



TOPICAL ISSUES OF FINANCIAL SYSTEM DIGITIZATION IN UZBEKISTAN

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Abstract

The current article is devoted to the substantiation of the necessity, urgency and importance of expanding the objectives of the financial system in the process of combating the consequences of coronavirus infection and accelerating the introduction of digital technologies in the system in order to implement them at the required level. In addition, this article provides recommendations of the basic areas of the introducing digital technologies in the financial system.

Keywords: Digital technologies, digital economy, financial system, digitization, major trends, cryptocurrencies, bitcoin

INTRODUCTION

In the process of combating coronavirus infection in the Republic of Uzbekistan, as throughout the whole world, compulsory restriction of human movement and temporary cessation of production and services make a significant negative impact on the society. Under these conditions production and consumption are declining, international economic relations are shrinking, commodity prices are falling, and the situation is deteriorating.

Within the current situation, the government of the Republic of Uzbekistan prioritizes the issues of public health protection. Specialized hospitals for thousands of beds and quarantine centres have been built in Tashkent and all regions. In addition, the government has taken full



responsibility for the treatment of coronavirus-infected patients and examination and provision of food to quarantined people and for this purpose the state is currently spending a lot of money.

Herewith, our government is implementing significant measures to maintain macroeconomic stability and support the activities of production and service companies aimed at preventing a decline in living standards. The Decree № PD 5969 of Sh. Mirziyoyev, the President of the Republic of Uzbekistan “On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy” adopted on March 19, 2020 has determined a number of the measures scheduled to mitigate negative consequences of the coronavirus pandemic [1]. In particular, an Anti-Crisis Fund for the amount of 10 trillion UZS has been established under the Ministry of Finance. The main objective of the fund are to combat the spread of coronavirus infection, support entrepreneurship and employment, expand social support, and ensure sustainable operation of various sectors of the economy.

On April 3, 2020 Shavkat Mirziyoyev, the President of the Republic of Uzbekistan signed the “On additional measures to support the population, sectors of the economy and businesses during the coronavirus pandemic” [2]. This Decree has set out a number of measures to strengthen social protection of the population within the framework of the coronavirus spread, to ensure sustainability of production and services, including support of some businesses.

In addition, a number of other resolutions of the President and the Cabinet of Ministers have been adopted to combat the negative effects of the coronavirus [3], [4]. A major part of the tasks set out in these documents are assigned to the financial system in terms of functions (in this case, the financial system includes the Ministry of Finance, agencies, departments, financial divisions of economic and business entities). In this regard, significant and responsible tasks assigned to the financial system, and there is the right question of whether employees of this sector are ready to execute these tasks.

As a financier, I can say that the management and human resources of the financial system are characterized as a relatively conservative and closed “society”. Let our Uzbek colleagues not be upset by this “label”, because this description applies not only to them, but to financiers around the globe. This description derives from the nature of the work they do. This case has provoked me to write this article as there is the naturally arisen question – if the financial system can function in the traditional ways that have been formulated over a long period and perform the additional tasks imposed on “their shoulders” in current extremely complicated coronavirus attack. I think, herewith there is a single answer - financial system employees cannot perform these tasks without changing their old ways of working.

Within these conditions, introduction of modern working technique, new sophisticated technologies in the process of organization and management of finance will render a great assistance to the financial system in performing its additional tasks required by the traditional and coronavirus at the required level. Currently, no matter how complicated it is, despite the difficult conditions caused by the negative impact of the coronavirus pandemic, it is required to accelerate introduction of digital technologies in the financial system of the Republic of Uzbekistan. In my opinion, the following are the areas where digital technologies can be introduced very quickly in the financial system of our country:

1. Right now it is recommended to immediately digitize all operations related to the distribution of funds of the Anti-Crisis Fund to its beneficiaries, as well as their spending, monitoring and reporting. Otherwise, financial system managers and specialists may spend a great deal of the working time on these business-related operations.
2. It is necessary to accelerate the transition to digital technology operations related to the formation, implementation, monitoring, analysis of the execution of the state budget and local budgets. It is advisable to implement this process in 2 stages. At the initial stage, it is possible to transfer the allocation of state budget and local budgets in 2020 and their reporting to digital technology as an experiment. The second stage will start in 2021. i.e. the process may be fully digitized. These are a very comprehensive and complex set of operations, and ensuring the fact that they are implemented using digital technologies, provides enormous economic benefits. Moreover, this change will simplify the process of managing the budget system, drastically reducing both labor costs and material costs. In this regard, there is enough practical experience in developed countries and even in some CIS countries.
3. The use of the blockchain system is a technology that enables employees of the financial system to securely exchange and store financial information with each other. For example, in a blockchain system it is possible to record entries of money transfers and store them securely. In the blockchain, there will be no possibility of outside interference in the operation, forgery and falsification of documents. In general, users will be provided with an opportunity to record and keep all financial transactions currently stored on paper in a blockchain. Imagine how cost effective a blockchain technology can be. Furthermore, a blockchain is an important tool to prevent corruption due to its complete lack of transparency and ability to interfere. It will help liberalize the ultra-conservative financial system as well.
4. Manual labor, excessive paperwork, red tape, bureaucratic restrictions and barriers still predominate in the submission of financial statements in the system of the Ministry of Finance. The use of digital technologies simplifies the reporting system, rendering assistance in overcoming these drawbacks.

5. Furthermore, digital technologies will help in the introduction of modern forms of attracting foreign funding. For example, developed countries apply the ways to co-finance various projects called “crowdfunding” and “crowdfunding”. “Crowdfunding” in Uzbek means “public funding”. Herewith it is possible to support startup companies, small businesses and victims of natural disasters, such as current coronavirus disasters, through the Internet, to make mutually beneficial investments. “Crowdfunding” is a type of crowdfunding that is also a way for startups and small businesses to invest in global financial markets. The difference between crowdfunding is that crowdfunding does not allocate funds for charitable purposes, but invests only for profit.

6. In addition, there are a number of other digital technologies that have been introduced in our country in recent years and to some extent affect the financial system. For example, these are money transfers and financial transactions made through Click, Payme, Humo and other applications installed on mobile phones. With the aim of further expanding the scope of their use, it is required to develop an incentive system and put it into practice.

7. Digital technologies are also rapidly entering the field of money circulation. For example, during the global economic crisis of 2008-2009, there was a great change in the world monetary system, that is, the emergence of electronic money. They were called “cryptocurrency” which in Uzbek means “cryptographic currency”. Cryptocurrency appears only in virtual form on the Internet, it serves as both a means of payment and money.

In short, such digital money also has its own advantages and disadvantages. Digital money is easier to use than ordinary money, it cannot be counterfeited, it is not subject to inflation, the speed of flow is very high, and there are no costs associated with the production, storage, transportation and circulation of money in the forms of banknotes or coins, i.e. digital money is very cheap. Bitcoin circulates outside the bank, no one controls it, its owner can deliver the money to any point of the globe in seconds at any time.

Over 4 500 types of cryptocurrencies have emerged by 2020. The most popular are the e-money such as Bitcoin (Bitcoin, BTC), Efirium (Ethereum, ETH), Dosh (DarkCoin, Dash), ZKesh (ZCash, ZEC), Rippl (Ripple, XRP).

In 2018, some countries such as Japan and Germany admitted bitcoin as a means of payment, in 2019 a number of countries allowed the payment of salary in bitcoin, in 2020 South Korea legalized all transactions with cryptocurrencies. It is already known that the areas and amounts of use of cryptocurrencies will increase due to coronavirus.

Bitcoin, the most popular of the cryptocurrencies, is operating within our country as well, even without any permits or official documents. Therefore, with the aim of not lagging behind the global advanced technologies it has been decided to open a cryptocurrency exchange in our

country. It will be the first state cryptocurrency exchange in the world. It is planned to establish a cryptocurrency exchange in cooperation with the South Korean Blockchain Business Association (KOBEB).

Meanwhile there are attempts to introduce our own cryptocurrency in our country. For example, the company Aklegalari launched the first Uzbek cryptocurrency “Mangu”, in 2019 it sold a cryptocurrency worth 4 billion UZS [5].

CONCLUSION

As a general conclusion on digital technologies, it can be said that they definitely have obvious benefits. They will radically change the life of society, including financial system, bringing its development to a new level. Due to the coronavirus pandemic, the need for the use of digital technologies in our society will increase. The fact that this scientific-practical conference is being held using digital technology is a clear proof of this. However, there are negative consequences of this process as well. In this regard, the need for most traditional job positions in the financial system will also decrease. That’s why financial professionals need to study digital technologies carefully and try not to lag behind the times. In general, it makes sense for financial system professionals to be well-prepared for the transition to the digital era and to work hard to occupy their worthy position on the global digital finance arena.

One of the key trends taking place in the global global economy over the past decades is its rapid digitalization. Digital transformations are changing the face and structure of the economy, breaking the usual business models, leading to the expansion of markets and opportunities, and becoming the most important engine of global economic growth. The results of the analysis allow us to believe that, with a high degree of probability, in the near future, the level of digitalization will determine the competitiveness of not only business, but also entire countries. At the same time, only those countries and companies that will be able to adapt most quickly and maximize the benefits of the ongoing changes will achieve a sustainable competitive advantage. To successfully adapt to transformations and close the technological gap with the leading players, Uzbekistan needs to develop effective responses to the challenges of the digital age. In particular, the development of long-term scientifically based digitalization strategies is required, taking into account the need to ensure the advanced rates of development in this direction both at the state level and in the context of industries and enterprises of the republic.

In this context, the outstripping pace of development should in no way imply a gradual “catch-up” introduction of technologies of the previous generation. This approach will not only place the country and business in the position of perpetually lagging behind, but also lead to significant risks, since players with fundamentally new business models may enter the market.

For advanced development, it is important to identify trends in digital technologies that most affect the appearance and structure of the economy as a whole and on individual industries in particular, as well as determine which of them will benefit the most in the next 5-10 years. The pace at which digital infrastructure is built is critical. In the world of the Internet of Things, everything must connect to each other quickly, reliably and securely. In this regard, it is important to continue to implement measures to expand the coverage of the population with advanced technologies and their rapid deployment throughout the country. This will lead to an increase in Internet accessibility, as well as an impetus for the development of entrepreneurship on the digital periphery.

Training and retraining of personnel should become one of the key elements of state policy. In this context, it will be necessary to adapt the educational system and infrastructure to the new requirements of the digital age. In particular, first of all, it is necessary to introduce fundamentally new approaches to training and ensure a high level of basic digital literacy of the population. Thus, the digital economy is a powerful catalyst for innovation, growth and social well-being, and its development in Uzbekistan is a requirement of the modern era. Deepening and expanding digitalization will increase the competitiveness of the domestic economy in the world arena, provide conditions for a gradual transition to the level of an innovative economy and a knowledge economy, as well as improve the quality and standard of living of the population.

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