



DEVELOPMENT AND TRANSFORMATION TO DIGITAL BANKING SYSTEM IN UZBEKISTAN

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Annotation: Features of the development of digital banking in commercial banks are considered commercial banking, digital banking, banking products and software programs. The following article examines the proposals and recommendations on the essence of digital banking in the national economy of Uzbekistan, its application and analysis of the current situation.

Keywords: commercial banking, traditional banking methods, digital technology, digital banking, regulations, banking products.

The impact of digital technology in our lives is increasing day by day and has reached new heights, as a result more and more people are spending more time online than ever before. The number of people worldwide using the Internet rose to 4.54 billion, an increase of 7 percent (298 million new users) compared to previous year. Globally, there were 3.80 billion social media users in January 2020, an increase of more than 9 percent (321 million new users) compared to last year. And also, more than 5.19 billion people use mobile phones in the world, and the number of users has grown by 124 million (2.4 percent) over the past year. Technology has helped remove many financial barriers, leading to new services and more affordable products for customers at lower costs. Recent developments in technology have created an entirely new service concept and environment that has changed the way people buy and sell services. Clearly, in this regard, organizations face new challenges in order to maintain their current market position and attract new segments in the process of digital transformation. Hence, every company tries to gain a competitive edge by providing better customer service. Thus, the banking industry must also be reformed in order to use resources and technology for development. One of the key aspects of this process is Digital Banking.

In the modernization of the economy, the modernization and simplification of the banking system plays an important role in the development of financial services. Today, as in all spheres, information technology is deeply ingrained in the banking system. The development of digital banking in the banking system is one of the key issues for economic growth. Commenting on the banking system, the president of Uzbekistan Sh. Mirziyoyev said, "Unfortunately, the banking system lags behind the modern requirements for the use of digital technology products and software". For this, we need to recognize digital banking as an issue that needs to be developed. One of the important issues is the development of digital banking system, which will increase the confidence of users in the banking system and offer convenient services. Economists, scientists and practitioners of our country express the concept of "digital banking" together with the concept of "digital banking". Research shows that using innovative banking technologies (without providing cash services), it is recognized that a bank that remotely provides banking services or its subsidiary is a digital bank. This is a definition given to an entire bank and all banking services.

As the scientist Chris Skinner states: "Banking is a digital marketplace based on virtual financial relationships formalized by electronic transactions. Therefore, banking is one of those few industries in which technology not only opens up new opportunities, but is also an integral vital component". This is both its strength and its weakness. The strength lies in the ability of the financial sector to use,

implement and support technology. The weakness lies in the problem of moving from legacy operations and infrastructures to fully electronic business.

Digitalization opens up new opportunities for banks to put the customer at the center of the information development process.

The advent of digital banking channels such as telephone (t-banking), internet (e-banking) and mobile (m-banking) banking has changed the way customers receive services, challenging traditional banking methods. Some scientists also noted that banks do not need to provide a large physical space for the mass customer, since the customer can receive their required services through digital platforms.

This shift towards digital banking means that bank marketing and financial management models are changing, and customer acquisition and retention and financial performance are no longer solely dependent on branch sales. This change has impacted digital banking on customer experience, satisfaction and loyalty, and how they contribute to financial performance that is critical for banks. The challenge for banks is how to meet these customer needs and make a profit.

In 2018, the term "digital bank" was first introduced into the legislation of Uzbekistan, in a resolution of the Board of the Central Bank, which amends the procedure for registering and licensing the activities of banks. According to the document - "digital bank" - a bank or its structural unit that provides banking services at a distance with the help of innovative technologies (without cash desk services). In particular, one of the main tasks of the Central Bank was the improvement of remote banking services through innovative banking technologies.

It must be admitted that the level of digitalization of banks in Uzbekistan is low, and that we do not have a single full-fledged digital bank in our country. In January 2020, the Central Bank of the Republic of Uzbekistan issued a preliminary permit to the Georgian TBC Bank to open a bank in Tashkent, and in April Joint Stock Commercial TBC Bank received a license for the right to carry out banking activities. (In April 2019, the bank bought a controlling stake in the Payme payment service for \$5.5 million) Also, in March 2020, the Banking Supervision Committee of the Central Bank decided to issue a preliminary permit for the creation of Anor Bank digital bank in Tashkent.

In a remarkably short period of time, digitalization has revolutionized the world of banking. Nowadays, it is not unusual for customers to pay for goods with a tap of an app or check their bank balance on their smartphone while on the go. Advanced technology has changed customer needs and on-demand remote services have become the new norm.

As part of the Best Bank Awards 2020, business publication Asiamoney recognized Agrobank as the "Best Digital Bank in Uzbekistan." After attracting KPMG to help develop a five-year business plan in 2019, the bank went all-in on digital technologies. About 260,000 consumer customers now use its mobile app, and 52,118 its business app, which allows them to apply for and receive loans online: the bank can approve microloans in minutes. It started work on a multi-channel digital banking platform, implemented credit scoring software, and launched an electronic trading platform for his clients. For the first time in Uzbekistan, the domestic Agrobank and the Russian Sberbank have introduced a new generation instant money transfer system - when transferring, Russian rubles are automatically converted into Uzbek soums and credited to the recipient on the plastic card of Agrobank Governments and regulators have begun to discourage the use of cash (the use of cash in payments may contribute to the spread of the coronavirus), which has forced people to switch to digital payment methods.

In addition, the pressing need for core products is pushing digital payments as a fast and secure option. Digital transactions are free from any contact or physical interaction. They also provide a safer way to pay and receive money. These are the key reasons why people prefer digital payment solutions over currency notes and coins.

But as a coin has two sides this issue also has got its pros and cons. There are several major obstacles to the transformation of our domestic banks:

- Bureaucracy and organizational structures: Startups have a level of flexibility that large financial institutions do not have.
- Long development cycles: many banks are still in the process of changing their processes to adopt a more flexible, lean development philosophy.
- Legacy systems: Implementing new technologies is more difficult with existing systems.
- Organizational Thinking: Likewise, organizational thinking must shift to a more active, flexible and rational philosophy so that banks can keep pace with changing consumer behavior and technological advances.
- Perception of security: Banks need to continue to work on building trust with consumers, especially through new innovations in mobile banking and other digital services.
- High costs: Banks need to allocate additional resources to manage cyber risk and prevent fraud using new technologies.

To ensure the readiness of banks in Uzbekistan for the transition to a systematic and progressive introduction of new financial technologies, it is necessary:

- To improve business processes. At the moment, circumstances dictate special requirements for software, technologies and processes that are used in the banking sector. The level of automation must be improved, which will significantly reduce the required time and costs, and will have a direct impact on customer satisfaction, since transactions will be carried out quickly, securely and with a high degree of security and control.
- To implement relevant projects and introduce modern solutions, banks need to train specialists in the field of information security, system analysis of financial flows, developers, testers, information system administrators, engineers and others.
- To digitalize the service. Creation of a powerful, reliable and flexible technological platform capable of processing large amounts of data in a short period of time and providing a full range of services, which is a key project for the technological transformation of banks in Uzbekistan.
- To allocate resources (financial, human, material) for the sustainable achievement of strategic and tactical goals arising under the influence of changing environmental factors.

Banks should focus on digital banking to improve the customer experience as customer needs change. The effect of digital banking is economically important, making it a strategic weapon to remain competitive as banks face challenging conditions.

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