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CURRENT ISSUES OF DIGITIZATION OF TRANSFORMATIONAL PROCESSES IN COMMERCIAL BANKS

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ABSTRACT	KEYWORDS
The article analyzes the role of digitization in the transformation of commercial banking activities, the importance, current state and prospects of remote use of banking services. The article also shows the importance and convenience of digitizing the banking sector, the work that should be carried out in this direction Uzbekistan.	Banking, digitization, transformation, digital banking, traditional banking, ecosystem, it, online platform.

Introduction

Commercial banks are the main link in the economy, constantly ensuring the growth of the economy by taking free money from one subject and placing it as a financial asset in another. The need of bank customers to remotely use modern banking services is increasing day by day, which encourages the widespread use of digital technologies in banking activities, the integration of its database with the database of state bodies and utilities, as well as other organizations.

The decree of the President of the Republic of Uzbekistan "On the development strategy of New Uzbekistan for 2022-2026" No. PF-60 stipulates that "to complete the transformation of the banking system by the end of 2026, to increase the share of private banks to 60% of total bank assets in 2025"[1], in this regard, the banking system has to perform a number of tasks. Therefore, it is one of the urgent issues to deeply analyze and clarify the meaning and essence of the concept of digitalization of banking activities.

Digitization of banking activities is the main driver of the development of the banking system and increases mutual trust and transparency between the bank and the client.

Thematic Literature Analysis

The word "digitalization" is actually a new term, which refers to the widespread use of information technology in all systems, from electronic payments to remote banking services and e-government, as a result of the introduction and effective use of IT programs in management and administration [2].

During the development of information technologies in the world, the term digital economy appeared, and this term was first used by the Canadian scientist Don Tapscott in the book "Electronic digital society: advantages and disadvantages of the network age" in 1995. In his opinion, the main factor in the digital transformation of the activities of market entities is the development of digital culture. is [3].

In 1995, American programmer Nicholas Negroponte introduced the term "digital economy" into practice. Currently, this occupation is used by politicians, economists, journalists, entrepreneurs from all over the world - almost all. In 2016, the World Bank published its first ever report on the state of the digital economy in the world.

The theory of digital economics is in its period of development, since the transition of civilization to the stage of digital information began only a few decades ago. In the scientific literature, the modern "new digital economy" is called by various terms. For example," postindustrial economics " (D.Bell)," informed economics " (o.Toffler)," Megaeconomics " (V.Kuvaldin)," information and communication-based economics " (I.Niiniluto)," Technoeconomics or digital economics " (B.Geis)," knowledge-based economics " (D.Tapscott).

Digitization of the economy is difficult to imagine without digitization of the banking system, since the banking system is the locomotive of the economy. In 1983, a Homelink system was created in the United Kingdom, allowing bank customers to check their deposits by phone connected to a computer, make payments and transfers from a bank account. The same year, a similar Pronto system was launched in the United States. But people looked at Homelink and Pronto systems with distrust, but with the spread of the Internet, the widespread use of these systems began.

A number of economist scholars have given their own definitions of digital transformation. In particular, foreign economists T. Ablyazov, V.Asaul believes that the process of digital transformation implies the use of digital technologies to improve existing business models, as well as improve performance. This process involves the continuous introduction of innovational technologies, which leads to a complete digital transformation of the entire economy [4].

Among the scientists who are engaged in the problems of transformation and digitization of banking business in modern conditions, We can give an example of A.I.Serebrennikova, N.E.Sokolinskaya research. The authors note the complexity of the transformational period, noting the need for modernization and innovation in banking practice. Such a transformation is accompanied by increased attention by the banking sector to the risks inherent in it [5].

Uzbekistan economist scientists, doctor of Economic Sciences, professor, N.X.Jumaev stated that "in the digital economy, it can be used to reduce cost, resulting in optimization and increased efficiency. In the digital economy, modern scientific approaches and innovations will be important and priority" [6].

According to D.R.,Yusupova and F.O Dodiev "at the same time that commercial banks operating in Uzbekistan Republic are focusing their activities on the development of innovation, the provision of banking services using financial technologies is not in demand, and it platforms of banks have not become a full-fledged financial services platform"[7].

In 2001, the Bank of America received providing online services in the amount of US dollars, it became the first advanced bank in the field of electronic banking. This bank opened its 3 Digital (neobank) branch in 2017[8]. According to the Payments Industry Intelligence portal, in 2018 there were 60

digital – neobanks in the world, the figure was 319 by 2021, with electronic money accounting for 90% of the money they use [9].

Based on the above, in our opinion, digitalization of banking activities is understood as the sum of new approaches, methods, means of carrying out banking activities in improving and reducing the cost of banking products and providing banking products and services in a digital (electronic) way by carefully studying the customer and their needs on the basis of it technologies.

Research Methodology

The study of existing scientific research on digitization of commercial banking activities, the study and economic comparison and analysis of the achievements made by foreign banks in this direction with the widespread introduction of digital technologies in the process of transformation were widely used.

Analysis and Results

As a result of the expansion of the scope of application of digital technologies in the socio-economic sphere, banks are becoming a locomotive of economic development from a commercial organization producing special financial products [10]. Although we focus on regulatory legal documents on the regulation of banking activities, we can witness that transformational processes are changing the content and essence of banking activities.

In Paragraph 1 of the regulation of the central bank "on the procedure for registering banks and licensing their activities", a bank that provides remote banking services using digital banking-innovation banking technologies (without providing cash service) or its structural unit. The remote provision of banking services by digital banks is carried out based on the internal procedures of the bank, taking into account the requirements of legislation"[11] has been described.

The provision of remote banking services is a complex of services that allows you to remotely carry out various banking operations. To do this, it is enough to use a computer or mobile phone without visiting a banking institution.

Remote technologies allow the client to have maximum comfort in using banking services and minimize time and financial costs in the process of working with the bank.

The remote service system can be divided into two types according to the services provided to customers:

- information;
- transactional.

The main principle of remote banking services is the remote exchange of various information between the client and the bank. This ensures the safety of this practice by the bank. Types of remote service systems for Bank accounts:

A Bank-client is a system that is implemented through a computer, in which a special program is installed on the client's computer. This program stores all client data on the computer (mainly payment documents and extracts from accounts). Direct communication is carried out between the Bank and the client's computer through the modem.

Internet banking is a system that allows customers to manage their deposit accounts, including those opened to bank cards, over the Internet. This type of Service is a system designed to transfer payments in Real time while the client is connected to the remote bank. The user scrapes the system through a web browser. The Internet banking system is hosted on the bank's web server. The user has the opportunity to review all their data (payment documents and extracts from accounts) on the bank's website.

Through the Internet banking service, the client is at his place of work or in other self-friendly conditions:

transfer of payments;

tracking payment transition phases;

makes it possible to use their practice at any time, such as receiving all reports.

Through Internet banking, the client will be able to connect from his place of work to the banking site via the Internet, see the money falling into his account and prepare and transfer money transfers to the bank.

The mobile banking system is created on the basis of Internet banking technology.

SMS banking is a system in which a bank receives SMS-view information to customers about transactions in their deposit accounts as well as accounts opened to bank cards. To obtain information from the account, it is necessary to send an SMS request to a special phone number of the client bank.

SMS banking service for the client is given the opportunity to perform the following actions:

account receipts;

expenses from the account;

account balance;

obtaining operational information about bank operations conducted during the day.

Due to the increasing use of digital services by business entities of Uzbekistan, in 2021, about 83 percent of the total (761.8 trillion soums) payment orders (629.8 trillion soums) were made remotely without visiting the bank. The volume of transactions carried out remotely by individuals in mobile application programs of banks is 58.1 trillion. amounted to soum. In this case, online deposits made through mobile application programs - 15.8 trillion soums, conversion operations - 7.8 trillion soums, online microloans - 3.6 trillion soums, the volume of loan repayments - 2.3 trillion soums.

The number of users of remote service systems (online banking, internet banking, mobile banking, SMS banking) by large commercial banks of Uzbekistan is the largest in Agrobank as of January 1, 2022 by 2.8 times or 2423,2 thousand, compared to 2017, in Uzsanoatqurilish bank Compared to 2017, as of January 1, 2022, it has increased by 30.6 times or by 3,481,500 people. Although the rate of growth in National Bank and Asaka Bank is not high, it can be observed that the number of users of this system is increasing. Figure 1.

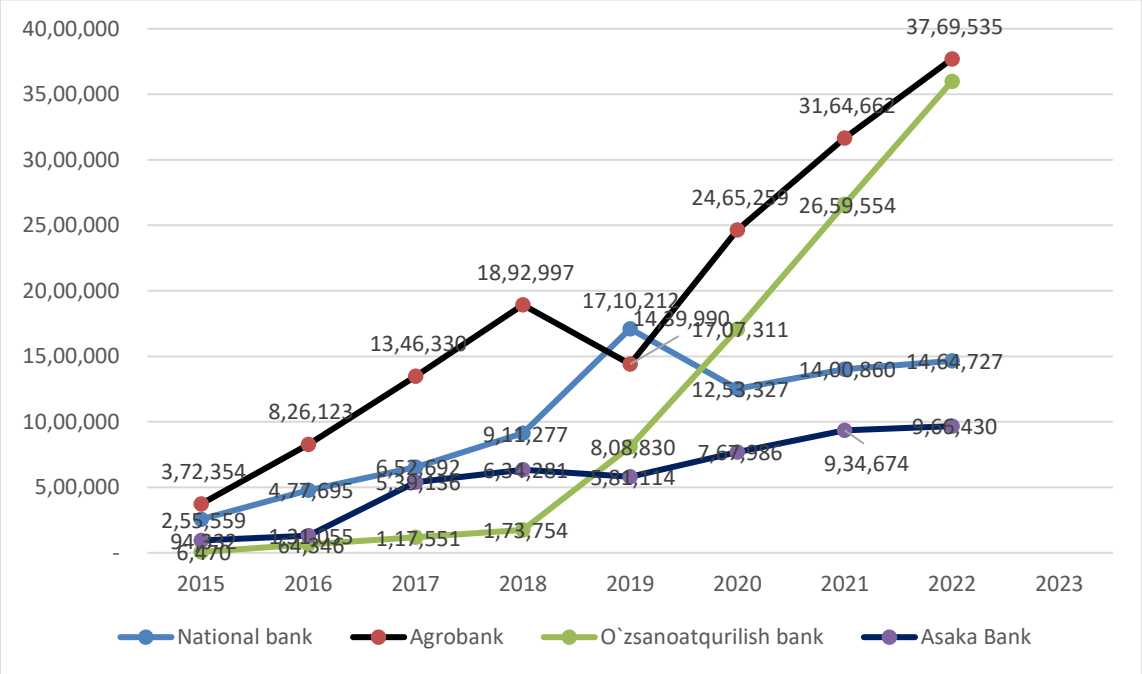

Figure 1. From remote service systems (online banking, internet banking, Sms banking) number of users [12]

Also, 9 commercial banks, together with international money transfer operators and foreign banks, created an opportunity to receive money transfers to a bank card without going to the bank, and in 2021, the population will receive 648.4 mln. US dollar transfers were made directly to bank cards without going to the bank. In order to expand the scope of contactless payments in the infrastructure of payment systems, the Central Bank, together with all commercial banks, primarily provided business entities operating in the trade and service sectors with payment tools that allow them to make payments based on QR-code and NFC technologies.

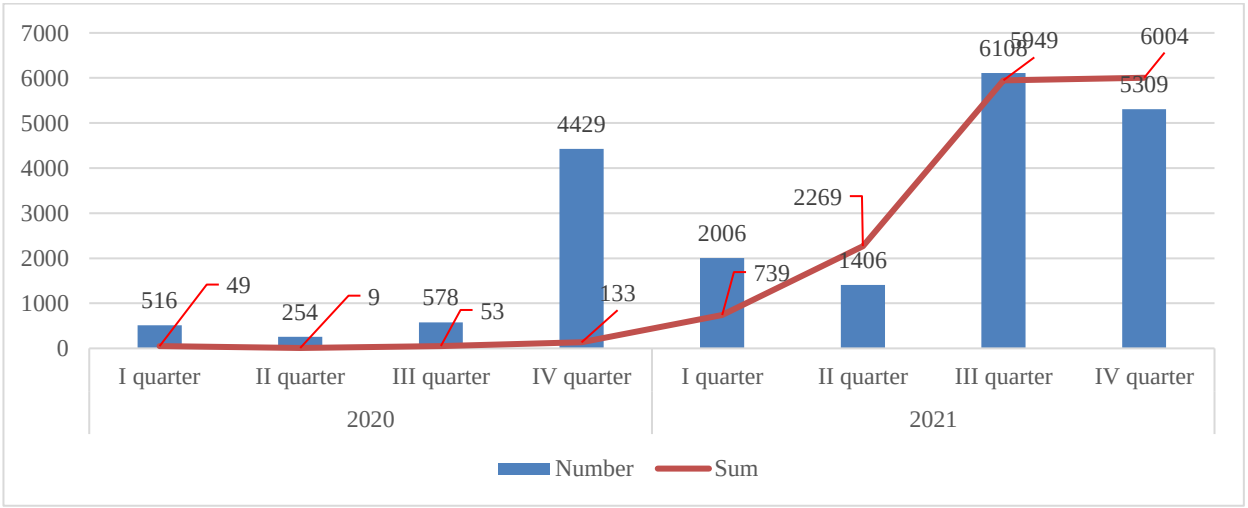

Figure 1. Transaction made in QR-online system Larson i vo zajmi [13]

The "QR-online" system, which was launched in order to make quick payments for goods and services using mobile application software for goods and services without directly using a bank card and payment terminal, is gaining popularity. In 2021, the number of QR-codes provided to business entities

by the "QR-online" information system increased by almost 1.5 times compared to 2020 and reached 92 thousand. At the same time, as part of the expansion of contactless payment technology, the service of making payments for trade and paid services without using a bank card through the "HUMO PAY" program (NFC system of a smartphone) is being provided through the mobile applications of 14 banks [14].

380 business entities have started using the service that allows business entities to accept payments through the Tap-to-phone system (without a terminal), which was introduced as part of the development of contactless payment services. In 2021, the volume of transactions made on the basis of NFC technology will increase by 4 times compared to 2020 and will reach 11.8 trillion. amounted to soum. As a result, in 2021, the penetration rate of contactless payment technologies reached 40 percent. From September 2021, a digital identification mechanism (Face ID) was created in the provision of mobile services. To date, 11 commercial banks, 4 payment organizations and 4 marketplaces use this technology.[15]

In turn, for enterprises and organizations, through remote management systems of bank accounts, real-time management of funds in bank accounts and making payments, sending an order for the purchase (conversion) of foreign currency funds to the service bank in electronic form, transferring monthly wages and equivalent payments opportunities were created for transferring an electronic account to the bank and using other services. Figure 2.

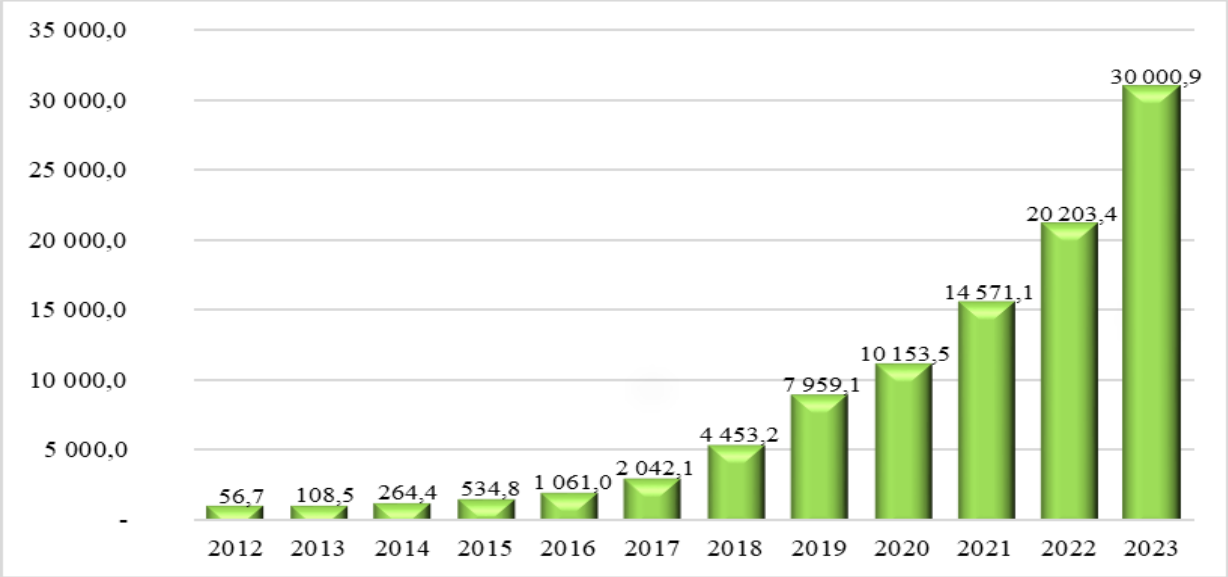

Figure 2. Number of users of remote banking services systems (thousand people) [16]

Due to the digitization of banking services, convenience created for customers, the bank can use remote banking services (management of funds in bank accounts using internet banking and mobile banking services, management of funds in bank plastic cards using USSD request, receiving information about the movement of funds in the account using SMS notifications) as of January 1, 2023, the number of users increased by 3.7 times or from 7,959 thousand to 30,001 thousand compared to the corresponding period of 2019.

The implementation of digital technologies in the banking platform has a significant impact on the workforce and personnel management system, thereby reducing the workforce by automating the process.

The main problems in the digitalization of the banking system are the lack of qualified IT specialists, low Internet speed and coverage. However, in our country, special attention is being paid to the training of IT specialists and their qualification, for example, within the framework of the "One Million Uzbek Developers" project in cooperation between Uzbekistan and the UAE, about 1.2 million Uzbeks have completed courses in the field of IT. The total number of students registered for education under the "One Million Uzbek Coders" program within the framework of the project exceeds 2.5 million people. More than 1.55 million of them were participants and 1.17 million successfully completed the training course.

Also, the interruptions of mobile applications initially presented to the general population in commercial banks and the complexity of transactions created the basis for attracting customers to digital banks and electronic payment systems (Fintech projects). Electronic payment systems such as Click, Payme, Oson, U-Pay have their place in the retail financial market of Uzbekistan.

Changing the legal status of fintech companies to a "non-bank credit organization" will allow them to provide online loans on favorable terms to a large segment of the population. This leads to further strengthening of healthy competition in the financial market [17].

According to the report of McKinsey consulting organization, the return on private equity (ROE) in the banks of the world has remained stable, that is, in the last 10 years, this indicator has been around 8-10 percent on average. This indicator is estimated to be in the range of 5.2–9.3 percent by 2025[18]. The ratio of net profit to total capital (ROE) of commercial banks of Uzbekistan is 6.1 percent as of January 1, 2022, and 13.3 percent as of January 1, 2023 [19]. This situation encourages the development of the ecosystem mechanism of the banking system, not limited to financial services.

E-commerce online platforms allow banks to stay in close contact with their customers and determine their financial situation, psychological portrait, and wishes.

Conclusions and Suggestions

The introduction of digital technologies into the banking activity increases the efficiency of the banking activity as a result of the significant impact on the automation of operational processes, the workforce and the personnel management system.

Changing the legal status of fintech companies to a "non-bank credit organization" will allow them to provide online loans on favorable terms to a large segment of the population. This leads to further strengthening of healthy competition in the financial market.

In the legislation of Uzbekistan, there is a requirement to formalize real estate and motor vehicle pledges only in written form, which, in turn, causes digital banks to be limited to providing customers with only types of loans that do not require collateral.

Digitization of banking activity is understood as a set of new approaches, methods, and means of implementing banking activities in digital (electronic) presentation of banking products and services by increasing the quality and reducing the cost of banking products by carefully studying the customer and their needs based on IT technologies.

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