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The Importance of Banks of the Republic of Uzbekistan in the Digital Economy

Gulamova Iroda Ziyovuddin kizi

3rd year student majoring in “Banking and Audit”, Tashkent State Economic University

Abstract

Development of digital economy demands from banks of need of carrying out radical reforms. The present stage of development of digital economy in the Uzbekistan is characterized by the period of formation and high dynamics of development. Banks of the republic of Uzbekistan offer quite limited online of services and also adaptation of bank activity to requirements of consumers happens quite slowly. For active introduction in a banking system of innovative types of banking services, to the republics it is necessary to develop the strategy of development of digital economy.

Keywords: digital economy, cryptocurrency, mobile payments, digital company, Internet retail, banking, online ecosystem, technology blockchain, hedge fund, bitcoin, SMS-banking, remote service.

Introduction.

Today in the global financial system there is a rapid development of the digital economy, such elements as cryptocurrencies, electronic payment services and lending without intermediaries. The volume of mobile payments is growing rapidly (annual doubling from 2010 to 2015) and mutual lending (in the USA in 2015, turnover reached \$77 billion, that is, exceeded 15 times over the past 3 years)¹. There is no absolute leader in the creation and development of the digital economy; every country in the world demonstrates its own history of success. In each individual country, the digital economy is developing in its own way, but the common features for all are favorable conditions for the rapid implementation of innovations and large volumes of investment in digital technologies and infrastructure.

The development of the digital economy destroys all the foundations of the traditional banking system and requires banks to carry out radical reforms. It should be noted that in the digital economy, banks that competently and successfully use customer data have an advantage. The main advantages of digital banks include customer centricity, personalization of offers and mobility. Digital banks strive to participate in all spheres of life of a modern person, primarily in mobile devices, social networks, information services, e-commerce, online trading, and so on.

¹ Panel session “The role of IT in the implementation of the national technology initiative.” Moderator: Kitty Perry, Founder, CEO, Social Media Compliance Ltd. Website of the TASS news agency [Electronic resource]. – URL: <http://tass.ru/pmef-2016/article/3353102> (date of access: 01/28/2018).

Today, about 60% of clients in the Nordic countries, Australia and the USA actively use remote banking services². For example, in the United States, half of the adult population now uses banking services through smartphones and tablets³. A digital bank offers products and services digitally to its customers using digital channels. The infrastructure of such a bank is optimized for digital communications and is ready for rapid changes in technology. The main tasks of such banks include informing the client about the status of the account, transactions performed, and finding the nearest branch, ATM or kiosk. We emphasize that a digital bank must provide clients with a service that can work on all platforms and is oriented towards mobile devices. Building and creating such a bank requires process optimization, a new organizational culture and flexible IT solutions that support high speed to market and personalization of the offer. This requires a restructuring of not only the bank's entire IT architecture, but also its customer support infrastructure. Today, seven main areas for improving the digital banking model have been identified⁴:

- ✓ omnichannel and simplification of user services;
- ✓ development of new methods and tools for information management;
- ✓ open APIs;
- ✓ competition and partnership with financial and technical companies;
- ✓ development of mobile payments;
- ✓ development of an innovation management strategy;
- ✓ innovative regulation.

In order to study the possibility of using blockchain technologies, big data and other leading banks in the world created R3 in 2015, a financial technology research company that today includes more than 80 of the world's leading financial institutions. Having completed testing of a blockchain solution to facilitate trading in debt instruments, on April 5, 2016, the company introduced a project called Corda - "a distributed ledger designed for financial services." The developed technology differs sharply from blockchain technology, which allows only project participants to have access to data.

Main part.

Innovative technologies based on ICT are also being actively introduced in the banking system of Uzbekistan. Today, the republic's banks use such types of remote banking services as bank-client, Internet banking, mobile banking and SMS banking. The bank-client system is accessible to clients via a computer, and a direct connection via a modem is used to connect to the bank. Internet banking allows bank customers to manage their deposit accounts via the Internet. Using this type of banking service, a client from a workplace or any other place where there is access to the Internet can make payments, track the progress of payments, and receive all service reports, including information about the receipt of funds to the account⁵. In the same way as using Internet banking technology, the relationship between the client and the bank is built using mobile banking. The use of SMS banking allows bank clients to receive information about transactions on deposit accounts. Through the SMS banking service, the client can receive operational information about debits and receipts, the balance of funds in the account, and banking transactions carried out

² Digital Russia: a new reality / A. Aptekin, V. Kalabin, V. Klintsev, E. Kuznetsova, V. Kulagin, I. Yasenovich // July 2017. Digital/McKinsey. – P. 31.

³ The role of AI technologies in humanizing digital banking. Geektimes company website [Electronic resource]. – URL: <https://geektimes.ru/company/wirex/blog/293673> (access date: 08/15/2018).

⁴ Technologies for banks or banks for technologies? [Electronic resource] // Banking technologies. – 2017. – No. 6. – URL: <http://www.banktech.ru/articles/tsifrovoj-banking-s-chelovecheskim-litsom.html> (access date: 01/28/2018).

⁵ Payment systems. Website of the Central Bank of the Republic of Uzbekistan. [Electronic resource]. – URL: <http://cbu.uz/ru/platyeznyye-sistemy/30> (access date: 01/28/2018)

during the day.

Today, banks offer their clients a number of online services and remote banking services. In particular, the National Bank of Foreign Economic Activity of the Republic of Uzbekistan provides its clients with online services - SMS information, E-Mail information, personal IVR account (published on the website on November 11, 2015)⁶.

By sending SMS messages to a cell phone, NBU account holders receive operational information. E-mail information also allows clients to receive the same operational information about the status of their account via email and the Internet.

Conclusion:

As the practice of providing online and remote banking services to clients shows, domestic banks offer a rather limited type of online services; adaptation of banking activities and solutions to consumer requirements is quite slow. An obstacle to the rapid spread of digital banking channels is the low financial literacy of the population, as well as distrust of non-cash payments. It is also necessary to emphasize that the transition of banks to digital services is a long and costly process, requiring the active support of shareholders and the allocation of significant funds. In addition, if banks provide a variety of financial services, consumers will be able to use banking services anywhere and at any time. In order to develop online services and remote banking services, it is proposed to take a number of the following measures:

- 1) with the help of new technologies, reduce the distance between banks and consumers;
- 2) build all banking services with clients on a permanent consulting basis;
- 3) develop and establish collaborative relationships between traditional banks and professional organizations for the implementation of new IT technologies;
- 4) attract clients to develop and use new technologies for conducting banking operations.

To actively introduce innovative types of banking services into the banking system in the republic, it is necessary to develop a strategy for the development of the digital economy, which should be aimed at studying the experience of states that are ahead of others in the field of digitalization.

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⁶ Bobokhuzhaev Sh.I. The role and significance of banks’ activities in the era of the digital economy // Market. Money and Credit. – Tashkent, 2018. – No. 2. – P. 5–12.