

Peculiarities of Digital Economy and Its Development Tendencies in the Banking System of Uzbekistan



Maftuna Kurbanova, Feruza Atavullaeva

Abstract: The article is devoted to the discussion of recent trends and reformation in digital economy and banking system in Uzbekistan. The object of the research is the PJSCB "RAVNAQ-BANK", while implementing and developing of digital economy in the financial sector of the Republic of Uzbekistan is the subject of this article. The actuality of the research consists of increasing the number of scholars who are interested in how to develop digital economy in several developing countries and by this to achieve economic effectiveness in both the scope of country and company. For example, regardless of the reformations and development in this sphere, there is a row of problems unsolved. Nowadays, population seems not to be satisfied with the supply of banking services; hence the number of complaints on the work of service providers is increasing. Besides, the problems in the sphere of banking services also arise from the lack of the mechanism of monthly taking measurements from the counters and the absence of central database of consumers. The analysis of the main approaches determining the contribution of digital economy to the banking sphere, formulation of recommendations relating to the prior directions to achieve the step-by-step digital transformation of the sphere of banking make up the scientific novelty of the research. The research consists of four parts. Firstly, the role of digital economy in the banking sphere is explored. Secondly, the application of mobile system to the banking services is investigated. Thirdly, reformation processes of digital economy by developing banking system of PJSCB "RAVNAQ-BANK" are examined. Lastly, introduction of digital economy to the sphere of banking and banking services for integration with e-government are discussed.

Keywords : digitalization, digital economy, digital transformation, e-government, information technologies, bank, banking system, commercial banks, finance, Uzbekistan, PJSCB "RAVNAQ-BANK".

I. INTRODUCTION

The digital economy is rapidly developing worldwide as the largest driver of innovation, competition, and growth. Even though many people have been excluded,

tremendous opportunities are available for the digital economy to support financial inclusion for sustainable economic development.

The rapid development of digital technologies leads to a radical transformation not only in the economy, but also in society itself. Thus, by reducing information costs, digital technologies significantly reduce the cost of economic and social transactions for the state, companies and individuals, promote innovation, in which transaction costs become almost zero, and also dramatically increase efficiency: existing activities and services become cheaper, faster or more convenient. And finally, digital technologies promote integration: people get the opportunity to use services that are previously inaccessible to them.

At the same time, an information market is being formed, which is characterized as a pool of social, legal and economic relations in the sphere of sale and exchange of information products between consumers, producers and intermediaries. This approach enhances the dominance of the information industry in the economy of several countries, the sphere of production and services are becoming more knowledge-intensive and innovative.

In this context, in Uzbekistan at the highest level, great attention is paid to the development of information and communication technologies, increase their role in the socio-economic development of the country. A striking example of this is the performance of Shavkat Mirziyoyev at the solemn the inauguration ceremony of the President of the Republic of Uzbekistan, which specifically notes the following: "Modernization of industries and regions, increasing their competitiveness, development of export potential will always be in the center of our attention. For this, it is necessary to attract more actively foreign investment, advanced technologies, including information and communication, into all areas. It is on this basis that we will be able to achieve an increase in gross domestic product of more than 2 times by 2030"¹.

In general, the new economic space formed by the digital economy creates for its participants fundamentally different than before, opportunities and perspectives. However, according to the OECD report, competition in digital markets has certain distinguishing characteristics, including such trends as "the winner takes all" in competition for the market,

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¹ Speech by Shavkat Mirziyoyev at the ceremony taking office of the President of the Republic of Uzbekistan at a joint meeting of the chambers of the Oliy Majlis [Electronic resource]. – Access mode: <http://www.press-service.uz/ru/lists/view/111> (date accessed: 13.08.2017).

network effect, innovation and investment. In this case, the cyclical nature of competition implies a greater probability achieving successful digital platforms significant, but at the same time, temporary market advantages.

There is general consistency in the fact that dynamic competition based on continuous processes of innovation, development and change is a key component of a market economy. In this regard, the greatest benefits from the digital economy will be those countries that can quickly and as much as possible adapt to the changes taking place, while the rest are more likely to be lagging behind.

One of the key trends in the global economy over the past decades is its rapid digitalization. Digital transformations are changing the face and structure of the economy, breaking the usual business models, leading to the expansion of markets and opportunities, becoming the most important engine of world economic growth. The results of the analysis suggest that with high probability in the near future the level of digitalization will determine the competitiveness of not only business, but also entire countries. At the same time, only those countries and companies that can most quickly adapt and maximize take advantage of the changes taking place.

In order to successfully adapt to transformations and reduce the technological gap with leading players, Uzbekistan needs to develop effective responses to the challenges of the digital age. In particular, the development of long-term scientifically based digitalization strategies is required, taking into account the need to ensure leading rates development in this direction, both at the state level and in the context of industries and enterprises of the republic.

In this context, the advance rates of development should in no way imply a gradual “catch-up” introduction of the technologies of the previous generation. Such an approach will not only put the country and business in the position of always lagging behind, but also lead to significant risks, since players with fundamentally new business models can come to the market. For forward-looking development is important to identify trends in the field of digital technologies that most affect the shape and structure of the economy as a whole and individual sectors in particular, as well as determine which of them will make it possible to extract the greatest benefits in the next 5–10 years.

The pace of building digital infrastructure is critical. In the world of the Internet of Things, everything must connect with each other quickly, safely and securely. In this regard, it is important to continue the implementation of measures to expand the coverage of the population by advanced technologies and their rapid deployment throughout the country. This will lead to an increase in the availability of the Internet, and will also give impetus to the development of entrepreneurship in the digital periphery.

Equally important are measures to build the capacity of our own ICT industry, the implementation of which will reduce the critical dependence on imports and increase the export of digital technologies. According to the Decree of the President of the Republic of Uzbekistan dated June 30, 2017 No. UP-5099, today for this the necessary favorable conditions have been created in the country.

The development of sectoral programs for the modernization of the country's industry based on “Industry 4.0” principles with the introduction of financial and non-financial mechanisms to stimulate demand from enterprises for technologies of this kind. It is important to

motivate industrial enterprises to attract domestic suppliers, engineering companies and research centers to develop and implement these technologies. Through this approach, domestic demand will become the locomotive for the development of local technology companies.

One of the key elements of public policy should be training and retraining. In this context, the adaptation of the educational system and infrastructure to the new requirements of the digital age will be required. In particular, first of all, it is necessary to introduce fundamentally new approaches to training and ensure a high level basic digital literacy of the population. Thus, the digital economy is a powerful catalyst for innovation, growth and social well-being, and its development in Uzbekistan is a requirement of the modern era. Deepening and expanding digitalization will increase the competitiveness of the domestic economy on the world stage, provide conditions for a gradual transition to the level of an innovative economy and a knowledge economy, as well as improve the quality and standard of living of the population.

In order to compete in the digital economy, it is necessary to have the appropriate number of competencies, flexibility and efficiency are important, it is necessary to competently manage project portfolios and analyze large amounts of data in order to be able to make objective decisions 24 hours a day. Therefore, in such a digital economy, it will be difficult for a person to find a place for himself-not only the financial sector will change, but also the industry, services and products that can have a digital form².

Digital transformation is accompanied by risks. Very acute are the issues of economic security of the credit institution. The relevance is due to the fact that in the transition to the digital economy, digital banking is one of the main elements of ensuring economic security of the financial sector. That is, increasing the level of economic security of the credit institution is a priority in the transition to the digital economy. As society becomes less dependent on cash transactions and more dependent on public Internet services, capital management and banking compliance will look very different, with more emphasis on decentralized cryptographic systems. The cost of banking IT can be reduced by using open source software and improving its sustainability by using its distributed nature. The first technologically adjusted regulators will create Internet standards for regulation and open the way for everyone else. This will provide cryptographic proof of solvency or your identity. Companies will be able to work with greater transparency and consumers will consume with greater confidentiality³.

The risk also lies in the fact that digitalization gradually erases the line between banking and non-banking activities, the speed of creation of new payment instruments ahead of the possibility of adaptability to it banking environment. Banks will compete to provide the best digital banking experience for generation Y and Z, who will completely forget the concept of physical banks. It is necessary to prepare for this today.

² Rudakova O. S. Banking ecosystems in the digital economy // Proceedings of the International scientific and practical Internet conference. - 2018. - P. 232-238.

³ Yusupova O. A. Internet banking as a direction of digitalization of banking business: state, problems, prospects // Financial Analytics: problems and solutions. -2016. - № 34. - P. 12-25.

Thus, it can be argued that the ecosystem of the digital economy is based on several main points, namely:

- globalization of the world economic space, blurring the boundaries between the economies of developed countries;
- a high percentage of the use of new information technologies as the basis for the existence of a network of digital ecosystems in the economy;
- a significant share of global investment in research projects and technology startups dedicated to artificial intelligence, robotics, big data technology;
- physical reduction of information technology, a total transition in the field of mobile services and applications;
- discrete storage of huge amounts of data discretely in various physical points, the widespread use of cloud computing, in the future –foggy computing;
- more than 50% of all processes of human life in the financial, business, social and household sphere occur through virtual space⁴.

Thus, we can talk about the transition to a qualitatively new level of human development, where most of the processes with the help of digitalization lose their physical component, which positively affects both the person and the surrounding him environment.

As a foreign experience, the development of the digital economy into banks is very important nowadays. The transition to a digital economy today is one of the key priorities of Uzbekistan's development. Uzbekistan relies on the development of digital technologies as the basis of economic activity and public administration. The development of the digital economy of Uzbekistan is engaged in the government at the legislative level.

The work of the company - everything goes into the digital environment. To date, there has emerged and is developing such a unique phenomenon as the "digital economy". In this paper, the concept of the digital economy, its characteristics and features are considered, various approaches to the definition of the digital economy, as well as the prospects and trends of its development in Uzbekistan are given.

Private joint-stock commercial bank "Ravnaq bank" was founded in June, 2001. On June 23, 2001 the bank has obtained license №70 which gives the right to make a banking operations.

Since November, 2002 the bank is a member of the Guarantee Fund supporting deposits of citizens in the bank of the Republic of Uzbekistan, member of RSE "Tashkent", and member of the Bank association of the Republic of Uzbekistan.

A. Currently bank has focused on:

- Harmonization of approaches in relation to the customer service
- Improving the technology of service delivery
- Service improvements
- Applying standard technologies with an individual approach to each customer
- Personal managers service deliveries

- Organizing of the most effective cooperation of the customer with bank units
- Performing flexible tariff policy, establishing business relationships with customers

One of the priority area of the strategic development plans for the next 5 years is to expansion of infrastructure by opening new branches and mini-banks

Implementation of the program of infrastructure expansion allow the bank ensuring stable growth the scope of its activities. In doing so, bank will focus on funding the subjects of the small business and private enterprise.

Short-term strategic objective for the years 2018-2020 is an increase of assets by more than **twice**, and the overall capital – by more than **four times**.

B. To achieve the strategic objective completely, the Bank ensures the achievement of mutually complementary key aims:

- Ensuring of upward change of bank's position in the market and fixing it up to level of ;
- Leading position among the medium banks as per their scope of activities;
- Leading position as per the indicators of performance efficiency.
- Attraction of direct investments to the bank's share capital with bringing it to the amount of the charter fund up to **100.0 billion UZS**;
- Innovative technological development through observation of strategies of foreign markets' leaders in the sphere of development of electronic payments and e-transfer system for the Bank's clients;
- Smart use of the costs saving strategy in regard to the level of services quality;
- Enhancement of resource base at the expense of enlargement of funding structure and attraction of resource-intensive clients;
- Further improvement of methods of human resources management– team work, corporate culture, motivation, training of middle management staff;
- Introduction and development of methods of the modern marketing and PR – bank's image making, public relations system, marketing strategies in accordance with the bank's strategic objectives.

C. Milestones for 2018.

As per forecast of the Bank, in 2018, the average growth of commercial banks will constitute at least 25 % (as per the results of the 9 months of 2017 in regard to similar period of 2016 the growth was 212%. The reason of a large increase of assets of commercial banks was at the expense of devaluation of the local currency).

At that, the most significant increase will be observed in the group of small and private banks, where the growth rate will reach 35% or more per year.

The Bank intends in 2018 to create the necessary base for further ensuring of dynamic development and improving the competitive position in the banking services market. Based on its potential, as well as the intentions of its major shareholders and partners, in 2018, the Bank forecasts an increase in assets of at least 41%:

⁴Guskova M. N., Frolova T. V., Isaeva E. A. the Current state of the Russian financial market // In the collection: Institutional and infrastructure aspects of the development of various economic systems collection of articles of the International scientific and practical conference. - 2016. - Pp. 145-151.

Stages of digital transformation in the banking sector

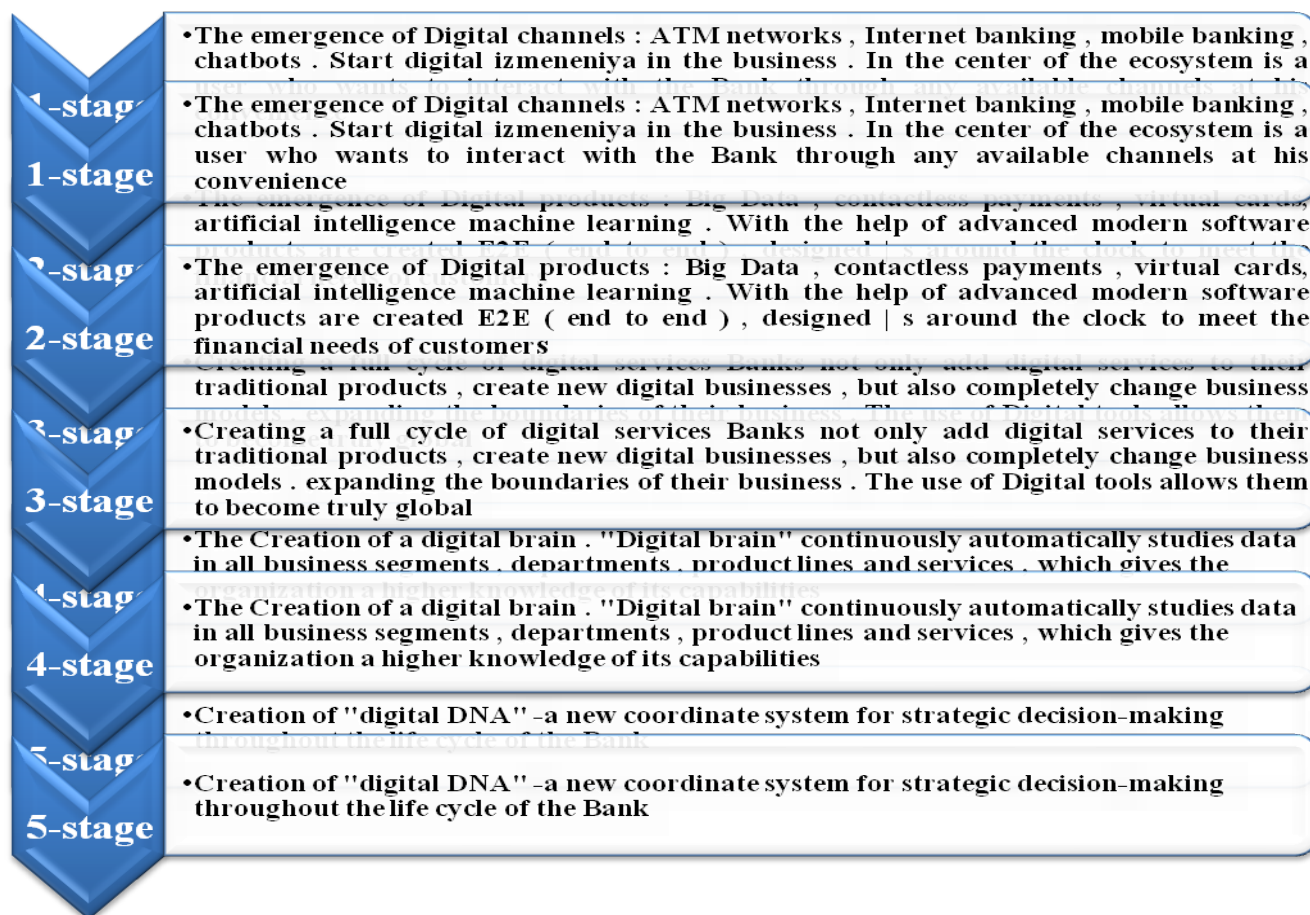


Fig. 1. Stages of digital transformation in the banking sector

D. development.

In 2018, the Bank intends to develop three strategic areas of the banking business: corporate, commercial and retail. At the same time, the main emphasis will be placed on the development of corporate and commercial business as the basis for quick and mini-costing directions for creating the necessary client base and ensuring stable sources of revenue. In 2018, the retail business will be seen as a complementary area of business, which should be developed according to market conditions.

E. Development guarantee of target markets of commercial activity.

The main priorities for ensuring the development of the Bank's commercial activity, as well as the creation of necessary basis for implementation of business plan, parameters, material and technical basis for further development are:

- Development of the Bank's infrastructure
- The expansion of the customer base
- Collateral
- Business management
- Risk assessment and management

Based on the priority areas of development, as well based on the Bank's potential, the absolute financial indicators are expected to grow by the end of 2017:

- Assets up to the level not less than 480 931.1 mln.UZS;

- Capital up to the level not less than 111 493.6 mln.UZS;
- Profit up to the level not less than 4 208.9 mln.UZS
- Return of assets up to the level not less than 0.9%
- Return on equity up to the level not less than 3.8%

The PJSCB "Ravnaq Bank" possesses the credit rating of the international rating organization "Standard & Poor's".

F. International rating

On November, 2017, the credit rating service "Standard & Poor's" granted the long-term credit rating to the PPJSCB "Ravnaq Bank" at the level of "CCC+", and confirmed its short-term credit rating at the level of "C". Forecast – "Developing".

G. National Rating

Credit-rating Agency "Ahbor – Reyting" granted to the PJSCB "Ravnaq Bank" the credit rating "uzB+" with a forecast "Stable" in December, 2017.

This rating marks the middle level of bank's credit capacity, a bank with "uzB+" rating is capable of fulfilling its financial capabilities on timely and comprehensive manner (Figure 2).

The Bank provides a wide range of quality financial services the population, representatives of small and private businesses and economic entities of all sectors of the economy.

Many years of professional experience, competent financial policy, quality management, effective use modern information technologies, as well as innovative approach to the process of service are the constant growth of the trust customers to the Bank and in turn strengthen the mutually beneficial cooperation.

The main principles of building productive relationships between the Bank and customers are openness of information, constructive dialogue, attention to the problems and needs of customers, as well as making quick and effective decisions.

The Bank, based on the highest standards of banking services, offers its customers a wide range of, modern banking products and services. By increasing quantity and quality of services provided, as well as strengthening and development of partnership relations, client base for the reporting period amounted to 23 511 customers, including: legal entities and individual entrepreneurs operating without status (Figure 7):

legal entity – 1 258;

individuals – 22 253.

The Bank implemented a remote banking project customer service "Ravnaq mobile" via mobile applications on Android and IOS operating systems. Purchased server equipment to improve the quality, speed, reliability of the Bank's information systems such as "Internet Banking", "RB-mobile", "Ravnaq 24/7", corporate mail, etc. Also, the main database of ABS NCI-bank was migrated to the new server equipment, the main database server and its backup copy was posted to ensure fault tolerance in different parts of the Bank.

A new corporate website of the Bank has been launched, which meets the modern requirements of the time and is designed taking into account, the "Electronic government" system being created in the country.

As a result of the measures taken to create comfortable conditions for remote servicing of corporate clients, intra-automation of work processes number of connected customers increased to 850. The growth of the customer base of "Ravnaq-bank" DURING 2012-2017 indicates that it has achieved good results and is a reliable business partner.

Bank nomi	Bank reytingi	Reyting boyicha prognoz	Taqdim etilgan vaqti	Oxirgi o'zgartirilgan sana
"Asaka" ATB	uzA+	Barqaror	31.08.2017	22.02.2018
"Hi-Tech-Bank" XATB	uzB	Barqaror	29.05.2017	12.12.2017
"InFinbank" ATB	uzA	Barqaror	19.07.2017	30.01.2018
"Ipak yo'li bank" AITB	uzA+	Barqaror	19.07.2017	26.02.2018
"KDB Bank Uzbekistan" AJ	uzA+	Barqaror	22.06.2017	20.11.2017
"Mikrokreditbank" ATB	uzA	Barqaror	24.07.2017	20.11.2017
"Orient Finans bank" XATB	uzA	Barqaror	24.07.2017	24.01.2018
"Ravnaqbank" XATB	uzB+	Barqaror	31.08.2017	24.01.2018
"Trastbank" XAB	uzA+	Barqaror	07.06.2017	22.02.2018
"Turkiston" XATB	uzB++	Barqaror	03.10.2017	22.02.2018

Fig. 2. The rating of commercial banks

Today PJSCB "Ravnaq-bank", performing diversified activities, offers its customers not only a whole range of banking services, but also a wide range of additional products and solutions that take into account the needs and desires of customers. Constant aspiration of "Ravnaq-bank" to introduce new products and services for customers, taking into account their needs and desires, gives its tangible results.

Today, the global financial system is undergoing revolutionary changes, which are associated primarily with the rapid growth of market share in such elements of the digital economy as electronic payment services, crypto-currencies and lending without intermediaries. The market is experiencing intensive growth in mobile payments (from 2010 to 2015, the annual increase almost doubled) and mutual lending (in the US in recent years increased 15 times and in 2015, the turnover amounted to 77 billion dollars.). It should be emphasized that, unlike traditional activities, Internet companies do not have any material basis and market

valuation is directly related to the accumulation of data by the company.

It should also be noted that in the sphere of material production, the marginal efficiency of investments decreases with the expansion of the scope of activity and coverage of the market, and in the sphere of the digital economy the opposite is true.

So, based on current trends, we can say that the Internet economy and the information revolution in the financial sector has put the real sector in the position of a donor.

The rapid development of the digital economy requires banks to carry out radical reforms of all the foundations of the traditional banking system. Only competently and successfully using customer data banks will have an advantage in the digital economy. Today, banks in Northern Europe, Australia and the United States are actively using remote banking services about 60 % of customers. Studies show that half of the adult population of the United States through smartphones and tablets use banking services.

When choosing financial services, consumers take into account the advantages and convenience of banking services offered through digital channels at any time and anywhere.

The current situation in the financial market indicates that the Bank that will effectively create partnerships with successful IT companies in the financial and technical sector with leading experience in the field of big data analysis will have success. As a result, the number of digital banks that do

not have their own offices and ATMs is growing rapidly in the world. The main advantages of digital banks include customer-centricity, personalization of offers and mobility. Digital banks provide services to modern society, primarily in the field of mobile devices, social networks, information services, e-Commerce, etc. the Infrastructure of the digital Bank is optimized for digital communications and is ready for a rapid change of technologies.

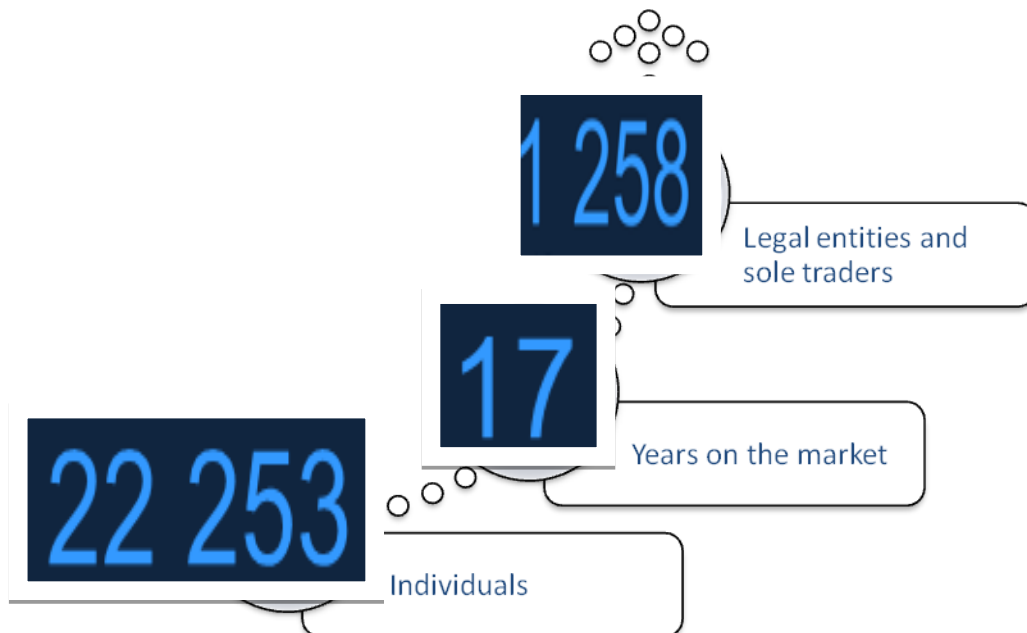


Fig. 3. The current situation of PJSCB "RAVNAQ-BANK"

The main tasks of digital banks are to inform the client about the account status, operations, search for the nearest branch, ATM or kiosk. Digital Bank also provides its customers with an online service that is able to work on all platforms with a predominant focus on mobile devices. The creation and construction of a digital Bank requires process optimization, a new organizational culture and flexible IT solutions that support a high rate of introduction of new products to the market and personalization of services, which requires restructuring not only the entire IT architecture of the Bank, but also the infrastructure services for working with customers. In 2017, seven main directions of improvement of the digital banking model were identified and proposed – channel and simplification of user services, development of new methods and tools for information management, open API, competition and partnership with financial and technical companies, development of mobile payments, development of innovation management strategy, innovative regulation.

Many banks, taking into account the user's wishes, quickly took up the development of remote banking services and maintenance of applications for mobile devices in the first place. Taking into account the current trends in the global financial services market, the world's leading banks in 2015

created a financial and technological research company R3 CEV LLC to conduct research on the possibility of using blockchain, big data and other technologies. The company consists of more than 80 of the world's leading financial institutions. 3 March 2016 R3 announced the completion of tests of the blockchain solution to facilitate trading in debt

instruments and on April 5, 2016 presented a project called Corda – "a distributed register developed for financial services". The company said that this technology is very different from the blockchain technology. The new Protocol does not have a built-in crypto-currency, only project participants get access to their data.

Today, there is a stir in the crypto-currency market, the number of hedge funds investing in crypto-currency assets is growing at a record pace. The main threat to the crypto currency market comes not from the volatile market environment, but from state financial regulators. Many countries do not recognize the existence of bitcoin, and some go to the legalization of crypto-currencies. Countries such as Canada, Japan, Estonia, Australia, UAE, Russia, Kazakhstan, and others have announced their intention to introduce a national crypto-currency.

The main feature is the full control and release of electronic money by the state.

Uzbekistan has developed a Comprehensive program for the development of the National information and communication system of Uzbekistan, designed for 2013-2020, in accordance with which the development of ICT in the country. Speaking at the enlarged meeting of the Cabinet of Ministers devoted to the results of socio-economic development of the country in 2016 and the most important priority areas of the economic program for 2017, President of Uzbekistan sh. M. Mirziyoyev noted in his report: "Our urgent task, relevant today and in the future – to ensure the effective functioning of the entire system of "Electronic government".

It should be noted that the current stage of development of the digital economy in the country is characterized by a period of formation and high dynamics of development. ICT development in Uzbekistan is carried out in 4 stages:

1) 2000-2002, the initial stage of development – the period of phased introduction of ICT and improvement of public administration;

2) 2003-2007, the second stage – the period of adoption of the main legislative and regulatory documents and the widespread introduction of ICT;

3) 2008-2012, the third stage – the period of the beginning of the active introduction of internal information systems and software products in state bodies, the provision of information and reference electronic services;

4) 2012 – present, the fourth stage – the period of further improvement of the structure of public administration.

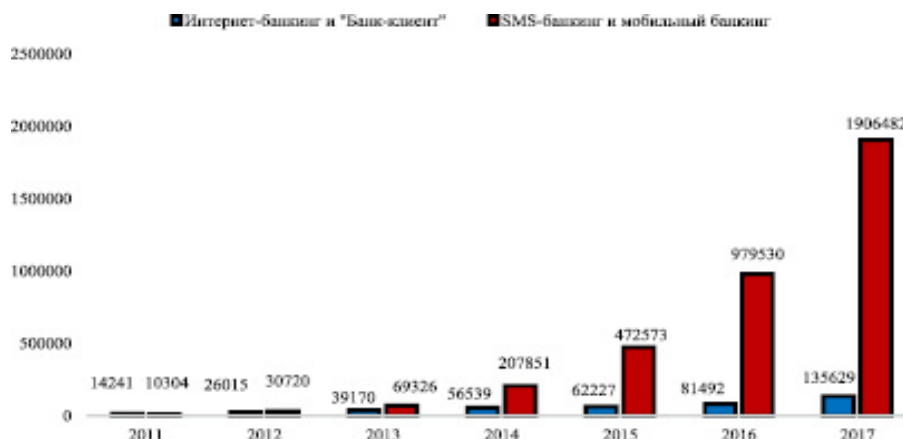


Fig. 4. Dynamics of changes in the number of users of remote banking services by types of systems as of January 1, 2011-2017

Today, the banking system of Uzbekistan is actively introducing innovative information technologies. According to the results of the banking system in 2016, at the enlarged meeting of the Board of The Central Bank of the Republic of Uzbekistan it was noted that the share of banking services in the structure of financial services amounted to 88 % and increased by more than 1.2 times compared to 2015. In Addition, according to the results of the banking system in the 1st quarter of 2017, specific tasks of expansion, improvement of the range of banking services and accelerated introduction of modern ICT were identified.

The share of customers regularly using remote banking services in the country is growing rapidly (Figure 10). It should be noted that the share of SMS-banking and mobile banking in remote banking is growing at a significant pace, ahead of Internet banking and Bank – client services by more than an order of magnitude.

Currently, the banks of the Republic use such types of remote banking services as Bank-client, Internet banking, mobile banking and SMS-banking. For example, the national Bank for foreign economic activity of the Republic of Uzbekistan provides its customers with online services such as SMS-informing, e-mail-informing and personal IVR-Cabinet. By sending SMS messages to a cell phone, the owners of NBU accounts receive operational information. E-mail-informing also allows customers to receive the same operational information about the account status via e-mail address and the Internet. Personal IVR-Cabinet (Interactive Voice Response) is a system of voice alerts. This intelligent platform allows to receive information about banking products and services, as well as information on Deposit accounts of the client in an interactive mode through a personal IVR-Cabinet when dialing from mobile or landline phone numbers to the service number of the Bank.

The Bank PJSCB "Ravnaq-Bank" for corporate clients provide Internet banking, allowing you to use the full range of services for remote account management via the Internet, as well as offers its customers remote banking services (DBO), which allows you to remotely manage your Bank account via the Internet and telephone.

As the practice of providing online services and remote banking services to customers shows, domestic banks offer a fairly limited type of online services. In addition, it should be noted that the adaptation of banking activities and solutions to the requirements of consumers is quite slow. In order to improve and develop online services, remote banking, it is proposed to take a number of measures:

1. Reduce the distance between banks and consumers with the help of new technologies.
2. Build banking services with customers on the basis of constant consultation basics.
3. Develop and establish collaborative relationships between traditional banks and professional organizations for the introduction of new IT-technologies.
4. To develop and use new technologies of banking operations, it is mandatory to attract customers.

For the active introduction of innovative banking services in the banking system, the Republic of Uzbekistan needs to develop a similar Russian program strategy for the development of the digital economy, which requires not only investment, but also focus on the experience of States ahead in the field of digitalization.

Success factors and prospects for the development of traditional banks

Our experience suggests that successful programme of digital transformation involve the presence of ambitious goals, sufficient resources for their achievement,

as well as the close attention of the top management – often in the form of appointment of Director at Board level who will be responsible for the program, providing supervision and overseeing it along with the other strategic objectives of the Bank.

The basis of this transformation is not only the creation of new client interfaces and process automation, but also the

introduction of Agile methods in the field of development, promotion of cross-functional interaction, implementation of the principles of design thinking in the corporate culture, requiring a deep understanding of customer needs, rapid prototyping of new solutions and constant testing them together with end users.



Fig. 5. Key indicators of the bank

In addition, an important factor is the ability to actively interact with technology companies in the framework of joint development and implementation of innovative solutions, outsourcing of innovations or other forms of cooperation. For example, small financial organizations that can not afford to upgrade their own IT system can use the services of companies that provide technological solutions in the outsourcing format – from cloud storage and processing services data prior to the application of advanced analytical methods for analysis big data. Other strategic partners of banks will be (and there are already examples of this) user information aggregators (for example, social networks and communication operators) that provide access to external customer data in order to improve the accuracy of credit scoring, cross-selling, etc.

The most versatile development option is to turn traditional banks into fully digital banks that provide a wide range of classic financial products and services. Most of the largest Russian banks adhere to this direction. Thanks to the digital transformation of all levels of business and the use of new technological solutions, banks will be able to improve current offers to customers. However, for successful transformation into a fully digital universal Bank, financial institutions need to have sufficient professional competencies of a wide profile. In addition, the speed at which the digital

divide is closing is a determining factor for success in the Russian market.

Another option is to go beyond the traditional banking business. In this direction, following the example of Chinese financial groups, moves Sberbank.

The transition from the classical format of the Bank to the financial ecosystem implies increased attention to the consumer and his needs, as well as building partnerships with other companies.

The services provided by the partners should respond to a wide range of needs. The daily needs of the customer, which will allow the owner of the ecosystem to serve them on a "one-stop" basis. The need to apply and develop new competencies for traditional banks is fraught with risks, but in the long term the owner of the ecosystem is entitled to a share of the partners' income.

Finally, banks can focus on providing basic services such as balance sheet management and transactions. This scenario assumes, among other things, work under a foreign brand (White Label),

when the long-term competitiveness of the Bank will be determined primarily by success in radically reducing costs. This direction does not imply high profitability and is poorly represented in the Russian market at the moment, but it may well become attractive to some financial institutions due to the lower level of risk and the effect of scale. This scenario may become particularly relevant for banks if companies actively develop and take over the functions of relationships with end customers.

H. Financial performance

In 2012-2017 the bank managed to achieve the key goals set before the Bank in the framework of the development Strategy of the past period.

PJSCB "Ravnaq-bank" has provided a consistently high income and efficiency, exceeding the objectives of the Strategy of the previous period:

In 2017, the Bank's revenues amounted to 46.0 billion UZS, compared to last year, the Bank's revenues increased 2.2 times. Net profit amounted to RUB 3.0 billions and in comparison with last year has grown in 1,7 times.



Fig. 6. Mobile bank application

PJSCB "Ravnaq-bank" have demonstrated high levels of profitability and shareholder return:

- Return on equity at the end of 2017 amounted to 13.2%.
- The growth rate of assets over the years has significantly exceeded the market average, while we managed to maintain the high quality of our portfolio.

Throughout the strategy Implementation period, the loan portfolio quality indicators were better than the market indicators, such as retail business and corporate. Growth of loan portfolio in retail business compared to last year it was 2.4 times. The bank has achieved success in the development of customer relations: we have increased our customer base and satisfaction. The bank has significantly expanded interaction with clients in remote and digital channels.

In the segment of financial services for individuals, the bank managed to achieve significant results. The bank has significantly increased their active customer base and increased the number of products per customer in all customer segments.

The bank has managed to strengthen their position in key markets: lending, payments, transfers and attraction:

- PJSCB "RAVNAQ-BANK" the first in Uzbekistan to launch a new credit product "Overdraft" to individuals by Online plastic card.
- For the first time in the Republic of Uzbekistan implemented a CashBack program on VISA card .
- Along with the improvement of traditional banking services, the Bank introduced remote banking services, such as payment of loans through the information system "PayME", "CLICK", "UPAY".

- Introduced to repay loans through information kiosks of the Bank.
- The bank has implemented the project of remote banking customer service "Ravnaq 24/7" by means of a mobile application on Android and iOS operating systems.

Despite the significant success of the Strategy of the past years, the bank see a significant potential for further development. The bank understands that we are not always at that level customer focus, which we want to meet:

- Lagging behind in the share of sales and services in remote channels.
- Not all segments have a competitive value proposition.
- Often inferior in quality of customer service and slow to make decisions.

Despite the performance improvement, in an active environment business growth we have not been able to fully realize our potential for automation and cost optimization.

When planning the activities of the Bank for the period up to 2023, preparation of the balance sheet, income and expenditure plan, the forecast of the main economic parameters was made:

I. Trends affecting the strategy

The banking industry is changing rapidly under the influence of a number of global challenges:

- Customers: changing consumer preferences.
- Technologies: the emergence of new technologies and speed of implementation existing.
- Banking: reduced margins in the banking sector and increased regulatory requirements.

Customers. More and more of the banking sector's clients are beginning to be representatives of the younger generation. Main feature representatives of the younger generation – transfer to the digital environment of all spheres of life:

- 95% of representatives consider the smartphone to be an important personal a device in my life.
- 2 times more often use self-service than older generation.
- 2 times more likely to use instant messengers and chat rooms.

New preferences and expectations from customers are formed services in the digital space, they: prefer mobile channels and expect a personal, modern and convenient service. At the same time, customers leave behind a "digital trail" of personal data.

Technologies. New technologies are increasingly transforming the way banking services are provided . Leadership in new technologies will determine the leadership of the Bank in the market in the future 3-5 years .

Blockchain. Blockchain technology is increasingly used in the banking sector, allowing the creation of decentralized online services. Blockchain accelerates decision-making in terms of interaction with a large number of counterparties, and also allows you to improve the security of transactions.

Cyber security. An effective system of protection against cyber threats is a prerequisite for ensuring the reliability of the Bank in the digital economy. Today, solutions in the field of protection of personal data and counteraction to cyber fraud , without which it is impossible to imagine modern banking operations.

Biometric identification. Technologies of recognition of the client on the face, a fingerprint, a palm, a voice, a retina of an eye and other find more and more frequent application in the banking sector. Sociometer allows adjust communication to the psychological profile and apply in personnel management.

Internet of things (IoT). The introduction of IoT technologies allows to bring a number of supporting processes in the Bank to a new level. For example, tracking cash flow, optimization of the procurement process, the functioning of ATMs and payment terminals.

Banking business. *The Reduction in the profitability of the banking sector.* The value of profitability (ROE) in the banking system has stabilized at a low level over the past 5 years.

Regulation. The bank expects stricter requirements of international standards and the following innovations:

- transition to a new international financial reporting standard (IFRS9), which will require the formation of reserves on the basis of not incurred, but projected losses.
- implementation of regulatory standards in line with the new recommendations of the Basel Committee (Basel IV).

Additional regulatory measures will lead to additional costs and increased competition in the markets. The strategic goal of the bank is to occupy the leading position among the middle banks of Uzbekistan, to establish itself as a universal bank with sustainable competitive positions.

The key task for the PJSCB “Ravnaq-bank” is scaling up business, increasing profitability and efficiency while increasing flexibility, speed and customer focus based on the

introduction of new technologies and education of a new quality people. They believe that this can be achieved primarily through the formation of better customer experience, not only in the financial sector, but also in other industries, through the integration of modern technologies into all products, services and processes of the bank, as well as through effective management and development of the best employees. They optimize work in physical channels: Let us provide our corporate clients with the opportunity to receive services and open an account at any place with the help of an on-site manager.

Create and launch innovative interfaces in digital channels: improve customer experience in RB-mobile, Ravnaq 24/7 and “Internet Banking”, we will launch the voice assistant service and chat bots. They should train our clients in new experiences, warn of possible risks through all possible channels (banking, social networks, instant messengers and others) and will do everything to protect client from unnecessary communications. In the next 5 years, The bank plans to open 3 branches in the city of Tashkent, which will allow us to expand the scale of business and be accessible to our potential customers. There should be some comfortable opportunities for clients:

For retail customers:

- offer the best card and settlement products on the market.
- provide individuals with microloans for personal expenses for relatively long term, microloans
- “To paycheck” for small amounts for a very short time, getting microloans remotely by mobile application.
- provide credit cards for the development of internal and external tourism.
- expand sales channels for retail products by optimizing the business processes of retail services and putting online sales into effect.
- develop customer service systems around the clock on devices self-service, such as round-the-clock ATMs with the function of receiving and exchanging currencies, crediting funds to customer accounts and issuing cash.

For corporate clients:

- offer the best credit products on the market.
- provide loans to customers within the framework of the concluded credit lines to reduce the process of issuing new loans.
- offer smart tips to help the client save time and money.
- personalize the offer for large corporate clients, we will provide consulting services.

Thus, the bank has bright prospective if they follow above recommendations. It is estimated high profit near 5 years both financial sphere and service. According to analysis the bank’s financial situation it can be said positive future will wait in the future.

II. CONCLUSION

One of the key trends in the global economy over the past decades is its rapid digitalization. Digital transformations are changing the face and structure of the economy, breaking the business models, leading to the expansion of markets and opportunities, becoming the most important engine of world economic growth.

The results of the analysis suggest that with high probability in the near future the level of digitalization will determine the competitiveness of not only business, but also entire countries. At the same time, only those countries and companies that can most quickly adapt and maximize take advantage of the changes taking place.

In order to successfully adapt to transformations and reduce the technological gap with leading players, Uzbekistan needs to develop effective responses to the challenges of the digital age. In particular, the development of long-term scientifically based digitalization strategies is required, taking into account the need to ensure leading rates development in this direction, both at the state level and in the context of industries and enterprises of the republic.

In this context, the advance rates of development should in no way imply a gradual "catch-up" introduction of the technologies of the previous generation. Such an approach will not only put the country and business in the position of always lagging behind, but also lead to significant risks, since players with fundamentally new business models can come to the market. For forward-looking development is important to identify trends in the field of digital technologies that most affect the shape and structure of the economy as a whole and individual sectors in particular, as well as determine which of them will make it possible to extract the greatest benefits in the next 5–10 years.

The pace of building digital infrastructure is critical. In the world of the Internet of Things, everything must connect with each other quickly, safely and securely. In this regard, it is important to continue the implementation of measures to expand the coverage of the population by advanced technologies and their rapid deployment throughout the country. This will lead to an increase in the availability of the Internet, and will also give impetus to the development of entrepreneurship in the digital periphery. Equally important are measures to build the capacity of our own ICT industry, the implementation of which will reduce the critical dependence on imports and increase the export of digital technologies. According to the Decree of the President of the Republic of Uzbekistan dated June 30, 2017 No. UP-5099, today for this the necessary favorable conditions have been created in the country.

The development of sectoral programs for the modernization of the country's industry based on "Industry 4.0" principles with the introduction of financial and non-financial mechanisms to stimulate demand from enterprises for technologies of this kind. It is important to motivate industrial enterprises to attract domestic suppliers, engineering companies and research centers to develop and implement these technologies. Through this approach, domestic demand will become the locomotive for the development of local technology companies.

One of the key elements of public policy should be training and retraining. In this context, the adaptation of the educational system and infrastructure to the new requirements of the digital age will be required. In particular, first of all, it is necessary to introduce fundamentally new approaches to training and ensure a high level basic digital literacy of the population. Thus, the digital economy is a powerful catalyst for innovation, growth and social well-being, and its development in Uzbekistan is a requirement of the modern era. Deepening and expanding digitalization will increase the

competitiveness of the domestic economy on the world stage, provide conditions for a gradual transition to the level of an innovative economy and a knowledge economy, as well as improve the quality and standard of living of the population.

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Maftuna Kurbanova was born in 1986. In 2007 she graduated network economy faculty of the Tashkent University of Information Technologies. In 2009 she graduated master degree of network economy faculty of the Tashkent University of Information Technologies, economist. From 2013 to 2015 she worked at the "E-government" centre under the Tashkent University of Information Technologies as a head of department. She works in Tashkent University of Information Technologies since 2015 as a senior teacher of the department "Management and marketing". She is studying master of science (PhD) in the sphere of digital economy at the Tashkent State University of Economics since 2018. She has more than 10 scientific articles and more than 30 theses, published in the international and national scientific journals and collection of conference materials.

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Feruza Atavullaeva, was born in 1996. In 2019, she graduated from Tashkent University of Information Technologies (TUIT) named after Muhammad al-Khwarizmi faculty of Economics and Management in ICT, then entered the master degree of the faculty of "Digital economy" in this university. In 2018, she took IELTS 6.5. In the 2018 and 2019 academic year, she was awarded the "Mukhammad al-Khwarizmi" scholarship. She has about ten publications and she received 4 copyright certificates: the automated system "Tashkent Tractor Plant", "Automated system of pharmacy systems", "Automation of payment systems in the university" and "Mobile app dictionary of economic terms. She participated several international conferences. She was awarded with a certificate by the British Consulate in the Student Sustainable Development Competition held in April-August 2017. Now she is working in Webster University in Tashkent.