

# Digital in the Bank System of Uzbekistan Financial Services Application Mechanisms

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## Abstract

The digitization of the economy poses serious challenges to existing business models, including structural divisions of the banking system, which is currently undergoing a transformation process around the world. Customer focus and personalization of the offer are key components of a digital banking strategy. For its effective implementation, it is necessary to solve tasks focused on the accumulated experience of customers, as well as on the introduction of innovations that support the interests of customers. The article discusses the areas of application of digital technologies in the banking sector of Uzbekistan, as well as in the leading banking structures of the world, the problems and prospects of digitalization of banking business are highlighted.

**Keywords:** Digital banking, electronic transaction, mobile communication, Internet, neobank, commercial bank, retail bank, traditional bank, digital technologies.

## Introduction

Today, the world is on the brink of a quality breakthrough driven by digital technologies, a radical new model of building a business that will lead to a complete rethinking of traditional approaches to problem solving and the creation of unique experiences. This process also affected the banking sector. Today, 39 percent of payments in Europe, the Middle East and Africa are made using contactless technology, 37 percent in Asia, and mobile payments average 18 percent worldwide. Digitization has become a strategic priority for the banking industry worldwide, with the banking sector spending nearly \$519 billion on IT technologies in 2018, up 4.1 percent from 2017, according to research and consulting firm Gartner. , Uzbek banks are not an exception, they implement projects using retina and fingerprint customer identification, chat-bots for customer support and contact centers, using the most advanced technologies is increasing.

The number of banks using digital technologies in the world is constantly increasing. Europe is now ahead of the US in terms of digital banking development, countries such as France, Germany, the Netherlands and Spain have double the number of electronic banks, and in Norway, Finland and Sweden 95% of banks interact with customers, (70%) transactions and by providing services through financial banking, this is greatly facilitated by Eurozone legislation, which facilitates the

provision of digital banking services throughout the EU. Nevertheless, banks will not completely abandon branches and branches, but most likely they will reduce their networks or keep them in their current state without increasing the number of sales points. No matter how much technical progress pushes the banking sector to transfer its customers to the online segment, the presence and development of the branch network is one of the indicators of the availability of services of a single credit organization, the reason for which is the following:

- the majority of the population remains in favor of traditional services;
- in a number of credit organizations, many functions are not available via the Internet;
- remote identification is just beginning to develop.

Today, a group of high-tech banks is forming in the banking sector of Uzbekistan, such as Anorbank, Uzumbank and Georgia's TBS Bank, which actively use digitalization opportunities, which allows synchronization on common IT platforms. Also, in the last 20 years, technology has brought unimaginable changes to the banking industry around the world. Internet and mobile communication have reached the farthest corners connecting people and organizations around the world. This has changed the way customers wait in long queues and how organizations operate. With the help of mobile communication and related infrastructures, fintech technology (financial technologies) has entered the banking sector and launched various customer-friendly products. The development of digital technologies at different levels is carried out by any credit institution, there are many examples of banks in the world banking services market that decided to switch to a full 4.0 banking model in 2018. The creation of the Buddybank digital bank, a project initiated by the UniSredit a Espone group, was a great project. The bank is positioned as an online assistant that allows you to remotely open a current account, issue a debit or credit card, make payments and use other services and provides many virtual banking services. Currently, in addition to creating an effective management and operational model based on a horizontal business culture, the use of a completely new IT platform using the most advanced information technologies is the main factor of success. It should be taken into account that Uzbekistan has a relatively low rate of Internet access - 70%, while in European countries it is about 90%, therefore, in order to expand the scope of existing ones and introduce new financial technologies, the Internet It is necessary to develop measures to expand the presence, it is planned to completely digitize the relationships of financial organizations both with each other and with customers, which will turn banks into open ecosystems where everyone can see. However, changes in the digitization of the banking sector are of two types: - on the one hand, digitization gives positive results, in particular, banks and their clients cannot participate in suspected illegal transactions; - on the other hand, the transition of the banking sector to the virtual space may contribute to the emergence of a new crisis.

Today, serious work is being done by the banks on the implementation of large projects related to the development program. In the near future, cryptocurrency and blockchain will be legally regulated, and most credit institutions will include digital transformation in their business development strategy. It may take decades to transform the human mind into a digital system, and banks need to think about changing the culture and organization as a whole, as well as creating a trust environment that strikes a balance between appropriate security controls and the acceptable risk of using the latest technologies. . A new banking service is an activity to help or assist the client to make a profit, to earn additional commission income. A new banking product becomes a

financial instrument. According to the economic content of innovations in the banking sector, they can be divided into technological and product. Bank innovations can be specialized and integrated. Technological innovations include: electronic transfers, cash, bank cards. The basis of banking innovation is that technological innovation gives banks competitiveness, and contributes to the development of profits and modern payment. Implementation of the strategic goals of technologies in the field of digitization of both the banking system and the entire financial market is to increase competition in it, expand the availability, quality and types of financial services, reduce risks and achieve high competitiveness of costs and technologies in the financial sector.

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