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## **CURRENT STATUS AND DEVELOPMENT TENDENCIES OF ORGANIZATION OF DIGITAL FINANCIAL SERVICES OF COMMERCIAL BANKS**

**Annotation.** Today, the total number of users of digital banking systems worldwide will exceed 2.4 billion in 2020. Analysts forecast that by 2024, digital banking users will increase by 54% globally to 3.6 billion, as digital banking alone is catalyzing the market. The only reason for this growth is the proliferation of digital banks and the constant focus on digital transformation by established banking brands. Therefore, in many countries around the world, remote management of banking services without visiting the bank has become one of the most pressing issues. Demand for financial technology is also growing at a time when artificial intelligence and the digitalization process are booming.

**Keywords:** bank-client, internet-client, SMS-banking, WAP-banking, On Payments and Payment Systems, Instant Payment System, NFC system, POS-terminal.

### **INTRODUCTION**

The banking system of the Republic of Uzbekistan is systematically working to provide electronic banking services to customers. In particular, the Decree of the President of the Republic of Uzbekistan No. PD-5992 of May 12, 2020 “On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025” one of the priorities of the reform of the banking system is the modernization of banking services, the creation of effective infrastructure and automation of banking activities, as well as the gradual abolition of non-core functions of banks[1].

The quantitative and qualitative description of the services of commercial banks and their effectiveness are inextricably linked with the policy pursued by them in the field of valuation. Commercial banks will be able to adapt to changing market conditions by determining the reasonable prices for these services, including actions related to the provision of various banking services. Management of prices for banking services in modern conditions is of paramount importance in the daily activities of commercial banks. At the same time, it is important to study the existing mechanism of evaluation of banking services, to identify the factors influencing the formation of prices for banking services.

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Development of smart banking services the processes of improving the banking service system have been thoroughly studied by foreign economists. In particular,

the theoretical and methodological basis of the diversification of banking services through the introduction of digital banking services foreign economists studied in the scientific work of scientists such as X.Douglas[2], G.Brayan[3], A.V.Vasilev, Ye.B.Gerasimova, L.S.Tishina[4], T.Ramayah[5], J.F.Devlin[6].

Research on the role of the system of modernization and simplification of banking services in the development of financial services in the country, the conditions and opportunities for the introduction of information technology in the banking system has been widely introduced in our country. Some theoretical and practical aspects of improving the digital platform of commercial banks U.O.Azizov, T.M.Koraliev[7], Sh.Z.Abdullaeva[8], O.U.Mamadiyurov, B.O.Tursunov[9], K.A.Mirzobekov[10] in scientific research on the development of digital banking services scientific proposals and practical recommendations have been developed.

### **RESEARCH METHODOLOGY**

Scientific abstraction, induction and deduction, statistical and systematic analysis methods were widely used in the research process, and conclusions and recommendations were formed in accordance with the obtained results.

### **ANALYSIS AND RESULTS**

On the State Program of the President of the Republic of Uzbekistan on the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Science, Enlightenment and Digital Economy" Paragraph 71 of Decree No. PD-5953 pays special attention to the transformation of all service areas into digital. Implementation of the "road map" for the transformation of state-owned banks from June 1, 2020, including improving the quality of banking services provided to customers (individuals and businesses) and the introduction of modern retail banking services.

Digital transformation is an information communication that provides fast (usually online) services based on automated software to implement its business strategy and business processes, models, operations, products as a result of the use of digital technologies[11]. In the development of the digital economy, financial institutions also use modern Fintech (financial) technologies in the provision of financial services[12]. It is obvious that today in the provision of banking services to customers of commercial banks, including the widespread use of modern banking technologies, science and technological advances.

Through banks, citizens can withdraw funds from plastic cards in soums and currencies at any time of the day. In addition to the "cash-in" and "cash-out" functions, these banks allow you to directly convert foreign currency into local currency. The exchange rate is set by the bank servicing the bank without commission.

The need for innovative forms of cashless payments is constantly growing. Given this need, commercial banks are trying to expand the range of remote banking services and in this way to take measures to effectively use the capabilities of the global Internet. It should be noted that this direction has become one of the priorities

of the global banking system and the national banking system, which is an integral part of it.

Currently, all commercial banks are opening their websites on the Internet, constantly enriching it with information about the activities of the bank, new types and conditions of services, information in the interests of customers. The state bank's website provides online interactive services. The expansion of the use of mobile phones among the population has led to the introduction of "Mobile-banking" (WAP-banking) and "SMS-banking" services by banks. Systematic implementation of work on remote improvement of bank account management systems (Bank-Client, Internet-banking, Mobile-banking, SMS-banking, etc.) at the national level by all banks testifies to the development trends of the national banking system.

Improving the system of evaluation of commercial banks in the Republic of Uzbekistan by international rating agencies in accordance with market principles, based on the principles of international banking supervision, requires bringing local commercial banks to the level of banks that meet international standards. In particular, the improvement of the banking system of Uzbekistan in accordance with the requirements of Basel III and the remote provision of banking services using innovative banking technologies (without providing cash services), ie the introduction of digital banking is one of the current issues. is one.

Currently, the use of remote banking services in the activities of commercial banks of the Republic of Uzbekistan is growing from year to year. In particular, internet banking, "Bank-client", mobile banking, SMS banking and external self-service devices, ie banks, kiosks and terminals play an important role in the provision of remote banking services by banks.

Internet banking in the banking system of Uzbekistan and "Bank-client". The program is mainly for legal entities, but individuals can also use this service. Recently, bank customers "Internet-client" program. The reason "The Bank-Client program works only on the computer with the installed software, and the fact that users do not have access to it anywhere causes a number of inconveniences. However, in many commercial banks "Bank-client" program in internet-banking as well as in the contract between the bank and the customer as the same type of service "Bank-Client" ("Internet banking") is recorded as a software package.

"Bank-Client" ("Internet banking") software package is an automated interaction between the bank and the customer, which creates the following opportunities for bank customers:

- save time and money due to the fact that the client does not go to the bank every day;
- the long proximity of the bank address is insignificant for the client;
- Carrying out banking services at home, offices or other places with the help of personal computers connected to the Internet by individuals and legal entities who are customers of the bank;
- Possibility to expand the range of customer services in the field of operations and information;

- increase the productivity of customer service bank employees;
- promotes high-speed, high-quality and online operations.

The operation of the Internet-banking software package is based on the exchange of information between the bank and the customer through a communication network. For customers at the bank to share information with customers “Personal cabinet” is created, logged in with a password and login. Processing of customer requests, data reception, transmission is carried out automatically.

For the system to work properly, the client computer operating system must not be outdated and must have a Web browser with Internet Explorer 6.0 or higher. The client running the system must have knowledge and skills at the level of using the Windows operating system and Internet Explorer Web browsers.

To log in “Log in” After entering the login and password provided by the bank administrator in the window, it begins to analyze the information entered into the system (login and password). If the entered data corresponds to the registered data, the main menu of the program will appear on the screen. Otherwise, the program will stop working.

The bank exchanges information with the client through communication channels at the time agreed in the contract. Before starting a new day of practice, the customer should check the movement of cash and balances on deposit accounts against the previous day's balance bank.

While the quantitative description of the services of commercial banks is determined by the number of services, their scope and scope, the qualitative description of banking services is characterized by the quality, speed and accuracy of services, the level of customer satisfaction with these services. The quantitative and qualitative description of the services of commercial banks and their effectiveness are inextricably linked with the policy pursued by them in the field of valuation. Actions related to the provision of various banking services, including the determination of reasonable prices for these services, will enable commercial banks to adapt to the changing market environment.

The introduction of modern information technologies, new banking products and services creates conditions for the expansion of the banking services market in the country. With the development of market economy relations in the country, commercial banks are also able to diversify their activities by increasing the range of retail operations, services provided to customers.

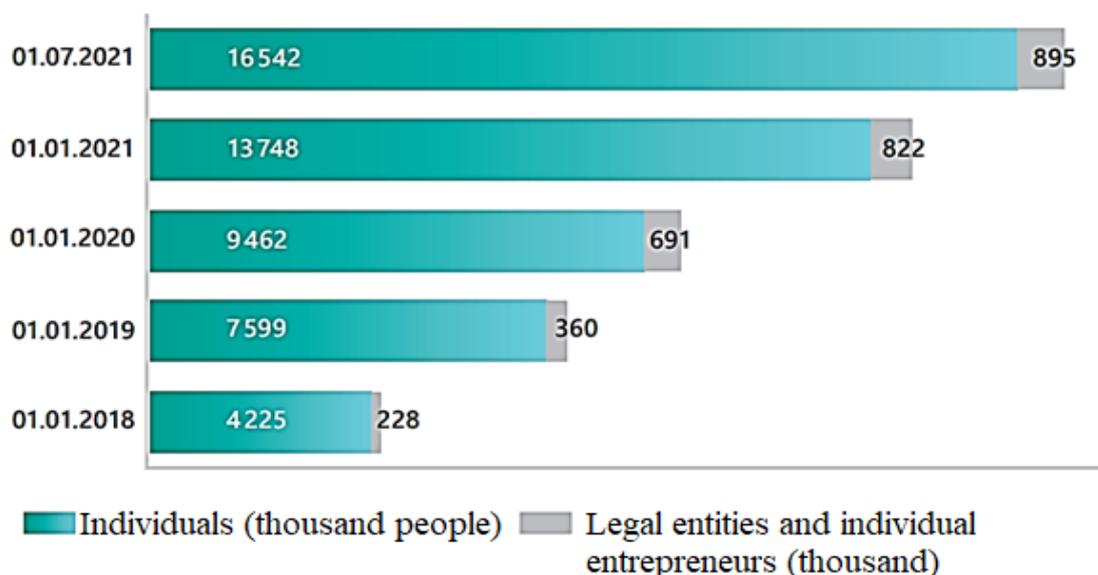
Remote banking services are unimaginable without banks and kiosks. These simple-to-use devices today serve as a kind of mini-bank office, ending the traditional interaction between the customer and the cashier. At present, it is possible not only to withdraw cash from banks, exchange foreign currency, deposit money on bank plastic cards, but also to make various payments for goods and services. It should be noted that customers can use kiosks of any bank.

Over the past years, Uzbekistan has carried out effective work to radically improve the activities of commercial banks, to establish full cooperation with the

population and business, the mass introduction of remote banking services. As a result, the use of modern technologies - remote banking services technologies, such as the Internet and mobile banking, which are convenient for bank customers, is expanding. Today, the introduction of digital financial services has become an important direction in the development of the country's banking and financial system.

The regulatory framework of the network is being improved, the development of payment infrastructure is being encouraged, and the activities of payment organizations (fintech companies) specializing in the provision of remote banking services are expanding. With the adoption of the Law of the Republic of Uzbekistan "On Payments and Payment Systems", the service infrastructure of payment system operators operating in the country has increased dramatically. In addition, 28 payment organizations specializing in the provision of digital financial services are registered. In order to develop contactless payments, the HUMO retail payment system, which fully complies with international standards, has been created, which in turn has created a competitive environment in the field of bank cards.

Currently, the mobile applications of banks include all major banking services for individuals, including making payments, blocking (unblocking) bank cards, obtaining microloans (loans), online deposit operations and online conversions. As of July 1, 2021, the number of users of remote service systems increased by 5.5 million compared to the same period in 2020. per capita (31 percent) and amounted to 17.4 million. users (Figure 2.1).



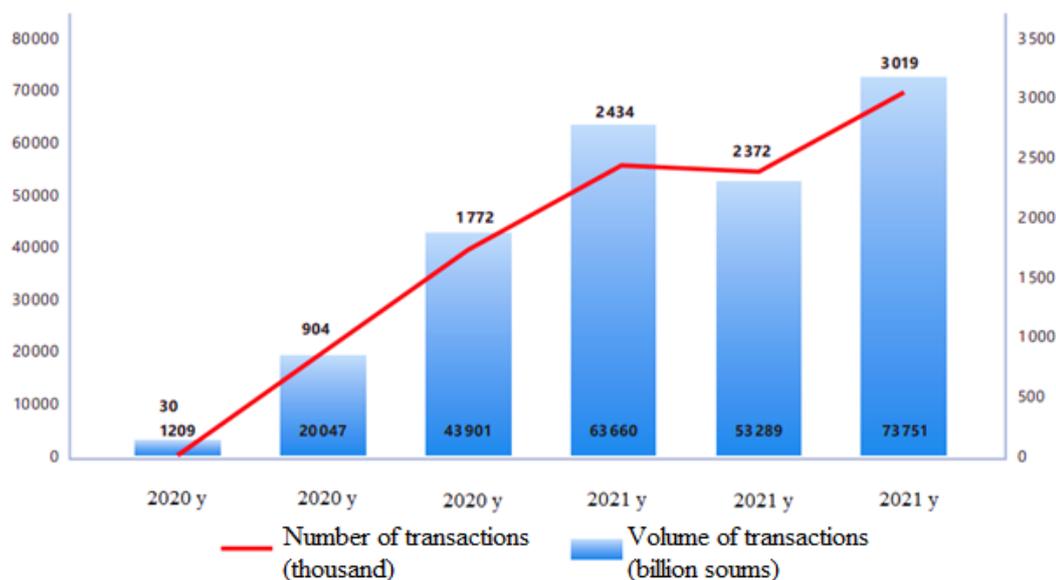
**Figure 1. Users of remote banking services in the Republic of Uzbekistan in 2018-2021 [13]**

During the first 6 months of 2021, individuals who are customers of banks will be able to make online deposits through mobile banking applications (6.7 trillion soums), online conversion (3.6 trillion soums), receive online microloans (1.5

trillion soums), loan repayment operations (0.4 trillion soums), other (to the budget, utilities, communications, etc.) 0.4 trillion soums were paid.

In addition, a mechanism for issuing bank cards on the basis of online orders sent through the mobile applications (sites) of banks has been introduced to allow users to comply with quarantine restrictions. The launch of another interbank payment system in 2020 - the Central Bank's "Instant Payment System" - will allow 24/7 payments through remote services to legal entities and individual entrepreneurs who are customers of commercial banks.

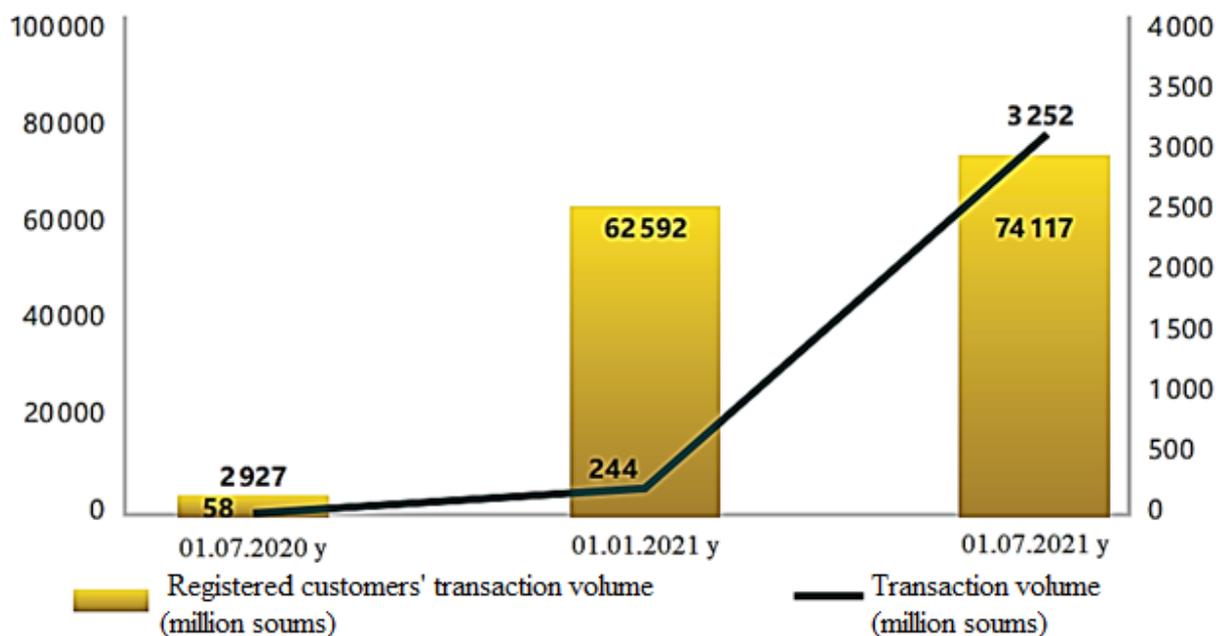
In September 2021, the "Instant Payment System" made it possible to transfer budget and tax payments to the treasury of the Ministry of Finance, as well as to make payments on credit 24/7. As a result, in the first half of this year through the "Instant Payment System" 127.0 trillion. 5.4 million soums worth of transactions, including 4.3 trillion soums to the budget. More than 724,000 soums were paid (Figure 2).



**Figure 2. The volume of transactions made through the "Instant Payment System" of the Central Bank in 2020-2021[13]**

To create innovative services, a Tap-to-phone system (trade name "Onetouch") was introduced, as a result of which for businesses (including self-employed and entrepreneurs providing delivery services) it became possible to get the loaves via the NFC system using a smartphone.

As part of the expansion of contactless payment technology, as well as for the convenience of the population, the service of making payments in retail and paid services without using a bank card through the mobile application Humo Pay (NFC system). In 2020, the Central Bank also launched a QR-online instant payment information system, which allows you to make payments for goods and services at the expense of funds on the bank card without the direct use of a bank card and payment terminal. (Figure 3).

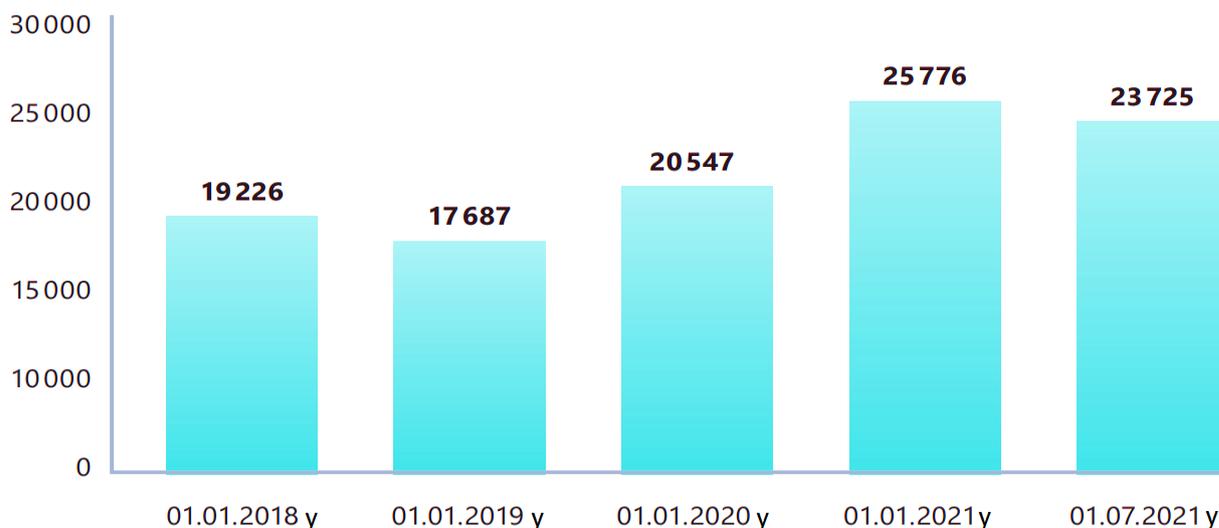


**Figure 3. The number of customers registered in the QR-online system in 2020-2021 and the transactions made by them[13].**

Launch of this system:

- making quick payments for purchases and providing quality customer service in addition to the installed POS-terminal (traditional trading terminal) of business entities;

- QR-code allows customers to make timely payments to organizations operating in the field of delivery, passenger transport, as well as to self-employed people (freelancers) without the use of payment terminals. allowed to reduce operating costs at the expense of acquisition.



**Figure 4. Number of bank cards issued by commercial banks in 2018-2021, thousand[13].**

In our country, the infrastructure of Uzcard and Humo retail payment systems, as well as payment services provided within the payment systems, is developing. As a result of the work on expanding the infrastructure of bank cards, the number of issued bank cards as of July 1, 2021 amounted to 23.7 million. formed the grain (Figure 4).

The number of banks and kiosks installed in crowded places increased by 1,194 units to 12,298 compared to the same period last year, and the number of payment terminals used by businesses reached 8,375, or 438.9 thousand units.

Information security, in particular, contributes to the formation of qualified personnel in the field of cyber security in banks, as well as the formation of skills to use payment infrastructure in remote areas, especially in rural areas, the development of remote banking and digital financial services. It is planned to develop and introduce a system of remote identification of potential customers.

## **CONCLUSIONS AND RECOMMENDATIONS**

It is well known that today the digital economy plays an important role in value creation. Different algorithms, processes and digital information are becoming a key determinant in the strategic development of corporate business. Digital non-financial factors determine the competitiveness of banks, affect their efficiency. The development of digital technologies is ultimately leading to an increase in intangible assets, i.e. non-physical non-monetary assets. For example, in 1975, the intangible assets of major American corporations accounted for 17 percent, but by 2017, that figure had risen to 84 percent. To be more precise, tangible and intangible assets in the balance sheet have replaced each other.

According to McKinsey experts, digital assets today account for about 8.6 percent of global GDP, while their growth rate accounts for 30 percent of global economic growth.

The development of digital assets is similar to the action of an accelerator. The role of social networks in the development of digital assets is important. Social networks, in turn, provide ample opportunities for the development of digital business. Mobile payment systems can be cited as a modern view of the digital economy.

Currently, the originals of monetary documents sent through remote banking services are not provided to the bank and are stored by the customer. In this case, the responsibility for the accuracy of the execution of monetary documents, the compatibility of their electronic and paper forms is assigned to the client. This means that the customer first enters a login and password to log in.

The following digital innovations in banking and financial services can be highlighted in recent years:

- Payment methods in public procurement are changing dramatically, moving away from paper and cash dependencies to online, mobile and Internet business;
- Banks and financial institutions provide a wide range of services with new features and capabilities based on digital technologies;

- smartphone applications - mobile banking - creating large volumes in the virtual banking space and covering transactions through mobile wallets, digital payment methods, prepaid debit cards and more.

- Digital banking technologies are expanding all the online functions offered by traditional banks to new types of activities. Leading banks not only provide banking services to their customers, but are also a social partner for their customers.

Changes in the nature of banks in the process of implementing transformational transformations can be an impetus for development for entire industries. Digital modernization provides traditional banks with a new opportunity to develop long-term relationships, increasing customer satisfaction and loyalty.

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