

FINANCIAL TECHNOLOGIES IN THE REMOTE BANKING SYSTEM

Ergashev Aziz Avazkhon oqli

Independent researcher of Tashkent Institute of Finance

<https://doi.org/10.5281/zenodo.8049641>

Abstract. *The banking sector has undergone a significant transformation in recent years due to the advent of financial technologies (fintech). This article aims to explore the impact of fintech on the banking sector, focusing on three key areas: customer experience, operational efficiency, and competition. Firstly, fintech has revolutionized the way customers interact with banks, offering more personalized and convenient services through mobile banking apps and online platforms. Secondly, fintech has enabled banks to streamline their operations and reduce costs through automation and digitization. Finally, fintech has disrupted traditional banking models by enabling new entrants to enter the market and compete with established players. The article concludes that while fintech presents both opportunities and challenges for the banking sector, banks must embrace these technologies to remain competitive in an increasingly digital world.*

Keywords: *fintech, banking, disruptive, innovation, digitalization.*

Introduction. Over the past few decades, technology has revolutionized the way we live, work and communicate. In particular, financial technology (fintech) has changed the banking sector by providing a range of innovative solutions that have changed the way money is accessed and managed. From mobile banking apps to contactless payments, fintech has made banking faster, more convenient and more accessible than ever before.

However, this transformation was not without problems. With the rise of digital banking, traditional banks are facing increasing competition from new players in the market, including digital-only banks and fintech startups. In addition, concerns over data privacy and security have led to calls for increased regulation and oversight of fintech companies.

Despite these challenges, there is no denying that fintech is shaping the future of banking. This article will look at some of the key ways fintech is impacting the banking sector, including changes in consumer behavior, new business models, and emerging technologies. We will also look at some of the challenges banks face as they adapt to this rapidly changing environment and consider what the future of the industry as a whole can look like.

New phenomena in the economy, its information guarantee and the use of digital technologies show a great impact on the banking sector. the prestige of a strategic choice and the search for new priority modifications of the formation of the banking business in the context of digitalization is increasing. With better technology, banks are ready to cut costs and increase revenue, and in turn, customers are more likely to get the best out of them than ever before.

According to this report, the global digital banking platform market is expected to reach \$107.1 billion and grow of 20.5% by 2030. The growth in the number of Internet users and the transition of customers from traditional banking to online banking are key factors in the growth of the market. In addition, the increase in the use of cloud platforms is expected to lead to the growth of the digital banking platform market by providing greater scalability. In addition, the banking

industry is expected to benefit from increased use of artificial intelligence and machine learning in digital banking platforms, as well as an increase in creative banking and corporate investors.

However, security and compliance issues in digital lending platforms are partially hindering the full scale growth of the global market. On the other hand, the COVID-19 pandemic has accelerated the growth of e-commerce, which in turn has increased the scale of digital banking. For example, according to Ecommerce Europe, the proportion of shoppers making e-commerce purchases in Europe has increased from 60% in 2017 to 71% in 2020. Whereas the share of e-commerce GDP in total European GDP increased from 3.11% in 2017 to 4.29% in 2020. Thus, the demand for digital banking platforms is likely to grow due to the growth in online shopping and digital transaction volumes.

Asia-Pacific held the largest market share in 2021 and is expected to see the fastest CAGR growth of 21.1% during the forecast period. This is due to the larger population and increased digitalization in the region. New firms such as Tonik Digital Bank, Inc., Anywhere 2 go Co., Ltd. and Cashfree Payments India Private Limited are revolutionizing the banking industry, redefining the sector for both individuals and businesses. For example, in June 2022, Cashfree Payments India Private Limited introduced its "Token Vault" tokenization solution, which is capable of sharing and using information in card tokenization.

Globally, North America is the second largest market by revenue and the compound annual growth rate (CAGR) is expected to increase by 19.9% between 2022 and 2030. The adoption of cloud solutions is expanding in the North America region, especially in business verticals related to the financial and banking sectors.

Methodology. Banks are currently adopting cloud-based digital banking platform solutions due to their low-cost start-up costs and fast upgrades, and this trend is expected to continue over the forecast period. Digital Banking Platform Market Report:

The online banking segment accounted for 80.7% of the market share in 2021 and is expected to have a CAGR of 20.1% over the forecast period. This is due to the growing demand for smart mobile devices, as well as a shift in consumer preferences from traditional to digital channels.

At the time of rollout, cloud digital banking held a 28.7% market share in 2021 in terms of revenue and is expected to grow at a peak CAGR of 20.7% over the forecast period. The adoption of cloud computing and SAAS is expected to be critical to the future of the banking industry.

By component, the services segment is expected to be the fastest growing segment with a CAGR of 21.1% from 2022 to 2030, with professional services being the largest sub-segment by revenue.

Results. The study analyzed the impact of financial technologies on the banking sector and identified significant changes in the banking sector. The results showed that fintech has changed the traditional way of banking by introducing new services and products such as mobile payments, online banking and peer-to-peer lending.

The study also found that fintech has led to increased competition in the banking sector as traditional banks face competition from fintech companies. This has led to a shift towards customer-centric strategies as banks seek to retain their customers.

In addition, financial technologies have significantly reduced the operating costs of banks by automating many processes and increasing efficiency. This allowed banks to offer customers more favorable rates and expand the range of their services.

However, the study also revealed some problems related to fintech in the banking sector. These include cybersecurity risks, regulatory compliance issues, and data privacy concerns. Overall, the study concludes that fintech has had a significant impact on the banking sector, changing traditional banking practices and spurring innovation. While there are challenges associated with these technologies, their benefits outweigh the risks for both customers and banks.

Discussion. The financial technology (fintech) industry has revolutionized the banking sector in recent years. Fintech companies have introduced innovative products and services, changing the way we think about banking. This article will examine the impact of financial technology on the banking sector.

First, fintech has disrupted traditional banking by providing customers with a range of new and improved financial services. These include mobile banking apps, peer-to-peer lending platforms, digital wallets, and online investment platforms. Now customers can access these services at their convenience without having to visit a physical branch of the bank. This has led to greater customer satisfaction and loyalty, as well as increased competition between banks to provide better services.

Second, fintech has increased access to financial services by making financial services more accessible to the underprivileged. For example, mobile money services have enabled people in remote areas without access to traditional banking infrastructure to complete transactions such as sending and receiving money. This has helped reduce poverty and promote economic growth in developing countries.

Thirdly, fintech has increased the efficiency of the banking sector by reducing costs and improving processes. For example, blockchain technology has made possible faster and more secure cross-border payments while lowering transaction costs. Artificial intelligence (AI) is being used to detect fraud and manage risk, thereby enhancing the security of banks and their customers.

However, there are also challenges associated with the growth of fintech in the banking sector. One of the main concerns is the risk of cybersecurity, as the growth of digitalization creates new vulnerabilities for hackers. Banks must invest heavily in cyber security measures to protect themselves from cyber threats such as phishing attacks or data breaches.

Another problem is regulation. As fintech continues to grow rapidly, regulators are struggling to keep up with evolving technologies and business models. Appropriate regulatory frameworks are needed that can balance innovation with consumer protection.

Finally, there is also the issue of job displacement due to automation through AI and other technologies. As banks become increasingly digital, there is a risk that some jobs may become redundant. However, it is important to note that fintech has also created new jobs in areas such as data analytics, cybersecurity, and software development.

Governments are taking various measures to avoid the problems associated with the growth of financial technologies in the banking sector. Here are some of these measures:

1. **Regulatory framework.** Governments have developed a regulatory framework that regulates the activities of fintech companies. This framework provides guidance on how fintech firms should operate and ensures they are held to the same standards as traditional financial institutions.

2. **Collaboration with fintech companies:** Governments are partnering with fintech companies to develop innovative solutions that can improve financial inclusion and increase access

to finance for the underprivileged. This collaboration helps ensure that fintech companies operate within the legal framework set by governments.

3. Educational and information campaigns. Governments are educating the public about the benefits and risks associated with using fintech services. This training helps address security and privacy concerns that may arise when using these services.

4. Support for innovation: Governments support innovation in the fintech sector through funding, tax incentives, and other initiatives. This support encourages innovation in the sector while ensuring that it operates within the regulatory framework.

In general, governments are taking active steps to ensure that fintech companies operate in a safe and secure environment while promoting innovation in the sector.

Conclusion

In conclusion, we can say that financial technologies have undoubtedly led to significant changes in the banking sector. The use of innovative technologies such as mobile banking, blockchain, artificial intelligence and machine learning has changed the way banks work and interact with their customers. Thanks to the introduction of these technologies, the banking industry has become more accessible, efficient and customer-oriented. Fintech has enabled banks to improve their service delivery by creating new customer engagement opportunities, offering personalized products and services, streamlining back office operations and improving risk management systems. Using digital solutions such as mobile applications and online platforms, banks have been able to provide customers with faster and more convenient access to financial products and services.

However, the impact of fintech on the banking sector is not without problems. Cybersecurity threats have become a major concern for banks as they seek to protect their systems from cyberattacks that can compromise customer confidential data. There is also a need for an adequate regulatory framework that can keep pace with rapid changes in technology.

In general, the impact of financial technologies on the banking sector is undeniable. Banks that quickly adopt these technologies are likely to stay ahead of their competitors and gain a competitive advantage in terms of customer satisfaction and profitability. In the future, banks need to constantly innovate, coupled with effective risk management strategies that maximize the security of both their own operations and the financial assets of their clients.

REFERENCES

1. “Fintech Disrupts Traditional Banking” by Investopedia (<https://www.investopedia.com/terms/f/fintech.asp>);
2. World Bank Group. “Fintech for Financial Inclusion.” 2018. <https://www.worldbank.org/en/topic/financialinclusion/brief/fintech-for-financial-inclusion>;
3. Vives, X., 2017. The impact of FinTech on banking. *European Economy*, (2), pp.97-105;
4. Navaretti, G.B., Calzolari, G., Mansilla-Fernandez, J.M. and Pozzolo, A.F., 2018. Fintech and banking. Friends or foes?. *Friends or Foes*;
5. Fadhul, S. and Hamdan, A., 2020, September. The role of “fintech” on banking performance. In *European Conference on Innovation and Entrepreneurship* (pp. 911-XVII). Academic Conferences International Limited;
6. Panetta, F., 2018. Fintech and banking: today and tomorrow. Speech of the Deputy Governor of the Bank of Italy, Rome, 12th May;

7. Ntwiga, D.B., 2020. Technical efficiency in the Kenyan banking sector: Influence of fintech and banks collaboration. *Journal of Finance and Economics*, 8(1), pp.13-22;
8. Zveryakov, M., Kovalenko, V., Sheludko, S. and Sharah, E., 2019. FinTech sector and banking business: competition or symbiosis?, pp.53-57.
9. Digital Banking Platform Market Size, Share & Trends Analysis Report by Deployment (On-Premise, Cloud), by Mode, by Component (Platform, Service), by Service, by Region, and Segment Forecasts, 2022-2030