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Current Issues of Remote Banking Services in Uzbekistan

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Abstract: The scientific article examines the current issues of the introduction and development of remote banking services in Uzbekistan based on the study of the best practices of developed countries, and explores the scientific and theoretical views of foreign economists on banking innovations. Consequently, scientific conclusions, suggestions and recommendations were formed on the introduction and development of remote banking services in Uzbekistan.

Key words: commercial banks, innovations, financial technologies, mobile applications, remote banking services, digital technologies.

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INTRODUCTION

A modern commercial bank performs various operations to serve legal entities and individuals. On the one hand, they act as specific institutions that attract temporarily available funds from business entities and individuals, and on the other hand, they use these funds to meet the diverse needs of both individuals and legal entities.

It is undeniable that the use of remote banking services changes the configuration of banks' risks. This leads to the emergence of unique and non-standard risks associated with the provision of services using information and communication technologies. However, not all banks have developed a comprehensive risk management framework, which can result in financial losses for both the bank and its customers.

The Strategy for Reforming the Banking System of the Republic of Uzbekistan specifically states that improving the efficiency of the banking system by creating equal competitive conditions in the financial market, providing loans exclusively on a market-based basis, reducing the dependence of banks on government resources, ensuring the financial stability of the banking system by improving the quality of the loan portfolio and risk management, maintaining a moderate growth in lending volumes, and increasing the availability and quality of financial services by concentrating government presence and taking targeted measures in under-served and vulnerable segments are the priority areas for reforming the country's banking system [1]. This, in turn, necessitates the study of current issues related to ensuring the stability of the country's banking system.

The relevance of this research is due to the fact that remote banking is actively developing and being implemented in the activities of Russian banks in the modern world, but it also has a number of problems. The current presence of remote banking in countries with a transitional economy is due to relatively poor financial and security support. Fraud protection is a fundamental social value of electronic banking services. Its absence or deficiency cannot be compensated by any other values or benefits. If protection is not provided, it may result in the withdrawal of funds from customer accounts.

The purpose of the study. The development of identifying current problems related to the introduction and development of remote banking services, ensuring the stability of the banking system in Uzbekistan, and developing scientific proposals aimed at solving these problems.

Research tasks:

- to study the scientific and theoretical views of foreign economists on banking innovations;
- to analyze the current practice of introducing and developing banking innovations in foreign countries and formulate scientific conclusions and recommendations;
- to identify the shortcomings and problems in the introduction and development of remote banking services in Uzbekistan;
- to substantiate the economic efficiency of the proposed proposals and recommendations for the implementation and development of remote banking services in Uzbekistan;
- will develop scientific conclusions, proposals and recommendations for the implementation and development of remote banking services in Uzbekistan.

The object of the study is the commercial banks of Uzbekistan, and the subject of the study is the financial relations that arise in the process of ensuring the stability of the banking system.

The subject of this research is the methods and methodology of implementing and developing remote banking services in commercial banks of Uzbekistan.

The research methodology is based on general scientific methods and the expert assessment method. The research was based on official statistical data from the Central Bank of the Republic of Uzbekistan.

Research methods. The following methods were used in the research process:

- analytical method - to study the current state of commercial banks' activities on the implementation and development of remote banking services by commercial banks;
- comparative analysis - to compare traditional and process-based methods of calculating costs for the implementation and development of remote banking services;
- monographic method - to provide a theoretical basis for the application of a process-based approach in commercial banks.
- analytical method - for the analysis of the current financial state of the activities of commercial banks;
- comparative analysis - to assess the differences between the methods of remote banking services for customers in commercial banks;
- system approach - when developing recommendations for the implementation and development of innovations in remote banking services.

A review of the literature on the topic.

Theoretical, methodological and practical issues of improving remote banking services have been studied in the scientific works of foreign economists such as E.Gill, T.Koch, E. Reed, H.Gruning, E.Dollan, L.Roger, A.Simanovsky, O.Lavrushin, V.Usoskin, G.Panova, J.Sinki, R.Cotter, U.Soto[2] Moiseev, E. Zhukova, G. Beloglazova, N. Valentseva, A. Gavrilenko, V. Kolesnikov, G. Korobova, L. Batrakova, A. Litvinova, O. Ovchinnikova, G. Panova, V. Rodionova, I. Rykova, G. Tosunyan, and others.

Scientific approaches to the development of remote banking services have been put into practice in the works of local economists and specialists such as Sh.Abdullaeva, T.Bobakulov, B.Berdiyarov, T.Karaliyev, F.Mullazhanov, A.Omonov, N.Kholmurodov, R.Tadzhiev, R.Shomurodov, N.Karimov, I.Taimukhamedov, M.Nurmuratov, Z.Kholmakhmadov, and many others.

According to F. Mishkin, the financial stability of a commercial bank is the balance of financial flows and the availability of own funds that allow the organization to function for a certain period of time. The financial independence of a bank largely depends on its financial stability [2].

For example, the textbook "Banking" published in 2009 under the editorship of the well-known foreign economist O.I. Lavrushin defines the asset structure as follows: "…the ratio of different quality items in the bank's balance sheet to the total balance sheet" [3], but there is no definition of the liability structure.

The approach of the well-known foreign economist P. S. Rose is the most constructive and is based on the assumption that the essence of asset and liability management in banks is to form a strategy and implement measures that bring the bank's balance sheet structure in line with its strategic programs. In his opinion, "…the main goal of asset and liability management is to maximize or at least stabilize the bank's margin (the difference between interest income and interest expenses) while maintaining an acceptable level of risk" [4].

According to A. Belyaev and E. Korotkov, the stability of the banking system is the ability of the system to transition from initial unstable states to a stationary state [5].

N. Orazalin argues that in the event of unforeseen circumstances, systemically important institutions may receive support from central banks or the government, as these financial institutions are associated with significant systemic risks in the event of a bank failure [6].

According to D. Mertens, systemically important banks bear the main burden of the financial and credit system and the country's banking sector, and are also the most significant in ensuring stable access to financial resources [7].

Analysis and results

Today, the population widely uses commercial banks' mobile applications to carry out real-time card-to-card transfers (P2P), make budget and utility payments, receive and repay microloans, make online deposits, open remote deposit and loan accounts, make payments from an international bank card account, and perform online currency conversion operations and other services.

In turn, it has created opportunities for businesses and organizations to manage their bank accounts in real time and make payments, submit electronic requests for the purchase (conversion) of foreign currency funds to their bank, provide electronic payrolls for the transfer of monthly salaries and related payments, and use other services.

Remote banking services are a set of services that allow you to perform various banking operations remotely. All you need is a computer or mobile phone, and you can do it without

visiting a bank. Remote technologies make it easier for customers to use banking services and minimize their time and financial costs.

The main principle of remote banking is the remote exchange of various information between the client and the bank. In this case, the bank ensures the security of this operation.

The introduction of foreign experience in financial innovations in the banking system is directly dependent on the development of new banking products and services. Banking innovations are a powerful tool for the country's socio-economic development. The evolution of banking products and services is influenced by various economic, political, and social factors worldwide.

Therefore, in recent years, all countries of the world have begun to study the experience of developed countries and implement digital financial technologies. The further development of financial technologies in the economy and, in particular, in the banking system is due to global progress in the fields of microelectronics, information technology, and telecommunications.

By Decree of the President of the Republic of Uzbekistan dated May 12, 2020, No. DP-5992 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025" [8], the roadmap for reforming the banking system of the Republic of Uzbekistan and the targets for implementing the strategy were approved. This strategy was developed by the Central Bank and the Ministry of Finance in cooperation with the World Bank, taking into account the main findings and recommendations of the study on the current state of the country's banking system, as well as the experience of foreign countries in transforming the financial sector and international organizations.

The global development of market relations in the modern economy requires commercial banks to develop and improve methods of strengthening financial stability based on market principles and economic rationality. In particular, the 2022-2026 Development Strategy for the New Uzbekistan emphasizes the need to bring road infrastructure in line with international standards, fully digitalize the traffic management system, create proper conditions for safe road traffic for all participants, ensure broad public participation in this area, and effectively use funds allocated through the Open Budget information portal [9].

The further development of digital technologies in the economy and, in particular, in the banking system, is driven by global progress in the fields of information technology and telecommunications.

At the current stage of its development, the global economy is characterized by an increasingly deepening and expanding process of globalization, which encompasses all countries without exception. Capital is being consolidated both at the national and international levels. Historically, many of the largest financial and credit institutions have emerged as a result of capital consolidation processes.

In addition, there is a trend towards the universalization of banking activities in the global financial system: traditional banks are already providing services similar to those offered by securities companies, transforming into large financial conglomerates. Meanwhile, non-bank financial institutions are actively competing with banks in terms of both liabilities and assets. At the same time, non-financial corporations (Volvo, Renault, Ford, and so on) are increasingly beginning to provide financial services, particularly lending. Thus, this universalization contributes to increasing competition in the global financial system.

Innovation, information technology, and the digital economy have become one of the main factors for the accelerated development of many countries' economies. In developed countries, innovation is also widely used in the banking system. Today, the leaders of the digital economy are Germany, Japan, the United States, South Korea, and the United Kingdom. The downside of this process is the increase in online fraud, which is one of the main modern banking risks [10].

The further development of digital technologies in the economy and, in particular, in the banking system, is driven by global progress in the fields of microelectronics, information technology, and telecommunications. Currently, leading global banks are striving to continuously improve the quality of their banking services while reducing their costs.

Currently, the Central Bank of Uzbekistan and commercial banks are expanding their innovative technology systems and introducing new banking services and products. These measures provide convenience for all bank customers, making internet banking, mobile banking, SMS banking, and other new banking technologies more accessible.

Well-known biometric authentication methods include fingerprints, voice recognition, iris scanning, palm scanning, or hand geometry, as well as dynamic signature. Currently, fingerprints are the most popular biometric technology. New studies conducted on 184 banks from 35 countries have yielded similar results. Biometrics in banking are most popular in developing countries in Asia, such as India and Indonesia. This continent accounts for 52% of banking transactions using biometric data. America takes second place with 32%, followed by Europe (9%), Africa (6%) and Australia (1%). In Japan, a network of more than 80 thousand biometric ATMs is maintained, which are used by more than 15 million customers [11].

Electronic services are becoming increasingly popular among users of banking services, so it is an important task for banks to improve the quality of electronic banking and the availability of services. As a result, it is the convenience and availability that determine where a bank will rank and whether it will be a leader. Therefore, it is important for banks to research the use of methods and tools in the electronic banking market as a way to improve their competitive position.

In this regard, it becomes relevant to study the use of methods and tools by banks in the electronic banking market as a way to enhance their competitive position.

An effective and flexible system of banking services and operations with a wide range of clients can and should contribute to the mobilization of domestic savings. In this regard, flexible banking services that can respond to the evolving needs of a changing economy are particularly important. Competition in the banking services market also affects the quantity and quality of banking services.

In addition, the use of documentary letters of credit, which are the main form of non-cash payments in international banking practice and allow commercial banks to generate high levels of revenue, remains low. The main reason for this is that the country's banking practice primarily uses secured letters of credit, meaning that our banks use account number 22602 "Customer Deposits for Letters of Credit" when making payments using letters of credit.

Maintaining the stability of the banking sector is important for the economic security of the national economy, and in turn, through feedback loops, it supports commercial banks as an integral part of the complex mechanism. Therefore, banks should pay increasing attention to the analysis and management of the liquidity of their active operations.

Table 1. Dynamics of the banking sector's liquidity in Uzbekistan. [1]

Indicators	01.03.2023	01.03.2024	01.03.2025
Highly liquid assets (billion sum)	**94 426**	**93 556**	**138 967**
Ratio of highly liquid assets to total assets,%	16,8%	14,4%	17,8%
Liquidity coverage ratio (min. value 100%)	191,6%	154,6%	194,7%
Net stable financing ratio (min. value 100%)	113,9%	111,3%	115,9%
Instant liquidity ratio (min. value 25%)	107,4%	96,5%	124,4%

[1] The table was calculated and compiled by the author based on the website data https://cbu.uz/ru/statistics/

The analysis of Table 1 shows that the highly liquid assets of the country's commercial banks increased significantly by 47.1% or 44.5 billion soums as of March 1, 2025, compared to March 1, 2023. In addition, the liquidity coverage ratio, stable funding ratio, and immediate liquidity ratio also increased during the same period.

In the banking sector, the highest income is generated by credit operations that carry the highest risk of loss, so "credit portfolio management is about finding the best balance between risk and profit for the entire bank's credit portfolio", which helps to strengthen the bank's financial stability in terms of its financial balance.

Of course, it is difficult to overestimate one of the most important conditions for a bank's stable operation - the amount of its own capital, which is formed by the contributions of its founders, profits, and funds derived from them. The increased competition in the banking sector and the active position of foreign subsidiaries are forcing commercial banks in the CIS countries to seek new, more promising, and cost-effective ways to increase the density and nature of their cooperation with clients.

Modern working conditions require not only the active use of traditional banking solutions, but also the introduction of the latest scientific and technological achievements, which are implemented in various methods of remote banking, such as Internet banking.

Table 2. Information on bank plastic cards, terminals, ATMs, and information kiosks in circulation as of March 1, 2025, as well as payments made through payment terminals during January-February 2025[2]

№	Commercial banks	Number of bank cards in circulation	Number of installed payment terminals	Number of installed ATMs and information kiosks	Payments through payment terminals in January-February 2025 *(in million soums)*
1	National Bank	4 000 425	39 123	875	3 781 379
2	Uzpromstroybank	2 768 701	31 424	680	2 286 806
3	Agrobank	5 504 211	38 779	2 166	2 714 404
4	Halkbank	10 639 555	46 378	3 064	1 931 764
5	Hamkorbank	3 128 105	37 920	677	2 640 873
6	Asaka Bank	1 568 344	14 604	259	2 139 204
7	Ipak Yuli Bank	3 162 169	22 185	959	2 061 528
8	Aloka Bank	1 988 545	13 980	244	7 654 053
9	Ipoteka Bank	4 816 727	34 492	785	4 306 017
10	Octobank	4 617 509	860	54	3 747 130
11	TBS Bank	5 886 006	27	0	4 404 925
12	Anor Bank	2 845 793	1 386	0	374 497
	Total	**62 033 647**	**427 104**	**32 265**	**62 885 593**

[2] https://cbu.uz/ru/statistics/paysistem/2241846/

As shown in the table above, Halk Bank leads in terms of the number of issued plastic cards and installed payment terminals. As of March 1, 2025, there are 36 banks operating in Uzbekistan. As a result, 12 commercial banks account for more than 81.2% of the issued plastic cards, more than 65.8% of the installed payment terminals, more than 30.3% of the installed ATMs and information kiosks, and more than 60.5% of the revenue generated through these payment terminals.

In our opinion, the creation of a new banking product is always innovative, and innovation is the most important factor in ensuring the liquidity and competitiveness of banks.

Conclusions and suggestions

Based on an analysis of trends in banking technology and innovation, the following conclusions can be drawn:

1. Innovation is no longer just one of the phenomena that determine economic growth, development, and structural shifts. Innovation has become a defining feature and essence of modern development in all sectors of the economy, including banking.
2. Developed countries have accumulated vast practical experience in forecasting, modeling, managing, and reducing various economic, financial, banking, and political risks. Studying and applying foreign experience in managing credit risk contributes to strengthening banking activities in the country.
3. In the context of globalization, it is crucial for commercial banks to find ways to retain existing customers and attract new ones. Therefore, in a highly competitive environment, the process of innovation plays a crucial role in improving banking services. The range of banking and financial services is expanding every year, with new products and services constantly emerging on the market. This factor has led to increased competition among banks for each customer.
4. The transition to digital technologies is rapidly developing, not only for transactional operations, but also for the implementation of banking products and their further support. In a highly competitive environment, this is even more challenging. In all these areas, the process of introducing innovations in the activities of commercial banks is becoming increasingly important.

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