

## Modern Views of Cashless Settlements in Banks

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**Abstract:** At the current stage of economic development, the role of banks operating in the country is growing. Because none of the business entities can operate without bypassing the banking services, and can not conduct mutual settlements without the assistance of the bank. That is why the government is focusing on reforms to strengthen the banking system and increase their freedom. Because the reforms in the banking system will be the basis not only for the stability of banks, but also for the stability of the economy as a whole.

**Keywords:** Monetary system, banking, digital economy, transformation, banking services, innovation, remote banking services.

### Introduction

Today it is impossible to imagine the banking industry without data digitalization. We visit banks' buildings less and less, and banks, for their part, try to do their best to promote this. We can place funds online, carry out online conversion without additional bureaucracy. All these points help to reduce costs on the part of banks and clients, as well as contribute to a decrease in the level of corruption.

The purpose of our article is to study the importance of research in the field of digitalization of the economy, in our case we will talk about banks, and show the state of the regulatory and legal framework of Uzbekistan, which is necessary for the effectiveness of this process.

### We set the following tasks for our research:

Study the scientific literature and the opinions of individual scientists in the field of the use of digital technologies in banks;

To highlight the main advantages and disadvantages of digital banking in our opinion;

Study the readiness of the regulatory framework of the Republic of Uzbekistan in the field of digital economy;

Bring conclusions on the work done and develop proposals.

Electronic processing significantly reduces the cost of the transaction. Banks have the ability to submit customer accounts electronically. The cost of delivering invoices in electronic form is significantly lower than if the invoice was delivered in paper form by mail. Electronic invoicing costs

40% less [1] than paper delivery. Such savings can offer both customers and banks a lower cost of banking services while still providing efficient and varied services.

It is much easier for banks to know consumer interests by using social media. Knowing the demand for certain banking products among customers, it is easier to develop and offer these products. Banks offer a “hub” of financial services, including billing and billing, financial planning, real estate finance, insurance, lending and brokerage.

By acquiring the loyalty of the client, who becomes dependent on the bank for many financial instruments, it is possible to offer more banking service packages and get a higher income per client.

Banks are acquiring a new role, a kind of role of a financial portal that allows customers to use the products and services of the bank, avoiding bureaucracy, shortening the transaction time, and reducing dependence on the human factor.

### **Research methodology**

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Electronic processing significantly reduces the cost of the transaction. Banks have the ability to submit customer accounts electronically. The cost of delivering invoices in electronic form is significantly lower than if the invoice was delivered in paper form by mail. Electronic invoicing costs 40% less [1] than paper delivery. Such savings can offer both customers and banks a lower cost of banking services while still providing efficient and varied services.

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### Literature reviews

In our research, we tried to collect a holistic view of how banks and customers can benefit from digital banking. The study analyzed the literature on customer experience, satisfaction, loyalty and financial performance by authors such as Keisidou, 2013 [5], Klaus & Maklan, 2013 [6], Yee, Yeung & Cheng, 2010 [11]. Scientists examine the financial statements of the bank and employees from the perspective of customers to understand the links between digital banking services, improve the quality of service clients and financial performance of banks.

Teo, Anderson, Fenwick and Ying, (2014) [10] say that businesses are constantly using digital technologies to create new sources of value, to improve the efficiency of customer service. Hence, every business must transform into a digital business in order to survive. This suggests that banks need to focus on digital technology as banking aims to improve customer service as customer needs change.

Customers want the highest quality service, convenience and the best digital experience. However, digital banking research Martins, Oliveira & Popovic, 2014 [7], Hanafizadeh, Behboudi, Koshksaray & Tabar, 2014 [3] showed that there is more emphasis on learning than in examining customer experiences, the perceptions of banks and employees who make decisions about how to offer services.

While digital banking is prevalent among major banks, it is still necessary to understand its impact on customers and bank financial performance, especially for different target customer groups. Keisidou, Sarigiannidis, Maditinos & Thalassinou, 2013 [4], Patsiotis, Hughes & Webber, 2012 [8], Garg, Rahman & Qureshi, 2014 [2] believe that this will allow different banks to refine their strategies in accordance with the overall business model, goals and objectives.

### Analysis and results

So, digital banking means the complete digitalization of banks and all their activities, programs and functions. This applies not only to the digitalization of banking services and products - the interface that customers see, but also to the automation of internal processes. Digital banking is the automation of every step of banking relationships that goes far beyond online, offline, mobile and internet banking platforms.

Digital banking is a complete transformation into a digital environment, interface, backend and everything in between, for both customers and employees. Hoffman Thomas 1999 [4] says that digital banking relies on big data, analytics and uses all new technologies to improve the quality of customer service. A bank can be considered digital only if it has digitized all available functions - from product development to customer service.

### The main advantages of digital banking:

1. Cutting costs. Banks are forced to cut their costs to stay competitive. If a bank does not move to digitalization, it must, for example, continue to invest in expensive, outdated hardware and software to keep these systems up to date;
2. The likelihood of increased profitability: traditional banks do not have a complete overview of their customers. They lack intelligent systems for collecting customer information and systems for

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targeting customers. The study of customer preferences through social networks, messengers leads to the creation of a banking product in accordance with the interests of customers. The greater the bank's market share, the higher the likelihood of an increase in its profit;

3. Attracting and retaining customers and staying ahead of the competition: Fintechs and other newcomers have shocked the banking community. As a result, demand for better customer service and personalized services, and the products and services of renowned banks are becoming more expensive. Digital banking allows you to improve the quality of customer service and reduce costs, which is necessary in order to predict and anticipate customer demand;

4. Examining the benefits of new technologies allows predicting new technologies such as data analytics, blockchain and cognitive banking, which will have an impact on the business models of banking operations. However, outdated systems limit banks' ability to respond quickly to these events. Full digitization is required to study the benefits of these technologies and calculate the bank's position for the future.

Customer expectations are changing, new regulations are being introduced, and competition from tech companies is increasing. These changes should stimulate banks to create their digital space.

The main disadvantages of digital banking:

1. Security system. Digital banks are subject to the same laws and regulations as traditional banks. Sophisticated encryption software is designed to protect your account information, but no system is perfect. Stafford Barbara, 2001 [9] says that accounts can be susceptible to phishing, hacker attacks, malware and other unauthorized actions;

2. Types of services. Some digital banks may not offer all the complex financial services such as insurance and brokerage accounts that traditional banks offer. Traditional banks sometimes offer special services to regular customers such as preferred rates and investment advice at no additional cost. In addition, services such as notarization and bank signature are not available online. They are required for many financial and legal transactions. However, today users of social networks can reduce the lending rate for the bank by gaining a certain number of likes for the bank. The system is identical to savings cards in stores. Having typed, for example, 10 thousand likes, the bank can reduce the lending rate by 0.2%, gaining 20 thousand - by 0.5%, etc. in accordance with the loyalty program of a particular bank.

3. Relationship with the client. Often, the bank, knowing its client, his credit history, the specifics of his business, can make decisions favorable to the client. The digital banking system excludes such opportunities.

4. The complexity or significance of the transaction. Oftentimes, a face-to-face meeting with a client is required to complete a large transaction or make a major decision. A traditional bank can hold meetings and call experts to resolve a specific issue. Complex international transactions, international financing issues, syndicates may not be possible with digital banks.

Uzbekistan adopted the Resolution of the President of July 03, 2018 No. 3832 "On measures for the development of the digital economy in the Republic of Uzbekistan" [12], which defines the most important tasks for the further development of the digital economy:

implementation and development of activities in the field of crypto-assets turnover, including mining (activities to maintain the distribution platform and create new blocks with the ability to receive remuneration in the format of new units and commission fees in various cryptocurrencies), smart

contracts (an agreement in electronic form, the exercise of rights and responsibilities for which is carried out by automatic execution of digital transactions), consulting, emission, exchange, storage, distribution, management, insurance, crowdfunding (collective financing), as well as blockchain technologies for diversifying various forms of investment and entrepreneurial activity ;

training of qualified personnel in the development and use of blockchain technologies with practical skills in using modern information and communication technologies;

comprehensive development of cooperation with international and foreign organizations in the field of crypto-assets and blockchain technologies, attracting highly qualified foreign specialists in the development of blockchain technologies for the joint implementation of projects in the digital economy;

creation of the necessary legal framework for the implementation of blockchain technologies, taking into account the best practices of foreign countries;

ensuring close interaction between government bodies and business entities in the field of introducing innovative ideas, technologies and developments for the further development of the digital economy.

This Resolution also provides for the introduction of blockchain technologies from January 1, 2021 into the activities of state bodies, when maintaining state registers, classifiers and other databases, into the corporate governance system of large commercial organizations with a predominant state participation in the authorized capital, in clearing operations, when making payments, trade finance (letter of credit), as well as project lending.

From October 1, 2018, there is a procedure according to which activities in the field of crypto-assets turnover, including the creation of crypto-exchanges for trading crypto-assets, are subject to licensing. The resolution provides for the adoption of the Law "On the Digital Economy and Blockchain Technologies", which provides for:

basic concepts in the field of "blockchain" technologies and principles of its functioning;

powers of state bodies, as well as participants in processes in the field of blockchain technologies;

measures of responsibility in case of using blockchain technologies for illegal purposes.

In accordance with the Presidential Decree of January 9, 2018 No. 5296 "On measures to radically improve the activities of the central bank of the Republic of Uzbekistan" [14], the central bank was instructed to ensure a critical review of regulatory services, including the organization of the activities of "digital" banks and divisions of banks specialized in provision of retail services, improvement of remote banking services through the active use of innovative banking technologies.

In accordance with the Decree of the President of the Republic of Uzbekistan dated November 21, 2018 N PP-4022 "On measures to further modernize the digital infrastructure in order to develop the digital economy" cost and customs fees) for goods not produced in the Republic of Uzbekistan, imported for the implementation of tasks assigned to the operator.

In accordance with the Decree of the President of the Republic of Uzbekistan dated October 05, 2020 No. 5296 "On the approval of the strategy" DIGITAL UZBEKISTAN-2030 "[15] and measures for its effective implementation", the implementation of over 220 priority projects is envisaged, providing for the improvement of the electronic government system, further development the domestic market of software products and information technologies. As part of the digital transformation of regions and industries in 2020-2022, it is envisaged to increase the level of



connection of settlements to the Internet from 78 to 95 percent, as well as to complete the digital transformation of commercial banks by January 1, 2022 by providing them with a wide range of online services, including sales of credit products, opening of deposits and settlement accounts in a remote form.

### Conclusions and suggestions

The study demonstrates how banks can use digital banking to improve customer service, acquisition, retention, experience and satisfaction with various customer needs, and improve financial performance through improved profitability, cost savings, return on assets, cost-to-income ratio, revenue and sales growth.

The study informs about consumer attitudes towards digital banks, which need to consider ways to increase their profits. This underlines the upward trend in investment in innovative digitalization technologies. This shows how innovations in civilization enable banks to introduce value-added services, differentiate products, increase sales, increase the competitiveness of banks, and enable them to respond to growing customer needs with digital devices.

The study highlights the operational and security risks of digital banking, which affect the brand and reputation of banks, customer confidence, and service quality. In our opinion, it is necessary to expand research in the field of digitalization. Uzbekistan is a densely populated country with a population of 34.5 million at the beginning of 2021.

There are regions remote from the financial infrastructure. To cover these regions, first of all, it is necessary to have an uninterrupted Internet, which will allow banks to develop digital services and train customers to use them.

Also, in our opinion, it is necessary to increase the financial literacy of the population so that consumers of digital banking products do not become victims of financial or cyber crimes.

The digitalization of the economy of Uzbekistan will improve not only the quality, but also the volume of any transactions both in the banking and financial system and in any other. The result of digitalization will allow investors to see information transparently enough, make the country even more open and accessible for further globalization.

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