



BANKING INNOVATIONS AND DIRECTIONS OF USING THEM IN BANKING OPERATIONS

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Abstract

Today, in the context of digitalization of commercial banks, one of the important tasks is to organize banking innovations and improve those using existing opportunities. The article describes ways to develop, implement and improve banking services, which is a key element of the development of banks today in the context of digitalization of the economy. As a result of the study, the problems of using digital technologies in banks were studied, and promising areas for their solution were identified. The views of leading scientists on improving banking innovation were analyzed. Also, proposals and recommendations for improving banking innovation in the context of digitalization of the banking system were formed.

Keywords: banking, innovation, digitization, transformation, FinTech, banks, banking risks

INTRODUCTION

Today, modern economic development requires more attention to be paid to this area from the point of view of innovation. Therefore, the specificity of certain innovative operations has a positive effect on increasing the level of the economy and the stable operation of all its segments [1]. It is known that innovations have a strong influence on the segment of the financial market, and the minimal and short dynamics of certain processes that occur in this area lead to the stimulation of important economic changes not only at the level of interstate regulation, but also within the framework of the entire international financial system. comes [2]. These or other changes can serve as an impetus for the rapid development of the economy or, on the contrary, lead to a long-term financial deficit. Nevertheless, the realities of the present



time show that innovations gain great importance in terms of their impact on the negative dynamic processes occurring in all aspects of society's life.

Therefore, we can conclude that innovation stimulates the level and quality of technology development. It should be noted that there are several reasons for stimulating the innovative process within the developing financial market [3]. First of all, it is necessary to recognize the importance of reducing costs, hedging operations and obtaining high profits. In general, all of the above will help create promising projects. Therefore, we should not forget about the external impact on the economy, because this also allows the creation of new financial products and services.

To date, digital transformation is taking place on a global scale, in the economy, and at the level of individual enterprises. The study of this process is considered one of the urgent issues of today, because companies use innovative technologies in their internal technological processes and carry out digital transformation of their business models, optimizing the management structure to increase competitiveness and maintain market leadership.

The Central Bank can positively influence these processes by continuing to create an environment conducive to innovation for commercial banks and by actively supporting financial infrastructure, including non-traditional institutions for the banking sector, such as accelerators and business incubators.

LITERATURE REVIEW

Foreign scientists T. Ablyazov and V. Asaul emphasize the need to widely introduce digital technologies to ensure the efficiency of the banking system [4]. In the innovative economy, the first task is to constantly improve innovative technologies and thereby transform the entire economy into digitalization.

Today, the development of information technologies makes a great contribution to ensuring the stability of commercial banks in the era of global competition [5].

According to researcher N. Sharipova, the process of digital transformation should be carried out on the basis of a digital strategy developed taking into account the characteristics and requirements of a particular bank [6]. The implementation of such a strategy leads to an increase in the efficiency of the individual bank and, as a result, the entire banking system.

Also, M.Tangishov acknowledges that businessmen want fast, high-quality, cheap and safe payments made by commercial banks, based on an innovative approach to improving banking products and quality in the activities of commercial banks [7].

In order to develop the digital economy, today, commercial banks need to increase the demand for new products and new innovative services. Therefore, in the context of the digital

economy, it is emphasized that commercial banks focus on the development of banking products and services as the main direction of strategic development [8].

According to P. Garg, the importance of implementing digital technologies in the financial sector is so important that it not only increases the value of the company, but also improves the quality of customer service and helps to save time [9].

According to Sh.Abdullaeva, the development of telecommunication technologies, the expansion of the Internet, the introduction of digital banking with a convenient interface, the use of electronic banking services in the provision of electronic banking services are the basis for the formation of competition between banks in the field of attracting customers and providing electronic banking services to them [10].

A number of researchers recognize that the introduction of financial technologies in digital banking is useful in making effective decisions on investments and loans, organizing the formation and storage of large amounts of data, their analysis and implementation of results [11].

Researcher O. Melikov has recognized that the use of modern digital information technologies and their software in the banking sector not only gives a competitive advantage in the market of banking services, but also has positive effects such as reducing administrative costs, increasing labor productivity, and reducing excessive time consumption [12].

A.L. Gulyamova states that the current stage of increasing mutual integration of the banks of our republic with the global banking system is inextricably linked with the implementation of digital transformation of customer service processes of credit organizations, and shows that our banks should pay special attention to the implementation of the essence of the digital model [13].

In general, extensive work on the development of the banking system with the help of digital technologies has not been carried out. In the existing literature, the opinions regarding the digitization of the banking system and the introduction of banking innovations in them remain shallow.

The classical definition of innovation was given by P. Druker and B. Santolar. According to them, "innovation is an instrument or tool used by entrepreneurs to launch a new business or service" [14]. B.Santo recognizes that innovations bring the best of inventions through the practical use of ideas in social, technical, and economic processes, thereby increasing the chances of bringing profit in the market [15].

I. Balabanov stated that "Bank innovation has its own characteristics and is implemented in the form of a new banking product or operation" [16].

According to O. Lavrushin, "Bank innovation is a synthetic concept, and he emphasized that in the process of creating favorable conditions for the formation and placement of new bank products and services, resource potential, earning or helping partner customers to make a profit" [17].

ANALYSIS AND RESULTS

First, the introduction of digital technologies began in the banking sector, which drives the world economy and controls the flow of gold and currency. This makes it possible to find advanced solutions in the digitalization process of the financial sector, which is an important element of the economy, especially in financial technologies. Innovations in the field of finance are aimed at improving the financial situation of customers by providing individually tailored services at lower prices [18].

Analyses show that modernization of the banking system with the help of financial technologies opens up the following opportunities:

- use of remote control systems through an application on a smartphone or computer;
- capital storage in electronic wallets;
- use of cryptocurrency as a financial instrument;
- quick processing of information about the borrower, assessment of his solvency, etc.

Based on the above, we can recognize financial technology (fintech) as a technology that can change all the traditional methods used in the money and credit industry to modern methods.

As can be seen from the current stage of the development of the banking sector, it is the international financial crisis, the integration of world financial markets, as well as the competition between banking and non-banking sectors that require the development of innovative activities in banks. Such situations in the market of banking services determine the quality and number of its participants, which can lead to lack of control over the actions of consumers [19]. Therefore, the creation and implementation of certain innovations can be recognized as almost the only solution for banks to stimulate them by optimizing their services for their customers. Bank innovations determine the development direction of the banking sector in the short term.

According to the results of the analysis conducted by the European Financial Management Association (EFMA), in recent years, European banks in the world have been successfully engaged in innovative development [20]. First of all, this is related to the introduction of completely new services. But it should also be noted that many commercial

organizations with a developed economy in their country are in no hurry to use the new format of banking services and often hesitate.

At a time when the influence of the macro-regulator is increasing and IT systems are rapidly developing, we believe that the involvement of innovations in the process of commercial banks' activity should be carried out mainly in 3 directions. At the same time, in addition to cost reduction, it is necessary to pay attention to the active development of the retail network by analyzing the methods of customer satisfaction.

The main focus of the bank's activity is primarily on consumers, which in turn also applies to innovations. All innovative products and services are implemented in order to create more convenience for the customer, because the level of development of new services and their direct impact on their activity is determined by the customer.

In the current conditions, the world's major banks implement the following main types of innovation [21]:

- integration of the latest services to reduce all kinds of costs incurred in switching from one service to another;
- prospective combination of offline and online resources to preserve all the advantages of one or another type of services provided by banks;
- 24/7 service;
- using a payment instrument/payment method that shows the level of the bank's image in the market for providing innovative banking services (for example, a contactless bracelet or a biometric tracker);
- to focus the attention of commercial banks on small and medium-sized businesses, which, in turn, is the most profitable sector today.

Favorable conditions are being created for the digital transformation of the banking sector in Uzbekistan. As a result, the number of customers using remote service channels is increasing year by year. As of January 1, 2019, the number of users of mobile and internet banking services in our country was 7,959,1 thousand, and as of January 1, 2021, this figure has almost doubled to 14,571,1 thousand [22]. However, the level of coverage of remote banking services in our country still lags behind the level of coverage with the Internet. This means that there is still potential and opportunity to significantly increase the level of coverage of remote banking services. Many factors contribute to the acceleration of digitization processes of commercial banks in serving customers in Uzbekistan. Including increasing the level of internet coverage.

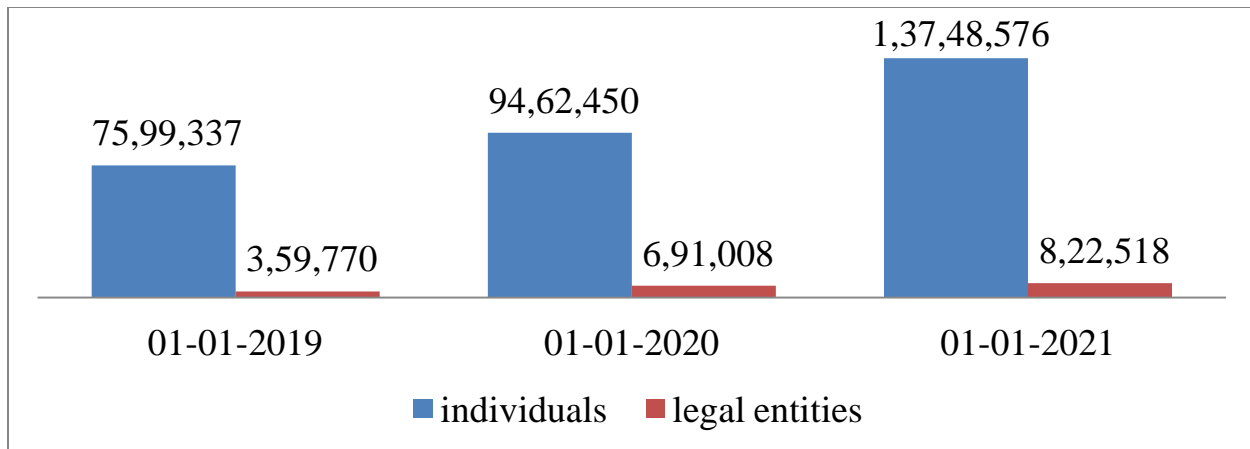


Figure 2. Number of users of remote banking services *

* Information of the Central Bank of the Republic of Uzbekistan

Today, modern, convenient mobile and online applications with wide functionality are widespread in our country. The provision of mobile applications by the banks of our republic to customers allows to carry out banking operations along with the banks of the developed countries of the world. Depending on the type of service, 50% of customers use remote banking services (including 15% internet banking, 10% mobile banking and 32% both platforms). Today, in the context of digitalization of the economy, the provision of banking services using new technologies is already the main demand of the time.

Service innovation in the banking sector is based on technological and digital trends such as big data analysis, advanced analytics, artificial intelligence, and blockchain, which enable transactions without the participation of intermediaries. With the help of new innovative technologies, services, opportunities and services with new commercial potential are being created. This makes it possible to use the necessary services through the online system, canceling the requirements for the participation of legal entities and individuals in the provision of traditional banking services.

The main goal of creating innovative services in banks is to attract new customers, satisfy their demands and needs, and at the same time retain existing customers. Nowadays, opening an account number in banks and issuing a bank plastic card does not require as much time as it used to, and these operations can be completed in one bank business day. Interbank transactions including money transfers are completed in minutes. The increase in the speed of execution of these operations has led to an increase in trust in the bank by creating convenience for customers.

Therefore, banks are trying to develop new modern innovative products to retain customers and attract new customers. In this regard, many banks are striving to increase the

number of applications that allow customers to submit online applications and remotely manage account balances, in order to significantly reduce their visits to the bank, in order to make it easier for customers. Banks have the ability to remotely identify customers based on their biometric data. As a result, when opening a new account in the bank, it provides an opportunity to conclude a contract between the client and the bank remotely.

In order for banks to increase the volume of innovative services, it is necessary to regularly use new ideas and new technologies. In order to offer new ideas and services with commercial potential, commercial banks should study and analyze decisive factors such as constantly monitoring trends, determining customer demand. In addition, the speed of bringing new products and services to the market is very important for the development of product and service innovation: the faster a bank brings new innovative products and services to the market, the more competitive advantages it will have. Banks can accelerate the process of bringing their products and services to market by partnering with IT companies.

The main resource aimed at providing financial investments for the development of Fintech projects around the world is venture capital, its share, according to various estimates, is about 70% of the total funding [23]. Data analysis shows that in 2019, a record 100 billion was allocated to the development of fintech startups by investors and sponsors. US dollars spent. For comparison, this value in 2017 was 29 billion within the framework of 1134 investment projects. amounted to US dollars (Figure 2). The global situation means that the United States and Great Britain are leading the fintech industry in the world.

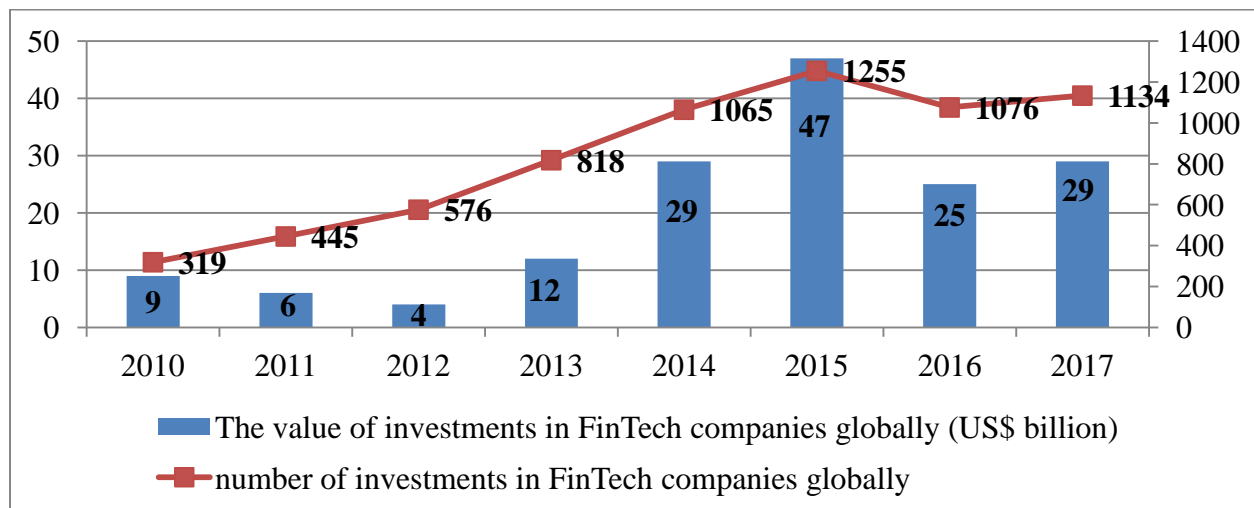


Figure 2. Global investments in Fintex companies in 2010-2017 *.

* It was prepared by the author based on information from the International Auditing Company (KPMG).

To date, financial companies have begun to actively invest in the development of modern technologies in order to catch up with innovative organizations according to this indicator, and today other sectors are also distinguished by the gradual penetration of financial technologies into them. As the main competitors, it is necessary to note various large corporations in the segment of Internet telecommunication technologies. The current situation in the financial market requires that due to the increased competition for fintech projects, banks are forced to reconsider their business models. It is known from practice that as a result of this, new risks appear, the risks of existing ones increase, besides, this process is very difficult and requires a lot of expenses.

Based on the above, and analyzing statistical data, we can mention the following stages that will be implemented in the process of digitalization of the banking sector.

First, the emergence of digital channels contributes to the construction of a new ecosystem, providing the user at the center of it with the opportunity to use the ATM network, mobile banking, and chat-bots. Such a system allows the bank and its client to communicate through any communication channel at any convenient time.

Second, the development of digital products and services: contactless payments, electronic payments, electronic wallets, Big Data. The availability of modern advanced technologies allows the creation of E2E products designed to meet the financial needs of consumers throughout the day.

The third stage is the introduction of the full cycle of information services. This step allows not only the modernization of traditional products, but also the emergence of a fundamentally new business model that allows the bank to integrate into the global Internet space.

The fourth stage is characterized by the creation of the "Digital Brain" (Digital Brain), that is, it is aimed at automating the study of data in all segments of the economy for the purpose of auditing, which allows the organization to have a better idea of its capabilities in a certain area.

The final fifth stage is the emergence of "Digital DNA". Such a system provides new vectors of development at any period of the bank's activity and, as a result, creates an opportunity to make new strategic decisions.

That being said, there are several positive aspects to the digitization of the banking sector. Firstly, the active implementation of information technologies helped to significantly increase the productivity of employees. Second, it reduced the dependence of economic and production processes on the human factor, which, in turn, led to a sharp reduction in the number of errors and defects. Third, it facilitated the system of taxation and financial control, and as a result, it became possible to monitor all transactions taking place in electronic commerce on the

Internet [24]. This has defined a certain development vector for the country trying to develop digital governance. At the same time, it helps to reduce the number of business entities in the "Secret Economy", prevent fraud schemes and ensure the "transparency" of economic processes of organizations.

CONCLUSION

Thus, below we present proposals that should be put into practice for the prospects of applying and introducing banking innovations:

1. Defining a clear strategy and result-oriented goal, the process of creating and developing new business models with ambitious goals, accurate calculation of the costs of program implementation, digitization measures and identifying the risks arising from digital transformation;
2. Creation and use of unique banking products and services within the framework of the development of modern information technologies;
3. In order to increase the demand of customers for banking innovations, to provide complete information about new products and services to the final consumer;
4. Use of virtual telecommunication financial technologies and increase the level of information transmission channels and their security;
5. Regularly increase the level of skills of bank employees in the field of introducing banking products and services using the Internet or a special social network and developing innovative activities
6. To cooperate with specific companies capable of applying new technologies and, if necessary, to provide banks with unique promising projects (start-ups).

In conclusion, it should be noted that such conditions for the development of banking innovations create the most optimal mechanism for the implementation of innovative processes, increase the quality of the used technologies, products and services, and most importantly, increase the competitive level of innovative services in banks and make the banking system of our country a world leader. It creates the basis for the transformation of the country's banking system into a level system.

In order to improve the banking system in the conditions of the digital economy, it is appropriate to implement the following measures:

1. It is necessary to make up for the backwardness of the development of the banking system through modern information technologies and to ensure that personnel can improve their skills in the banking system abroad.

2. It is necessary to create a banking system suitable for the information and communication infrastructure and business environment in Uzbekistan. In order to ensure the full functionality of blockchain technologies, they need to be fully used by other participants in the financial market. Also, it is necessary to make changes in the banking legislation regarding the circumstances leading to restrictions.

3. In terms of forming the activity of commercial banks, it is necessary to take measures to ensure capital adequacy and liquidity, increase the bank's asset operations, expand the client base, develop optimal tariffs for the client and the bank, improve the management system and improve other areas.

Nevertheless, it should be emphasized that digitalization has a direct and continuously increasing impact on economic growth, has a positive impact on the dynamics of the gross domestic product, as well as on the productivity and stability of entities in all sectors of the economy. At the moment, the degree of digitization of the economy determines the position of our country in the world. It is for this reason that the issue of improving the digitalization policy of Uzbekistan's economy is becoming more and more important if the country is to increase its competitiveness, labor efficiency and productivity.

Based on the above, it should be noted that the use of innovative technologies is important and relevant in ensuring the competitiveness of commercial banks. At the same time, more research and scientific research should be conducted in this field. In particular, it is necessary to study the foreign experience in improving banking innovations using information technologies, including the analysis of the work being carried out on the introduction of innovations in the banking sector of the developed countries of the world, the prospects of their introduction in Uzbekistan and the problems that may be an obstacle to this. In addition, it should be noted that the need to create a new set of banking tools, its development, study of new technologies of data processing, storage and transmission, determination of the balance between structural and non-structural information resources of new products are urgent problems for further scientific research.

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