

Mechanisms for the development of commercial banks through innovative technologies

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Abstract

The article analyzes the activities of commercial banks and provides practical suggestions for their development through innovative technologies.

Keywords: digital economy, banking system, electronic money circulation, payment systems, banking, customer, remote servicing, innovation, supervision, international practice.



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I. Introduction

At present it is impossible to imagine the socio-economic life without the activity of commercial banks without their financial support. This is due to the fact that commercial banks play a leading role in financing investment projects in the country by providing loans to investment project participants and customers thereby contributing to the overall macroeconomic stability in society.

In the context of modernization of the country's economy the importance of financing investment projects by commercial banks is growing from year to year. With the help of loans from commercial banks important sectors of the economy are being financed new investment projects are being built additional jobs are being created for the population and new products are being developed.

The development of banking services in Uzbekistan, in particular, the introduction of new types of banking services with the widespread use of information and communication technologies, is relevant today. In particular, "artificial intelligence" and digital technologies are widely used by banks to improve the services provided to small and large financial technology companies. Because new competitors in the market began to threaten old financial institutions of all sizes. At the same time, new technologies open the door to great opportunities in the banking services market.

In recent years, the country has been working hard to develop modern information and communication technologies, the introduction of new mechanisms for the provision of services by commercial banks. In particular, the Presidential Decree "On measures to further improve the field of information technology and communications" (Decree, 2018), "On measures to develop the digital economy in the Republic of Uzbekistan" (Resolution, 2018), "2020 - Science and Education The year of the economy" and the development of the concept of "Digital Uzbekistan" until 2030 (Mirziyoyev, 2019) lead to a number of tasks for the banking system in this regard.

Based on the above conceptual ideas, it can be argued that the topic of this article is relevant.

II. Literature review

The term "digital economy" was coined by the American programmer Nicholas Negroponte (1995). Today, the term is used by politicians, economists, journalists and entrepreneurs around the world. In 2016, the World Bank published its first report on the state of the global digital economy.

The term "digital economy" was introduced into scientific practice by Manuel Castels (1999), a Spanish and American sociologist and leading researcher in the information society. In this regard, he published his three-volume monograph "The Information Age: Economy, Society and Culture." According to him, the term digital economy represents two different types of concepts:

- First, the digital economy is a modern stage of development, which is characterized by the priority of creative labor and the benefits of information.

- Second, the digital economy is a unique theory, the object of study 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 phase began decades ago.

The unifying factor of these concepts is the leading role of information technology in the globalization of economic processes.

The term digital economy has also been defined by a number of local economists. In particular, Umarov (2018) - "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.

In our opinion, the digital economy is not a separate type of 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 and data that can be processed and transmitted. After their analysis, a solution for proper management is developed.

To date, the following local scientists on scientific and practical issues of innovative technologies in the development of the digital economy V.Q. Qobulov, A.N. Aripov, S.S. Gulomov, BA Begalov, AA Musaliev, OT Kenjabaeov, K.Alimov, RADadabaeva and conducted research on the role of digital technologies in the development of the national economy. However, important aspects such as methods of introducing information systems in the activities of banks, the principles of modeling based on automated information systems, the effectiveness of the use of automated information systems in banking, their interconnectedness, the conditions of digital economy have not been studied in depth. In the development of the digital economy, the scientific development of innovative technologies and ideas and, on this basis, the improvement of the legal and regulatory framework is cyclical, but the development of reforms is constant. Any economic practice that gave good results yesterday may not meet today's requirements, which may require improving that practice or creating a new one. This further enhances the relevance of the research topic.

III. Research Methodology

The research used a dialectical and systematic approach to determining the role development specific features of enterprises operating with innovative projects in the country complex assessment and comparative analysis statistical and dynamic approaches grouping methods. Econometric analysis was performed to determine the volume of loans that have a positive impact on the country's economy as well as the impact of innovative projects in particular loans to the real sector on GDP. The practical significance of this work is that in order to ensure national growth in the country the quantitative growth of the country's GDP by 2025 will reach 350 trillion soums. Assuming that the total amount of loans required from banks to achieve this result is 25.543 trillion soums.

One of the factors of sustainable development of the economy is the financing of innovative projects. In this process the increase in employment and a comparative analysis of these indicators will be determined by the development of appropriate recommendations on this basis.

IV. Analysis and discussion of results

The first online summit of the G20 leaders to mitigate the negative effects of the pandemic was held on March 26, 2020. Two issues were discussed at the summit: first, the joint fight against the coronavirus epidemic, and second, the rescue of economic life from its consequences.

At the end of the summit, the heads of state adopted a statement. They are working together with the International Monetary Fund, the World Bank and the World Health Organization to fight the coronavirus pandemic as a single front, to direct 5 trillion to the world economy to eliminate its consequences, to coordinate activities to support free and sustainable international trade.

Developed countries are drawing up their own plans to address the impact of the pandemic crisis on the country's economy. In particular, we believe that the U.S. Anti-Crisis Plan, the unprecedented aid measures prepared by the U.S. government has pledged \$ 2.2 trillion to stabilize its economy, which has been hit hard by the coronavirus. The U.S. decided to allocate funds in dollars. State aid is primarily aimed at the population, as well as small and medium-sized businesses and entrepreneurs. In our opinion, this option is the most effective measure, because the money (funds) quickly enters the real sector.

We all know what measures are being taken by Uzbek leadership in this situation. In particular, the President signed a decree "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy," according to which 10 trillion worth Anti-Crisis Fund was established in the amount of UZS.

The World Bank has allocated \$ 700 million to support Uzbekistan's anti-crisis program. In addition to the \$14 billion credit line, the U.S. decided to allocate dollars. At present, the bank's management has allocated 1.2 billion soums to finance the healthcare system, social protection institutions, as well as budget support. It was noted that the issue of operational allocation of funds in the amount of USD is being considered.

The \$ 1 billion Solidarity Package, formed by the European Bank for Reconstruction and Development, has provided \$ 200 million to four Uzbek commercial banks. Credit lines and trade finance lines were provided to finance small and medium business projects in U.S. dollars.

If we analyze the work carried out by commercial banks on the development of the economy of Uzbekistan, as of January 1, 2021, gross domestic product of Uzbekistan amounted to 580.2 trillion soums and increased by 11.8% compared to January 1, 2020. In 2020, the gross domestic product reached 511.8 trillion soums and increased by 25.8% compared to 2019. In 2014-2020, the country's GDP and the volume of loans from commercial banks had a growing trend. The volume of loans to the real sector of the economy increased by 26.3% compared to previous years and as of January 1, 2020 amounted to 211.5 trillion soums. The growth rate of

loans to GDP amounted to 41.3%. From this we can conclude that in our country, in fact, creative work is widespread, the demand for money is growing, and this indicates an increase in the level of credit. However, the fact that the relative level of loans to GDP increased by only 0.1% compared to previous years shows that the loans allocated to the real sector in this country are insufficient.

Over the past 10 years, the volume of loans in Uzbekistan has increased 35 times, and bank assets – more than 23 times. In particular, during 2017-2019, the growth rates of assets and loans of commercial banks were high, especially in October 2017, this figure increased significantly. The main reason for this is the adoption in recent years of a number of regulations related to the banking system. In particular, the Resolution of the President of the Republic of Uzbekistan dated September 2, 2017 “On priority measures to liberalize the exchange rate” PP-3272, dated September 12, 2017 “On measures to further develop and increase the stability of the banking system of the Republic” – Decisions №. 3270 allowed to increase the financial performance of banks.

On April 10, 2020, according to the international rating agency Fitch Ratings, the country’s sovereign credit rating was maintained at “VV-” (“Stable” forecast). According to Fitch Ratings, the main factors in maintaining Uzbekistan’s rating in the context of the global crisis caused by the COVID-19 pandemic are the availability of strong external and fiscal reserves, diversified export base and access to external financial resources.

In our opinion, these factors will serve to finance measures to mitigate the negative impact of the global crisis in Uzbekistan, support economic growth and mitigate short-term risks associated with high current account deficits and rising public debt. The establishment of the Crisis Fund (\$ 1 billion) under the Ministry of Finance to support the fifth against pandemics, employment, social payments, economic and investment activity, as well as targeted and temporary tax incentives by the Government, credit payments to relevant sectors special emphasis was placed on the provision of deferral benefits (in the amount of \$ 3 billion).

In addition, the report of the international rating agency Moody’s, published on April 8, 2020, states that the forecast of the banking system of the Republic of Uzbekistan has been maintained at a “stable” level. The main factor was the fact that the banking system of the republic is more resistant to the effects of the Coronavirus pandemic than in the CIS countries. It is known that in the digital economy, the number of users of the global Internet plays an important role in the provision of banking services by commercial banks with the widespread introduction of innovative technologies to the population.

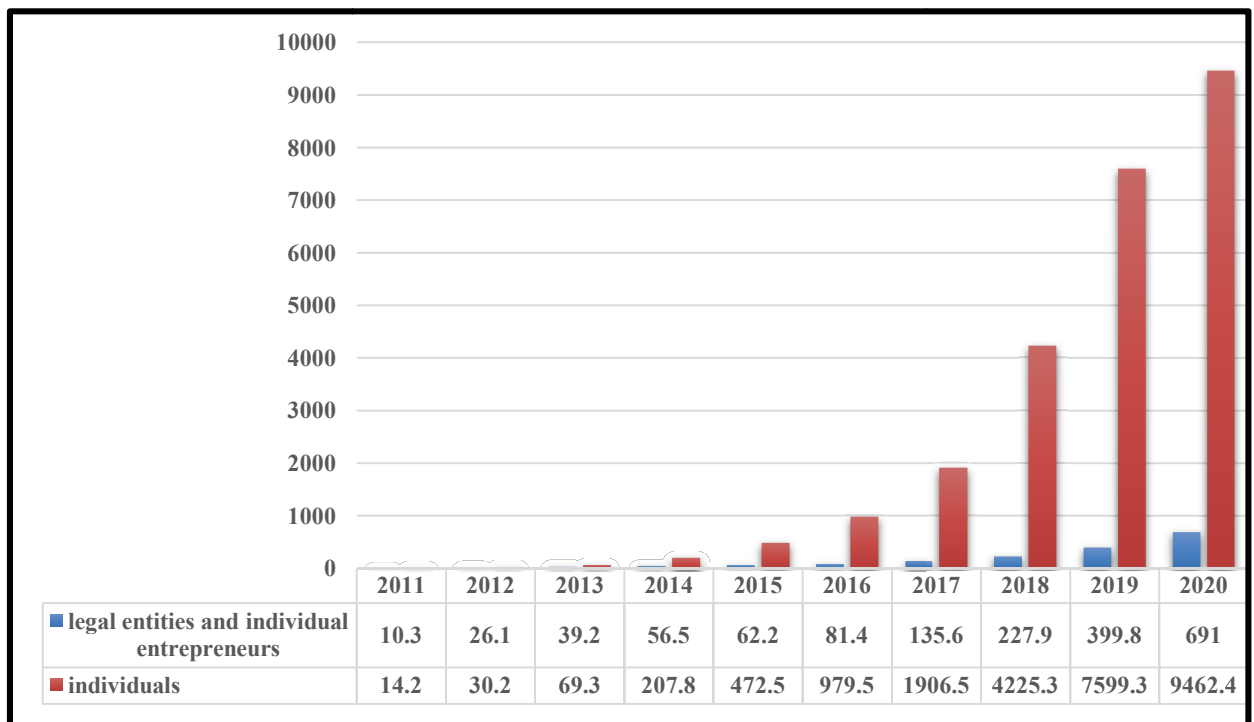


Figure 1. Number of users of remote banking services (by type) as of January 1, 2020.

According to the Ministry of Information Technologies and Communications of the Republic of Uzbekistan, the total number of Internet users in the country at the beginning of 2019 exceeded 20 million. This represents an increase of 36% compared to the beginning of 2018. 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).

According to Figure 1, as of January 1, 2020, the total number of users of remote management of bank accounts in the country is 10,153.4 thousand. The number of legal entities and individual entrepreneurs amounted to 691 thousand, and the number of individuals - 9.4 million. As of January 1, 2019 (compared to 7959.1 thousand), the total number of users of remote management of bank accounts increased by 127.6%, respectively, the number of legal entities and individual entrepreneurs (compared to 359.7 thousand) by 186.6%. and the number of individuals (compared to 7599.3 thousand) was 124.5%.

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foreign interference in banking. To this end, to radically update the software of banks through the widespread use of information technology, to continue the process of attracting qualified specialists from leading foreign financial institutions to management positions for the introduction of modern banking practices, management and services in state banks in cooperation with foreign experts. and the need to fully launch the "credit history" information system in lending practice.

Conclusion

Coexistence of Uzbek commercial banks with world banks paves the way for the intensification of integration and globalization. On the one hand, the development of integration processes necessitated the use of modern ICT, on the other hand, it created a business transformation. The study of these processes from the economic and political point of view and drawing scientific conclusions is a requirement of the time. 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. In such circumstances, it is impossible not to hide any information, to make secret transactions, not to give full information about this or that activity, the computer will show it all. The abundance and structure of the data prevents lies and deception, because 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.

In our opinion, special attention should be paid to the implementation of the following measures by commercial banks for the development of business entities operating through innovation and information technology:

1. It is necessary to introduce innovative online lending services in the banking practice of Uzbekistan.

Lending practices are widely used online in banking practice in developed countries. In order to improve this type of service, it is necessary to improve the speed and quality of the Internet, increase the computer literacy of businesses. This is because innovative online lending can be characterized by meeting the demand of businesses for lending practices without spending a lot of effort and time.

2. In order to eliminate the possibility of artificial credit dependence in the activities of economic entities in the credit practice of commercial banks, it is necessary to establish a "credit vacation" for businesses operating through innovative and information technologies.

In our opinion, the determination of the terms of repayment of principal and interest on loans to commercial banks by businesses operating through innovation and information technology, based on the period of their production, would contribute to the development of its future activities.

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