

## THE POTENTIAL OF VIRTUAL BANKS IN UZBEKISTAN

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**Abstract.** *The article analyzes the history of virtual banks, overseas development experience, potential and benefits of digital institutions, and prospects for virtual bank development in Uzbekistan.*

**Keywords:** *virtual bank, digital bank, banking services, Central Bank, digital innovations, software.*

## ПОТЕНЦИАЛ ВИРТУАЛЬНЫХ БАНКОВ В УЗБЕКИСТАНЕ

**Аннотация.** *В статье анализируются история виртуальных банков, зарубежный опыт развития, потенциал и преимущества цифровых институтов, а также перспективы развития виртуальных банков в Узбекистане.*

**Ключевые слова:** *виртуальный банк, цифровой банк, банковские услуги, ЦБ, цифровые инновации, программное обеспечение.*

## INTRODUCTION

Nowadays, one of the primary criteria for the socioeconomic effects of the national credit and banking system, as well as a requirement for its competitiveness, is the quality and availability of financial services for diverse sectors of the Uzbek population. Retail banking is a significant instrument for solving many economic and social problems; also, the quality and availability of these services are heavily dependent on effective demand and, as a result, the pace of economic growth, welfare population, and social environment in society.

## MATERIALS AND METHODS

In today's global world, achieving sustainable socioeconomic development necessitates constantly broadening and improving the range and quality of services provided by banks to the population, while taking into account the needs of various social groups and the specific conditions in various regions of our country.

The global financial crisis has triggered a significant number of issues in the relationship between the nation and the population of economically developed nations with organizations of the banking system; however, this does not diminish the growing importance of the retail banking sector in ensuring the sustainable, dynamic development of modern economies.

Domestic banks' primary responsibility is to provide excellent customer service. Capturing the consumer base these days, banks introduce and create new modern services and financial products. At the same time, it should be highlighted that in Uzbekistan, new technologies do not oppose the growth of a regional and retail network, but rather allow it to expand more smoothly.

The key provisions on remote banking services utilized by commercial banks in the Republic of Uzbekistan, as well as practical overseas experience of virtual banks, provide the theoretical and methodological foundation of the study. Economic analysis methods were used in the paper. Materials about the organization of virtual bank activities based on worldwide experience were utilized when producing an essay.

Modernization and simplification of the banking system play a significant part in the growth of financial services in the modernization of the economy. Today, information

technology is profoundly interwoven in the financial system, as it is in other areas. One of the most important concerns for economic growth is the development of digital banking in the financial sector. Shavkat Mirziyoyev, President of the Republic of Uzbekistan, commented on the banking system, saying, "Unfortunately, the banking system lags behind current criteria for the use of digital technology goods and software." In this regard, we must identify digital banking as a problem that must be solved.

One of the critical challenges is the creation of a virtual banking system, which will boost user confidence in the financial system and provide easy services.

Banking services, the development of contemporary and sophisticated forms of banking services, the introduction of new information technologies, boosting the popularity of banking services, and their implementation in the banking industry are all priorities in Uzbekistan. On this subject, a variety of normative and legal papers have been established. One of the goals identified in the Action Strategy for the Growth of the Republic of Uzbekistan for 2017-2021 is the execution of measures aimed at further development of the banking system, particularly commercial bank activities and the upgrading of banking services.

Thinking forwards, we anticipate that virtual banks will continue to compete on pricing with traditional banks to acquire clients and deposits. Total deposits at virtual banks are expected to rise consistently as existing customers replenish their savings accounts and potential customers explore creating new accounts, maybe as supplementary banks. Surprisingly, we expect that target clients will include not just the younger generation, but also the older age, which has greater money and is becoming more receptive to virtual financial services platforms and services.

Nonetheless, we expect virtual bank deposits will be insignificant in the immediate run as a percentage of overall holdings.

As is well known, the first virtual bank to exist on the Internet in November 1995, SFNB, became a bank. According to mythology, the bank was established for Americans who often relocate inside the nation, sometimes not leaving at all. Nobody wanted to lose consumers; thus, a project was created in which it was possible to utilize the bank's services remotely without being tied to any geographical object. Furthermore, certain governments had legislation prohibiting the establishment of branches of "foreign" banks from nearby territories. All of these issues prompted organizers to develop an internet banking system (e-banking, online banking).

As all of us know, online banking has provided new chances for bank clients, such as receiving information about the status of your account and performing certain activities without having to visit the bank or its branch. Simultaneously, SMS notifications assist in promptly tracking each account action. Bank consumers are increasingly unlikely to use offline services and only visit bank branches when essential.

In addition to the details provided above, we would like to emphasize that a virtual bank is a bank that functions solely through the Internet, with no physical representations other than the legal location. The complete virtual bank works on the World Wide Web. There are two types of such systems: passive and active. The first covers all current account data, while the second allows you to remotely manage funds.

## RESULTS

In light of the findings of this study, it appears that any country's economic progress is impossible without an effective payment system with appropriate payment methods.

Payment systems, as the foundation for the stability of the state's financial system, lower transaction costs in the economy, promote the efficiency of the use of financial and other forms of resources, boost financial market liquidity, and contribute to the conduct of monetary policy.

As worldwide experience in the development of payment systems in many countries demonstrates, the growth of payment systems is largely related to expanding the range of payment instruments and services, enhancing their profitability via cost reductions. The increasing usage of online payments using bank cards helps to reduce the cost of banking services associated with payment processing.

According to our findings, timetables for the introduction of mobile banking for individuals have been prepared for the ongoing growth of online banking in the nation and the complete coverage of bankcard holders by all commercial banks. Simultaneously, to expand the services of mobile applications with the ability to remotely manage bank accounts, testing mechanisms for making payments from card to card, issuing and repaying loans, processing online deposits, and online payments in favor of trade entities and service providers based on the Central Bank's Clearing System. With the implementation of this mechanism, the creation of a unified platform is being proposed, allowing bank clients to conduct transactions on their bank accounts in multiple banks 24 hours a day, seven days a week, with no breaks for weekends or holidays.

#### **DISCUSSION**

To summarize, we can claim that Uzbekistan is already in a position to implement such a financial system.

- And first foremost, in our republic, a reliable telecommunications network has been established not just at the level of individual banks, but also throughout the country.

- Second, our state's populace, regardless of age, has become close pals with technological services. And we believe that the advent of a virtual bank that can be accessed by nearly anybody who wishes would create curiosity and attention, which will directly affect the bank's customers.

- Furthermore, the current financial infrastructure does not allow for the full coverage of all settlements in our country. At the same time, the virtual bank will address this issue.

- Fourth, present banking system professionals who are prepared to work in a new bank.

-Fifth, the lack of huge expenditures for the acquisition of premises, equipment, and machinery, their maintenance, depreciation, and taxes, as well as recruiting employees, is the most important inducement for establishing a bank.

The widespread adoption of effective banking services through mobile Internet banking is not achievable without the establishment of an adequate marketing strategy to promote new bank services. Banks in other countries use the interactive features of the Internet to run active advertising campaigns on social networks. In our nation, commercial banks have begun to utilize social media as the primary marketing tool for banking products and services.

Online banks must consequently continue to innovate and increase their offerings to retain consumers. This might involve maintaining competitive interest rates on client deposits and introducing new goods and services like credit cards, loans, and, eventually, wealth management services. Furthermore, virtual banks may use their ties with important owners and stakeholders to offer value-added perks and promotional schemes such as shopping discounts and other lifestyle benefits.

The quick rise in popularity of Internet banking, on the other hand, demonstrates that there is a consistent and effective demand for this new sort of financial service. Customers are interested because the cost of customer care through the Internet is low. The growth of the digital banking industry necessitates the efforts of all commercial banks, as well as the assistance of the State Bank. The State Bank of Uzbekistan, as the manager of the national banking industry, should enhance the legal corridor and establish a conducive environment, as well as support policies, to promote the fast adoption of digital technology.

### CONCLUSIONS

To satisfy the criteria of the new business model, Uzbekistan's commercial banks must likewise rearrange their administration and strategy. As a result, banks must adapt their corporate culture while also creating the necessary people resources. Furthermore, in this digital era, commercial banks should focus on managing communications, and social media information, upgrading information technology platforms, building network security management schemes, and categorizing consumers.

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