

FEATURES OF DEVELOPMENT OF MODERN BANKING SYSTEMS

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A B S T R A C T	K E Y W O R D S
<p>This article examines the main trends in the development of the banking system of the countries of the world, various features of their functioning and modernization. Here, both the general directions of transformation and its individual elements are noted.</p> <p>It can be seen that all of the above changes taking place in the banking system are aimed at automating and digitalizing the processes of banking activities and improving the quality of services provided to customers.</p>	<p>banking system, competition, digitalization, securitization, cashless payments, digital banks, cryptocurrency</p>

Introduction

The banking system is an integral part of the processes of interaction between all subjects of the economy. The development of this sector leads to an increase in the rationality of resource allocation, the quality of corporate control, the stabilization of capital and the optimization of risk management. Features of the development of the banking system at the present stage are largely determined by global economic and technological trends, as well as national characteristics. Let us consider the characteristics of the modern banking system that are common to world practice:

- *The growth of competition.* The modern banking system is characterized by a high degree of competition caused by the emergence of new forms of banking, such as Internet banking, mobile applications, etc. In addition, the emergence of new technological solutions and financial instruments allows companies from other industries, such as technology and fintech companies, to compete with banks in providing financial services.
- *Digitalization.* In the context of digital transformation, the banking system is increasingly moving to an online format and process automation. One of the main goals of digitalization of banks is to improve the quality of customer service, reduce costs and increase the efficiency of banks.
- *Geographic expansion.* Many banks are expanding their geography of activity by opening branches and representative offices in various regions of the world. This allows them to increase their customer base, diversify their portfolio of products and services, and increase their revenue.

Main Part

In general, the techniques and methods of banking have become more complex, acquired new features, which, for example, consist in the introduction of new forms of financial transactions, banking services and products. Their occurrence occurred naturally by combining the interests of the supply and demand sides and therefore found effective application in practice. Despite this, this modernization of banking activity led to an increase in the role of banking risk management.

A special role at this stage, as Usoskin noted, was the regulation of the financial and banking sector and its processes by the state, manifested in the form of legislative reforms and innovations. [1, p.59-69] Many of them were aimed, firstly, at easing and abolishing restrictions in banking, including those related to the territorial distribution and expansion of the branch network, opening new institutions, improving the structure of the banking system, creating banking groups and holdings and so on. Second, tariff restrictions on financial transactions, such as marginal rate levels, have been lifted. In addition, new financial instruments and types of banking services were introduced into practice by the type of checking account.

Increasing competition between financial institutions and liberalization of banking legislation have begun to lead to the transition of banks from large corporate clients to a wide audience of retail activities, transactions with which have a higher margin. It is this trend that is reflected in developing countries today, in the form of expanding channels of work with individuals.

The global trend in the development of the banking sector, which is reflected to this day, is obviously computerization as a fundamental factor in the development of the entire banking, financial and economic system. IT technologies have rapidly begun to be introduced into banking over the past decades, so today it is impossible to imagine this sector without systems for automating processes, collecting, storing and processing information about banking operations.[2] A new milestone in the development of this segment was the introduction of Internet banking, which is improving every day. The advantages of developing these processes are not only a reduction in operating costs and an increase in the quality of customer service without increasing personnel costs, but the introduction of new forms and products of banking activities.

Another important aspect of the development of the banking system is the processes of financial globalization. [3] Financial globalization includes the integration of financial markets and institutions across countries, the exchange of information and technology, and the transfer of capital and financial services across borders.

One of the main effects of financial globalization is the ability for banks and other financial institutions to gain access to the international capital market. This allows banks to raise additional capital to develop their business plans and expand abroad. In turn, banks also provide financial services to clients abroad, which strengthens their international presence.

Financial globalization also facilitates the transfer of capital to regions with high returns. Banks can invest their clients' funds in various assets such as stocks, bonds, real estate and other investment products available on international markets. This allows investors to earn high returns and reduce risks by spreading their investments across different countries and sectors.

Accelerating the improvement of forms and methods of business processes today lead to the transformation of all sectors of the economy within a few years. So, speaking about the current state of the banking system, it is necessary to pay attention not only to the reform of financial activity

associated with the transition to a market economy at the initial stage of its formation, but also to take into account the processes of its modernization, noted over the past 5-10 years.

Foreign scientists identify a number of features of the modern banking system, in their opinion, most clearly different from its previous modification from the point of view of foreign practice in a rapidly developing world. Thus, the following trends in the modern banking system in the Western world are distinguished (which are gradually reflected in countries with developing economies) [4]:

— *Securitization*

Securitization is the process of converting a stream of income from assets such as mortgages or credit cards into securities that can then be sold to investors. Thus, the bank receives additional capital, and investors can receive income from these securities.

Securitization is an important tool for banks and investors because it allows banks to raise additional capital and investors to earn returns from asset income streams. However, this process may also present certain risks associated with credit risk and securities market fluctuations.

— *Development of shadow banks*

Shadow banks are financial institutions that do not have an official banking license but provide similar services. Shadow banks can be created both within the country and abroad, and their activities are often associated with international financial turnover. Recently, there has been an accelerated development of shadow banks, which raises concerns about the stability of the financial system. The most important task of the traditional banking sector, i.e. money creation is not part of the services provided by shadow banking. Shadow banking is about helping create money by providing funding to the traditional banking sector.

— *Increase in the share of non-cash payments*

Among the main advantages, one can note an increase in the speed and convenience of transactions, which can improve the quality of customer service and increase the efficiency of the bank. Greater use of cashless payments can also reduce the costs of handling and storing cash.

However, an increase in the volume of online transactions can also increase the risks associated with cybersecurity, as there is a possibility of hacker attacks on banking systems and customer computers. Therefore, banks must pay great attention to protecting their systems and customer data.

— *Digital banks and electronic money*

These are important trends in the modern banking system. Recently, we have seen a rapid increase in the use of digital technologies in the banking sector, which is associated with an increase in the number of customers who prefer online banking and mobile applications.

Digital banks are banks that are based on digital technologies and offer fully digital services to their customers. These banks often do not have traditional branches and operate exclusively through online platforms. They offer a wide range of financial services including savings accounts, loans, investments and insurance.

Electronic money is digital money that is stored on electronic devices and used to make payments. They may be linked to bank accounts or exist as independent funds. Electronic money provides customers with a convenient way to make payments without the need for cash or plastic cards.

— *Rise in the popularity of cryptocurrencies*

Cryptocurrency is a digital currency created on the basis of blockchain technology. It is used as a means of exchange, storage and accumulation of value on the Internet. Cryptocurrencies are not controlled by central banks or states, which ensures their decentralization and independence. But

because of this, the attitude to this phenomenon in the banking system differs in all countries, for example, in the United States, cryptocurrency is legalized, in some countries of the European Union, restrictions are applied to it, and some countries, like Turkmenistan, have completely banned the use of this object.

Conclusion

So, it should be noted that at present, in the context of rapidly changing economic realities, the development of the banking system is becoming an increasingly urgent problem. At the same time, it is important to take into account foreign experience and the latest trends in this area.

An analysis of foreign experience shows that the successful development of the banking system is possible only if the state and the business community work together, establishing effective interaction. The key principles that should be the basis for such interaction are transparency and openness, as well as the maximum use of modern technologies and best practices.

The modernization of the banking system stimulates the development of the economy and its growth based on internal stabilization and development systems, which is especially important in the context of global integration and instability.

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