

# Ways to Improve Remote Banking Service in Commercial Banks in the Conditions of Innovation Development

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## ABSTRACT

The article explores organizational and theoretical issues, features and foreign experience in the development of remote banking services in the context of the introduction of the digital economy. Also, the current state and further development of remote banking services in commercial banks in the context of digitalization of banking services are considered, ideas, scientific proposals and recommendations of the author on the above issues are presented.

## Keywords:

Innovations, commercial banks, information technologies, digital technologies, digital economy, banking services, banking products, banking technologies, electronic money, cashless accounts.

## 1. Introduction.

In the context of the development of market relations and banking competition, the main indicator for reducing risks, increasing profits, as well as developing banking activities are banking services and products. Services differ from goods in that they are realized in the course of their provision, and goods are first produced and then sold. A banking product, although it has a commodity form, in fact, is a service, since it is realized only in the process of its provision.

In today's world, leading banks strive to endlessly improve the quality of their banking services while reducing the cost of their maintenance. The range of banking and financial services is expanding every year, new types of products and services are constantly appearing on the market. This factor serves to intensify competition between banks for each client. Therefore, each bank builds its relationship with the client, based on the principles of partnership.

The globalization of the world economy has radically changed the processes of

development of the financial market in general and commercial banks in particular, giving them an innovative focus. In the context of the COVID-19 pandemic, international banking practices are undergoing fundamental changes in the system of cashless payments, taking into account digital technologies.

The development of a modern economy is impossible without a reliable, efficient and comprehensive payment system. The creation of adequate mechanisms for settlements between economic entities is becoming an urgent task for economic science, which determines the need to consider the specifics of the permanent process of transformation of payment systems, which is a consequence of the complication and expansion of the financial environment of a market economy.

In addition, the significant changes that have occurred over the past decades in the banking system of Uzbekistan and other countries, namely those related to the emergence of new types of services and technologies of the banking sector, actualize

the problem of increasing the competitiveness and efficiency of providing banking services.

The actualization of these factors largely determines the logic of the study of the mechanism of cashless payments in the transition to a digital economy. At the same time, not only the development of the theoretical provisions of this problem is of great importance, but also their practical application, including in the framework of the development and implementation of an effective and integrated payment system.

In the applied aspect, this issue becomes very relevant in view of the global economic instability during the COVID-19 coronavirus pandemic, which generally negatively affects the global banking sector, including the banking system of Uzbekistan. These and other factors lead to significant difficulties in conducting non-cash payments, which indicates the importance of creating a perfect payment system, which would be the most important component of the financial independence of the state.

## 2. Literature review.

The development of market relations requires commercial banks to introduce innovations in remote servicing of various categories of customers. In particular, in the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021, special importance is given to deepening the reform and ensuring the stability of the banking system, the level of capitalization and deposit base of banks, strengthening their financial stability and reliability [1].

In the historical context, the problem of cashless payments was previously considered from two perspectives: from the point of view of the history of human development and from the point of view of the history of economic doctrines, which are closely related, which allowed scientists to connect cashless payments with the payment system that was formed in parallel in different countries of the world, taking into account their national characteristics, as well as along with the development of banks and the banking system.

As part of the analysis of the organization of cashless payments, it is advisable to consider the concepts of the system, the payment system, the prerequisites for its occurrence, and also to present works that address these issues. So, these issues were considered in the scientific works of foreign scientists, such as G.Galileo, G.Hegel, I.Kant, N.Copernicus, K.Linnaeus, E.Agoshkova, B.Akhlibininsky, L.Bertalanffy, I.Blauberg, N.Viner, M.Mesarovich, F. Peregudov, F.Tarasenko, S.Sarkisyan, Y.Urmantsev, Y.Chernyak, W.Ashby and others.

According to the conclusion of L.Bertalanffy, the system is considered as a complex of interrelated elements that are in certain relationships with each other and with the environment [2].

According to L.Efimov, these issues are interpreted as a set of interdependent and interdependent elements, isolated from the external environment and interacting with it as a whole [3].

Of great interest are the definitions formulated by E.Agoshkova and B.Akhlibininsky, where the system is defined as a set of elements that have integrative properties and are in such relationships that form their integrative properties [4], V.Sagatovsky, as "a finite set of functional elements and relations between them, released from the environment, in accordance with certain goals within specific time intervals" [5], A.Chirkov, as a complex of elements, properties of an object and their relations), reflected in the mind of the subject [6] and others.

The improvement of payment systems and the prospects for their implementation in banking practice were devoted to the work of foreign scientists and economists N.Baidukova, G.Beloglazova, A.Voronin, V.V.Davydov, Sh.Egiazaryan, O.Korobeynikova, Yu.A.Obayeva, M.Obratsov, N.Savinskaya, E.Khomenko and others. In addition, academic economists of Uzbekistan such as T. Karaliyev, Sh.Abdullaeva, A.Omonov, T.Bobakulov, Z.Kholmakhmadov and others devoted a lot of work to maintaining and improving cashless payments in Uzbekistan.

However, despite a significant number of studies devoted to theoretical, methodological and applied problems that arise in the process of developing cashless payments, in the context of the introduction of information and innovative technologies in the banking system, in our opinion, the theoretical and methodological support of this process has not been fully formed.

### 3. Research methodology.

At the stage of widespread use of innovations in today's banking and financial system, economic research methods such as data collection, analysis, synthesis and logical thinking of the electronic money system have been widely used to improve the services of commercial banks in the country.

### 4. Analysis and discussion of results.

The globalization of all processes affects the emergence of new models and digital technologies. Therefore, today the banking industry is rapidly changing under the influence of a number of global challenges: changing consumer preferences of customers; the emergence of new technologies and the pace of implementation of existing ones; decrease in the marginality of the global banking sector and increased regulatory requirements; competition from FinTech companies.

In today's world, leading banks strive to endlessly improve the quality of their banking services while reducing the cost of their maintenance. The range of banking and financial services is expanding every year, new types of products and services are constantly appearing on the market. This factor serves to intensify competition between banks for each client. Therefore, each bank builds its relationship with the client, based on the principles of partnership.

The globalization of the world economy has radically changed the processes of development of the financial market in general and commercial banks in particular, giving them an innovative focus. In the context of the COVID-19 pandemic, international banking

practices are undergoing fundamental changes in the system of cashless payments, taking into account digital technologies.

Thus, digital technologies have made it possible to move from a product-oriented approach to a customer-oriented one. The leaders in terms of banking innovation in the digital economy are Germany, Japan, the US, South Korea and the UK. The reverse side of this process is the growth of Internet fraud, which is one of the main modern banking risks [7].

Improving the system of cashless payments in the banking system directly depends on the development of new banking products. Banking innovations are a powerful tool for the socio-economic development of society. Under the influence of many economic and social factors, banking products and services are evolving. During the pandemic, the Central Bank of Uzbekistan and commercial banks are expanding cashless payment systems and Internet banking, mobile banking, and SMS banking are becoming more accessible to customers.

It should be noted that the introduction of foreign experience in banking innovations in the banking system directly depends on the development of new banking products and services. Banking innovations are a powerful tool for the socio-economic development of the country. Under the influence of many economic, political and social factors, banking products and services are evolving in the world.

In an analysis of 121 world banks in 2012, it was concluded that fingerprints are the most popular biometric technology. New studies conducted on already 184 banks from 35 countries gave the same result [8].

In developed countries, innovations are also widely used in the banking system. The leaders of banking innovations in the digital economy are Germany, Japan, the USA, South Korea and the UK. The reverse side of this process is the growth of Internet fraud, which is one of the main modern banking risks.

Today, commercial banks in Uzbekistan have already begun to offer interesting banking products through a mobile application. The

commission for transfers of funds between cards issued by Kapitalbank itself is 0%, transfers from a card to a card of another bank - 0.5%. The commission for a transfer from an Uzcard card of any bank to Humo "Kapitalbank" is 0%, as well as a transfer from a Humo card of any bank to Uzcard "Kapitalbank".

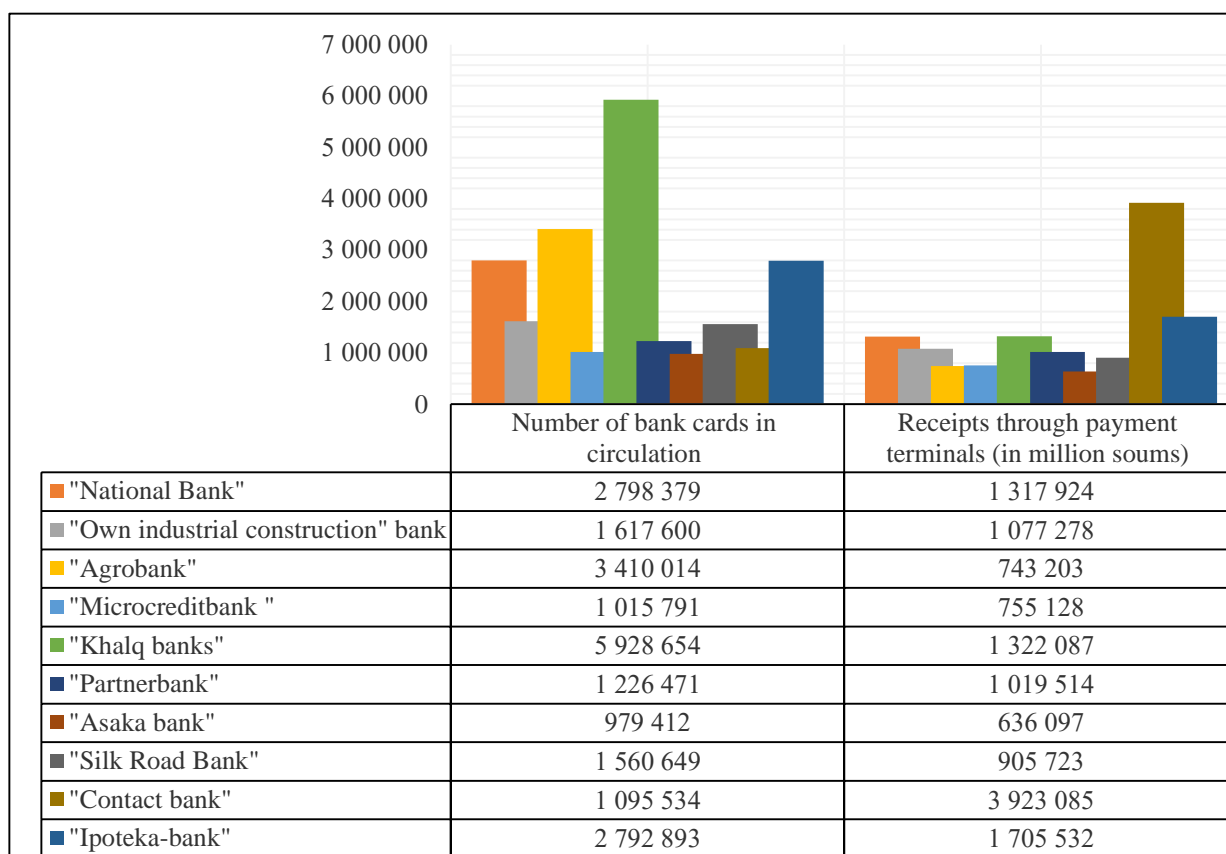
It should be noted that biometrics in banking is most popular in developing Asian countries such as India and Indonesia. This continent accounts for 52% of banking transactions using biometric data. America comes in second with 32%, followed by Europe (9%), Africa (6%) and Australia (1%). Japan maintains a network of more than 80,000 biometric terminals, which are used by more than 15 million customers [9].

The market economy constantly imposes new requirements on banks to develop new operations in which the client is

interested. According to KPMG forecast, by 2030 banks in the physical sense will disappear for customers - they will use only electronic assistants [10].

Well-known biometric authentication methods are fingerprints, voice, iris scanning, palm scanning or hand geometry, dynamic signature [11].

To date, commercial banks in Uzbekistan are carrying out large-scale work and additional measures to increase the availability of banking services throughout the country. In particular, it was created for bank customers to download mobile applications and make settlements in a matter of seconds for various payments and ensured their security. As a result of these measures, the number of users of remote banking services increased more than 7 times from 2 million people in 2016 to 14.6 million people by the end of 2022 (Figure 1) [12].



**Figure 1. Information on circulating bank plastic cards, terminals, terminals and infokiosks of the 10 largest banks operating in the Republic of Uzbekistan as of March 1, 2022 [13]**

As we can see, the range of services provided by banks has significantly improved,

in terms of the volume of plastic cards, the Khalq Bank has issued 5,928,654 plastic cards,

and in terms of payment by terminals, Contact Bank is at the top. This shows that the banks are currently developing rapidly.

We can also see a significant increase in the number of terminals installed and terminal

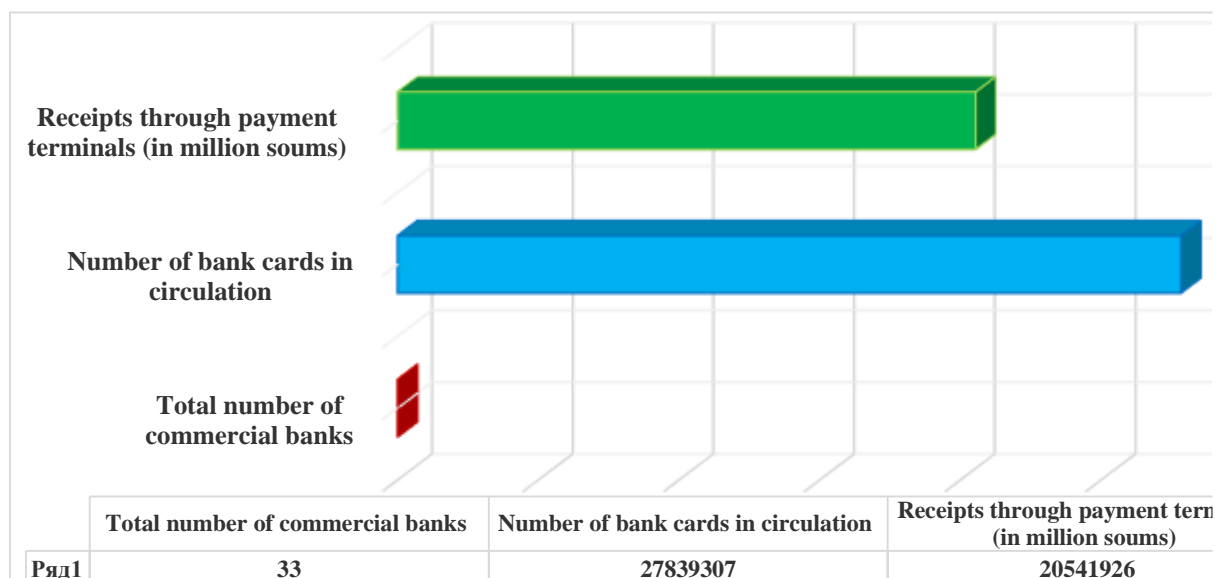
services compared to the last three years. This will create favorable conditions for the population and entrepreneurs using banking and financial services, as well as facilitate faster cash flow (Table 1).

**Table 1**

**Information on current terminals and installed terminals of 10 largest banks operating in the Republic of Uzbekistan as of March 1, 2022 [14]**

№	Commercial banks	Integrated payment terminals	Number of terminals and infokiosks installed
1.	“National Bank”	40 346	655
2.	“Own industrial construction” bank	33 472	470
3.	“Agrobank”	43 392	1 971
4.	“Microcreditbank”	23 402	252
5.	“Khalq banks”	51 462	1 373
6.	“Partnerbank”	31 742	785
7.	“Asaka bank”	15 382	257
8.	“Silk Road Bank”	24 047	537
9.	“Contact bank”	12 897	275
10	“Ipoteka-bank”	42 094	634

As shown in the table above, the Khalq Bank has issued 51,462 terminals in terms of the number of terminals, while Agrobank has the highest number terminals with 1,971.



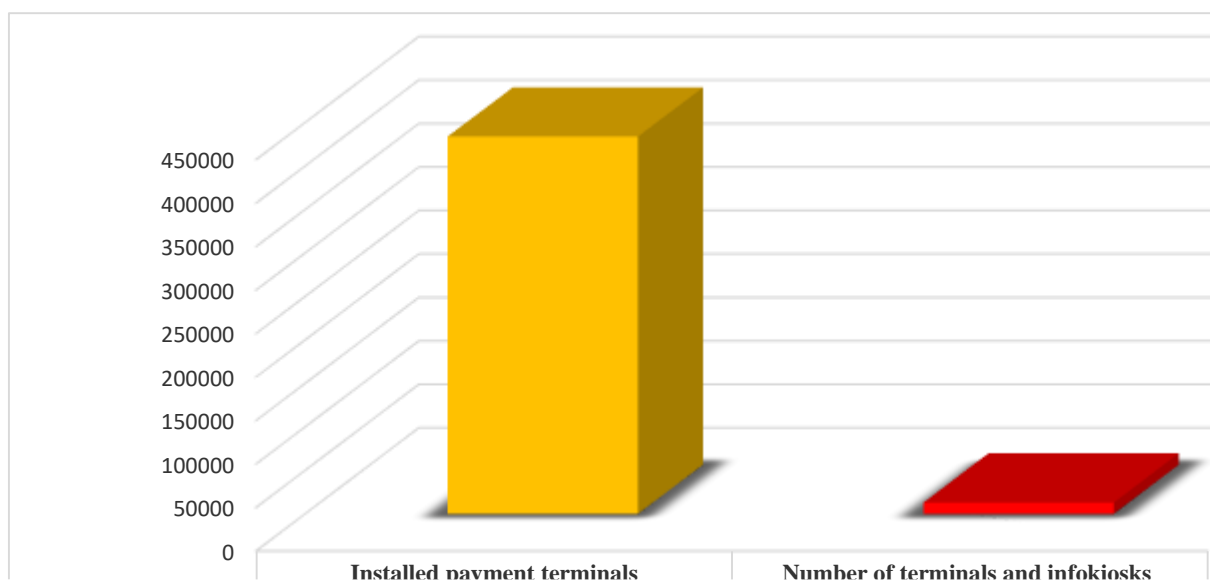
**Figure 2. The total rate of payments by plastic cards and terminals of 33 banks operating in the Republic of Uzbekistan as of March 1, 2022 [15]**

In the above data, we can see the total performance of 33 commercial banks in terms

of e-services, and we can see that these services have grown significantly over the past

three years. Increasing the range of innovative services in the banking and financial system, creating conditions for the population to use banking services - this is recognized as one of the priorities of banking. These analyzes show

that operational work is being carried out in the banking and financial system of our country. This, in turn, increases the demand for banking services.



**Figure 3. The number of terminals in 33 commercial banks of the Republic of Uzbekistan and the total number of payments through the terminal, as of March 1, 2022 [16]**

Based on the analysis of trends in the field of digital technologies, we can draw the following conclusions on improving the system of cashless payments through banking digital technologies.

### 5. Conclusions and suggestions.

1. Developed countries have many years of experience in introducing, developing and improving the system of cashless payments based on innovation and digital technology. In addition, an analysis of the best practices of developed countries shows that the system of cashless payments has been improved under the influence of innovative ideas and technologies.

2. In today's world, leading banks strive to endlessly improve the quality of banking services offered while reducing the cost of their maintenance. The range of banking and financial services is expanding every year, new types of products and services are constantly appearing on the market. This factor serves to intensify competition between banks for each client. Therefore, each bank builds its

relationship with the client, based on the principles of partnership.

3. In the context of the COVID-19 pandemic of economic instability, it is very important for banks to find a way to retain existing customers and attract new ones. In the conditions of fierce competition, the role of the process of introducing innovations to improve cashless payments is increasing.

4. For large-scale innovations, a fundamentally new level of interaction between big business, the state, science and technology entrepreneurs is needed. In fact, large companies and basic research are the sources of most global innovation.

5. Innovations have become a characteristic feature of modern development in all spheres of the economy, including banking. In a highly competitive environment, it is important to find a way to retain existing customers and attract new ones. this is doubly difficult.

6. Improving the system of cashless payments in the banking system directly depends on the development of new banking

products. Banking innovations are a powerful tool for the socio-economic development of society. Under the influence of many factors, the evolution of banking products and services is taking place.

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