

Novelties In Banking Sphere and A Practice of Introducing Them into The Banking System of Uzbekistan

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Abstract: Today, the digital economy in general and, in particular, the digitalization of the banking and financial sector are in demand to increase the competitiveness of the national economy. The article reveals the features of digital banks and analyzes the problems and trends of their development in Uzbekistan.

Keywords: banking system, digital bank, digitalization, digital economy, strategy, priorities

In recent years, the digital banking model has been transformed in Uzbekistan, and it is becoming more and more popular and widespread. Banks are investing in development of this business model. Digital technologies are technologies that use electronic computing equipment to record code pulses in a certain sequence and at a certain frequency. According to Cisco surveys, many customers are not satisfied with banking services in general. Digital transformation is what will be the “lifeline” for the financial sector. In Uzbekistan, taking into account the world experience, President Sh. Mirziyoyev has instructed to implement digitalization projects in various sectors of the economy until 2025. In 2020, a large-scale transformation program began in all of the banks around the country. Emphasis is placed on increasing the capital and resource base, as well as the profitability of banks.

The main goal of these reforms in the banking sector is to teach commercial banks customer oriented work. The digitalization of banking system is being studied with great attention by theorists and practitioners. Purpose of the study is - to analyze the indicators of development of the banking system of Uzbekistan; country in the context of digitalization of the economy, taking into account the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025 and draw conclusions about the further improvement of this area. Object research work is the banking sector of the Republic of Uzbekistan. Subject of study—regulatory and legal framework and activities of banking organizations of Uzbekistan in the context of digitalization of the economy.

Banks, as a service providers, work for clients and have an electronic service channel via the Internet in the form of a platform both in the branch itself and in mobile devices. An electronic service channel based on Internet technologies is a bank branch. Banks are now digitally oriented. Call centers, ATMs, branches, Internet banking, mobile banking are all now digital, therefore, the bank has also become digital and relies on a digital platform that penetrates every cell of the banking organism. In Uzbekistan, the banking system is divided into two levels: the first - the Central Bank, the second - commercial banks, credit organizations. The Central Bank makes decisions within the limits of its powers and functions, regardless of other state authorities and administration.

The monetary policy of the Central Bank is aimed to ensure the stability of the banking system and the functioning of payment systems. The Central Bank manages the banking system through a single digital centralized system. In the world, several central banks are exploring the issue of the possibility of state support for digital currency, reducing capital outflow, money laundering and tax evasion, and organizing economic activity more transparently and efficiently. For example, PBOC, BoE and the Bank of Russia are actively working in this direction. The state has a dominant position in the banking sector - the state participates in the capital of 13 banks, their capital is more than 87% of the total capital, and assets - more than 85% of the total assets of the banking system. Banks with the state participation: National Bank, Uzpromstroybank, Asaka Bank, Ipoteka Bank, Agrobank, Halyk Bank, Qishloq Qurilish Bank, Aloka Bank, Turon Bank, Microkredit Bank, Asia Alliance Bank, Uzagroexportbank and Poytakht Bank. Despite the high share of the state in this area, the process of transformation to digital technologies shows an effective result. For example, using mobile applications Milliy 2.0, Ipoteka mobile, Agrobank mobile, Joyda, Xalq mobile (People's Bank), QQB (Qishloq Qurilish Bank), Aloqa mobile, Asaka mobile, MyTuron, MKB Mobile, My Alliance some banking operations

are performed remotely. The first digital bank TBC Bank was created, which provides services in a client-accessible online format.

The digital transformation of banks is primarily aimed at better understanding the needs of customers — the public and organizations. The process of digital transformation should be based on a digital strategy developed taking into account the characteristics and needs of a particular bank. By Decree of the President of the Republic of Uzbekistan No. UP-5992 dated May 12, 2020, the “Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025” was approved. The strategy was developed in accordance with the State Program for the implementation of the Action Strategy in five priority areas of development of the Republic of Uzbekistan in 2017-2021. In the Year of Development of Science, Education and the Digital Economy, as well as taking into account the main conclusions and recommendations of the World Bank based on the results of studying the current state of the country's banking system. The strategy defines the goals, objectives and priorities for the development of the banking system, directions for the transformation and reform of the banking system in the period 2020–2025, ways to find possible solutions based on the experience of transforming the financial sector of foreign countries and taking into account global trends in the financial sector.

The prevailing dominance of the state in the banking sector, the active involvement of banks as intermediaries to finance various government programs and enterprises has led to systemic risks and challenges: low scores in the World Bank's Doing Business rating, where Uzbekistan occupies the 67th place; lagging behind in the transformation of the largest commercial banks in accordance with the modern requirements of the industry; delay in the practical implementation of corporate governance standards, information technology products, modern methods of asset and liability management, customer relations, etc. The purpose of the Strategy is to carry out comprehensive reforms in the banking system aimed in creating a modern banking system, increasing the investment attractiveness of banks and introducing new standards of banking services. From the above data, it can be concluded that the effective placement of securities of commercial banks and the increase in their profitability makes it possible to raise second-tier capital. At the present, a significant increase in Tier capital is considered a rather complicated operation. However, the transformation to digital technologies widens the path to an increase in the capital adequacy ratio of commercial banks. Reducing the state share in the banking sector through a comprehensive transformation of commercial banks with a state share, the introduction of modern banking standards, information technologies and software products, the sale of the state block of shares of banks on a competitive basis to investors with the appropriate experience and knowledge, as well as the parallel reform of commercial banks and enterprises with a state share are priority areas for reforming the banking system of the Republic of Uzbekistan.

The monopoly of state-owned banks leads to the provision of services that are not always beneficial for the population. In Uzbekistan, taking into account the world experience, the privatization of large banks is carried out in two stages. At the first stage, the institutional foundations are created, and at the second stage, the full implementation of the state share to foreign strategic partners. The institutional transformations of banks are reflected in the improvement of corporate governance, the improvement of the quality and expansion of the range of banking services, the introduction of modern information technologies and the development of human resources. When introducing information and communication technologies, it is planned to: increase the number and coverage of remote.

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