strategy. In our opinion, not only modern digital technologies, but also the professional, scientific and innovative potential of bank management and other employees, financial opportunities and the level of their targeted use, study of international experiences, customer needs and banking services are needed to stabilize the activities of banks and create useful, convenient opportunities for customers and it requires the development of a management strategy based on an in-depth analysis of the requirements for non-traditional banking services in the market. It can be seen from foreign experience that the increase of digital banks and the popularization of remote banking services will have a direct positive effect on bank liquidity, that is, the amount of expenses will be reduced, if the bank has only one main office lib, there is no need for branches, which allows customers to use banking services anywhere and at any time.

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