Global Scientific Review
A Peer Reviewed, Open Access, International Journal
www.scienticreview.com
Volume 13, March 2023 ISSN (E): 2795-4951

Problems and Prospects of Digitalization of the Banking Sector of the Uzbekistan Economy

Sagdiana Doniyor qizi Neverova
Tashkent Financial Institute, 2nd year student, group BIA-40
19WOLF30@GMAIL.COM
+99890 067-19-10

Annotation: The relevance of studying the digitalization of the economy of Uzbekistan is due to the slowdown in economic growth in the world, as well as the need to change some obsolete aspects of the economy. The article considers the features of the digital development of the country's economy. Particular attention is paid to the banking sector. The article reveals the features of digital banks and analyzes the problems and trends of their development in Uzbekistan. Based on the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025. conclusions are drawn on the further development of the digital banking system in the country. The result of the study is an assessment of the importance of digital transformation for the state economy.

Keywords:
Banking system, strategy, technologies, financial technologies, digital economy, digitalization, "Digital Uzbekistan-2030".

In the modern world, in the context of globalization and the development of information technologies, the question of the transition of the economy to a fundamentally new level, which will consist of a single space located on the Internet, has become relevant. Despite the fact that the concept of the electronic economy was developed at the end of the last century, this issue became the most significant only in 2018.

It is worth noting that the use of familiar methods in the modern economy does not contribute to rapid growth, while the digital economy allows the country to dramatically change its position on the world stage. This leads to the generally accepted opinion that only with the effective introduction of modern technologies in all areas of the economy is it possible to grow the digital economy as a whole.

Therefore, back in 2018, the Decree of the President of Uzbekistan “On measures to develop the digital economy in the Republic of Uzbekistan” was issued, in which one of the main goals was to integrate the country’s economy into the global digital space. The basis for this was the creation of ecosystems as fundamental elements of future development. The ecosystem is an association of organizations that ensures constant interaction with each other using Internet services, technology platforms, information systems of public authorities and citizens of the country.

President of Uzbekistan Sh.M. Mirziyoyev pays special attention to promoting digitalization in the banking sector. Thus, in his Address to the Oliy Majlis of the Republic of Uzbekistan, he notes: “Our focus will be on the widespread introduction of digital technologies in the activities of banks. We will prepare Sanoatkurilishbank,

Asaka Bank, Ipoteka Bank, Aloka Bank, Turon Bank and Qishloq Qurilish Bank for privatization. The state stake in at least one large bank will be fully sold to strategic investors." This attention is also manifested in the presence of legal acts regulating the digital economy. In Uzbekistan, the current acts regulating the transition to a digital economy are:

• Decree of the President of the Republic of Uzbekistan, No. UP-6079, dated October 05, 2020 "On approval of the Strategy "Digital Uzbekistan-2030" and measures for its effective implementation";
• Decree of the President of the Republic of Uzbekistan, No. PP-3832 dated July 4, 2018 "On measures to develop the digital economy in the Republic of Uzbekistan";
• Decree of the President of the Republic of Uzbekistan, No. PP-4699 dated April 29, 2020 "On measures for the widespread introduction of the digital economy and e-government";
• Decree of the President of the Republic of Uzbekistan, No. PP-4022 dated November 21, 2020 "On measures to further modernize the digital infrastructure in order to develop the digital economy";
• Decree of the Cabinet of Ministers of the Republic of Uzbekistan, No. 737 dated November 21, 2020 "On the introduction of a system of mandatory digital marking of certain types of goods";
• Decree of the President of the Republic of Uzbekistan, No. UP-5598 dated December 13, 2018 "On additional measures to introduce the digital economy, e-government, and information systems in the public administration of the Republic of Uzbekistan";
• Decree of the President of the Republic of Uzbekistan, No. PP-4321 dated May 20, 2019 "On measures to further improve the infrastructure of the digital economy and the Electronic Government system";
• Resolution of the Board of the Central Bank of the Republic of Uzbekistan dated September 30, 2021 "On approval of the regulation on the procedure for digital identification of customers";
• Decree of the President of the Republic of Uzbekistan, No. PP-4996 dated February 18, 2021 "On measures to create conditions for the accelerated introduction of artificial intelligence technologies";
• Decree of the President of the Republic of Uzbekistan, No. PP-3926 dated September 2, 2018 "On measures to organize the activities of crypto-exchanges in the Republic of Uzbekistan";
• Decree of the President of the Republic of Uzbekistan, No. PP-4986 dated February 10, 2021 "On measures to attract investment in further development of information technologies and communications";
• Decree of the President of the Republic of Uzbekistan, No. PP-4642 dated March 18, 2020 "On measures for the widespread introduction of digital technologies in the city of Tashkent" and others.

Initially, the active introduction of digital technologies began in the banking sector, which controls gold and foreign exchange flows, being the triggering mechanism for the global economy. And as the most important segment of the economy of any state, the financial sector today reflects the most progressive solutions in digitalization, namely in financial technologies. The innovations proposed in this area are aimed at improving financial performance through better and more personalized service at lower customer costs.

Volume 13, March 2023 ISSN (E): 2795-4951

In the course of the analysis of this sector, we came to the conclusion that the modernization of the banking system with the help of financial technologies made it possible to:

• Use remote control systems through a mobile application on a mobile phone (smartphone) and/or computer;
• Keep capital in electronic wallets;
• Use electronic money as a financial instrument;
• Quickly process information about the borrower and assess its solvency, etc.

That is, financial technologies are any technologies that are used in all monetary industries and change the traditional ways of dealing with money. At the moment, about 50 organizations are successfully operating in the financial technology sector of Uzbekistan. In 2021, the leading areas were:

• Lending, including microfinance institutions;
• Sector of electronic money;
• Financial management of enterprises;
• Payments sector;
• Comparison of financial products and/or their purchase.

The terms "digital finance" and "fintech" are generally used interchangeably, although there are some subtleties. Digital finance is in line with the broader trend of digitalization of financial services and the financial industry of the digital economy in general. With regard to fintech, in its 2017 report on financial technology, the Financial Stability Board (FSB) put forward its working definition as “financial innovations based on the use of technology that can lead to the creation of new business models, applications, processes or products with a corresponding material impact on financial markets, institutions and the provision of financial services.

According to the Central Bank of the Republic of Uzbekistan at the beginning of November 2021, only 3 digital banks were registered in the country: Anorbank, TBC, Bank Apelsin. These organizations are really active in promoting financial technologies in their business. In addition, almost all banks have sufficiently functional mobile applications.

After analyzing the data of the Central Bank of Uzbekistan, we can identify the main stages of digitalization of the banking sector:

The first is the emergence of Digital channels, namely the network of ATMs, mobile banking, chat bots, which contribute to the construction of a new ecosystem, in the center of which is the user. Such a system allows both the bank and the client to interact at any convenient time via any communication channel.

The second is the development of Digital products: contactless payments, virtual payments, Big Data. The presence of advanced technologies allows you to create E2E products that are designed to meet the financial needs of the consumer around the clock.

The third stage is the introduction of a full cycle of information services. This step allows not only to modernize traditional products, but also contributes to the emergence of a fundamentally new business model that allows the bank to be integrated into the global Internet space.

The fourth stage is characterized by the creation of a "digital brain" (Digital Brain), which is aimed at automating the study of data in all segments of the economy for the purpose of audit, which allows the organization to have a more complete picture of its own capabilities in a particular industry.

Volume 13, March 2023 ISSN (E): 2795-4951

The last stage is the emergence of "digital DNA". Such a system provides for the presence of new vectors of development and, as a result, new strategic decisions during any period of the bank's existence.

Based on the above, it is possible to assess the digital maturity of the bank. It directly affects its capitalization, and operating efficiency helps to spend less, so a healthy balance sheet becomes the main source of income growth.

In world practice, there are three degrees of digital maturity of banks:

• 50% did not start the transformation at all,

• 38% are active,

• 12% have a clear digital focus, that is, they know, know how, practice. But not a single traditional bank has yet become 100% digital, although the “butterfly wings” of many are becoming clearly visible.

The digital maturity of retail banks differs markedly depending on the starting point, level of ambition, region of operation, types of services. However, there are criteria to evaluate it, it can be distinguished10 on the basis of mat Serials of the Internet resource CAPITAL: business information center.

The priority of the mobile first model: a modern bank has many channels of interaction with customers, including branches, ATMs, call centers and personal managers. What is in the center? For a digital bank, most often the mobile channel is the main one, others help to maintain full communication. At the same time, there is no competition: the smartphone is at the center of the communication model with the client, and other channels complement it.

Automation of manual operations in the back office: from risk management to customer service, all processes by default should be based on data systems and analytics and use modern artificial intelligence capabilities. With this approach, the bank can fully serve dozens of retail and small business clients.

Bank openness: Leading banks are considering whether they can expose their digital platform to the open market through microservice architecture and APIs.

An extension of the traditional model: a digital bank considers potential revenue streams even beyond the usual services: from insurance to non-financial services, which together work for the financial well-being of customers. The share of such services in the portfolio of banks of the future will grow, while traditional flows, interest and commission income will decline.

Digital bank = data-driven bank: A digital bank is able to work with big data and use artificial intelligence and machine learning technologies to increase profitability. Analysts compare banks' access to data to oil discoveries. But the best banks know not only where to drill, but also how to improve and use the fuel from those wells.

Public cloud at the core of infrastructure: Public clouds enable efficient implementation and rapid scalability of digital banking services. Therefore, banks with a high degree of digital maturity are constantly asking the question about public clouds: “Why not?”.

Flexibility: digital banks are becoming Agile, that is, they are introducing a culture of product creation and change management. So minimum viable services quickly enter the market and are refined based on customer feedback. Flexibility ensures an interactive approach in everything and supports the process of bank transformation.

Innovation at the heart of the bank: Ten years from now, the best digital banks will have strong balance sheets, stable funding, and excellent risk management.

Volume 13, March 2023 ISSN (E): 2795-4951

Collaboration in the fintech industry: digital banks are building a partnership ecosystem. Only a bank that knows how to work with the ecosystem, filter, identify and monetize good ideas will be able to stay at the forefront of the industry.

Technology-focused HR: All of these processes can only work if the bank has talented people on staff who support change. Increasingly, modern banks are abandoning the position of IT director, because their entire structure is becoming digital. Subsequently, we highlighted some of the positive aspects of the digitalization of the banking sector.

• First, the active introduction of information technology contributed to a significant increase in employee productivity.

• Secondly, it reduced the dependence of economic and production processes on the human factor, which led to a sharp reduction in the number of errors.

• Thirdly, it facilitated the system of taxation and control, since it became possible to track all transactions in the Internet space. This set a certain vector for the development of the state apparatus, which seeks to develop digital management. At the same time, this helped to reduce the number of "shadow" businesses, make fraudulent schemes more difficult and increase the "transparency" of the economic processes of organizations.

However, like any economic process, the digitalization of the banking sector is accompanied by negative factors and risks. Recently, the issue of information security of the resources of credit institutions has become acute. As one of the most important elements that ensure the economic security of the country, the financial sector, when moving to the global network, is subject to the greatest number of hacker attacks. Therefore, one of the first tasks in the transition to the digital era is to provide sufficient protection for credit institutions.

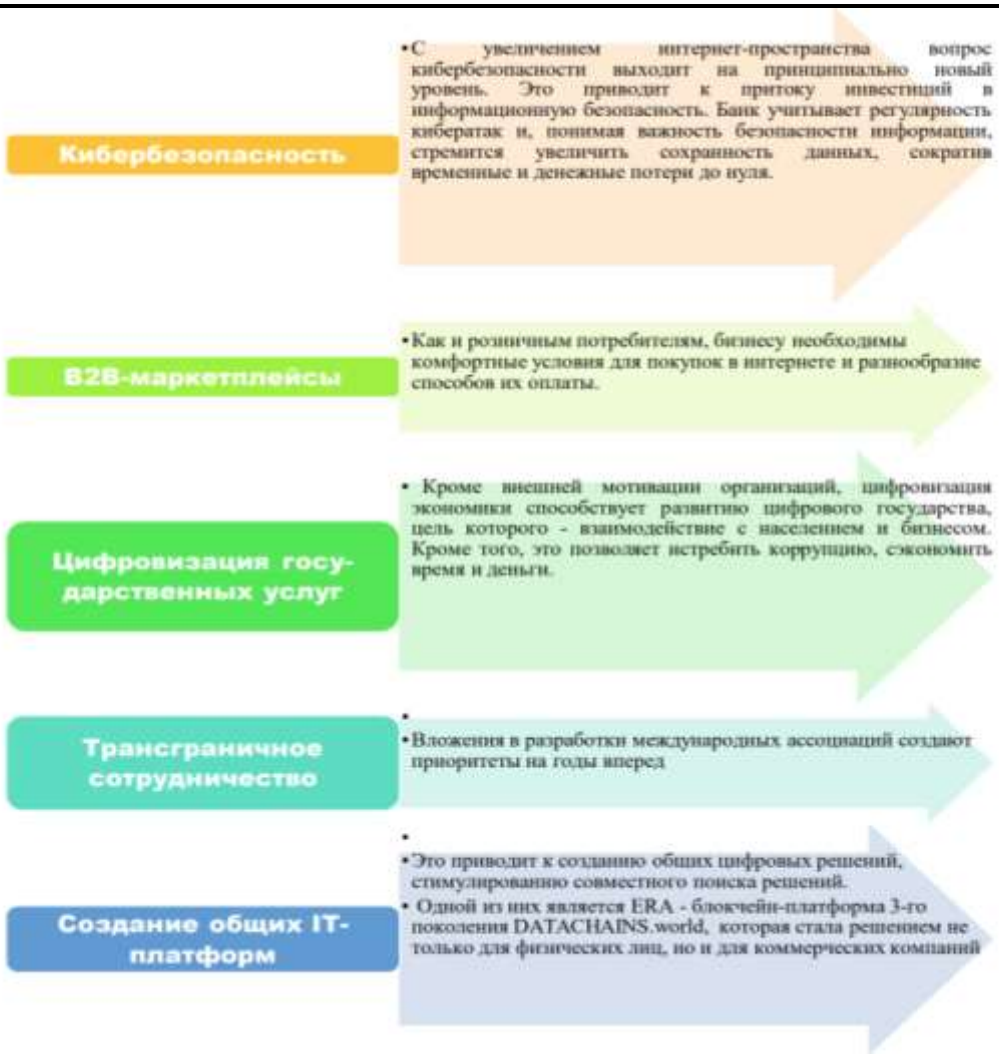

Fig.1. General trends in the digital economy

The next risk is unemployment in the banking sector. The reasons for this are the reduction in the number of banks and the automation of basic banking processes. The reasons for this are the reduction in the number of banks and the automation of basic banking processes. Such development of the financial sector contributed to the establishment of five general trends in the digital economy of Uzbekistan, each of which is illustrated by examples (Fig. 1).

Conclusion

Thus, digitalization, using the example of a separate economic sector, has a positive trend in the development of the country towards integration into the global Internet space, the development of fundamentally new industries and directions, despite numerous negative factors.

Used sources:

1. Abbasov, A. M., Mamedov, Z. F., & Aliev, S. A. (2019). Digitalization of the banking sector: new challenges and prospects. Economics and Management, (6), 81-89.

2. Abdukarimovna, M. E. (2020). The effectiveness of the use of blockchain technologies in sectors of the national economy. South Asian Journal of Marketing & Management Research, 10(6), 53-62.
3. Abdullaev A. The major directions of the investigation of the entrepreneur's personality and actions in psychology // Bulletin of science and practice. 2021. №6. URL: https://cyberleninka.ru/article/n/the-major-directions-of-the-investigation-of-the-entrepreneur-s-personality-and-actions-in-psychology (date of reference: 29.10. 2021).
4. Abdullaev A., Mukhsinova Sh. Analysis of macroeconomic policy of the Republic of Uzbekistan // OII. 2021. No. 6/S. URL: https://cyberleninka.ru/article/n/analiz-makroekonomicheskoy-politiki-respublikiuzbekistan (date of reference: 10/29/2021).
5. Abdullaev, A. & ets. (2021). Covid-19 pandemic in central Asia: policy and environmental implications and responses for SMES support in Uzbekistan. In E3S Web of Conferences (Vol. 258, p. 05027). EDP Sciences.
6. Abdullaev, A. M. Actual issues of activization of financial factors of development of entrepreneurship in Uzbekistan. M. Abdullaev, K. I. Kurpayanidi, I. Sh. U. Tolibov // Kazakhstan Science Journal. - - 2019. - Vol. 2. - No 3(4). - - P. 49-58.
7. Abdullaev, A. M., Nabieva, N. M., Muminova, E. A., & Honkeldieva, G. S. (2020). Economic and Social Policies During Covid-19 Period: Relief Plan of Uzbekistan. International Journal of Advanced Science and Technology, 29(06), 5910.
8. Alaloul, W. S., Liew, M. S., Zawawi, N. A. W. A., & Mohammed, B. S. (2018). Industry revolution IR 4.0: future opportunities and challenges in the construction industry. In MATEC web of conferences (Vol. 203, p. 02010). EDP Sciences.
9. Alam, N., Gupta, L., & Zameni, A. (2019). Fintech and Islamic finance. Springer International Publishing.
10. Tolibov, I. Sh. (2019). On the issue of assessing the state and efficiency of entrepreneurship infrastructure in the regions of Uzbekistan. Economics and business: theory and practice, (1).
11. Khamdamova, F. (2020). Strategy "Digital Uzbekistan-2030": prerequisites for adoption, main provisions, mechanisms and prospects for implementation. Society and Innovation, 1(2/S), 131-143
12. Makhmudova, G. N. Priority directions for the development of the digital ecosystem in Uzbekistan / G. N. Makhmudova // Digital economy, smart innovations and technologies: Proceedings of the National (All-Russian) scientific and practical conference with foreign participation, St. Petersburg, 18 -April 20, 2021. - St. Petersburg: Polytech-Press, 2021. - S. 337-341. – DOI 10.18720/IEP/2021.1/106.
13. Muminova E.A. (2020). Iktisodiyot va innovation technologylar, 5, 303-310 p.
14. Muminova, E.A., Sanakulova B.R. (2020). Corporate party molyaviy boshkaruv jarayoniga blockchain technology blue zhory etishning yutuk va kamchiliklari. Economics and Finance (Uzbekistan). 1 (133). URL: https://cyberleninka.ru/article/n/korporativ-moliyaviy-bosh-aruv-zharayoniga-blokcheyn-tehnologiyasini-zhoriy-etishning-yutu-va-kamchiliklari (date of access: 11/14/2021).

Volume 13, March 2023 ISSN (E): 2795-4951

15. Nishonov, F. M. Competition is a key category of market relations / F. M. Nishonov, I. Sh. Tolibov // Scientific journal. - 2019. - No. 7 (41). – pp. 74-76