Development of Regional and Sectoral Economy in the Context of Digitalization, in Particular, the Formation and Development of Modernized Banking Businesses

Turaeva S.F. Tashkent Institute of Finance, student
Email: sevaraturaeva01@gmail.com. +998977698292

Rustamov D.R. Tashkent Institute of Finance, Doctor of Economics, Professor

ABSTRACT

Digitalization affects all sectors of the economy of states and regions. Naturally, digitalization also has an impact on the banking sector of the regions. Modernization of banks is an integral part of the development of the digital economy. This article identifies the prospects and threats of the formation of a new model of banking business, focused on the transformation of the bank into an integrator of values in the digital space.

Keywords: Banking business model, crowdfunding, big data, digitalization, ICO

Introduction: The new stage of economic development is characterized by the emergence of a digital economy – an activity in which the key factors of production are data presented in digital form, and their processing in large volumes and the use of the results of their analysis allows, compared with traditional forms of management, to significantly increase efficiency, quality and productivity in various types of production, technologies, equipment, while storage, sale, delivery and consumption of goods and services . Data processing technologies are becoming the main ways to increase the efficiency of the modern economy. The competitive advantage is possessed by states whose economic sectors are based on technologies for analyzing large amounts of data. One of the key tasks of using information technologies for the development of the social sphere, interaction between citizens and the state, and the public administration system is the development of mechanisms for providing financial services in electronic form with ensuring an adequate level of information security. Among the key tasks of using information technologies in the interaction of the state and business, the formation of a new technological basis in the economy, it is indicated, in particular: creating conditions for the development of electronic interaction between participants in economic activity, financial organizations and government agencies; providing remote access to banking services, including through the introduction of unified approaches to verifying information, provided during banking services, in electronic form.

Methods: The beginning of the era of active introduction of financial technologies in the world banking practice occurred in the 60-70s of the XX century, thanks to the emergence of information technologies that provided effective information processing when

performing routine operations with a focus on centralized collective use of computing center resources.[1] The main direction of the development of information technologies was then the automation of human operational actions and the development of automated production management and process control systems, including customer banking technologies. In the 1970s, IBM 3270 terminals were installed in bank branches, through which data was entered for transaction books, which increased business efficiency by reducing administration costs. In the 1980s, ATMs began to appear in the network of bank branches, which were supposed to replace the cashier and become the main physical point of electronic contact with customers. In the early 1990s, banks gradually began to switch to an electronic format of work, which was reduced to providing remote customer support through a telephone call center. [3]

Due to the use of a variety of incompatible systems on platforms from different providers, by the end of the 1990s, banking call centers massively faced the problems of forming a holistic portrait of the client, taking into account his individual needs for services. The solution to these problems was the introduction of mobile and Internet banking at the beginning of the XXI century. In the 2010s, the introduction of new financial technologies intensified the processes of gradual replacement of bank offices and employees with computer servers and programs. The previous model of banking business, in which the central place is occupied by a banking institution, is beginning to give way to a new model in which a computer processor can take the central place.

Results: Banking institutions throughout the history of their existence have personified an expensive, trustworthy financial intermediary for the following reasons: they have created a model of physical distribution of values in the local world; this model is based on conducting transactions and providing services with the direct and mandatory participation of people; banking institutions are aimed at making a profit for the sake of maximizing equity capital. The new model is focused on delivering products to customers through a processing center: this model is based on the digital distribution of data in the networked world; it boils down to digital data processing and automated service provision; banking institutions are aimed at reducing costs in order to minimize transaction processing costs. The spread of financial innovations within the framework of existing banking institutions is due to the following technological components:

1) cloud technologies and big data;
2) API and real-time communication capabilities;
3) social media and mobile communication with special applications.

Cloud technologies are an opportunity to have access to data without installing special applications on the device. All the necessary software is provided to users by servers. Cloud technologies allow banks to offer products to their customers anywhere in the world by providing centralized services on the network. Big data provides the bank with the opportunity to use these services anywhere in the network, providing customers with individual targeted offers. Thus, the bank's external systems track the customer's location and proximity to retail outlets, while internal systems analyze the customer's digital footprint in order to find offers that meet their needs. This is realized thanks to mass personalization, which is based on big data analysis.

Big data is a variety of tools, approaches and methods for processing both structured and unstructured data in order to use them for specific tasks and goals. Huge amounts of data are processed so that a person can get specific and necessary results for their further effective application. It is almost impossible to process volumes of heterogeneous and rapidly arriving digital information with traditional tools. The data analysis itself allows you to see certain and imperceptible patterns that a person cannot see. This makes it possible to optimize all areas of our life – from public administration to manufacturing and telecommunications. The main sources of big data are: the Internet (social networks, forums, blogs, mass media and other sites); corporate archives of documents;

readings of sensors, instruments and other devices. [2]

Banks and other financial service providers will create financial processing capabilities that can be integrated into customer interaction systems. Therefore, any financial product in a new model bank should be an automatically configurable component with its own personal code, which the client can upload to his application. Banks and other companies offering financial products and values in this area should make sure that their product gets into the client's field of view as often as possible, especially given the fact that they no longer meet the client face to face. This can be done using the API. Based on the bank's functionality based on the use of cloud tools, the API allows everyone to integrate the functional property of the product into their offer. The times when banks had to keep the technology of their activities secret remain in the past.

In the future, only those whose systems will be publicly available will be successful, which they can only be if they function in real time on the basis of open source code. The best way to achieve this is to take internal cloud products and make them relevant through big data analysis, and then bring them to the end user using a real–time API. Relationships between financial service providers and their consumers are formed through mobile communications, social networks and related applications.

Discussion: The main requirement for the introduction of any innovation is a tangible benefit for the consumer. As a rule, many innovations in any business, including banking, end in failure due to the fact that customers do not understand why they need it. Integration of social networks with Internet banking is a simple and understandable tool for most consumers of financial products. In addition, the integration of banking business with social networks allows you to provide:

collecting a large database of customer hobbies and preferences for their subsequent use when offering new financial products;

establishment of trusting relationships with each client of the bank;

acceleration of the introduction of blockchain technologies in customer relationships with banks and other financial intermediaries. [4]

An example of the success of implementing this kind of relationship in retail is Amazon, which does not create any products and does not perform any processing operations. Amazon manages to make the most of customer relationships through innovations focused on its own customer experience and through established partnerships with manufacturers, wholesalers and suppliers of products, on the one hand, and postal and transportation companies, on the other hand. [4]

Under the new business model, banks no longer need to produce, process and distribute financial services from start to finish. Instead, they can simply use individual fragments of the general system of production, processing and distribution of products created by other specialized companies, according to their needs. To meet the new digital era of financial technology, banks need to start focusing on core competencies. These may include ensuring customer engagement and satisfaction, a high level of transactional process execution, and product innovation.

The bank cannot be competent in absolutely everything, From the point of view of the optimal ratio between the price and the quality of the implementation of certain areas of activity, it is more expedient for the bank to turn to the services of specialized companies that are beginning to change the financial system by reengineering the financial supply chain. In this case, the Bank becomes an integrator of value systems. An integrator of value systems is a bank that uses modern financial technologies to create a complete value chain for its customers through partnership and integration. The integrator of value systems analyzes the needs of customers in a mass of financial products and services, purchases them from partners and ensures their delivery in a convenient way for customers at the lowest possible price. The formation of a new banking business model based on partnership and integration inevitably leads to the emergence of a component-oriented system of regulatory regulation in this area. The

manifestations of this process are already taking quite concrete forms.

The development of financial technologies in recent years has led to the emergence of new forms of financial intermediation, which, on the one hand, do not require such significant initial investments that are necessary for the creation of credit institutions, on the other hand, are becoming a serious alternative to the traditional banking business. ICO on the Blockchain platform, crowdfunding and crowdinvesting can compete with credit institutions in the sphere of attracting and placing temporarily free monetary resources in the near future.

ICO (Initial Coin Offering) is a form of attracting investments through the issuance and sale of digital tokens to investors for fiat money or other cryptocurrencies. Units of the cryptocurrency being sold in the professional community are called coins or tokens. On the one hand, the use of ICO as a form of attracting investments facilitates the possibility for companies to attract financing, since this mechanism does not provide for strict regulatory requirements for its implementation, on the other hand, risks for investors are significantly increased.

At the initial stage of the ICO, the company discloses all key and technical information about the project (in the so-called "whitepaper"): the number of tokens issued, the purpose and time frame of the ICO, the team, the roadmap of the project, its features and other. The issued tokens can subsequently be traded on cryptocurrency exchanges. The peculiarity of the ICO is the fact that the organizer can be either a legal entity or an indefinite circle of individuals. During the ICO, the company creates its own digital tokens, most often on one of the existing Blockchain platforms, for example, Ethereum, Waves. Next, the tokens are sold to everyone, thereby ensuring an influx of funds into the project conducting the ICO. Subsequently, the ICO organizer monitors the turnover of tokens in accordance with the terms of issue. As a result, investors, when purchasing tokens offered at the ICO, first of all expect to benefit from their sale at a higher price in the future. At the moment, non-professional investors mainly participate in the ICO. As a rule, in most cases, ICO participants acquire tokens for speculative purposes, less often for long–term investments. However, the market is also of interest to institutional investors.[4]

The key connecting element of the national financial market infrastructure is open interfaces (Open API), which allow for the receipt and transfer of information between information systems of various organizations using standard data exchange protocols. The creation and development of digital financial infrastructure will ensure the effective provision of services in the financial market, including for small and medium-sized organizations, which will contribute to increasing the availability of financial services throughout the Republic of Uzbekistan and the development of competition in the financial sector.

Conclusion: Thus, we have established that within the framework of the new business model, banks no longer need to carry out the production, processing and distribution of financial services from beginning to end. Instead, they can simply use individual fragments of the general system of production, processing and distribution of products created by other specialized companies, according to their needs. A whole ecosystem of value exchange is being created in the new banking business model. In this model, the bank aggregates and integrates the main components of the exchange of values – big data, APIs and applications. The previous model of banking business was a highly integrated model of a full service cycle. Banks could control all products, processing and distribution on a global scale, linking customers to their own unique package of services. They developed products and technologies on their own, managed them and controlled these processes. The effectiveness of this model was due to the fact that the exchange of values was carried out in the process of physical distribution of goods and services focused on buildings and people with the support of paper documentation during personal interaction. The new model is based on digital distribution of data in the networked

world; it boils down to digital data processing and automated provision of services; banking institutions are aimed at reducing costs for the sake of ensuring minimization of transaction processing costs. One of the sources of threats to the new model of banking business are new forms of financial intermediation, which, on the one hand, do not require significant initial investments necessary to create credit institutions, on the other hand, are becoming a serious alternative to traditional banking. ICO on the Blockchain platform, crowdfunding and crowdinvesting can compete with credit institutions in the sphere of attracting and placing temporarily free monetary resources in the near future. The reaction of the banking business to these threats was a set of measures taken by banks of Uzbekistan to introduce proportional regulation of banks and create a new digital financial infrastructure.

References:

1. Berkana A. What is Big data: we have collected all the most important things about big data. 2020
2. Annett Mauser A Reference Model for Savings Bank. 2018
3. Bob S. Retail Banking 2020 Evolution or Revolution? 2020
4. Abramova E.A. Kapralova M.A. The role of digital economy in the effictive managment of modern economic relationships. 2019