

**DIGITALIZATION OF THE FINANCIAL SECTOR**

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**Annotation.** The forms and possibilities of involving digital technologies in the financial system are huge. This article describes some of the ways in which digital technologies can be quickly and inexpensively introduced into the financial sector.

**Key words.** Digital technology, financial services sector, financial system, digital finance, digital banking, financial technology, banking system, private banks.

Digital technologies are also widely used in the financial sector. They create favorable conditions for faster and more accurate real-time reporting and general financial management. The financial services sector is undergoing a large-scale digital transformation, which is having a profound impact on how companies in the sector conduct their business. New technologies allow banks, insurance companies and other financial services companies to review their operations and identify different ways to serve their customers.

Today, an important priority direction of the country's development is its transition to a digital economy. Uzbekistan is trying to develop digital technologies as the basis of economic activity and state administration. The government of the country is creating all the necessary conditions for the development of the digital economy at the legislative level.

The financial system is the basis of the socio-economic development of the state. Digitization of the financial sector ensures transparency in the management of financial resources of both state and commercial organizations. The success of the state policy, the main task of which is to ensure economic growth and increase the standard of living of the population, depends on how financial resources are formed, distributed and used, how effective is the mechanism of financing the real sector of the economy, science, education and culture.

The development of the digital financial services market in our country, coverage of the population with quality digital financial services, support of the economic interests of consumers, and the need to organize digital activities in the financial services market in the current period of economic reforms. This is because, as a result of the development of the digital economy, the digitization of various areas of socio-economic activity covers all organizations under state management, starting with small enterprises.

Therefore, in the decision of the President of the Republic of Uzbekistan dated March 23, 2018 "On additional measures to increase the popularity of banking services" № DP-3620, a modern and advanced bank for studying international experience and developing proposals for its application in the market of banking services of the Republic, organization of information-analytical and consulting services for banks and their clients, development of remote banking services. The fact that tasks such as promotion of initiatives to implement types of services in practice, introduction of new information technologies, etc., means the need to develop the market of digital financial services.

The advantages of the digital financial services market are that users of this type of service have the opportunity to choose the type of service that is convenient and affordable for them. Because digital finance is a market of financial services provided through mobile phones, personal computers, the Internet or cards connected to a reliable digital online and offline payment system. Digital finance is a process that encompasses many new financial digital products, financial services, finance-related software products, innovative financial service providers and new forms of communication and customer interaction offered by FinTech companies.

Digital financial services are more convenient and cheaper than traditional banking services, enabling poor people living in developing countries to save money in the financial system, get loans, and easily use and consume financial services. In addition, digital financial services have several advantages and have the potential to provide low-cost, convenient and secure banking services to consumers in developing countries.

According to the results of the analysis, the following problems are identified in the development of the market of digital financial services in our country:

- The fundamental level of ICT of our country, including the poor and expensive communication infrastructure;
- Low level of knowledge and skills of the population living in the regions to use digital technologies;
- The low level of connection of the population of our country to mobile communication services, the lack of development of cloud services in our country, as well as the low volume of spending on information technologies, the low share of foreign direct investments in digital technologies;
- Low level of venture investment, difficulty of granting patents and low level of implementation of new innovative ideas;
- Low share of government spending on research and development, underdevelopment of integration between production, business and private sector, underdevelopment of intellectual property laws and slow compliance;
- The fact that our country lags behind world countries in terms of the level of use of modern technologies and information and communication tools in the financial system and is in a low place in prestigious ratings;
- In the market of digital financial services, the number of highly qualified financier-programmers with the potential to develop and freely use modern financial technologies is low, etc.

We believe that in order to eliminate the above problems and develop the market of digital financial services, it is necessary to activate reforms in the following directions:

- Training of qualified personnel with practical work skills using modern information and communication technologies in the field of development and use of digital technologies, raising the level of knowledge of the population, increasing expenses for scientific research and practical developments;
- To ensure the integration between universities and production, business and private sector in the field of introducing innovative ideas, technologies and developments for the development of the digital financial services market;

- Allocation of grants and credit lines to organize financing and support of initiatives in the field of digital financial services market development;
- Studying advanced international experience of digital banking and introducing new types of digital banking services and products;
- Step by step to ensure the complete coverage of the territory of the Republic of Uzbekistan with the possibilities of connecting to the global Internet network at the level of developed countries;
- To study the experience of developed countries in the development of the digital financial services market and to develop and improve institutional mechanisms for the introduction of digital financial services and products.

Today, a roadmap for the digital transformation of the banking system has been developed in Uzbekistan. According to the Presidential Decree on the new development strategy of Uzbekistan for 2022-2026, turning the digital economy into the main "driver" sector, increasing its volume by at least 2.5 times, production in the real sector of the economy and in the financial and banking sectors and approval of the targeted program for automating operational processes, measures to carry out activities aimed at increasing the level of digitization of activities in the real sector of the economy, finance and banking to 30 percent by implementing the projects defined within the framework of the approved targeted program, including:

- Automation systems of production and management processes in order to increase the efficiency of financial and economic activities, to optimize corporate management;
- Customer relationship management (CRM) systems to increase sales and improve customer service;
- Systems for automation of production and dispatch management processes in industrial enterprises;
- Taking into account the introduction of scoring systems for the expansion of online types of banking services and automatic analysis of credit allocation;
- Complete the transformation of the banking system, increase the share of private banks to 60% of total bank assets in 2025;

Offering financial services, operations, developing non-cash payments, making non-cash payments cheaper than cash payments, making payments for public services in non-cash form, actively using modern financial technologies. to create an opportunity to increase, to improve the current legislation based on advanced foreign experience, to consider increasing their popularity through digitalization of financial services, to ensure cyber security in the provision of financial services, to create a convenient infrastructure for making cashless payments by individuals.

Strategies for the development of financial technologies are currently being actively implemented by the largest banks in our republic, they are actively digitally adapting functional capabilities to user needs in the online environment, transferring all products to digital channels, and striving to participate in fierce competition in the digital sphere as much as possible.

Thus, we can conclude that the main factor stimulating the development of the financial technology market is the development of the Internet and digitization. If in the early stages of development, the financial technology market was limited to payments and accepting

electronic money, now a number of other services are becoming widespread. The prospects for digitalization of the financial sector are very high. It cannot be denied that in the near future there will be new products and tools aimed at simplifying financial relationships as much as possible. And it should not be forgotten that an important condition for the development of digital technologies is to ensure security in the digital environment, to form and develop a legal framework that ensures the protection of the rights of participants, as well as to introduce mechanisms to combat crime in this area.

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