

## DEVELOPMENT OF THE DIGITAL ECONOMY THE ROLE OF COMMERCIAL BANKS

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**Abstract:** *The main purpose of the scientific article is to provide conclusions and recommendations for improving the retail sector of the country, based on international experience and innovative ideas, as well as theoretical and methodological framework. In this scientific article the theoretical and practical bases of application of innovative technologies in the system of retail payment, factors influencing it, the country practical measures taken by commercial banks in this direction. There are also proposals and scientific conclusions on the development of the infrastructure of the retail payment system of the republic with the help of innovative technologies.*

**Key words:** *Digital economy, banking system, electronic money, electronic money circulation, payment systems, retail services, banking, customer, remote service, innovation, control, regulatory framework, international practice.*

### Introduction

Today, the issue of development of retail banking services to the population, the introduction of new types of banking services using information and communication technologies is relevant in the activities of commercial banks of the country. In order to further improve the banking business, small and large financial

technology companies use a wide range of "artificial intelligence" and digital technologies to improve customer service are used. Because new competitors in the market began to threaten old financial institutions of all sizes. However, new technologies are retail is also creating great opportunities in the services market.

As modern technologies are constantly improved, of course, the legal framework of the industry will be strengthened. In this regard, the President of the Republic of Uzbekistan on February 19, 2018 "Information Decree "On measures to further improve the technology and communications" is a timely document very important. [2] In particular, in his Address to the Senate and the Legislative Chamber of the Oliy Majlis by President Shavkat Mirziyoyev, "2020 - Science, Enlightenment and The announcement of the "Year of the Digital Economy" raises a number of tasks for the banking system in this regard. [6] Therefore, an in-depth analysis and coverage of the content and essence of the concept of the digital economy is one of the current issues.

### Analysis of the relevant literature

With the development of information technology in the world, the term digital economy has emerged, and this term was first coined by Canadian scientist Don Tapscot in his book "Electronic Digital Society: Advantages of the Network Age and shortcomings" was used in 1995. According to him, a key factor in the digital transformation of the activities of market participants is the development of digital culture [10]. In 1995, American programmer Nicholas Negroponte coined the term "digital economy". Politicians around the world now use the term, economists, journalists, entrepreneurs - almost all apply. In 2016, the World Bank published the first report on the state of the global digital economy.

The term "digital economy" was introduced into scientific practice by Manuel Castels, a Spanish and American sociologist and leading researcher in the information society. In this regard, he published a three-volume monograph entitled "The Information Age: Economy, Society and Culture." In his view, the term digital economy refers to two different types of concepts used to express.

First, the digital economy is a modern stage of development, with the priority given to the benefits of creative labor and information described.

Secondly, the digital economy is a unique theory, the object of which is the information society. The theory of the digital economy is in the early stages of its development, as the transition of civilization to the digital information stage began only a few decades ago. In the scientific literature, the modern "New Digital Economy" is called by various terms. For example, "post-industrial economy" (D. Bell), "information economy" (O. Toffler), "megaeconomy" (V. Kuvaldin), "information and communication-based economy" (I. Niiniluto), "techno-economy or digital economics" (B. Gates), "knowledge-based economy" (D. Tapskott). [9]

The unifying factor of these concepts is the leading role of information technology in the globalization of economic processes is calculated. The term digital economy has been defined by a number of foreign and local economists. In particular, according to academician SS Gulyamov, "Digital business is the emergence of new business models that combine the physical and digital worlds. [11]" According to Shakhnoza Soatova, "Digital economy is a system of economic, social and cultural communication based on the use of digital technologies. It is sometimes referred to as the Internet economy, the new economy, or the web economy. [12]" The digital economy is not a separate activity. It actually means business, industrial facilities, services.

The term "digital" means the active use of information technology in all these areas. If in a simple economy material goods are the main resource, in the digital economy it will be information that can be processed and transmitted. After their analysis, develop a solution for proper management will be released. [11] The scientific works of a number of economists-scientists on the subject were considered, and among them academicians S.S.Gulamov, Manuel Castels, ND.A. The scientific views of Kochergin, VL Dostov are analyzed in the main part of this article is presented as a methodological basis [10].

In their research, these authors theoretically and practically substantiate the need for the widespread introduction of innovative technologies in the retail payment system in the digital economy, including the existing new trends in this field positively assessed the important role of electronic money in the field of retail settlements. In contrast, the article is in the field of retail settlements in the digital economy in the Republic of Uzbekistan.

In addition to the problems, the theoretical aspects of the use of innovative technologies in this area were analyzed and practical recommendations for their application were developed. The object of research is the role of commercial banks in the development of the digital economy in the world and in the national economy is the practice of organizing and regulating the activities of retail billing systems.

### **Research methodology**

Research methods such as analysis and synthesis, induction and deduction, statistics and comparison were used in the research. Brief description of the results of the research:

- Scientific views of some economists on the use of innovative technologies in the retail system in the digital economy;

- Recommendations were made to create conditions for the development of the digital economy in order to accelerate the widespread use of innovative technologies in the retail payment system. For example, an innovative product development of the regulatory framework for the system of incentives for developing, recommending and applying entities, the introduction of tax incentives for the widespread use of innovative technologies in practice, the optimal organization of innovation-based services and pricing policies, etc.;

- The need to apply the practice of VIP services in national banks to bring the bank's retail services to a higher level;

- Based on the development of the digital economy in the world, the effectiveness of some innovative technologies widely used in the field of retail billing systems, including co-branded cards, NFC technology, has been demonstrated;

- Recommendations on the creation of the necessary conditions to increase the number and volume of remote financial services provided to the population in the digital economy, including the need to introduce an ID card system and the mechanism of its use in financial transactions.

### **Analysis and results**

International experience shows that in order for the financial services market to operate effectively, sustainably and fairly, financial institutions must have professional norms and ethics, the financial market must be effective by the regulator control and regulation, access to financial services and consumer protection, and the ability to increase the financial literacy of the population. Digital business is the emergence of new business models that combine the physical and digital worlds [10]. The growth of social networks, the smartphone market, broadband Internet access, machine learning technologies and artificial intelligence will change the world in which commercial banks and companies operate.

They either occupy vacancies in the new market or existing vacancies they will have to adapt themselves to change by changing places. It turns out that the digital transformation of organizations is a response to the development of new information technologies and their active spread around the world is calculated. In this regard, President Sh.M.Mirziyoev in his Address to the Oliy Majlis said: "It is necessary and necessary to acquire digital knowledge and modern information technologies in order to achieve development. This allows us to take the shortest path to the ascent. After all, today in the world, information technology is penetrating deep into all areas. Digital technologies not only improve the quality of products and services, they reduce unnecessary costs. At the same time, the most serious flaw that worries and annoys me is the loss of the scourge of corruption.

They are an effective tool. We all need to understand this. "[6] Digital conversion has reached different levels, and the difference between them is two fold the term has the same meaning as the difference between 'digitalization' and 'digitization'. Digitization is the transfer of information from physical to digital media. There is no change in the structure of information: it is only electronic will have a shape. Digitalization is often used to improve an existing business model and optimize business processes. And digitization is the creation of completely new products in digital form.

Although digital data is a valuable economic resource, it will only benefit when it becomes digital thinking. With the advent of the digital economy, digital platforms are being created and growing rapidly digital data monetization problems are emerging. At the same time, it is important to identify ways to create value, the means of overcoming obstacles in

these processes. It provides an understanding of the potential for value creation and distribution, forms of value renewal, management, and value acquisition.

In the first paragraph of the Resolution of the Board of the Central Bank of the Republic of Uzbekistan "On amendments and additions to the Regulation" On the procedure for registration and licensing of banks "dated June 30, 2018 No 22/5, the concept of digital banking was introduced in the legislation of Uzbekistan." [7].

"Digital banking is a bank or its subsidiary that provides banking services remotely using innovative banking technologies (without providing cash services). Banking services by digital banks.

Remote display is carried out in accordance with the internal procedures of the bank, taking into account the requirements of the legislation; "[7]. At present, the Government of the Republic of Uzbekistan is implementing a large-scale transformation program in each bank from 2020 to develop the banking system.

It is planned to pay special attention to increasing the base and revenue, radically update their software through the widespread use of information technology, fully launch the "credit history" information system by July 1 this year and train modern personnel for the industry.

In the words of President Sh.M.Mirziyoev, "Unfortunately, the banking system is 10-15 years behind the requirements of modern technologies, the introduction of new banking products and software. A comprehensive transformation program in every bank from 2020 onwards is done. In this regard, we will focus on increasing the capital, resource base and income of our banks"[6].

With the development of the Internet and e-commerce, people began to have to make payments electronically "from a distance." At the same time, it is impossible to transfer money from a distance. That is why the money comes from one person the latter will have to resort to specific intermediaries, electronic payment systems, banks or couriers, in the process of remote transfer. Any intermediary is responsible for the transaction related to the remittances you make takes some pay because no one wants to work for free.

The greater the amount of money transferred, the greater the loss of money due to payments to the intermediary. With the development of information technology and e-commerce, many people have thought about reducing the costs associated with remittances, that is, how to reduce these costs and run an e-business with remittances as much as possible one hundred percent?

We can find the answer to this question through the use of blockchains in the development of the digital economy. Blockchain is a lot of people connected to each other over the internet is a distributed database stored simultaneously on computers.

Blockchain technology is a technology that allows the parties to execute transactions safely, reliably, without any intermediaries. Although many know it as a cryptocurrency technology, in fact the blockchain can be used as a digital identification, protection of property and property rights, a payment system [10].

Open source platforms such as Ethereum, which operate on a blockchain basis, allow you to enter into transactions on any assets, provide banking services without traditional legal processes. At present, financial technologies, land management, transport, blockchain system is used in healthcare and education. The blockchain system increases the level of transparency in any industry and serves to reduce corruption. [10] To work with blockchain in the Republic of Uzbekistan at the Innovation Center "Mirzo Ulugbek Innovation Center"

in Tashkent The authority in charge of distributed registry technologies (blockchain) is the responsible organization.

Currently, blockchains are mainly for cryptocurrency shipments used. But at the same time it is also actively introduced to achieve the various goals of different organizations. The advantage of blockchain is its transparency, speed, simplicity and value. If the customer has sent cryptocurrency or any other information through the blockchain, there is no possibility at all to change or falsify the information about such transfer. Because this process is done by hundreds of thousands of computers around the world confirmed.

It is on these computers that many copies of this information are stored - any user can access them at any time. The sending process takes only a few minutes without decentralization and is several tens of times cheaper than a bank transfer. If a customer keeps money or any information in a blockchain, these records will never be lost or falsified. Any market participant can be sure of financial status information at any time. Blockchain provides a mathematical guarantee of complete transparency and accuracy of calculations, without the involvement of any third party or intermediary.

It is known that in accordance with the Decree of the President of the Republic of Uzbekistan No. PD 4498 dated 24.10.2019, "Banking Service Offices" were established in all regions of the country. [5]

The following services are provided by banking services offices:

- opening deposit accounts, accepting deposits;
- making payments and international money transfers;
- currency exchange;
- consumer lending and microcredit;
- other additional services depending on the demand in the service area.

Pursuant to the Decree of the President of the Republic of Uzbekistan dated January 9, 2018 No PD-5296 "On measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan" established [2].

Consumers of banking services approved by the Resolution of the Board of the Central Bank of the Republic of Uzbekistan dated April 28, 2018 No. 16/18 (registration number 3030, July 2, 2018) (Collection of Legislation of the Republic of Uzbekistan, July 9, 2018, No. 27, Article 553) interact with in the decision to make additions to the Regulations on the minimum requirements for the activities of commercial banks in accordance with Annex 21, "Gender, race, nationality, language, religion, social origin of an individual to use banking services shall not be restricted on the basis of his origin, beliefs, personal and social status." In this regard, the President of the Republic of Uzbekistan.

On the basis of the resolution "On additional measures to increase the popularity of banking services" adopted in March 2013 [3], the increase in the quality and scope of services provided to customers and commercial banks.

As a result of the growing culture of customer service, the confidence of the population and businesses in the banking system is strengthening, which contributes to the sustainable development of the banking and financial system of the country. The main features of the use of the digital economy in the provision of retail services by commercial banks are:

- high level of automation;
- electronic document exchange;
- electronic integration of accounting and management systems;
- electronic databases;

- Availability of CRM (customer interaction system);
- corporate networks.

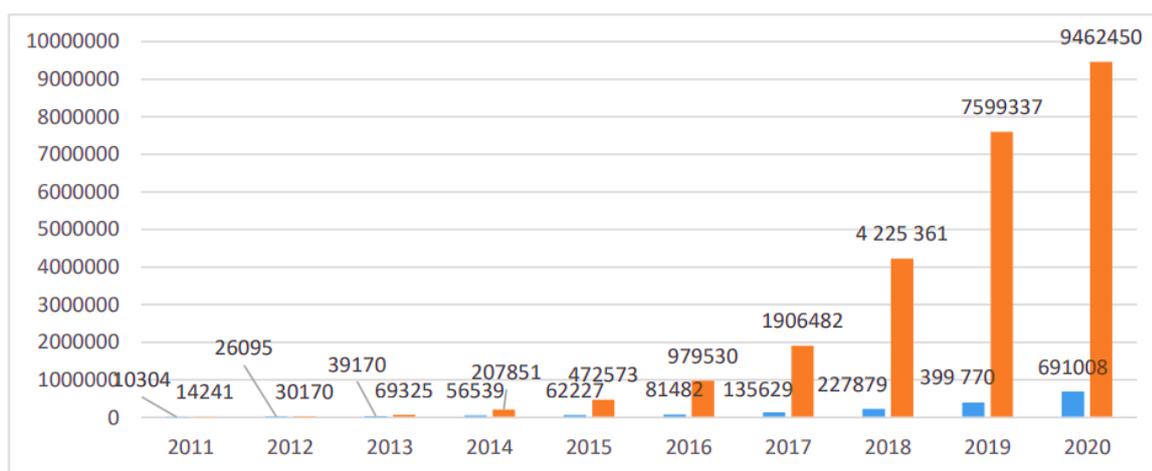
Also, as the convenience of the digital economy in the activities of banks, the reduction of costs for payments (for example, travel to the bank and save other resources), more about goods and services and more.

Examples include faster access to information, greater access to the global market for goods and services in the digital world, and the rapid improvement of goods and services through the rapid acquisition of Feedback (consumer opinion).

It is known that in the digital economy, the number of users of the global Internet plays an important role in the provision of retail settlement services by commercial banks with the widespread introduction of innovative technologies. The total number of Internet users in the Republic of Uzbekistan at the beginning of 2018 exceeded 20 million. This represents an increase of 36% compared to the beginning of 2017. The number of mobile Internet users reached 3.504 million.

Mobile phones allow the population to use the Internet, regardless of the situation (whether on the move, stationary). All users of the Internet and mobile communication are potential customers for banks. Therefore, it has become a strategic task for commercial banks to expand the range of remote banking services and demonstrate their advantages.

Remote service systems for bank accounts are technologies for providing banking services based on the customer's remote assignments (without visiting the bank).



**Fig. 1 Users of systems providing remote banking services number (by type) as of January 1, 2019 [17].**

According to Figure 1, as of January 1, 2020, the total number of users of remote management of bank accounts in the country was 10,153,458, including legal entities and individual entrepreneurs.

The number was 691,008, while the number of individuals was 9,462,450.

This is the bank as of January 1, 2019 (7,959,107). The total number of users of remote account management systems is 127.6%, the number of legal entities and individual entrepreneurs (compared to 359,770) is 186.6% and the number of individuals (compared to 7,599,337) is 124.5%. indicates that he did.

In general, one of the strategic goals of the Central Bank is to ensure the stability and development of the payment system. The law "On systems" came into force on February 3, 2020. [1]. It should be noted that this Law legally regulates relations in the field of payments and payment systems.

## **Conclusions and suggestions**

At present, given that the main goal of banking reform is to train commercial banks to work for the customer, to build public confidence in the banking system and to improve the functioning of foreign banks ending interference is a topical issue. To this end, in order to radically update their software through the widespread use of information technology in banks, to train modern staff, together with foreign experts, to introduce modern banking practices, management and services in state-owned banks.

There is a growing need to continue the process of attracting qualified specialists from institutions, as well as the full implementation of the information system "credit history" in the practice of lending. The role and importance of digital technologies in the development of the world is growing every year legal entities and individual entrepreneurs.

In particular, the widespread introduction of technical transformation processes in the financial sector further increases the efficiency of banking systems, payment operations, lending and other similar services. This type of technology, which improves and optimizes financial services, is a financial technology called Fintex[18].

Financial technology is an industry that consists of intermediaries in the banking and financial services market, companies that use technology and innovation to compete with traditional financial institutions. According to Acctnture Consulting, a total of \$ 27.4 billion was spent on fintexstarts worldwide in 2017, up 18 percent from 2016.

The Forbes Finn Tech 50, which compiles a list of the most successful financial technologies expected, notes that financial services and market capitalization in the U.S. is \$ 8.5 trillion, significantly affecting the domestic banking sector is a competitor. It should be noted that financial technologies are able to change not only the individuals and legal entities dealing with financial capital, but also the image of the financial market itself.

The developments will allow analyzing data, monitoring the situation on the stock exchange and choosing strategies for investment. Experts predict that soon there will be dramatic changes in the field of Fin Tech emphasize. In particular, the introduction of blockchain technology, the development of scoring models using large amounts of data and artificial intelligence, a variety of remote identification of users technologies, a number of fintex trends such as automation of fraud detection mechanisms are expected to spread around the world in the coming years. All of Fin Tech's new developments are cash-strapped are service products designed to create additional convenience in doing so.

The divisions of the banks that have been leading the way in the management of the entire capital world for the last century may shrink, the design may change, but they will continue to operate.

In general, the digital economy is a major ally of corruption and the "black economy". Because numbers seal everything, store it in memory, and provide information quickly when needed. Any of these conditions hiding information, making secret deals, it is impossible not to give full information about this or that activity, the computer reveals it all.

Because the abundance and structure of the data does not allow for lies and deception it is impossible to deceive the system. As a result, it is impossible to launder "dirty money", steal funds, spend them inefficiently and aimlessly, exaggerate or hide.

This is it and increase the flow of legal funds into the economy, taxes will be paid on time and correctly, budget allocations will be transparent, funds allocated to the social sphere will not be stolen, money allocated for schools, hospitals, roads fully reached. In short, the fact that the state has chosen the path of development of the digital economy

opens up new directions in the field of information technology and electronic document management in general.

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