



## The Role of Digitalization in Increasing the Competitiveness of Commercial Banking Services

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**Abstract:** The article examines the role of digital banking services in increasing the competitiveness of commercial banking services. The necessary conditions and opportunities to increase the competitiveness of services by increasing the efficiency of digital banking services have been analyzed. A scientific proposal and practical recommendations on ways to ensure competitiveness by increasing the efficiency of digital banking services have been developed..

**Key words:** digital transformation, credit demand, financial institutions, customer service, traditional banking, banking services, business processes, financial technology..

### INTRODUCTION

The introduction of new innovative types of information and financial technologies is changing the world economy. In Uzbekistan, the creation and application of these innovations is becoming the main factor of economic development. As President Sh.M. Mirziyoyev noted, "To achieve development, it is necessary and necessary to acquire digital knowledge and modern information technologies. This gives us the opportunity to take the shortest path to ascension" [1].

The Internet, which appeared in the 50s and 60s of the last century, has become popular today. As of January 2020, 4.5 billion people are using the Internet worldwide, which is 7.0% more than in the same period last year. If we compare it to the world population, this figure is 57.3% of the total population. 5.19 billion people of the world used mobile communications, which is an increase of 124.0 million people or 2% compared to the same period last year[2].

The above-mentioned indicators show how the role of the Internet in people's lives and the possibilities of providing them with remote services are expanding. Of course, banks, which are participants in the financial market, are becoming one of the leaders in this process. In the 21st century, the rapid development of science and technology, especially information technology, has fundamentally changed banking activities. Currently, in line with the growing global trend of using modern information and communication technologies in the banking and financial sector, the increase in the amount of bank plastic cards, and the development of electronic payments and electronic commerce, a number of projects in the field of electronic payments and electronic commerce have been implemented in our country. increase is becoming more active.

Banks and financial institutions of our country provide remote electronic payments to their customers through the Internet global network and mobile communication tools. Today, the total number of users of digital banking systems worldwide has exceeded 2.4 billion in 2020. Analysts

predict that by 2024, digital banking users will grow by 54% to 3.6 billion globally, as digital banking alone catalyzes the market. This growth will only be driven by the proliferation of digital banks and the continued focus on digital transformation by established banking brands." Therefore, in many countries of the world, remote management of banking services without visiting the bank has become one of the most urgent issues.

In the Address of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev to the Oliy Majlis of the Republic of Uzbekistan on the most important priority tasks for 2019 on December 28, 2018, "Development of the National Concept of Digital Economy, which provides for the renewal of all sectors of the economy based on digital technologies" need On this basis, we need to implement the "Digital Uzbekistan-2030" program. The digital economy allows to increase the gross domestic product by at least 30% and reduce corruption sharply. This is also confirmed by analyzes conducted by reputable international organizations. Therefore, the Government is tasked with developing a "roadmap" for the transition to the digital economy within two months. In this regard, it is necessary to pay special attention to ensuring information security," it was noted. In our country, commercial banks satisfy the credit demand of the population and the real sector, and the full and continuous fulfillment of obligations to customers is the priority of the ongoing reforms.

Systematic works are being organized in the banking system of the Republic of Uzbekistan to provide electronic banking services to customers. In particular, the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020 - 2025" Considered as one of the priorities, great attention is paid to improving the efficiency of the banking system by modernizing banking services, creating an efficient infrastructure and automating the activities of banks, as well as phasing out the functions of banks that are not related to the main activity. is being given. Also, creating the necessary conditions for the widespread introduction of modern information and communication technologies, the automation of business processes of commercial banks, and the expansion of the types of remote banking services; reduction of control burdens, including burdens related to the improvement of information exchange of banks with regulatory and state authorities, as well as the simplification and automation of reporting processes; expanding the number and scope of remote banking services, including contactless payments; extensive use of automated scoring system, digital identification and credit conveyor; strengthening the information security of bank data and systems; The definition of tasks such as introducing new concepts and technologies in the banking sector (fintex, marketplace, digital bank) indicates the relevance of the topic.

### Literature review

Development issues of digital banking services and its related infrastructure N.M. Vasilyeva[3], D.YU.Vedernikov[4], V.A. Voronov[5], L.P. Gavrilov[6], V.G. Borshev[7], Z.A. Britkov[8], L.A. Bragina [9], conducted by V.M.Davidov[10]. These studies cover the theoretical and practical aspects of the administration of digital banking services.

It was studied by local economists V.Abdullayev[11], A.I.Usmanov[12], B.O.Tursunov, S.Sh.Raimberdiyev[13] and others, and they covered the content of digital banking services in detail.

### Analysis and discussion of results

Today, the demand for financial technologies is also increasing while artificial intelligence and digitization are rapidly developing. The implementation of financial technologies in the financial sector allows to reduce the cost of services and to use them anytime and anywhere. In particular, the implementation of financial technologies in the banking system creates great convenience for bank customers. The decision of the President of the Republic of Uzbekistan "On the strategy of reforming

the banking system of the Republic of Uzbekistan in 2020-2025" defines the importance of wide application of financial technologies in the banking system:

- to expand the scope and improve the quality of banking services by attracting advanced international experience and technologies;

- introduction of modern information technologies: expanding the number and scope of remote banking services, including contactless payments; extensive use of automated blood scoring system, digital identification and credit conveyor; strengthening the information security of bank data and systems; introducing new concepts and technologies into the banking sector (fintech, marketplace, digital banking).

Financial technology (Fintech) is used to describe new technologies that seek to improve and automate the delivery and use of financial services. At its core, fintech is used to help companies, business owners, and consumers better manage their financial transactions, processes, and lives through the use of specialized software and algorithms that run on computers and, increasingly, smartphones. Fintech is a portmanteau of the word "financial technology".

When fintech emerged in the 21st century, the term originally applied to the technologies used in the back-end systems of established financial institutions. However, since then there has been a shift to more consumer-oriented services, and therefore a more consumer-oriented definition. Fintech now spans a variety of industries and sectors, including education, retail banking, fundraising and non-profit organizations, and investment management.

Cloud technology, big data, blockchain and artificial intelligence are the dominant financial technologies in digital banking aimed at optimizing the operation of the bank's internal systems. The role of big data technology for banks continues to grow. The use of big data technology in digital banking allows segmentation of customers, which saves the marketing budget. Determining the bank's position in the market based on the available resources allows us to concentrate efforts and direct actions in the direction that ensures the bank gains an achievable market share, which helps to achieve the expected result.

Big Data technologies in digital banking are able to solve the problems of optimization and automation of business processes, which, on the one hand, allows banks to save resources, and on the other hand, reduces operational risks. However, solving this problem requires modern technologies in banking institutions, because old systems cannot cope with the increased workload, which requires an increase in information processing capabilities or a complete restructuring of the system.

The use of big data technology in digital banking requires expanding the memory of computer hardware. To solve this, more and more banks are switching from traditional storage systems to using cloud storage. In April 2018, Microsoft told The Financial Times that the key to successful implementation of cloud financial services is close cooperation between regulators, financial institutions and cloud providers to ensure the right structures, programs and processes that use cloud services.

Using cloud technology in digital banking can reduce the costs of hardware, software and related manpower. It is easier for banks to upgrade their IT infrastructure as the costs of using online resources to save data can be significantly saved. The availability of cloud-based technology tools in digital banking can help improve banking efficiency, as cloud-based standardization can facilitate the integration of new technologies in the future. Also, the use of cloud technology accelerates customer service as the computing power increases and provides related departments with solutions. The need for cloud technology is also emerging in international banks, as it requires large overheads for data sharing between regional and head offices, and access to the cloud allows users to share data anywhere in the world.

An important advantage of cloud technology in digital banking is the ability to scan more than

a thousand transactions per second, which greatly improves the ability of banks to fight financial crimes such as fraud and money laundering. At the same time, there is a need to constantly observe security measures to protect data stored in the cloud, to ensure the continuous availability of programs and data in case of force majeure, to ensure effective management of clouds when receiving services from several providers. All business processes and departments, as well as customers, must be maintained. This requires a single interface and management layer that can work across platforms inside and outside the cloud.

Thus, digital banking includes digitalization based on the use of financial technology tools in the processes of banking services, bank operations or bank information systems. Its strengths are the ability to create and store large amounts of data while simultaneously analyzing and applying the results of the analysis. Also, the strengths of using financial technology tools in digital banking include the impartiality of decision-making, that is, decisions that are less dependent on employees, the ability to provide personalized banking services to customers, and the functions of a central repository of financial information. and non-financial customer information.

The disadvantage of using financial technologies in digital banking is that their presence promotes the development of non-bank financial institutions, which leads to a decrease in the rate of development of traditional banks. A major drawback to consider is the fact that financial technology companies are not licensed, which causes them to fail to comply with regulatory requirements in the digital banking sector.

The threats of using financial technologies in digital banking are the reduction of the number of bank employees, the creation of new risks through automated systems, in particular, the risk of falsification, external manipulation of data.

The potential of using financial technology tools in digital banking is to make effective investment decisions, increase the level of information security of operations, and strengthen cooperation between banks and companies in the field of financial technologies.



**Figure 1. Dynamics of the number of installed ATMs and info kiosks<sup>1</sup>**

Analysis of the data in Figure 1 shows that as of January 1, 2021, the total number of installed ATMs and kiosks is 11,800. We can see that this indicator has increased by 6846 units or 2.4 times

<sup>1</sup>[www.cbu.uz](http://www.cbu.uz) - Information from the official website of the Central Bank of the Republic of Uzbekistan.

compared to the situation in 2017. We can conclude that, firstly, facilities are being created for the population to use payment instruments, and secondly, it can be explained by the increase of the population's ability to use these instruments.

Online banking in the US dates back to the 1990s. In October 1994, Stanford Federal Credit Union became the first institution to allow its customers to use banking functions via the new World Wide Web. As the 21st century began, it is estimated that 80% of US banks offered online banking to their customers.

As mobile devices became popular and adopted, banks were encouraged to put their services in the hands of customers and create their own mobile banking apps. In its most recent biannual How America Banks, the FDIC reported that in 2019, 34 percent of Americans used mobile banking as their primary method of accessing their accounts.

Types of financial technologies in digital banking:

An ATM is an automated teller machine that helps bank customers make financial transactions without going to bank branches. Most of the time, people use their bank credit or debit cards to withdraw cash.

The use of financial technology is taking place in digital banking, an area that encompasses the bank's innovation in information and technology solutions. In addition, digital banking refers to the automation of both banking services and all banking activities. Digital banking is characterized by the continuity of banking services, which allows the consumer to receive them online anytime, anywhere, personalization of banking services, digital authentication of users, digitalization of banking transactions with the exchange of documents.

The main areas of use of financial technologies in digital banking are customer behavior analysis, transaction monitoring, customer identification and segmentation, fraud management, personalization of banking services, risk assessment and regulatory compliance, customer response analysis, process automation, financial advice, investment decisions. making, syndicated loan services, trade facilitation and P2P transfers. According to the scope of the use of financial technology tools, they can be divided into two groups, one of which is aimed at the development of customer service, and the other is aimed at optimizing the operation of internal systems.

The dominant financial technologies in digital banking aimed at improving customer service are artificial intelligence, biometrics and open banking. The use of these financial technology tools helps to improve the quality of customer service and, as a result, to expand the customer base, while increasing the amount of revenue in the relevant segment.

In digital banking, which aims to optimize the operation of internal bank systems, the dominant financial technology tools are cloud technologies, big data, blockchain and artificial intelligence, some of which can also be used to improve customer service.

### **Conclusions and suggestions**

In short, the banking system, which is the basis of the country's economy, is to be further reformed, to increase its stability, to achieve high international ratings, and to introduce modern cashless settlement mechanisms with extensive use of information and communication technologies. the ongoing work will have a positive effect on strengthening the development of all economic sectors, while ensuring that the quality of services provided to customers by our banks, payment discipline and culture will rise to a new level. There is no doubt that the active implementation of remote banking services, especially Internet banking, based on such modern technologies, is the most important issue.

In particular, the level of economic and technological development of the country is important in the implementation of remote banking services. In particular, in order to achieve a stable level of bank operational costs, it is important to increase the types of remote banking services in commercial



banks and increase their efficiency.

The above-mentioned conclusions were thoroughly studied and the following proposals were found appropriate:

1. In order to better introduce the type of Internet banking service to customers, it is necessary to offer this service to every customer who visits the bank and to create special video clips and show them continuously in the relevant halls of banking institutions, to introduce them more widely to the public through the Internet site;

2. Training of personnel who are competent in working with new banking services and have a good understanding of both information technologies and banking services;

3. Increase the number of new virtual banks that do not have a physical office and thereby create a unique new competitive environment in the market of digital banking services;

4. Changing the working method of banks, in which the number of bank customers can be increased by developing its own strategy focused on each customer. That is, the introduction of specific types of remote banking services to individuals and legal entities based on their requirements.

5. Pay more attention to individuals and create new conveniences for them in the internet banking services provided by commercial banks, create an opportunity to register and start the service directly from the website, the expiration of online services In order to ensure that it is carried out on time, it is advisable to gradually apply proposals such as simplifying the payment verification part and correctly distributing the time of working with documents among employees.

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