



Topical Issues of the Need for Digitalization of the Banking System in the Republic of Uzbekistan

**Azimova Shakhnoza
Samukjanovna**

PhD Associate Professor of the Department of Banking, Tashkent Financial Institute

Khamrokhuzhaeva Sitora

Is a 2nd year undergraduate student of the faculty of "Banking" of the Tashkent Financial

Tulyaganova7@yandex.ru

ABSTRACT

The digitalization of the economy is an important step in providing remote financial services to the population, which not only improve the quality of life of the population, but also contribute to the country's further integration into world processes. This article considers the legal framework of the Republic of Uzbekistan as a foundation for the introduction of innovative financial services in the activities of commercial banks in the country. At the same time, the activities of the Central Bank carried out in accordance with the Development Strategy of New Uzbekistan and other legislative acts are significant in the transformation of the economy.

Keywords:

Digitalization, commercial banks, online banking, innovative technologies, transformation, remote services, development strategy

Introduction. The digital economy is a system of economic, social and cultural communication based on the use of digital technologies. It is sometimes called the internet economy, the new economy, or the web economy [1].

The digital economy is a combination of technological breakthroughs in various fields of intellectual activity, which includes the creation of new systems, materials, means of production, information technology, renewable energy sources and much more. These technologies create an opportunity to create new products and services that radically change the existing way of the economy. On the one hand, this is the creation of new areas of human activity, on the other hand, the destruction of existing industries. [2, c.1789].

Today, digitalization processes cover almost all areas of activity, and the banking sector is no exception. The introduction and development of online banking has become an

innovative solution to existing problems in this industry in the Republic of Uzbekistan. Now customers have unlimited access to the services and products of commercial banks at any time and regardless of their location, while there is no need to waste time in queues, all processes are quite transparent and automated. Today, one can even note some advantages of digital banks over traditional ones, for example, a simplified form of obtaining a loan for customers, as well as more attractive deposit rates [3].

The impetus for the development of electronic banking in the country was the Decree of the President of the Republic of Uzbekistan "On measures to radically improve the activities of the central bank of the Republic of Uzbekistan", adopted in 2018. One of the priority areas of activity of the Central Bank within the framework of the ongoing reforms has become the organization of effective

interaction between information systems of commercial banks in the provision of remote banking services that allow you to quickly manage accounts and conduct banking operations in real time [4]. In addition, a number of other legal documents were adopted to accelerate the process of digitalization directly in banking.

Thus, the Decree of the President "On Approval of the Strategy "Digital Uzbekistan – 2030" gives permission for remote identification of clients. In addition, by 2022, the process of digital transformation of commercial banks has been completed by providing them with a wide range of online services, including the sale of credit products, opening deposits and settlement accounts remotely [5]. It should be noted the joint activities of the Central Bank with the electronic government of the country as the main source of remote services for the population. They launched the project "Real-time clearing settlement system for retail payments, taking into account further integration with the billing systems of service providers." This clearing system made it possible to create a centralized system of retail payments for banks, which makes it possible to promptly carry out settlements of individuals and business entities for taxes and other obligatory payments, as well as in favor of service providers, Internet payments, the implementation of the functions of a settlement bank and making payments without commissions [6].

Thus, the purpose of this article is to consider the latest innovations and trends in the development of the banking sector in this direction, as well as to assess the role of the Central Bank of the Republic of Uzbekistan in the implementation of modern banking products in the activities of the population of the country.

The relevance of the topic under consideration is determined by the acceleration and necessity of the process of integration of Uzbekistan into the world community through automation and digitalization of operations carried out in the country. Obviously, the pandemic period has become an impetus for the population and financial institutions to

implement this transition. In addition, modern society today is not able to refuse the benefits of mobile banking.

Analysis of scientific literature. Despite the significant practical experience of foreign countries in the digitalization of the economy, which can serve as a well-thought-out plan for the transformation of the banking sector of Uzbekistan, the republic is quite careful in choosing the mechanisms and methods for the transition to electronic activity.

It is important to understand the essence of the introduction of electronic systems in the structure of commercial banks. It is noted that the introduction of online banking systems does not exclude the bank from conducting activities in the traditional format, but is only considered as an additional and more effective format for the interaction of the bank with the client. In addition, the activities of such payment systems as Payme, Click and others cannot be equated with the activities of banks, which, in addition to organizing the movement of funds, are engaged in a number of other operations inherent directly in banks.

A number of local authors express the opinion that commercial banks need to consider the following factors when implementing online systems in their activities [7]:

- A systematic approach, supported by conscious actions on the part of the bank's management in surveys of its organizational structure and activities;
- Definition of "key" users and setting up the appropriate interface for its convenient use by customers, taking into account their interests and needs in the future;
- Selection and training of competent personnel and training them in the necessary IT skills, which can become the basis for the successful operation of a commercial bank;
- Beneficial application of the current regulatory framework, as Now the development of this sector opens up a number of opportunities for banks and it becomes unprofitable to ignore the changes taking place in the legislation and the country's system.

Research methodology. This work uses analytical as well as institutional methods of research of the designated topic. Here, the regulatory framework of the Republic of Uzbekistan in the digitalization of the country's banking sector is considered as the basis for ongoing reforms and transformations in the industry. The current situation and planned projects in this direction are also being studied.

Results and discussion. It was noted above that the institutional framework of the country determines the main prospects for the activities of commercial banks of the Republic of Uzbekistan, while, in addition to other legal documents, special attention is paid to the signed Sh.M. Mirziyoyev to the Decree "On the development strategy of New Uzbekistan for 2022-2026" as a vector for the development of all spheres of the country in the long term. Thus, it is noted here that by the end of 2026, the digitalization of production and operational processes in the real sector of the economy, in the financial and banking sectors should reach 70 percent. In addition, the share of the private sector in the assets of the banking system should increase to 60 percent, which also affects the accelerated transformation of banks towards digital activities.

The full transition of commercial banks to digital format at this stage is considered

impossible, given the unpreparedness of the population and the universality of banking services provided today in the country. Despite this, digital banks have a number of advantages, such as reduced transaction costs by reducing the cost of maintaining offices, staff and equipment; accelerated provision of services; an expanded customer base and the consequent increase in the proportion of services provided. [8]

Digital banking, in turn, is gaining wide popularity in the Asian region. Thus, almost nine out of ten consumers in emerging and developed markets actively use digital banking, and most of them are open to purchasing additional banking services through digital channels. [9] Approximately 60% of consumers in Asia Pacific say they are considering or may consider moving to a digital bank. The results of the McKinsey personal financial services survey also show that wealthy clients would move up to 36% of their portfolio to a digital bank.

The Republic of Uzbekistan pays special attention to the introduction of information technologies and automation of the activities of commercial banks in the country. According to the Roadmap for reforming the banking system of the Republic of Uzbekistan for 2020-2025, the following activities were planned and implemented in this direction:

table

No.	Events	Implementation mechanism	Period of execution
one.	Conducting an ICT audit of commercial banks.	Attracting qualified companies to conduct an ICT audit of commercial banks to assess the existing automated banking systems.	2020
2.	Implementation of new digital products to improve the quality and speed of banking services.	Attracting leading IT companies to the domestic market offering proven products based on international standards.	2020
3.	Improving lending mechanisms in banks with state participation to improve the quality of assessing potential risks and streamlining the	Implementation of an effective mechanism for making decisions on issuing loans by: creating a highly qualified group of underwriters; expanding the types of fast and low-cost retail services by optimizing the	2020

	decision-making process.	process of their provision and introducing modular (homogeneous) loan products and increasing their volume in the bank's loan portfolio; further improvement of the scoring system of banks.	
4.	Automation of lending processes with the introduction of modern borrower identification systems.	Providing commercial banks with access to biometric data of the State Center for Personalization under the Cabinet of Ministers to identify customers.	2020
five.	Automation of business processes in banks to improve the quality of services provided, increase operational efficiency, generate reliable information to assess the real financial condition of banks.	<p>1 . Involvement of international consulting companies to diagnose the effectiveness of information systems of banks, their compliance with existing requirements and assess the potential for the introduction of modern products.</p> <p>2. Development, together with involved international consulting companies, of a set of measures to modernize the information systems of banks.</p> <p>3. Implementation of an automated system for collecting, processing and analyzing information based on Big Data.</p> <p>4. Optimization and automation of administrative and operational procedures through the introduction of RegTech and SupTech technologies.</p>	<p>June 2020</p> <p>December 2020</p> <p>2020-2021</p> <p>2020-2021</p>

Source: Annex No. 2 as amended by the Decree of the President of the Republic of Uzbekistan dated December 30, 2021 No. UP-42 - National Legislation Database, December 30, 2021, No. 06/21/42/1224

In addition, the Central Bank has taken a number of measures in 2021 to develop the digital financial services market, such as the development of a legal framework for remote biometric identification of customers and the establishment of a center CERT-CBU on combating fraud and cyber threats, which will increase the transparency and security of financial services. In addition, the foundation was laid for the creation of a digital currency of the Central Bank of the Republic of Uzbekistan. Its development and testing will be organized with the support of international experts and taking into account market trends. [10]

Today, with the support of international financial institutions and consulting companies

such as IFC, EBRD, ADB, KPMG, PwC, Mckinsey and Finextra, transformational processes are being carried out in the country's commercial banks, which concern not only the introduction of modern information technologies and optimization of customer service channels, but also the introduction modern banking standards and development of corporate governance.

In accordance with the strategy "Digital Uzbekistan-2030", measures were taken to ensure access of the general public to remote financial services and improve their quality. According to the Central Bank of the country, there are three digital banks and 34 non-bank payment organizations in the republic, 10 of

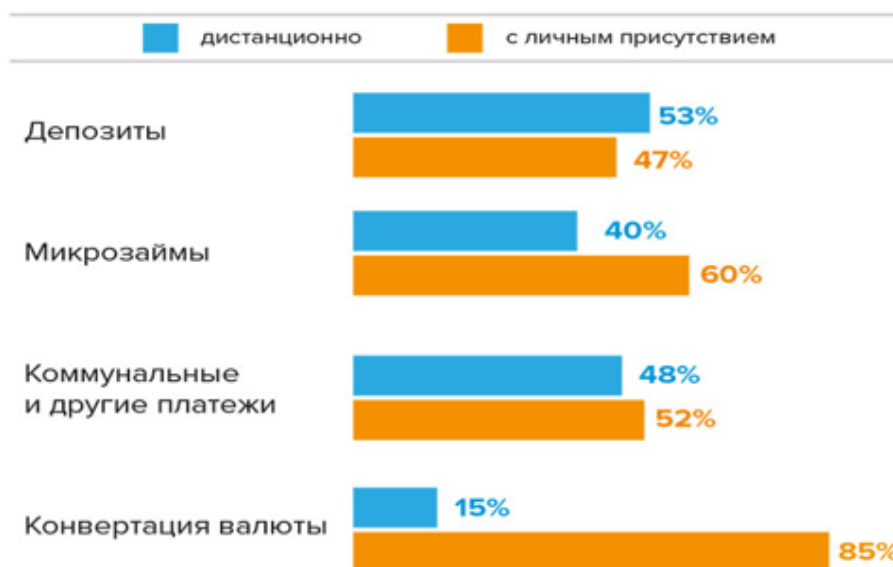
them are included in the register of electronic money system operators. [10]

In 2021, 53% of deposits, 40% of microloans received, 48% of utility and other payments, and 15% of currency conversion transactions were made remotely (rice.1).

In addition, remote customer service tools such as HumoPay were introduced to make NFC payments at retail and service points without a bank card; payment system "QR-

online"; The National Interbank Processing Center (NMPC) and Turonbank were the first to launch a new One Touch product based on Tap to phone technology, which allows you to accept payment for goods and / or services from HUMO bank cards with a smartphone with an NFC module, later Orient Finance Bank (OFB) and MayaSoft launched MARTA Terminal, a contactless payment system based on Visa Tap to Phone technology.

rice. 1



Source: <https://plusworld.ru/journal/2022/plus-1-2022/mamarizo-nurmuratov-transformatsiya-bankovskogo-sektora-uzbekistana-neotemlemaya-chast-protssessa-stanovleniya-tsifrovoj-ekonomiki/>

In addition, remote customer service tools such as HumoPay were introduced to make NFC payments at retail and service points without a bank card; payment system "QR-online"; The National Interbank Processing Center (NMPC) and Turonbank were the first to launch a new One Touch product based on Tap to phone technology, which allows you to accept payment for goods and / or services from HUMO bank cards with a smartphone with an NFC module, later Orient Finance Bank (OFB) and MayaSoft launched MARTA Terminal, a

contactless payment system based on Visa Tap to Phone technology.

Thus, the system of instant payments has become widespread, which allows real-time money transfers (rice.2). This system allows you to make interbank payments without visiting the bank, while the funds received immediately become available for use.

In total, 4,225 individuals used remote banking services in 2018, and as of January 1, 2021, their number reached 13,748. [11]

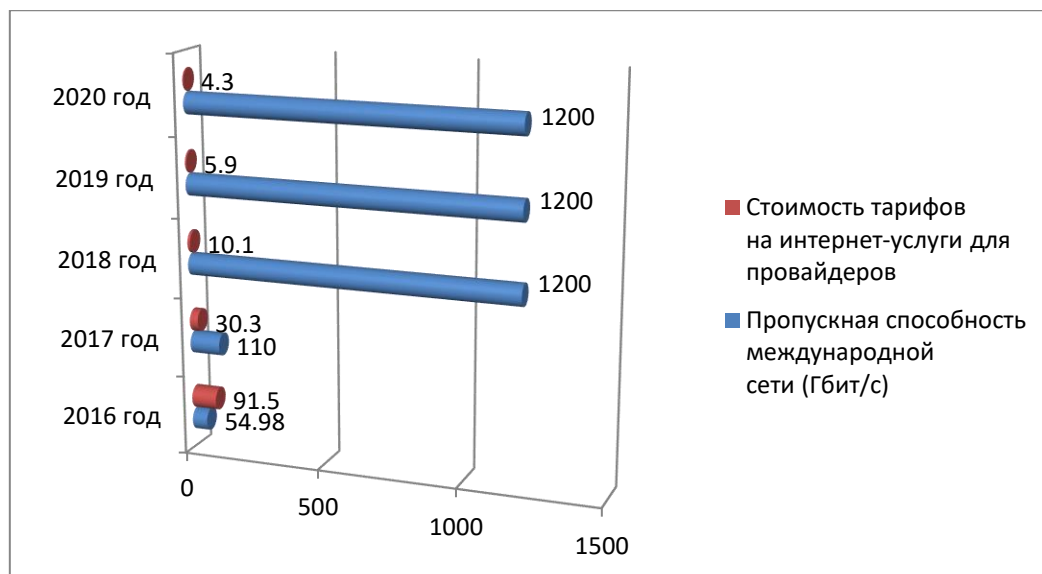
rice. 2



Conclusion. Uzbekistan carefully studies foreign experience in the digitalization of the economy and chooses the most optimal path for development in this direction, taking into account the current situation in the country. The government of the country creates favorable conditions for supporting the development of the financial sector in this direction, both from the side of legislation and the practical prospect of introducing information technologies in all areas of the population's activity.

For the further development of the digitalization process in Uzbekistan, pay attention to the following necessary aspects [12]:

- further development of employees' skills and abilities in this area;
- improvement of training and retraining mechanisms, formation competitive environment in training centers;
- Increasing the speed of the Internet, reducing its cost and providing information security of all enterprises and organizations (rice. 3);



rice.3. Dynamics of changes in the speed and cost of Internet services [13]

- creation of an electronic accounting system at all enterprises and organizations;
- creation of software platforms for the development of priority sectors and sectors of the economy, as well as continuous improvement of the electronic system public services.

An important role in this kind of transformation is played by commercial banks, which actively provide remote financial services to their customers using mobile and online banking systems, as well as innovative banking products such as QR payment, contactless payment by card, payment based on Tap - to - phone technology and other. The interest of the population in the use of remote banking services is increasing, due to their transparency and minimal time and cost.

Thanks to the steps taken a few years ago, Uzbekistan can now afford to gain momentum and expand the scope of digital solutions. This can be evidenced by the volume of transactions on E-POS- (electronic terminal) and POS-terminals in 2020, which amounted to 77.4 trillion. soums . (\$7.4 billion) [14].

As for the digitalization of the banking sector and digital payments, favorable conditions were laid in Uzbekistan for the opening of digital banks back in 2018, thanks to the Decree of the President of Uzbekistan "On measures to radically improve the activities of the Central Bank". Obviously, the number of digital banks, compared to the "traditional" ones, is currently much smaller.

It should be noted that a new digital bank has appeared in Uzbekistan - Bank Apelsin (subsidiary bank "Capital Bank"), which received a license from the Central Bank to carry out banking activities.

Having appeared at the end of 2019 as an Apelsin application for Kapital Bank clients, the product gradually became a full-fledged payment service and gathered a large client base. The application is currently used by over 1.5 million people [15]. In 2020, a digital branch was created in the structure of Kapital Bank, which was engaged in the development of a new direction.

However, it is already possible to evaluate the advantages of digital banks over "traditional" ones and predict a significant increase in their number in the near future.

Thus, we can note the high degree of involvement of commercial banks in the integration processes of the country's economy, as well as the acceptance of these changes by customers and the transfer of their preferences from traditional to digital banking solutions.

literature:

Интерн

1. **List of used** ет-ресурс: web of scientist: international scientific research journal(ISSN: 2776-0979, Volume 3, Issue 3, Mar., 2022)// The digital economy conditions monte-carlo method in statistical study of sustainable development of regions(575-578 стр.) Urunov Ravshanbek Sadullaevich Senior Lecturer, Department of Statistics and Econometrics, Tashkent Financial Institute
2. <https://wos.academiascience.org/index.php/wos/article/view/1113/1035>
3. Устюжанина Е.В., Сигарев А.В., Шеин Р.А. Цифровая экономика как новая парадигма экономического развития // Национальные интересы: приоритеты и безопасность. – 2017. – Т. 13, № 10. – С. 1788 – 1804. URL: <https://doi.org/10.24891/ni.13.10.1788>
4. Интернет-ресурс: <https://bank.uz/deposits>
5. УП-5296 «О мерах по коренному совершенствованию деятельности центрального банка Республики Узбекистан» от 09.01.2018 г. URL: <https://www.lex.uz/docs/3494938>
6. УП-6079 «Об утверждении Стратегии «Цифровой Узбекистан — 2030» URL: <https://lex.uz/docs/5031048>
7. Интернет-ресурс: <https://cbu.uz/ru/>
8. Burkhonov A. Issues of Digitization of the Banking and Financial System in the

- Integration of the Republic of Uzbekistan into the World Economy// Academic Journal of Digital Economics and Stability. -2021 (на английском)
9. Интернет-ресурс:
<https://review.uz/post/banki-i-dengi-v-cifrovoy-transformacii>
 10. Интернет-ресурс:
<https://smebanking.news/ru/40739-razvivayushhiesya-rynki-stremitelno-razvivayut-innovacii-i-vnedrenie-cifrovogo-bankinga/>
 11. Интернет-ресурс:
<https://plusworld.ru/journal/2022/plus-1-2022/mamarizo-nurmuratov-transformatsiya-bankovskogo-sektora-uzbekistana-neotemlemaya-chast-protssesa-stanovleniya-tsifrovoj-ekonomiki/>
 12. Пресс-центр Центрального банка Республики Узбекистан Цифровые технологии и процессы трансформации в деятельности банков URL:
https://cbu.uz/ru/press_center/news/436812/
 13. Абдуллаев М., Бегалова Д. Тенденции развития цифровой экономики в Республике Узбекистан. Iqtisodiyot va innovatsion texnologiyalar” ilmiy elektron jurnali. № 1, yanvar-fevral, 2021 yil, 296-300.
 14. <https://www.gazeta.uz/ru/2021/05/05/research/>
 15. <https://finance.uz/index.php/ru/fuz-menu-economy-ru/11083-uzbekistan-v-tsifrovoj-ekonomike>
 16. <https://www.gazeta.uz/ru/2021/11/01/apelsin/>