

**Foreign experience in the organization of the payment system and its  
application in the practice of Uzbekistan.**

*Ibrahim Toirov<sup>1</sup>  
Oybek Khudayarov<sup>2</sup>*

**Abstract**

Based on theoretical and practical information, the article examines the organization of the payment system, the structure of the payment system in developed countries and its features, and also develops scientific proposals for the use of foreign experience in our country.

**Keywords:** payment system, cashless settlement, money circulation, payment turnover, interbank payment system, international payments.



<sup>1</sup>Teacher of Tashkent Financial Institute

<sup>2</sup> Ph.D. in Tashkent Financial Institute

## **I. Introduction**

Achieving high rates of economic growth is the ultimate goal for every country, including Uzbekistan. For the national economy, it is important to study the practice of developed countries, in particular, the organization of the accounting system.

Payment systems in developed countries are characterized by the following features: 1. Introduction of a system of circulation of goods and money through improved mechanisms and channels (financial market, market of goods and services);

2. All types of markets in the economy (stock exchanges, banking services and consumer markets) must be organized using effective mechanisms and operate on the basis of modern electronic systems that integrate them;

3. The fact that the institutions providing payment services have created a good environment for their users and the competition in this area is high;

4. Plurality of payment systems and high competition between them;

5. Developed infrastructure of the payment system;

6. A wide range of payment instruments, mechanisms and offers of payment telecommunications;

7. Development of clearing institutions and the breadth of payment flows;

8. Effective and well-coordinated work of payment systems on credit and debit flutes.

The history of non-cash payments in developed countries shows that in a number of European countries (Austria, Belgium, Hungary, Germany, the Netherlands, France, Italy, Switzerland) the practice of settlements based on Giro accounts is unique. At the same time, during the existence of gyrobanks, commercial banks partially provided their clients with settlement services, which was mainly the function of gyrobanks.

## **Literature review**

The word "giro" is an Italian word meaning "circle", "circulation", which means that a gyrobank is a bank that provides money circulation through the banking and postal systems. Currently, these banks have been merged and transformed into ordinary banks.

Analysis of the current state of payment processes in international practice shows that the organization of payment systems in a country can have a centralized and decentralized architecture.

The peculiarity of payment systems with a centralized architecture is that a single clearing house will be created in the country. The main goal of this center is to coordinate the activities of all types of payment systems in the country at the micro and macro levels, organize and launch their activities, as well as constantly monitor the completion of final settlements within a single system.

The peculiarity of a payment system with a decentralized architecture in a country is that various types of payment systems (central bank, private and others) and the interests of these systems are enhanced by strengthening the competitive environment.

Together, they also cause some problems between them. This condition can be assessed both positively and negatively. For example, the types and quality of payment services will increase as a result of increased competition, but at the same time, in the context of globalization, the specifics of payment services may create difficulties for users of payment systems, including transfer fees and the level of security in the process of transferring payments between systems.

Today, decentralized payment systems can be seen in the practice of the United States. The main reason for the effectiveness of the US payment system is that all payment systems on the territory of this country (gross and domestic) at the highest level organize mutual agreements in the interests of themselves and their customers and try to fulfill their obligations. ... does.

## **II. Analysis and results**

When examining best practices, including an analysis of US practice, the following key points were highlighted:

- Regulatory mechanisms and organizational principles;
- Regulatory support;
- Instruments and methods of payment turnover;
- Efficiency of payment systems in terms of monetary policy.

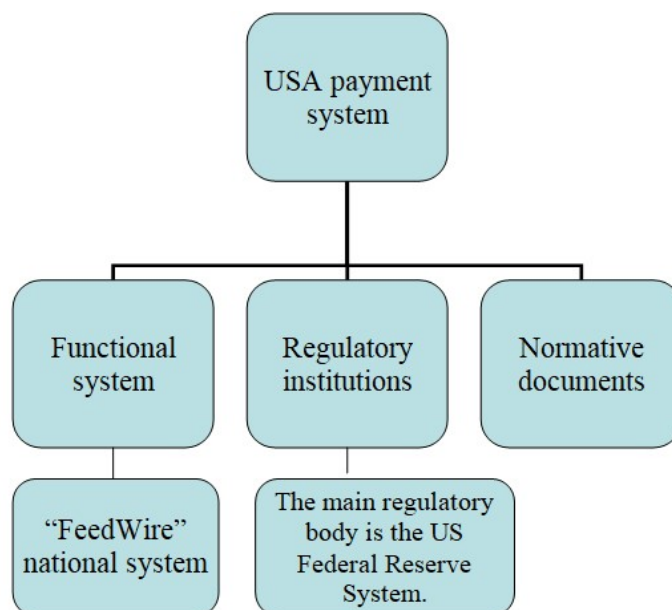
When we talk about the US payment system, we first of all pay attention to its differences and features from other payment systems. The US payment system is characterized, first of all, by the organization of complex settlement mechanisms, the presence of large deposits and mutual settlements, an improved structure of the banking system and the breadth of formation of interbank payment systems.

The US payment system is now equipped with new technologies. The area is undergoing digital imaging, transmission, optical storage and retrieval operations.

The existing communications infrastructure of this government payment system provides electronic access in seconds from anywhere in the United States using telephones, electronic equipment and mechanisms.

The US Federal Reserve System is responsible for providing payment services to the economy and plays an important role in the creation of the payment system. With a high level of organization of the payment system, much attention is paid to the development of its infrastructure. This, in turn, provides the basis for the growth and expansion of private payment systems, associations of clearing houses and provides a competitive environment that meets the demands of a market economy.

As for the structure of the US payment system, it should be two-tier, the first of which should include the large FedWire payment system, created and regulated by the Federal Bank. The rest of the competing private payment systems are based on large and small payments and must be incorporated into secondary payment systems. For example, CHIPS, ACh and others.



**Figure 1.** The structure of the US payment system.

The FedWire payment system in the United States is a system for transferring large amounts of money and securities. Money and securities transferred through the FedWire payment system are processed in real time on a consolidated basis in which the payer is the originator. FedWire is a credit transfer system.

If depository organizations (banks), as well as branches and representative offices of foreign banks in the United States have accounts in the branches of the Federal Reserve Bank, then when making payments directly from the payment system, "FedWire" can be used properly. FedWire is used by approximately 11,000 US financial institutions.

CHIPS (Clearing House inter Payment System) is a private interbank clearing system that has been operating since 1971 and replaces paper payment clearing mechanisms.

According to the functional technology of the CHIPS system, if the level of collateral for payments is high and there is a likelihood of receivables in the settlement process, to minimize the liquidity risk, its participants are provided with daily or daily borrowed funds. Mountain activities have been developed.

An analysis of the rich experience of the United States shows that to further improve the payment system in Uzbekistan, it is advisable to apply the following best practices and resolve related issues:

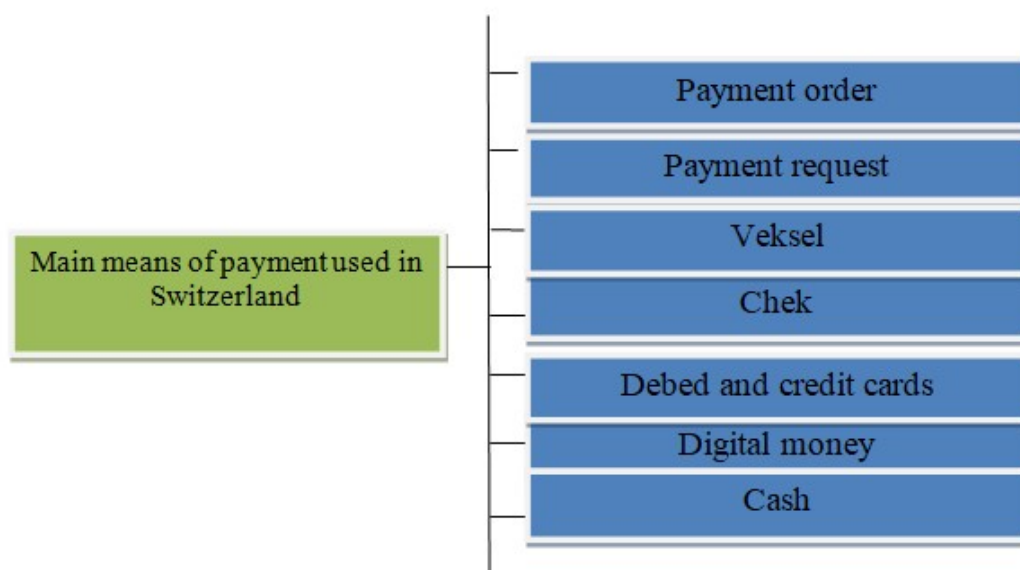
- ✓ Expansion of the infrastructure of the payment system, including an increase in the number of functional institutions included in its infrastructure to improve the quality of payment turnover;
- ✓ An increase in the range of non-cash means of payment and the volume of payment transactions through them, including the enrichment of the offer of bills of exchange and payment cards;
- ✓ Improvement and expansion of communication channels between participants of the payment system using advanced technologies and communication systems;

- ✓ It is necessary to improve each link and part of the payment system, additionally strengthen the existing legal framework for effective regulation of their activities within the integrated system.

Switzerland's payment system is one of the most recognized payment systems in the world. Its architecture is centralized. At the heart of this settlement system is the interbank clearing system, which makes final and non-refundable payments in Swiss francs.

The Swiss payment system SIC (Swiss Interbank Clearing) is the only system in the country that conducts electronic interbank payments, which makes gross payments between Swiss banks. In this case, the balances on the accounts of banks participating in the payment process will change in accordance with the amount specified in the payment document, i.e. the account of the bank that ordered the payment will be debited, and its balance will be in accordance with the payment amount to the account of the bank receiving the payment amount, and after the transfer of the document, its balance will increase in accordance with the payment amount. It is also a system for large and small retail payments as there is no limit on the amount of payments.

The participants in the SIC (Swiss Interbank Clearing) are located in Switzerland and must be regulated in accordance with the Swiss Banking Act..



**Figure 2. Payment instruments used in Switzerland**

The SIC interbank payment system provides 22 hours of banking transactions and provides a high level of clearing of accounts between banks. Its ability to make payments is equivalent to an average of 1 million payment documents per day. This is an average of 100,000 payment transactions per hour.

The Swiss payment system has created all the conditions so that users can receive information about the payment process at any time. In particular, users of the payment system can quickly receive information about the state of the bank account. The Swiss National Bank can access the databases of all commercial banks participating in the interbank payment system, monitor their activities and solvency. It has a centralized remote monitoring system and the ability to assess the overall state of the operational liquidity of the banking system in real time. He improves the economy of the state on the basis of an innovative development model.

In Uzbekistan, it is desirable to combine the activities of similar banks and special non-banking organizations in the field of payments using new technologies and communication systems. This will strengthen the country's accounting system and allow efficient and quick completion of payment processes within a single system.

The peculiarity of the Swiss financial market and banking system is that banks have a large number of non-resident clients, the bulk of payments are made in foreign exchange transactions, and a significant part is in large payments. Small payments mainly consist of monthly payroll transfers, regular payments and other orders as requested by customers.

It should be noted that in order to create a wide range of conditions for users of payment systems, many types of payments (utility, insurance, telephone, taxes) are electronic payments of a standard form in post offices or bank branches through receipts, as well as using a personal computer via the Internet ... The bulk of payments (92%) are generated by credit transfers. This is much higher than in other developed countries. This figure is growing with the development of electronic billing systems.

Electronic billing database is a system that tracks service charges for each customer, as well as other rates and their descriptions. It not only identifies information about the customer's payment amount or other indicators, but also automatically keeps accounting records. In the practice of Uzbekistan, an electronic billing system can be seen when paying for mobile and landline phones through PayNet and kiosks

### **Conclusion**

New innovative payment systems used in the world, as well as knowledge and experience in this area, will further accelerate the development of the payment system of Uzbekistan, as well as improve the quality of payment turnover.

The European Union payment system TARGET was launched on January 4, 1999. The main goal was to create a single currency and a single payment system to further strengthen high-level economic relations between the countries of the European Economic Area.

The operation of the TARGET payment system depends on the following factors:

- Domestic (national) payment systems for large payments (RTGS system is included for each member country);
  - ✓ Technological interconnection of internal payment systems;
  - ✓ The role of the European Central Bank in the organization of international and national payment systems.

The role of the European Central Bank in the creation of an RTGS-based system mainly covers 4 areas. They are:

1. Control of the daily liquidity of the TARGET system participants;
2. Setting the operating time of the system during the day;
3. Determination of days off;
4. Tariff policy of the payment service.

The TARGET payment system uses the FIFO procedure to make payments. The system performs the following operations:



- ✓ Payments, operations of the Central Bank. At least one party (buyer or seller) must be a member of the Eurosystem;
- ✓ Settlement operations of the clearing system for payments in euros;
- ✓ International and commercial payments in euros.

The system is based on the following basic principles:

1. Market approach in conducting transactions. Banking participants of the system do not require interbank and client payments. They can also use a different clearing system;
2. Inability to withdraw payments. If the payment was received from the correspondent account of the paying bank, it cannot be withdrawn;
3. Decision on the end of the calculation. Settlement is completed when the payment is transferred to the receiving bank, as the receiving bank transfers funds to the final recipient without risk.

At the initiative of the European Central Bank, the TARGET payment system was improved and TARGET-2 was created. The system contributes to the creation of a unified payment platform in the European region, including harmonization of infrastructure, interfaces, functions, uniformity of management, a common liquidity management system, as well as harmonization of prices.

The modular structure of the TARGET-2 system consists of mandatory and optional modules. Mandatory modules specialize in performing a full range of services and related operations.

#### **References:**

1. Law of the Republic of Uzbekistan "On Electronic Document Management" dated April 29, 2004;
2. The Law of the Republic of Uzbekistan "On Electronic Commerce" dated 05.22.2015;
3. Law of the Republic of Uzbekistan "On payments and payment systems". ORQ-578. 01.11.2019.
4. Navruzova K., Artykov O. Cashless settlement and payment system. - T.: "Economics - Finance". 2014
5. Abdullaev S.P. Modern and convenient payment methods. -T.: 2006 188 p.
6. Rakhimova X.U. Cashless payments and payment systems. - T.: Banking and Finance Academy of the Republic of Uzbekistan. 2006 298 pp.
7. James Brook. Examples and explanations: Payment systems. - New York.: Wolters Kluwer Law @ Business. 479 pp.
8. Carol Chomsky, Christina Koontz, Elizabeth Schiltz, Charles Tubb. Selected Commercial Charters, for Payment Systems Courses: West Academic Publishing 2015 Edition. 1836 pp.
9. <http://www.cbu.uz> - the official website of the Central Bank of the Republic of Uzbekistan.
10. <http://www.interfinance.uz> - Official site of the scientific electronic journal "International Finance and Accounting".
11. [www.lex.uz](http://www.lex.uz) - (National database of legislation of the Republic of Uzbekistan)
12. [www.scopus.com](http://www.scopus.com) - (official site of Scopus)
13. [www.elsevier.com](http://www.elsevier.com) - (Elsevier official website)