

Ways to Develop Innovative Banking Services in Uzbekistan

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Abstract: This article discusses the internal and external factors influencing the development of innovative banking services in the Republic of Uzbekistan. The problems of the development of remote banking services are highlighted here and author's approaches to their solution are proposed.

Keywords: banking services, Internet site, risk, banking technology, Internet speed, financial services.

INTRODUCTION

In the context of economic liberalization, commercial banking institutions have a wide network, which, in turn, allows them to provide high-quality banking services to clients, fully satisfy their needs for banking services, and strengthen the competitive environment among commercial banks.

In the strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025, "development of innovative banking services in banks and the introduction of banking services only on the basis of market conditions, improving the quality of banking risk management and the introduction of technological solutions for assessing financial risks," the reform of the banking system is recognized as a priority. [1] Also, setting current goals and objectives to increase the level of digitalization of production and operational processes in the real sector of the economy and in the financial and banking sectors to 70% by the end of 2026 creates the need to expand innovative banking services and improve their methodological and practical basis.

Strengthening macroeconomic stability and maintaining high rates of economic growth is aimed at further development and liberalization of the economy, maintaining the stability of the national economy, actively attracting foreign investment in the industries and regions of the economy of our country by improving the investment environment [2] today. In Russia, commercial banks are innovative, the development of banking services is of great economic importance for the implementation of large-scale reforms in the economy. Especially in the context of reforms carried out in the industries and sectors of our economy for the renewal and modernization of our country, it is necessary to improve the quality of existing services, intensify the introduction of innovations and widely use the experience of foreign banks.

It is difficult to gain a strong position in the global financial market without carrying out the necessary structural changes in the economy, diversification of banking products and services, and technological renewal. The introduction of innovative banking services in today's highly competitive environment, primarily the introduction of new principles and mechanisms in the development of new banking services and products, is a pressing issue. The need to solve these problems and the presence of some problems associated with the development of commercial banks in our republic and the need to develop proposals and recommendations aimed at solving them determine the relevance of this research work.

ANALYSIS OF LITERATURE ON THE SUBJECT

Theoretical and practical issues of development of innovative banking services in commercial banks, foreign economists-scientists - V.K. Spilnichenko, N.I. Likhodeeva, K.A. Zabrodszkaya, A.O. Zakharova, Yu.A. Kornilova, A. Simanovskiy, A. Vikulin, V. Usoskin, D. . Polfrman, G. Tosunyan, F.

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Ford, G. Beloglazova, J. Sinki, O. Lavrushin, K.A. Zabrodskaya, A.O. Zakharova, J. Matuk, L.R. Miller, A.O. Soldatova, D. McNaughton, K. Barltrop, G. Panova, E. Dolanar studied in scientific works

Theoretical and practical aspects of development of commercial banks were studied in scientific research of economists of our country - A. Vakhobova, Sh. Abdullaeva, B. Berdiyaroova, O. Iminova, N. Dzhumaeva, T. Koraliyeva, S. Norkobilov, D. Saidov.

According to the Russian economist V.K. Spilnichenko, RBO is a set of information services and execution of transactions on the client's account without visiting the bank. Remote banking services are explained by the client's access to the bank's database through a telecommunications system. [3]

N.I. Likhodeeva recognized the system of remote servicing of bank accounts as a technology for providing banking services based on remote orders without visiting the bank using computer technologies. [4]

According to K.A. Zabrodskaya, A.O. Zakharova, "Remote banking services are activities to create optimal conditions for bank clients by providing remote servicing of their bank accounts." [5]

According to Yu.A. Kornilova, "Remote banking services are technologies for providing banking services based on applications sent by clients (without visiting the bank), as a rule, using computer and telephone networks." [6] However, to date, the problems of organizing and improving the innovative system of banking services in commercial banks of our republic have not been solved. Therefore, the existence of problems in improving the systems of innovative banking services offered in commercial banks became the basis of our research work.

RESEARCH METHODOLOGY

In the course of scientific research in the article the importance of remote servicing of commercial banks in the development of innovative banking services is scientifically substantiated, using methods based on the principles of abstract-logical, system analysis, analysis and synthesis, as well as analytical analysis. As a solution, scientifically substantiated proposals, analysis, comparative analysis and analysis of statistical data are given. At the same time, scientific works of foreign and domestic economists on the development of innovative banking services in commercial banks; The source was the annual reports of central banks, as well as analytical materials and studies of international rating agencies (Ernst & Young, Thompson Reuters, Blossom, etc.).

ANALYSIS AND DISCUSSION OF THE RESULTS

Although the provision of remote banking services in commercial banks of the Republic of Uzbekistan is developing every year, there are no problems in the further development of this remote banking service. It is possible to increase the number of clients by eliminating the problems that have arisen during RBS and creating convenience in the program. In addition to the problems, a number of factors influence the development of remote banking services in commercial banks. Despite this, a number of regulatory documents on the development of remote banking services have been developed in the banking system of Uzbekistan and intensive work is being carried out.

Today, banks are trying to increase their income by increasing the number of clients, attracting more clients and improving the quality of services provided to them. In particular, from the experience of developed countries it is clear that the quality of remote banking services in the financial services market today determines the success of competition in customer service. [7]

Today, one of the main threats to information security in the provision of remote banking services via the Internet in the global banking and financial system is associated with the theft of an electronic digital signature (EDS). That is, it connects to the system using malicious programs and steals the keys of the electronic signature of clients. Although this problem has existed since the beginning of online banking, it has become especially acute recently, when a number of banks around the world have encountered fraud carried out in this form.



Table 1. Factors Affecting Remote Banking

№	Internal factors	External factors
1	Organizational status of banking services: - technological equipment of the bank; - ease of use of remote banking services; - security of personal data during remote banking services.	Risks: - operational risk; - financial risk; - other risks.
2	Marketing policy of the bank: - advertising of remote banking services; - provision of information about remote banking services on banks' websites and among residents	Social (social status of citizens): - public awareness of remote banking services; - bank clients' trust in remote banking services; - recommending remote banking users to their relatives.
3	Types and prices of remote banking services	Advantages of remote banking services for users
4	Bank management (bank employees and their qualifications) and level of financial literacy	Geographical (regional) boundaries of the existing bank, expansion prospects
5	Creation of a regulatory framework for remote banking services.	Political factors: - state policy towards banks; - internet speed.

Providing remote banking services to bank clients is one of the most promising areas of development of the modern banking system, and its development is influenced by a number of factors. When developing remote banking services, it is necessary to take into account the factors influencing these services. The influencing factors can be divided into two factors: internal and external.

Factors influencing remote banking services are divided into external and internal. It is important for the bank to study the influence of existing factors on the provision of remote banking services and maintain its correct system.

Firstly, internal factors include factors related to the organization of remote banking services. That is, every time we implement remote banking, this is done by introducing the capabilities of some new technologies into the banking system or supporting their capabilities in the bank. Therefore, first of all, banks must be fully equipped with banking technologies to create a system of electronic payments and automation of banking activities. Then the system implemented using these technologies must be simple for users, that is, it must be created in such a way that it can be used by people with low financial culture and less technological knowledge. In addition, in order for users to trust this system, the security of their personal data must be fully ensured by the creators of the system. Secondly, in order to popularize remote banking services, it is necessary to competently implement the bank's marketing policy. According to him, it is important to create a positive impression of remote banking services and their capabilities among users by holding seminars and trainings to convey their capabilities to the bank's clients and residents. Advertising these services by posting videos about RBS in crowded places, on Internet sites, in social networks, on television, as well as in the front office and the bank's customer service halls will also have a great effect.

Thirdly, to ensure the competitiveness of commercial banks in the financial services market, commercial banks are improving their services, in particular, it is necessary to optimize the costs of using remote banking services and improve the quality of service in order to retain commercial bank customers and attract new customers on competitive terms.

Fourthly, to ensure the effective use of modern banking technologies and remote banking systems based on them, it is necessary to improve bank employees and their qualifications. The bank's training center should organize regular training and practical seminars.

Fifthly, the creation of remote banking services and the legal aspects of all matters in it, including the instructions of the Central Bank and internal regulations and procedures of commercial banks, i.e. the creation of a regulatory framework, create a sense of trust in this system among users increases.



External factors influencing the development of remote banking services include:

First of all, the occurrence of operational risk as a result of negative situations related to the operating system and incorrect user actions when performing financial transactions in the remote banking system, financial losses in problematic situations in remote banking systems, as a consequence of careless errors on the part of users and the occurrence of financial risk as a result of financial losses in other cases negatively affect the use of remote banking services. In addition, the risk of security of financial information transmitted via electronic communication channels is the mistrust of citizens in banks, that is, most citizens keep their savings not in banks, but in the form of real estate or currency. It is no secret that they keep it "under the pillow".

Secondly, people's awareness of remote banking services, that is, they learn about remote banking services from advertising, on bank websites, from relatives or from word of mouth. In particular, word of mouth about remote banking services in the context of free communication in a virtual environment or from relatives is recognized as more effective than the impact of advertising on consumers.

Thirdly, it allows the user to improve the efficiency of their work by taking advantage of remote banking services using a specific software package. Many previous studies have shown that the purpose of using this device is significantly affected by the benefits of using the system. In general, customers understand the numerous benefits of remote banking services provided by banks and have a positive attitude towards the application and use of new technologies. Thus, it can be recognized that remote banking services are used as an impressive structure that brings benefits to the banking sector.

Fourthly, since the increase in the number of bank branches due to the increase in the number of bank clients and the expansion of the territorial boundaries of their clients is associated with high costs, this requires providing their clients with remote banking services using the capabilities of modern financial technologies and without excessive effort and expense will be able to increase the number of clients and the territorial limit.

Fifthly, over the past few years, Uzbekistan has had the opportunity to use the Internet as a channel in the financial market, for selling and servicing its clients. Currently, commercial banks are creating convenience for customer transactions through various transaction models and new banking services, which ultimately saves bank customers' time, reduces costs, and increases the speed, transparency, and mobility of banking services. The government's attention to such banking services at the public policy level will certainly yield positive results in the future.

One of the most important aspects to consider when developing remote banking services is internet speed. In the world, we see that remote services are very well developed in countries with high internet speed, while in countries with low internet speed, the opposite is true.

As of June 2023, the Republic of Uzbekistan ranked 104th in the world in terms of mobile internet speed (128th in March 2021). In March 2023, it ranked 89th (95th in March 2021) in terms of fiber optic internet speed. In particular, as of March 2023, the mobile Internet speed in Uzbekistan is 20.90 Mbps, and the fiber Internet speed is 47.84 Mbps. Although this indicator has changed for the better compared to previous years, it indicates a low Internet speed when using mobile banking and online banking. Even according to calculations at the end of 2017, Uzbekistan was among the top five countries with very poor Internet speed. At that time, the mobile Internet speed was 6.47 Mbps, and the fiber Internet speed was 5.81 Mbps.

Mobile Internet Fiber Optic Internet



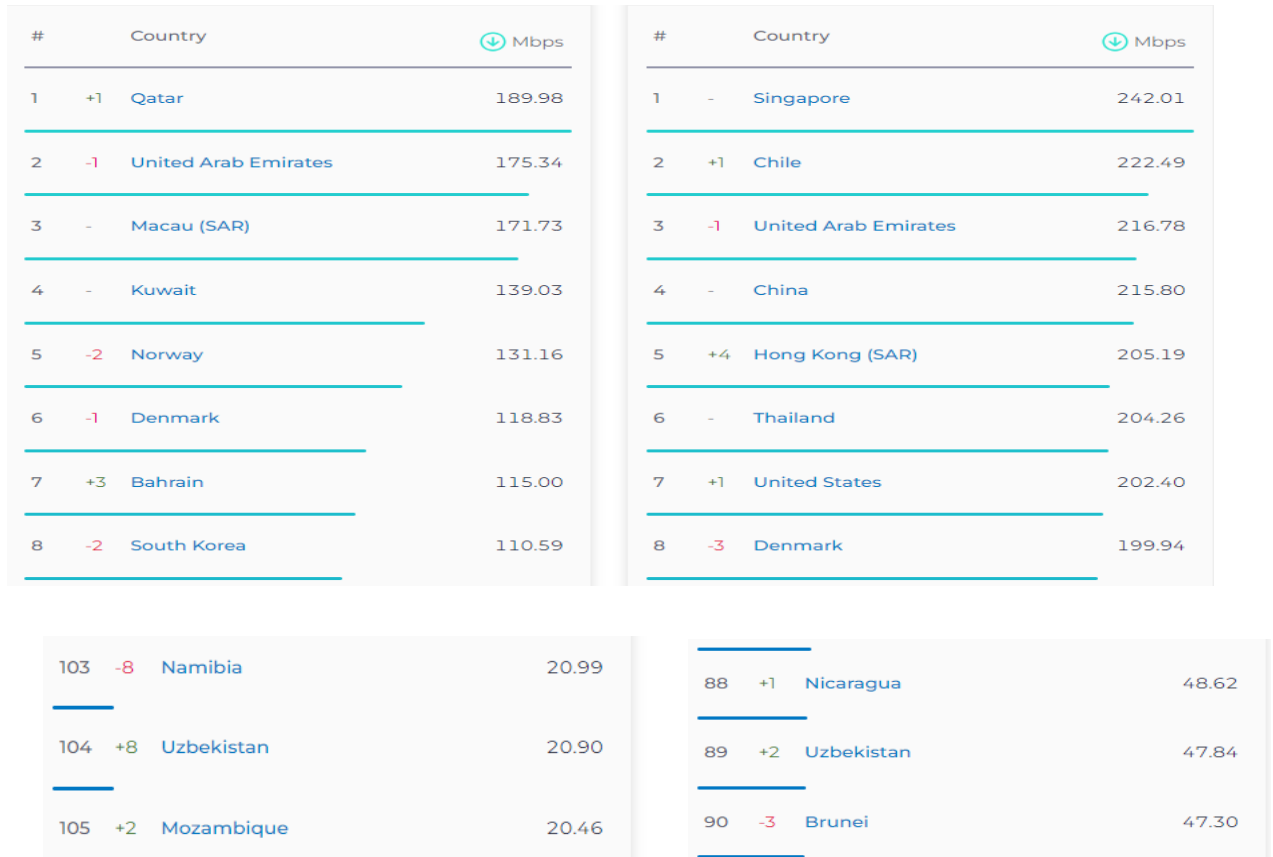


Figure 1. Uzbekistan’s ranking by mobile internet speed [9]

As shown in Figure 1 above, as of June 2023, Qatar has the fastest mobile internet connection speed at 189.98 megabits per second.

The United Arab Emirates came in second with 175.34 Mbps, and Macau came in third with 171.73 Mbps.

Meanwhile, Uzbekistan ranks 104th in mobile internet speed and is one of the lowest with 20.90 Mbps.

As of June 2023, Singapore was the leader in fiber optic internet speed, with a speed of 242.01 Mbps. At the same time, given the high population density compared to other countries and the fact that the country has an internet usage rate of about 90% of the population, the government supports the introduction of large-scale and technology.

The next places were taken by Chile with a speed of 222.49 Mbps, the United Arab Emirates – 216.78 Mbps and China – 215.80 Mbps. We see that Uzbekistan ranks 89th among 180 countries in terms of fiber optic internet speed and one of the bottom places with a rate of 47.84 Mbps.

Table 2. Number of Internet users worldwide
(as of January 1, 2023)

World regions	Number of population (thousand)	Population (in %)	Internet users (thousands)	Internet users (in %)	Connection of Internet users across regions
Asia	4327333,8	54,9%	2707088,1	62,6%	53,6%
Middle East	265587,7	3,4%	188132,2	70,8%	3,7
Africa	1373486,5	17,4%	590296,2	43,0%	11,7%
Oceania/ Australia	43473,8	0,6%	29284,7	67,4%	0,6%
Europe	835817,9	10,6%	728321,9	87,1%	14,4%
Latin America	659743,5	8,4%	477869,1	72,4%	9,4%
North America	370322,4	4,7%	332919,5	89,9%	6,6%
Total worldwide	7875765,6	100%	5053911,8	63,5%	100%



One of the factors that determines the development of remote banking services is the increase in the number of Internet users. According to the International Telecommunication Society, as of January 1, 2023, 63.5% of the world's population uses the Internet, and we see that their number currently exceeds 5.0 billion (Table 2). Calculations show that the number of Internet users in 2022 was 393,710.2 thousand, and in 2023 it reached 5,053,911.8 thousand. That is, in 2023, it is clear that it has increased by 1283 percent, or 13 times, compared to 2000. If we look at the region of the world, the region with the highest percentage of Internet users is North America, 89.9% of the population actively use the Internet, 87.1% of the population in Europe, 64.7% of the population in Oceania and Australia. The Internet is used by 72.4 percent of the population in Latin America and the Caribbean, 70.8 percent of the population in the Middle East, and 62.6 percent of the population in Asia. The least popular region for the Internet is Africa, where only 43.0 percent of the total population uses the service.

In addition, the number of mobile users worldwide will reach 2.5 billion in 2019, 2.7 billion in 2020, 2.9 billion in 2021, 3.4 billion in 2022, 3.6 billion in 2023 and 2024. It should be noted that by the end of the year, it will reach 4.3 billion.

At the same time, one of the new technologies convenient for users is the use of the Internet system via a mobile phone. In particular, the number of mobile subscribers in the Republic of Uzbekistan as of January 1, 2020 is 22.3 million, for the same period in 2021 - 20.6 million, for the same period in 2022 - 22.8 million, as of January 1, 2023 - 25.4 million. Of these, the number of mobile Internet users is more than 19 million, which, in turn, indicates that mobile phones are increasingly used to access the Internet. All Internet and mobile users are potential clients for banks, and attracting these potential clients to the bank by demonstrating the convenient aspects of remote service depends only on the behavior of this bank. Because an individual who keeps his money in a bank can not only receive information about his account number through remote banking, but also pay for the use of many services. [8]

In addition to the above factors influencing the development of remote banking services, it is necessary to eliminate a number of other problematic situations:

Firstly, local residents prefer direct communication with bank employees when conducting transactions in banks and are accustomed to receiving supporting documents for each transaction. In this case, in order to change the mentality of the population, it is necessary to conduct explanatory work on the possibilities and security of remote banking services.

Secondly, due to a lack of understanding of new remote banking services, many people are afraid to use new modern technologies and systems for the first time, since each new software technology causes certain difficulties during first use. Also, banks are constantly improving the types of services in their software packages. In the course of improvement, banks should also try to simplify the programs for users, otherwise this will create difficulties for some clients who lack technological skills. Thus, the creation of easy-to-use and multifunctional systems by IT specialists of each bank will provide their clients with effective services in a competitive environment.

Thirdly, in remote areas of our Republic, power outages often occur, as a result of which clients cannot be provided with communication services and other financial services in a timely manner. Especially in these places, the internet speed is very low, which causes all sorts of misunderstandings when using remote banking. As a result, bank customers in these regions still carry out their banking activities entirely at the bank. Therefore, banks should pay attention to the implementation of remote banking services in these regions as well.

Fourthly, in order to bring the remote banking system to a modern level, communication and the Internet operate around the clock, and clients can use the remote banking services to make payments until the end of the operating day. If clients are clients of different banks, they can make payments only until 17:00 of the current day. That is, remote banking services, like traditional services, are used until the time set by the Main Information Center of the Central Bank.



Therefore, given the round-the-clock operation of communication and the Internet, it is necessary to create a separate platform in banks and consider the possibility of automatically performing payment transactions with remote banking even on a non-operating day. This is one of the important tasks that must be implemented especially at a time when the economy is becoming digitalized, the payment system is accelerating every year, and the number of bank clients is increasing.

CONCLUSIONS AND PROPOSALS

The following conclusions and proposals have been formulated to further improve the organizational foundations of innovative banking services in commercial banks of the republic:

1. At the moment, there are not enough innovations to increase the types of remote banking services and implement existing ones, that is, through remote banking services, bank clients still cannot provide all banking services without visiting the bank.
2. With the sharp growth of remote banking services, the threat of economic risks also increases. That is, the legality of the services provided to clients, the level of legalization of their money transfers, etc.
3. In the development of remote banking services, certain problems are caused by the low level of provision of bank clients and their new information technologies, as well as the low level of economic literacy of the population.
4. The creation of an automated system of non-cash payments, as a consequence, requires the search for new modern forms and tools that simplify and speed up the money circulation system.
5. One of the main problems in the development of remote banking services in the Republic of Uzbekistan is the public's trust in the banking system.

In general, the widespread introduction of modern information and communication technologies in the relationship between the bank and the client, including the creation of a mechanism to stimulate the introduction of financial services based on relatively inexpensive electronic digital technologies, by all banks throughout our republic. Opening 24-hour smart offices in branches and providing convenient services for bank clients and residents of our country due to a sharp increase in the number of bank cards and equipment servicing them (payment terminals, information kiosks and ATMs) is considered an urgent task today.

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