

**TRANSFORMATION PROCESSES IMPLEMENTED IN THE BANKING SYSTEM
AND POSSIBILITIES OF IMPLEMENTING IT IN OUR COUNTRY*****Suyunov Dilmurod Kholmuradovich,****Higher School of Business and Entrepreneurship, Head of the Department of "Business
Management and Entrepreneurship (MBA), Doctor of Economics, Professor,****Ergashev Khusan****Chief specialist of "Supporting entrepreneurship and coordination of project office activities"
department of the Chamber of Commerce and Industry of the Republic of Uzbekistan and
Masters of the Higher School of Business and Entrepreneurship****Ergashev Mirzabek****Chief specialist of "Coordination of work with state programs and activities of regional
structures" department of the Chamber of Commerce and Industry of the Republic of Uzbekistan
and Masters of the Higher School of Business and Entrepreneurship*

Abstract:The article discusses the goal of the New Uzbekistan Development Strategy for 2022-2026, which sets the goal of "making the digital economy the main "driver" sector and increasing its volume by at least 2.5 times", and the task of completing the transformation processes in state-owned commercial banks and bringing the share of private banks in bank assets to 60 percent by the end of 2026. The main driver of the development of the banking system, increasing mutual trust and transparency between the bank and the client, and the consequences of modernization without the rapid implementation of the latest achievements of scientific and technological progress in banking activities, as well as in-depth studies of world practice and influencing factors are analyzed.

Keywords:Homelink system, Pronto system, Payments Industry Intelligence portal, IT integration, CashPro platform, artificial intelligence, treasury, receivables.

Login

Currently, it is impossible to modernize banking activities without the rapid implementation of the latest achievements of scientific and technical progress. World practice shows that scientific and technical progress and the rapid growth of new information technologies (IT) have a significant impact on the overall assessment of the attractiveness of a bank. This creates the need to study advanced foreign experience in this regard.

Address of the President of the Republic of Uzbekistan to the Oliy Majlis

"Unfortunately, the banking system is 10-15 years behind the requirements for the development of digital technologies, the introduction of new banking products and software. Starting in 2020, a large-scale transformation program will be implemented in each bank. Increasing the capital, resource base and profitability of banks will be the focus of our attention" [1] – he emphasized.

Technologies related to digital transformation, such as big data, cloud computing, artificial intelligence, and the Internet of Things, are characterized by their innovation-driven nature and focus on consumer needs.

Table 1

The main issues in the development of transformation processes in the banking system

No.	The main problems faced by most of our commercial banks are the development of the banking system transformation process and digitization
1.	Digital offices have been created, but they are poorly integrated into the bank's internal processes, which hinders the rapid launch of new products and services.
2.	A significant part of the IT infrastructure is outdated and most of them work according to old methodologies. They do not fully understand how to work with new adaptive methodologies. Similarly, in the process of digital transformation, the business direction, in addition to the IT direction, must also be able to use project management systems to create products based on new methodologies and set the right requirements for software developers.
3.	Low business involvement in data analysis and data management, or lack of such skills at all, hinders the effective use of data.
4.	The complete absence of a flexible HR policy or HR strategy is a factor that hinders the attraction and retention of modern IT and product management specialists. This gap in the corporate culture of traditional banks prevents the rapid introduction of new products and services.
5.	Risk management and other support functions usually work in the interests of their own functions, not the business at all, but rather seek solutions to problems together with the business, but often limit the business in new initiatives, that is, they impose restrictions without any analysis or research.
6.	Bank customers are increasingly paying attention to digital products and channels, and most of them are ready to switch to a fully digital service: but another problem with digital banks is that it is possible to order cards online, but the delivery system by couriers has not yet developed to that level.
7.	The following key functions and features are missing from most banks' digital channels and products (although many other banks and even FinTechs have them): <ul style="list-style-type: none"> - Debit cards: online application and courier delivery - no credit cards or payment cards - financial analysis (PFM) - Fast P2P payments with other banks via VISA Direct .

8.	The CRM system does not fully function as a tool for storing all customer data and cross-selling it
----	--

the Homelink system was created , which allowed bank customers to check their deposits, make payments and transfer money from their bank accounts by connecting to a computer via telephone . In the same year, a similar system, **Pronto** , was launched in the USA. However, people were skeptical about **the Homelink and Pronto systems, but with the widespread use of the Internet, these systems began to be widely used. In 2001 , Bank of America** became the first leading bank in the field of electronic banking, providing online services in the amount of 1 billion US dollars. This bank opened its 3 digital (neobank) branches in 2017 [2].

According to the Payments Industry Intelligence portal, **in 2018 there were 60** digital neobanks in the world , and by **2021 this figure** had reached **319 , with 90% of the money they use** being electronic money [3].

Citi Group calculations, digitalization will create excess workforce in banks, and reducing these jobs will lead to a reduction in banks' operating costs by up to half.

In addition, according to research conducted by **Accenture** , banks that have advanced in digitalization have seen their return on equity **increase by 0.9 percent**, while banks that have lagged in this area have seen their return on equity **drop by 1.1 percent** . Accenture analysts predict that this gap will widen in the future [5-11].

Table 2

The main issues in the development of transformation processes in the banking system of foreign countries

No.	Country name	Problems
1.	India	One of the main challenges in India is the low speed of the internet and the need to improve the infrastructure for digital transformation. There are also problems related to training and the shortage of qualified personnel.
2.	China	China faces the challenge of protectionism and government regulation, which can hinder private sector development and innovation in digital transformation.
3.	South Korea	Despite the high speed of the Internet and the developed infrastructure in South Korea, the regulation and protection of personal information is a problem.
4.	USA	One of the problems in the United States is the lack of uniform data protection standards and the lack of a uniform digital transformation strategy at the national level.

5.	Russia	One of the main problems in Russia is the lack of qualified personnel and limited access to information, which complicates digital transformation and innovation in the IT sector.
----	--------	---

The directions of transformation and reform of the banking system, the experience of transforming the banking and financial sector of foreign countries, in particular the experience of **Japan**, were studied. With the rapid development of digital technologies in the past few years, many companies and governments around the world have taken steps towards "**digital transformation**". In Japan, digital transformation is also developing rapidly, first in the non-governmental financial sector, and today it is developing rapidly and widely in the banking and financial sector.

In addition, the global spread of COVID-19 has accelerated the digital transformation process due to the increased demand for remote services among customers in the country.

4 important developments supporting the digitization of society that have led to significant positive changes in the business environment :

1. Wide use of digital devices, in particular, smartphones, which allow collecting data on economic activity;
2. Widespread use of cloud technology, which reduces the costs of collecting and storing large amounts of data;
3. Use of information technology (IT) and other advanced technologies that increase the capacity and efficiency of analyzing large amounts of data;
4. Providing timely and scalable highly customized services based on data analysis through digital channels.

The "Global Digital Competitiveness Ranking 2021" published by the Swiss business school Institute for Management Development (IMD) shows that Japan's lack of human resources and capital in the digital sector, relatively low scientific potential, and insufficient flexibility in business change have affected its digital competitiveness indicators compared to other developed countries, with Japan falling one place in this indicator compared to 2020, taking 28th place overall.

Currently, **Bank of America's commercial banks are using the CashPro platform** to implement digital transformation. This platform is powered by artificial intelligence and provides an integrated set of working capital management tools that cover treasury, payments, receivables and reporting.

This system's capabilities provide direct access to the client's **ERP and accounting systems, enabling deeper integration and automation for services such as cash flow forecasting and real-time reporting.**

Also, how does **Bank of America's Intelligent Debtors** program, created at this bank, work:

- It uses artificial intelligence to match payments coming into your bank account with payments that match the corresponding invoice, using remittance information from multiple sources.
- Automatically records automated email messages sent to your dedicated mailbox by payers regarding your receivables, and all online customers can access payment portals to receive remittance details.

The more you use the **Intelligent Debtors payment system, the more it constantly learns to achieve better and faster results.**

If the transfer cannot be read automatically, a specialized team will manually review and record the information for you.

Banks in Germany have been transformed by a variety of factors, including technological advances, changing customer preferences and regulatory requirements.

One of the key trends in the transformation of German banks is the shift to **digital banking**. **Many banks have invested in online and mobile banking platforms** to meet the demand for digital services. This has led to the closure of physical branches and the adoption of digital-first strategies.

Another key aspect of the transformation of German banks is the focus on customer experience. Banks are increasingly prioritizing customer-centric approaches such as personalized services, improved user interfaces, and streamlined processes. This has led to the development of innovative products and services to meet the changing needs of customers.

In addition, regulatory changes such as the implementation of the European Union's Payment Services Directive (PSD) and the introduction of open banking have also influenced the transformation of German banks. These regulations have encouraged banks to open up their data and collaborate with third-party providers to offer new services and increase competition in the market.

Overall, the transformation of banks in Germany is driven by a combination of technological, customer-centric, and regulatory factors, with a focus on digitalization, customer experience, and compliance. This ongoing evolution is expected to continue to shape the banking landscape in Germany in the coming years.

Traditional management processes in the banking system of our country.

the Resolution of the President of the Republic of Uzbekistan No. PP-3620 dated March 23, 2018 "On additional measures to increase the accessibility of banking services". In this regard, commercial banks are required to:

- study of advanced international banking experience and introduction of new types of banking services and products;
- expanding the network of bank branches and mini-banks, taking into account the coverage of bank branches and mini-banks and the needs for banking services;
- It is recommended to expand the rights of branches to make independent decisions on loan allocation without additional agreement with the parent banks.

By upgrading modern corporate governance mechanisms, banks will be able to become more flexible and innovative. With the help of these transformations, banks will not only be able to increase financial efficiency, but also meet the demands and expectations of customers.

It is also important to ensure a high level of digital security and expand digital banking services. These changes serve to comply with global regulatory requirements and increase the transparency of financial markets.

In 2022, within the framework of the strategy of reforming the banking system, work aimed at transforming banks with a state share was continued.

In particular, the corporate management system was introduced in the main banks, the bank councils were formed at the expense of professional local and international experts, the transformation strategies defining the place and position of each bank in the market were developed, and in these processes, special emphasis was placed on the digitization of banking services, transparent and simple delivery to customers.

In order to provide high-quality banking services to residents and business entities through any bank branch, 6 banks started to operate on the basis of the technology of a single bank code. have launched a **Soft Collection service** that collects overdue credit debts at the initial stage . The **"Marketplace"** electronic trading platform was launched, which abandoned the centralized supply system for the supply of products and equipment and the provision of services, and introduced an environment of free choice and competition in their purchase .

Also, more than 90 percent of the total payments made by business entities (**1,005 trillion soums**) were made through the instant payment system without visiting the bank. **"QR-online" system** , which allows for contactless payments without the direct use of a bank card and payment terminal, is growing.

To study the transformation processes implemented in the banking system of developed countries and to introduce them in the banks of our country.

2020 has presented all countries with unprecedented challenges on two fronts: on the one hand, their healthcare infrastructure and the fight against the pandemic, and on the other, their economies have struggled to survive the shocks to demand and supply.

In particular, the consequences of the pandemic for Japan can be observed in factors affecting digitalization. In particular, in 2020-2021, it was observed that the overall rating dropped by one place, the level of knowledge by one place, the level of technology by four places, and the level of readiness for the future by one place.

Meanwhile, **FinTech** players in Europe and the US have created **"challenger banks ."** They have gained a certain number of customers with their user-friendly interfaces and low fees. Others, such as **Facebook's Diem (formerly Libra)**, are planning to issue private digital currencies and build a payment infrastructure. However, only a few of these companies have stable revenues, and some have ceased operations within a few years of their launch.

Policy measures implemented in developing countries have supported the rapid development of digital transformation through various instruments, including an adequate legal framework.

Such support, when widely accepted by society, will lead to increased prosperity in the country. The number of customers owning a bank credit card, a convenient means of payment, is high in developed countries, but low in developing countries in 2011. Subsequently, banks in some of these developing countries have developed financial digital transformation and started providing innovative payment services, and with government measures and support, the level of bank account ownership has increased.

Below, we review the current state of digital transformation in Japanese banks, the state of data collection and the creation of innovative services using it, and the developments of non-bank institutions. As they compete with banks by expanding their innovative financial services, we examine the services provided to three different groups of customers:

1. **The first group** is individuals;
2. **The second group** is small and medium enterprises;
3. **The third group** is large enterprises.

individuals A number of **FinTech entities and non-bank institutions** are expanding their financial services for individuals, thanks to regulatory reforms that have established money transfer services (**shikin idō gyō**) and electronic payment services (**denshi daikō gyō**) .

These entities initially started out as payment services, but later developed a wide range of financial services and have already acquired many customers. Typical examples of them are the payment systems **Pay**, **LINE Pay**, and **Payment**.

These payment systems are being used by retailers, in particular, to improve the efficiency of their customers' payment processes and thereby improve their traditional businesses, while others are seeking to provide a wide range of new services using a variety of customer data collected through various financial and non-financial services.

Table 3

Definitions of the process of transformation of banks

No.	F.I.S.	The tariff given to the transformation process
1.	A. Abduvokhidov [5]	"Digital transformation activities have a positive impact on the financial position of credit institutions, and significant investments are compensated by achieving a combination of goals.
2.	Bharadwaj [6]	Digital transformation fundamentally changes operations and adds value to the product offering to customers. It is also an intellectual and cultural change that means "developing and improving business models, operations, processes and capabilities to take advantage of changes in digital technology and its strategic impact on society".
3.	Feher & Varga [7]	Key digital transformation practices such as leadership, digital trends, digital transformation skills, digital strategies, digital adoption and a customer-centric approach affect a bank's digital maturity level.
4.	Listeners[11]	The integration of technologies and infrastructures is one of the leading principles of digital banking, a principle that is absent in electronic banking, which uses several old and new technologies.
5.	Suyunov D.[13]	Banking transformation is the most fundamental new process that will help banks use digital transformation operations in all types of services provided and ensure the efficiency of service delivery and its effectiveness. In this, service delivery will fundamentally change and the services offered to customers will bring added value. This will necessitate the use of artificial intelligence, big data, etc.

To conclude, as a result of reviewing the modern management system of banks of developed foreign countries, **it is appropriate to implement the following in the banks of our country.**

1. To ensure the development of the business and investment environment, the processes of governance bodies related to making the right decisions and **the introduction of digital technologies into the activities of society ;**
2. **A model model of "Digital Corporate Governance"** and a system for assessing its effectiveness, and to establish a monitoring system, in order to model the development of the right decisions, use the capabilities of artificial intelligence, ensure the participation of board members remotely using electronic platforms, and increase the level of transparency of bank activities .

By implementing these processes, **the following results can be achieved.**

1. The ability to process and store information flows will expand, the participation of management bodies in important economic and financial decisions of society will be ensured, and the speed of making decisions related to the fate of employees will increase;
2. High competitiveness of societies is ensured due to automation and simplification of business processes, transition to digital management methods and modeling of actions of specialists to realize strategic goals.

References:

1. "Development Strategy of New Uzbekistan for 2022-2026", approved by the Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 22, 2022, URL: <https://lex.uz/docs/5841063> .
2. "Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025", approved by the Decree of the President of the Republic of Uzbekistan No. PF5992 dated May 12, 2020, URL: <https://lex.uz/docs/4811025> .
3. Mirziyoyev Sh.M. Address of the President of the Republic of Uzbekistan to the Oliy Majlis. 24.01.2020. URL: <https://president.uz/ru/lists/view/3324>.
4. <https://finance.uz/index.php/ru/fuz-menu-economy-ru/11083-uzbekistanvtsifrovoj-economy>.
5. <https://www.mobiloitte.com/blog/bank-of-america-digital-transformation-commercial-banking>.
6. <https://www.accenture.com/us-en/insigh/blockchain-index>.
7. <https://business.bofa.com/en-us/content/accounts-receivable-digital-transformation.html>.
8. "IMD World Digital Competitiveness Ranking 2021". www.imd.org .
9. Bank of Japan Review 2021. www.boj.or.jp/en .
10. Abduvokhidov A.A. i dr. Issues of digitalization of the banking system in Uzbekistan //Journal Innovatsii v Ekonomike. - 2021. - T. 4. – no. 2.
11. Bharadwaj, A., El Sawy, O. ., Pavlou, P. ., & Venkatraman, N. (2013). Digital Business Strategy: Toward a Next Generation of Insights. MIS Quarterly, 37, 471–482.
12. Digital Transformation in the Hungarian Banking Industry - Experience with Design Thinking. Society and Economy, 41, 293–310. <https://doi.org/10.1556/204.2019.41.3.2>.

13. S.D.Kholmurodovich, K. Vokhid. Problems in the development of remote banking services in commercial banks of Uzbekistan . World Economics and Finance Bulletin 26, 39-46. 2023 year.
14. A.K.Olimovich, M. Botabayev, SD Kh. Strategic project management system in the company Proceedings of International Conference on Scientific Research in Nature. 2023 year.
15. A. Davletyarov, D. Suyunov, A. Kenzhabaev. Foreign experience in the development of small business and private entrepreneurship in the field of service . Global Scientific Review 14, 5-11. 2023 year.
16. D.X.Suyunov, V.R.Kaytavov. Current issues of digitization of transformational processes in commercial banks . American Journal of Business Management, Economics and Banking 10, 38-45. 2023 year.
17. D.Kh. Suyunov. Scientific and theoretical foundations of improving the implementation of a modern corporate control system in joint-stock companies . Management and Ethics Rules Online Scientific Journal 3 (2), 433-441. 2023.
18. D.X Suyunov, M.I. Makhsudov. Benefits of digitalization of the economy in Uzbekistan . Economy and society, 748-751. 2023 year.
19. D.Kh. Suyunov. Mechanisms for improving Uzbekistan's position in international ratings and indices and systematic work with them in state bodies and organizations . Science and innovation 2 (Special Issue 13), 486-488. 2023.
20. D.K. Suyunov, N.K. Yormatova. Tsifrovaya transformatsiya protsesov upravleniya personelom v kommercheskom banke . Journal of new century innovations 43 (4), 75-78. 2023 year.
21. D.X.Suyunov, ATKenjabayev. E-commerce textbook. 2023, 450 pages.
22. S.D.Kholmuradovich, R.H.Yuldashevich. The Role Of Foreign Investments In The Development Of Small Business And Private Entrepreneurship .EPRA International Journal of Socio-Economic and Environmental Outlook (SEEO) 2022.
23. S.D.Kholmurodovich, T.D.Shermonovna. The role and importance of digital technologies in the development of enterprises . The American Journal of Social Science and Educational Innovations 4 (02), 15-19. 2022 year.
24. To'Raqulov Botirturdiboy, S.D.Kholmuradovich. Using marketing strategies and improving SWOT analysis in the development of the activities of a catering enterprise. Educational Devotees 25 (5), 149-156. 2022.