

# THE INFLUENCE OF DIGITAL TECHNOLOGIES AND ARTIFICIAL INTELLIGENCE ON BANKING ACTIVITY AND ITS DEVELOPMENT PROSPECTS

<sup>1</sup>Jumayev Nodir Khosiyatovich, <sup>2</sup>Shamsiyeva Yulduz Olimovna

<sup>1</sup>Doctor of economic sciences, professor

<sup>2</sup>Academy of Public Administration under the President of the Republic of Uzbekistan  
(doctorate)

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**Abstract.** *In this article, the banking sector, which is considered the leading link of the economy, including commercial banks, and the prospects for the development of remote banking services in them, as well as the impact of digital technologies and artificial intelligence on the activities of banks, are mentioned.*

**Keywords:** *artificial intelligence, mobile banking, transformation, digitization, legalization, banking services, demand, consumer, financial transactions.*

## Introduction

Artificial intelligence is making an impact in various industries and its application in finance is now changing the banking system, offering better and more targeted products and services to customers. Artificial intelligence is changing the dynamics of business, and the banking system is no exception. From mobile banking to personalized customer service, technology has a unique role to play. Waiting for long hours to receive banking services is gradually becoming a thing of the past for retail consumers. The desire of consumers to use banking services from their homes has increased the demand for digital banks. Research has shown that more than 45 percent of respondents consider bank digitization as one of the three main features that influence the choice of reliable financial institutions for conducting their business and for their funds in general.

Digital and technological progress has increased the convenience of using banking services, but the key to its development in the future is to maintain consumer trust. During the pandemic, we can observe that the transition to digital customer service has accelerated.

The world's "Big Tech" billionaires, including Mark Zuckerberg, Elon Musk and Bill Gates, have given life to artificial intelligence, and as a result, digital technologies are rapidly developing in many fields. They are using cutting-edge technology tools and applications to identify consumer preferences and are now influencing other businesses to adopt AI-based technologies. Thus, banks are investing heavily in digital technologies and predictive analytics to make informed decisions and provide personalized services.

Even banks that do not want to use artificial intelligence technology in their processes are using electronic chatbots to process customer inquiries. As Elon Musk predicted, "there will be disruption because robots can do everything better than us."

Digitization not only creates convenience for customers, but also solves various legal, social, and political problems. Attempting to legalize ill-gotten money is a problem for banks, as these institutions, in most cases, unwittingly facilitate such processes. This is an international problem. A study by the United Nations Office on Drugs and Crime (UNODC) also highlighted this, accounting for nearly 3.6 percent of the world's gross domestic product, or \$1.6 trillion,

annually. found that the revenues are being illegally appropriated. A report issued by international economic organizations showed that the US is involved in trying to legalize 300 billion dollars of illegally obtained money every year. These indicators cause concern for banks. Leading banks are using real-time AI risk management technologies to identify customer behavior and transaction patterns to combat terrorist financing and money laundering. It closely monitors high-risk accounts by comparing the customer's expected monthly turnover with their actual monthly transactions. This ultimately helps banks implement controls to protect against losses, fraud, and in turn increases security for their customers.

However, it should be noted that the introduction of artificial intelligence technologies is not the end of the work. Digitization processes require optimized "frameworks" and various software to manage their digital tasks. In addition, financial institutions need to optimize processes and effectively communicate with employees to achieve their goals quickly. "Artificial intelligence technology always needs a human," says Simon Carter, head of innovation data at Deutsche Bank.

And, as noted in the Xaqaro audit survey, organizations that employ a digital banking strategy are approximately 1.7 times more likely to achieve superior results than those that do not. Thus, using large and complex data sets, banks can create a risk system that provides accurate and timely analysis.

If we observe the world practice, in 2021 about 36 million citizens of Great Britain became victims of fraud, which led to distrust of customers in the bank's approach. Designing security digitally is a great way to make people feel more comfortable managing their money online. By providing more progressive information and sharing clear and actionable advice, customers feel cared for and proactively protected by their bank. At the same time, customers gain insight into online security and threats and learn how their bank works, giving them more confidence when moving beyond surface-level transactions to more complex financial transactions. Banks need to be clear and transparent in their communication with customers, including how they can use the services available to them.

One of the best features of AI in banking is its ability to "learn" and evolve. Over time, it will improve and become "smarter" based on demand.

Banks use data analysis to develop their marketing strategies. Digital service-based banks providing transparency and clarity in decision-making is not only a competitive advantage for banks, but also the right decision for customers. In this way, they identify the needs of consumers and offer targeted products and services, which has helped to reduce costs and increase efficiency.

However, data breaches are a constant and biggest threat to banks using digital technologies. Each bank records a large number of transactions every day. Data collection is a never-ending task that requires a lot of security. A recent data breach at Flagstar, one of the largest US banks, put 1.5 million of its customers at risk.

Of course, data protection remains one of the urgent issues for banks, but they cannot ignore the importance of artificial intelligence in modern banking. To counter such threats, it is necessary to implement reliable and secure data protection protocols. On the other hand, banking institutions should create a foundation for supporting digital technologies that can promise modern services to increase efficiency and customer satisfaction. Transformational processes offer great opportunities and are important in modern banking as they include an existing, secure way to accelerate data collection and analysis, and customer-driven data centers.

### **Conclusion**

Therefore, the positive change of financial services, i.e., digital transformation, creates wide opportunities for bank customers, and is considered an important stage for increasing financial activity, and helps to expand the economic opportunities of customers. That is, one of the prospects of digital banks is that the cost of services will be reduced by 40-60 percent due to the digitization of banking networks. It allows clients to save money and time spent on visiting the bank and preparing documents.

But while financial institutions are doing their best to adapt to the ever-changing landscape, "digital" doesn't always mean what's best for the customer. Currently, banks need to try to complement efficient and automated systems with a high level of customer centricity and personalization, in addition to pure digitization. A complete analysis of how customers work with the services provided is the reason for the active operation of banks and the success of the bank. By improving the user experience, they not only gain the trust of their customers, but also benefit their business through better customer support and the opportunity to build long-term beneficial relationships.

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