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Mechanisms to Increase the Role of Banks in the Development of the Digital Economy

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A B S T R A C T
The article theoretically analyzes the importance of developing the digital economy in the field of financial services. In particular, the legal framework and practical processes were studied to accelerate the transformation of banks in Uzbekistan.
Aim: The study aims to highlight the importance of developing the digital economy in the financial services sector and to develop proposals and recommendations for improvement.
Methods: The study used research methods such as analysis and synthesis, induction and deduction, statistics and comparison.
Conclusion: The fact that banks are commercial organizations, first of all, should be commercial, and the work should be organized based on market mechanisms.
This should be avoided as banks perform functions that go beyond their core business. As a result, the development of the digital economy and the further expansion of remote banking services in it will lead to an increase in the standard of living of the country's population, the formation of transparent sectors of the economy and the widespread use of information technologies.

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Introduction

Today, as a result of the development of the digital economy in the country, the demand for new innovative electronic services of commercial banks has grown. It is popular among the population to be able to perform many operations on one phone, computer or other information technology, without entering a bank building. You can also access the mobile application or the official website of the selected organization, get the necessary information, make various payments, place orders and send complaints or objections [1]. Now, as a result of the digitization of information stored in an electronic database, programs and devices have been created that allow banking transactions to be carried out in a few seconds, which previously had to wait for a certain period. Such a rapid influx of information and communication technologies into our life has sharply increased the globalization of world economic relations, competition in the market for suppliers of goods and services, including financial ones. The widespread introduction of information and communication technologies into the banking system in accordance with modern requirements, and thus, the automation of many banking services has accelerated.

To create the necessary conditions for the widespread introduction of modern information and communication technologies, automation of business processes of commercial banks and the expansion of remote banking services in the "Strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025" [2] In the process of implementation, the main tasks in areas of implementation of modern information and communication technologies:

1. expanding the number and coverage of remote banking services, including contactless payments;
2. widespread use of automated scoring systems, digital identification and credit conveyors;
3. strengthening the information security of banking information and systems;
4. The widespread introduction of new concepts and technologies in the banking sector (fintex, digital banking).

The purpose of these tasks is to increase the financial and legal literacy of the population in the development of the digital economy in the country, accelerate the integration of our country in the international arena.

It is known that the process of digitalization of banks consists of building relationships between the bank and the client based on digital information and communication technologies. At the same time, financial services to the bank's clients are provided conveniently, efficiently and quickly, which reduces operating costs.

Literature Review

In recent years, the banking system of Uzbekistan has done a lot to improve the quality and volume of banking services. However, the changes taking place in the world, the process of globalization, the excessive development of competitiveness, the need to further intensify the process of transformation of commercial banks, the need to bring banking services to a new level.

In this regard, in his Address to the Oliy Majlis, President Sh.M. Mirziyoyev said that in 2021 32 large enterprises and industries of strategic importance will be transformed [2]. Our focus will be on the widespread adoption of digital technologies in banking [3].

In our opinion, the digital economy is not a separate activity. This is business, industrial facilities, and services. The term "digital" means the active use of information technology in all these areas. If in a simple economy the main resource is material goods, then in a digital economy it will be information and data that can be processed and transmitted. After their analysis, a solution is developed for correct management [4].

To date, the following domestic scientists V.K. are engaged in scientific and practical issues of innovative technologies in the development of the digital economy. Kobulov [5], A.N. Aripov [4], S.S. Gulomov, BA Begalov [7], A. Musaliev [7], K. Alimov [8] studied and carried out scientific works on the role of digital technologies in the development of the national economy. Several economists have given their definition of digital transformation.

In particular, foreign economists T. Ablyazov, V. Asaul [9] believe that the digital transformation process means improving existing business models, as well as using digital technologies to increase business efficiency. This process involves the constant introduction of innovative technologies, which will lead to a complete digital transformation of the entire economy.

Russian economist Vadim Arkadievich Kotsheev [10] believes that from the point of view of the development of the financial sector, digital transformation is seen as an improvement in practical business methods that form a new working environment.

Methods

The study used research methods such as analysis and synthesis, induction and deduction, statistics and comparison. The scientific and legal foundations of the transformation of commercial banks into the digital economy have been investigated. With the help of economic indicators, the current state of the transformation process of commercial banks and the practice of introducing new innovative financial services have been analyzed. As a result of the study, conclusions and recommendations were developed for organizing and improving new innovative banking services to accelerate the process of transformation of commercial banks. Also explained that while the digital economy and the innovative economy complement each other, an important difference is that in the digital economy, a high proportion of material resources in the traditional economy is being replaced by digital technologies, while in the innovative economy this place is occupied by great intellectual wealth and ideas. We believe that the

development of digital transformation in the banking sector must be carried out through a thorough study of customer needs and analysis of existing opportunities, through the development of a new innovative customer-focused strategy.

Methodology

The study revealed the following positive results of overcoming the financial problems of enterprises operating with the help of innovations and information technologies using loans from commercial banks, including the growth of the country's gross domestic product (GDP), increased income and employment. To this end, using the data of the State Statistics Committee for the last 10 years, a correlation-regression analysis of the number of employed at enterprises operating in the country and the ratio of loans to commercial banks to enterprises to the share of enterprises was carried out. in GDP. According to the sample correlation coefficient, the influence of the number of people employed in this sector on the share of economic entities in GDP was high, R = 0.9597, and the share of bank loans to enterprises on the share of economic entities in GDP was high, i.e. R = 0.7686.

We performed regression analysis using Excel's Data Analysis feature. The bond density is r = 0.992474054 based on the scale. Hence, based on this scale, the correlation coefficient between the indicators has a very strong correlation level. According to the data, a0 = -157331, a1 = 8.056, a2 = 0.00075, the straight-line regression formula took the following form:

KBYU(y)= 8,056KBBS(x1) - 0,00075KBBKR(x2) - 15,7331

Hence, the regression coefficient a1 determines the relationship between the resulting sign (y) and the factor sign (x). This indicates how many units the resulting character increases when the factor character increases by one unit. We use the F-criterion to verify the adequacy of the regression equation (Y=8,056-0x1-0,00075x2).

According to the observed data, the calculated Fp (calculated, observed F) index was compared with the corresponding critical index Fk, (F critical, tabular).

F account = 4.25, F table = 295.595

Since F is a table > F in the calculation, the (1) econometric model is considered adequate. Tк= 2,262, Ta0=-3,9, Ta1=15,38, Ta2=-6,19.

Since Ta1>Tк in the calculation, a1 means that the regression coefficient is significant. From the above regression analysis, the following conclusions can be drawn: an increase in the number of people employed in existing businesses by 1 percentage point will lead to an increase in the share of businesses in GDP by 8,056 per cent.

Data Analysis

Over the past 4 years, the country has adopted favourable decisions and decrees that have a direct impact on the transformation and development of the banking system [11-16]. These regulations and decisions are also the legal basis for the development of remote banking services in the digital economy and an important factor in its development. Clients can choose where and when to use financial services. Bank offices, open around the clock (24/7), are the result of a study of these needs. Examples of these needs are the electronic payment system in the financial market, electronic money, remote banking services, including banking products provided over the Internet, bank terminals and an automated banking centre. The use of digital financial technologies optimizes the possibility of active cooperation between the government, payment service providers and customers. This leads to the introduction of new methods of banking services and the creation of innovative and attractive banking products.

It should be noted that the COVID-19 coronavirus pandemic has impacted the rapid development of digital financial services. Before the quarantine began, the population was poorly versed in electronic banking services, and whatever they had to do, they went to the bank and tried to solve this problem. Although many banks have developed mobile applications or developed various applications that allow them to use other banking services remotely, many of them did not use them. Advertising at great expense to inform the public about it. The population, which could not leave their homes due to quarantine, also felt the need for remote banking services, began to search, study, and request and use the necessary

services through electronic programs. This has prompted banks to focus more on e-applications, improve remote services, mobile apps and applications with experienced IT staff. In other words, the development of digital financial services has become an important direction in the development of the country's banking and financial system. The regulatory and legal framework of the sector is being improved, the development of the payment infrastructure is encouraged, and payment institutions (fintex companies) specializing in the provision of remote banking services are encouraged.

The country has created a legal framework for the provision of remote banking services in the banking system. In particular, the Law of the Republic of Uzbekistan "On Payments and Payment Systems", adopted on November 1, 2019, is of great importance [17]. At the same time, the number of users of remote banking services in the country is growing rapidly [18] (Figure 1).

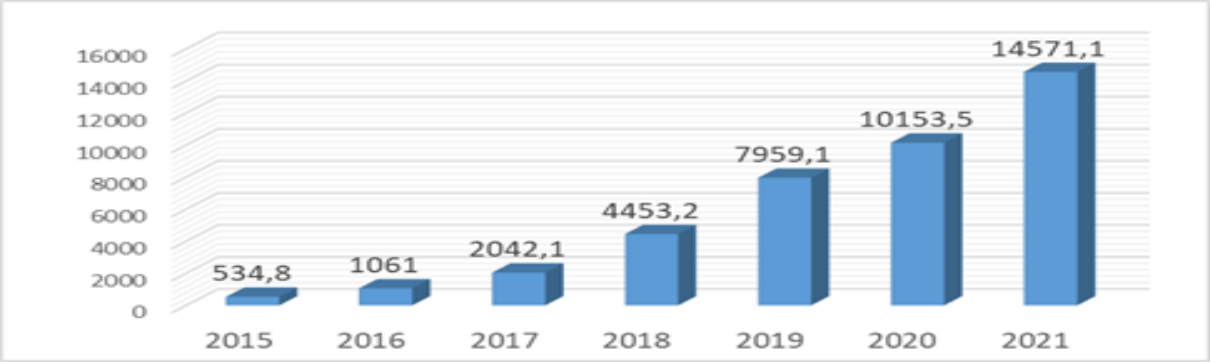

Fig. 1. Dynamics of the number of users of remote servicing of bank accounts (in thousands).

According to Figure 1, the number of users of remote banking systems (mobile applications, Internet banking, and SMS payments) as of January 1, 2021, is 14,571,094 people. The main reason for this is the widespread use of mobile applications by commercial banks today. It should be noted that during the quarantine period associated with the COVID-19 coronavirus pandemic, the provision of remote banking services to individuals increased twenty times.

The use of remote banking services by legal entities and individual entrepreneurs decreased compared to 2020 and amounted to 822,518 people. In terms of banks, the number of legal entities using remote banking services in 2021 reached 117,298 in Ipoteka Bank, 110,104 in Agrobank, 95,347 in Halyk Bank, 81,270 in Hamkorbank and 61,633 in the National Bank.

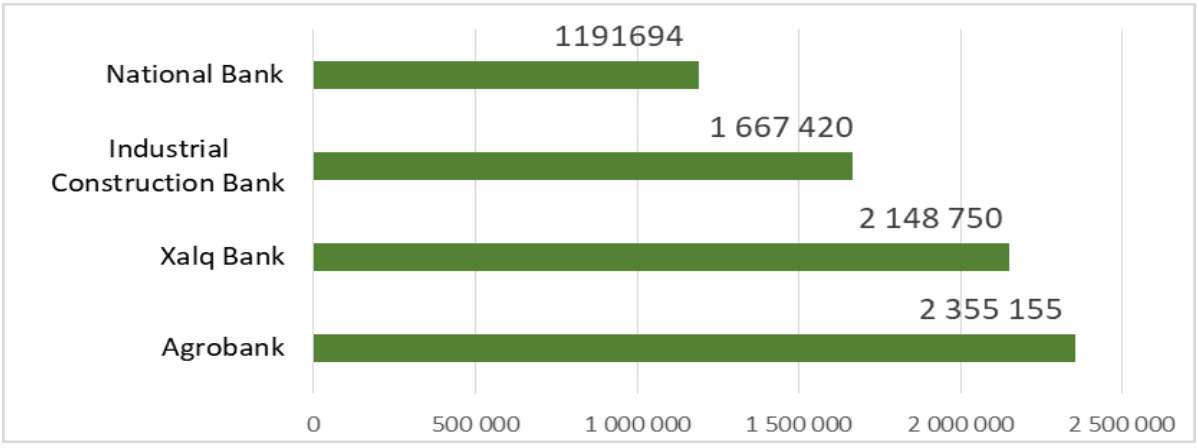

Fig. 2. Information on the number of legal entities using remote banking services, by bank in 2021.

Also, the largest number of users for individuals was Agrobank - 2355155, Halyk Bank - 2148750, Sanoatkurilishbank - 1667420, Ipoteka Bank - 1300787, National Bank - 1191694. (Figure 2).

Discussions

Digital technologies are changing the face and structure of the economy, disrupting traditional business models, and increasing competition and competitiveness between individual enterprises and the country as a whole, which leads to expanding markets and opportunities. An example of this is the share of traditional flows of goods, services and goods in global GDP, which fell from 53% in 2007 to 39% in

2014, according to data from the McKinsey Global Institute (2015). During the period from 2005 to 2014, the volume of cross-border data exchange increased 45 times. Since 2014, about 12% of global merchandise trade has been carried out through international e-commerce. With the liberalization of the foreign exchange market, cash problems have been resolved. This created conditions for the introduction of ATM infrastructure and modern payment systems. Access to banking services for the population and business has expanded. The system of work with clients is changing, modern types of banking services are multiplying and digitizing. In order to bring banks closer to the population and create convenience, banking service centres and others are being created. As a result of the growing demand in the banking services market, competition has intensified and the need to use new opportunities for information and communication technologies has increased. Based on the analysis of the data presented, we have every reason to say that the process of remote financial services for banks in the country is rapidly developing.

Conclusion

In a word, the country is implementing several reforms to develop the digital economy, remote banking services to raise the economy to a new level, and implement transformation processes in banks. In order to expand this process, in accordance with the Decree of the President of the Republic of Uzbekistan dated May 12, 2020, No. PF-5992 "On the Strategy of Banking Reform of the Republic of Uzbekistan for 2020-2025", from this year, the banks will undergo transformation processes. According to the decree, the introduction of modern technologies, the expansion of the number and coverage of contactless payments, an automated scoring system, digital identification, the widespread use of credit lines, the introduction of business models based on the principles of digital banking, as well as the creation of the first digital AnorBank in Uzbekistan.

In short, banks need to move to an accelerated role by further strengthening the role of the locomotive of the economy and the formation and implementation of financial services, taking into account competitive advantages, specialization and growth points. The fact that banks are commercial organizations, first of all, should be commercial, and the work should be organized based on market mechanisms. This should be avoided as banks perform functions that go beyond their core business. As a result, the development of the digital economy and the further expansion of remote banking services in it will lead to an increase in the standard of living of the country's population, the formation of transparent sectors of the economy and the widespread use of information technologies.

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