



## PROSPECTS FOR THE DEVELOPMENT OF DIGITAL BANKS IN UZBEKISTAN

Ziyadullayev Zuxriddin ilxom ugli  
Tashkent State University of Economics, Trainee Teacher  
e-mail: Zukhriddinnnn@gmail.com

### Abstract

The article discusses the prospects for the development of digital banks in Uzbekistan, the impact of digital technologies on the banking and financial system of Uzbekistan. The article also researches various approaches aimed at developing the activities of digital banks and formulates scientific and practical conclusions of the author.

**Keywords:** digital bank, financial and credit organizations, fintech technologies, banking system, digital transformation.

### INTRODUCTION

In today's era of innovation and development of latest technologies, digital banks are also developing at a great pace. There is a growing need to serve customers differently from traditional banking through Fintech technological innovations.

There are a total of 33 commercial banks operating in the banking system of our republic, and three of them, namely "Anor bank" joint-stock company, TBS bank and Apelsin bank, are digital banks.

"Anor bank" joint-stock company's activities focused on radically changing the usual model of relations between the client and the bank, went down in history as the first digital bank in Uzbekistan, which aimed to develop innovative retail products and introduce a new format of service to small and medium-sized businesses.

The goal of BANK Apelsin Joint Stock Company is to strengthen the position of a modern, innovative and rapidly developing bank of Uzbekistan that provides full financial services throughout the country.

### MATERIALS AND METHODS

At this point, the question arises as to what aspects digital bank and traditional bank differ in.

According to the current legislation, a bank is a legal entity that is a commercial organization that performs a set of operations defined as banking activities on opening and maintaining bank accounts, making payments, attracting funds to deposits (deposits), and granting loans on its own behalf [2]





## RESULTS AND DISCUSSION

"Digital bank is a bank or its structural unit that provides remote banking services using innovative banking technologies (without providing cash desk service). 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 legal documents" [3].

1) Opening a current account remotely online;

Nowadays, opening a current account online is a standard function for fintech companies, neo-banks and digital banks. Although a few years ago, the ability to open an account through a mobile application was considered very innovative. According to statistics, 60-70 percent of people prefer to use online channels or mobile applications for financial services, because it is not always convenient and acceptable to go to the bank building, and it requires the client to plan and spend time to go to the bank branch, which, it is more inconvenient for the customer compared to the physical identification used in digital banking.

2) Creation of personalized services for customers;

In the world of fintech, an improved customer experience is defined by a personal approach to customers that truly differentiates financial institutions from traditional banks.

Unlike traditional banks, in the world of financial technologies, bank clients communicate with the bank through a personal cabinet for a long period of time and use banking services frequently, which in turn eases the issue of attracting clients to the bank.

3) Providing customer service in the bank using artificial intelligence;

Artificial intelligence has become an integral part of many digital banking solutions. It can be used to manage customer data such as preferences and interests, demographics or transactional data. This data can be analyzed and then used to improve the customer experience. Simply put, customers use the services they need based on their habits and preferences.

4) Use of cloud technologies in digital banks;

In addition to online applications for end users, banking technologies have also become available online, in the cloud.

Digital technologies are reshaping payments, lending, insurance and asset management around the world, becoming a key enabler for financial services consumers.

Digital financial services and financial technologies have brought significant changes around the world:

By 2025, the number of digital banking users is expected to exceed 3.6 billion.





The share of account holders sending and receiving payments digitally in developing countries has increased from 57 percent in 2014 to 70 percent in 2024.

One of the main results expected from the transformation of commercial banks with the support of international financial institutions is to reduce the state share in a number of commercial banks, bringing international experience into the operation, attracting strategic investors with sufficient experience, knowledge and reputation in banking.

One of the main directions of the transformation of state banks is the development of the IT sector, at the same time, the goal of the digital transformation of the banking system is to consistently eliminate the administrative burden by freeing credit organizations from performing functions that are not typical for them, as well as from excessive burdens, using modern information and communication technologies [4].

In order to evaluate the quality and effectiveness of the activities of executive bodies in banks, "key performance indicators" (KPI) were developed and put into practice in 10 banks with a state share [5].

In this regard, on the basis of new business models, structural divisions in banks that duplicate each other's tasks are being optimized, and specialized structural divisions such as retail block, small business block, corporate block, and risk block are being established in the organizational structure of the bank.

At the same time, work aimed at introducing a modern risk-management system in banks has been accelerated, underwriting and scoring systems for loan allocation have been introduced in order to ensure the review of credit applications of business entities and residents in a short period of time without excessive bureaucratic obstacles.

The introduction of the system of remote biometric identification of users, which optimizes the quality and procedure of providing financial services to the population and business entities, and ensures the automatic collection of reliable and detailed information about individuals, is also of special importance.

Currently, a contactless payment system using bank and transport cards has been introduced to make payments in public transport, and this service is developing very quickly due to its popularity and convenience.

The decision of the President of the Republic of Uzbekistan dated July 1, 2021 "On measures to improve cyber security in the activities of payment system operators, credit and payment organizations" was adopted.

In accordance with the decision, the Central Bank was designated as a coordinating body for identifying cyber security threats in the activities of payment system





operators, credit and payment organizations, preventing them and taking effective measures against them.

## CONCLUSION

In conclusion, we believe that it is permissible to pay special attention to the following issues in order to develop digital banks in the process of transformation in Uzbekistan:

1. Changing the way banks operate, developing their own customer-oriented strategy;
2. Critical study of problem loans in the banks' credit portfolio, in this regard, analysis of the financial situation of the bank's clients in remote areas, individual approach to each client;
3. Further improvement of the introduction of innovative new types of online provision of high-quality banking services to the population while developing information technologies and communication;
4. Digital banking to save time and costs in the implementation of financial services through mobile and online platforms, to ensure the safety of personal data, to ensure the improvement of the speed and quality of service.

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