

ANALYSIS OF THE PRACTICE OF REMOTE BANKING SERVICES IN THE BANKING SYSTEM

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Abstract

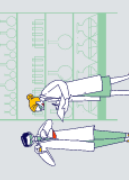
This scientific article comprehensively analyzes the introduction of remote banking services in the banking system, their practical application, economic efficiency and role in the transformation of banking activities. The author has extensively studied the theoretical foundations of remote banking services, their development trends in global and local financial markets, and the implementation of these services in the banking system of Uzbekistan. At the same time, he has deeply analyzed the advantages and disadvantages of services based on digital technologies - mobile banking, Internet banking, telegram bots and automated service channels.

The study identified the attitude of bank customers to remote services, the intensity of their use of services, and the problems arising in this process. As a result of practical analyses, the opportunities for increasing the speed and transparency of operations, reducing banking costs, expanding the customer base, and strengthening financial inclusion through the development of remote banking services were scientifically substantiated. The article, based on comparison with world experience, also pays special attention to the obstacles to the introduction of remote services in the banking system of Uzbekistan, in particular, problems in the provision of information technology infrastructure, cybersecurity, and the legal and regulatory environment.

Keywords: Remote banking services, Electronic banking services, Banking system, Mobile banking, Internet banking, Online payments, Economic efficiency.

Introduction

Based on the principles of international banking supervision, the Republic of Uzbekistan requires the improvement of the system of assessment of commercial banks by international rating agencies in accordance with market principles, bringing local commercial banks to the level of banks that can meet international requirements. In particular, one of the urgent issues today is the improvement of the banking system of Uzbekistan based on the requirements of Basel III and the implementation of remote banking services (without providing cash services) using innovative banking technologies, that is, the establishment of digital banking activities.



Currently, the use of remote banking services in the activities of commercial banks of the Republic of Uzbekistan is increasing year by year. In particular, Internet banking, "Bank-Client", mobile banking, SMS banking and external self-service devices, i.e. ATMs, infokiosks and terminals, are gaining importance in the provision of remote banking services by banks.

The "Bank-Client" software package was used in practice based on the Resolution of the Board of the Central Bank of the Republic of Uzbekistan No. 11/10 dated June 27, 1998 "On approval of the Regulation on the implementation of settlements through the "Bank-Client" software package" and the Resolution of the Board of the Central Bank of the Republic of Uzbekistan No. 12/4 dated April 24, 2007 "On amendments to the Regulation on the implementation of settlements through the "Bank-Client" software package", but with the adoption of the Regulation "On the procedure for working in remote banking account services systems", approved by the Resolution of the Board of the Central Bank of the Republic of Uzbekistan No. 34/8 dated October 23, 2010, the above two resolutions became invalid. In the banking system of Uzbekistan, Internet banking and the "Bank-Client" program are mainly for legal entities, but individuals can also use this service. Recently, bank customers have been preferring Internet banking to the "Bank-Client" program. This is because the "Bank-Client" program can only be run on the computer on which the program is installed, and the inability of users to use it anywhere creates a number of inconveniences. However, in many commercial banks, the "Bank-Client" program is considered the same type of service as Internet banking, and is also noted in the contract between the bank and the client as the "Bank-Client" ("Internet banking") software package.

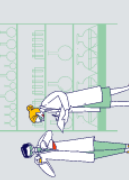
Material and Methods

Some aspects and solutions to existing problems in commercial banks regarding banking services, marketing in the banking services market, types of financial services, mobile communication services, Internet systems, information systems and technologies are reflected in the scientific works of Uzbek economists B.Yu. Khodiev, A.Sh. Bekmurodov, Sh.Z. Abdullaeva, D.A. Rakhmonov, I.R. Toymuhamedov, Z.A. Umarov, G. Khusainov, K.U. Rakhimova, O.A. Ortikov, O.F. Alikoriev, M.M. Abdurakhmonova, F.S. Agzamov, B.K. Mirzamaydinov, Z.Ya. Rakhmanov, G.A. Bekmurodova.

Analysis and results

The systematic implementation by all banks of the work carried out in the priority areas of further reforming the financial and banking system of the republic, increasing its stability and achieving high international rating indicators, as well as the widespread use of information and communication technologies for electronic payments and electronic commerce, will ensure the provision of quality services to bank clients, as well as have a positive impact on the inevitable improvement of the banking system of Uzbekistan. As a result, as the banking system in the republic develops, the quality of customer service provided by commercial banks is improving, and modern banking services are being offered to clients.

It should be noted that in Uzbekistan, the "Bank-Client" program and the Internet banking



service were created in order to implement the tasks set out in the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On measures to further improve payment transactions in the implementation of electronic commerce” dated June 12, 2007. Initially, the Internet banking service appeared in 2007 for corporate clients. The next stage of this development covered individuals. Since 2008, the “Bank-Client” program has also been used in the activities of commercial banks.

Internet banking in the banking system of Uzbekistan was one of the first to be implemented by the “Ipak Yoli” JSCB on March 1, 2007. That is, by logging into the “Ipak Yo‘li Online” system, clients were able to perform several types of banking operations on their deposit accounts. Initially, this service was used only by clients with the status of legal entities, but later these services were also introduced for individuals.

Secondly, as a bank that offered its clients Internet banking services, Invest Finance Bank JSCB began to show its activity in the financial market. This, of course, created a number of conveniences for the clients of this bank.

Thirdly, Trustbank JSC launched this type of service, which was the only bank in Uzbekistan to hold presentations to bank clients and launch an interactive service such as online answers to their questions in order to popularize the use of Internet banking services.

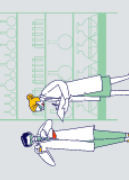
Then, KDB Bank Uzbekistan JSC offered its clients a new service and posted it on its website, and some time later, the People's Bank of the Republic of Uzbekistan JSC also offered its clients remote banking services. This indicated that at that time, customers' need for such services was growing.

Later, remote banking services developed rapidly in the banking system of Uzbekistan, one after another, CHEKI HAMKORBANK JSC, Mikrocreditbank JSC and other banks began to widely provide this type of service to their clients.

In the banking system of Uzbekistan, the former Samarkand JSC was the first to offer Internet banking services to individuals. In May 2009, the bank introduced a new type of online service called sam.online. Its clients could remotely make various payments and transfer funds, send financial documents to the bank, and receive information about the funds in their accounts. Bank clients were also able to remotely select bank deposits and place funds in them. In particular, the former Samarkand JSCB was one of the first to provide its clients with a mobile banking service. According to it, bank clients could pay for the services of mobile communications and Internet providers using their mobile phones.

The second to provide an Internet banking service for individuals was Aloqabank JSCB. Later, one by one, remote banking services for individuals (Internet banking, mobile banking, and SMS banking) began to be introduced and developed in other commercial banks of the Republic of Uzbekistan.

In particular, the Regulation “On the Procedure for Working in Remote Banking Systems”, approved by the Resolution of the Board of the Central Bank of the Republic of Uzbekistan No. 34/8 dated October 23, 2010, has played an important role in the exchange of information and the provision of banking services to customers through remote banking services in banks. As a result, it can be said that as of January 1, 2019, the number of users of remote banking



services in commercial banks reached 7,959,107 (see Table 2.2.1). Of these users, 7,599,337, or more than 95 percent, are individuals, and in the services market, bank customers are significantly choosing mobile banking and SMS banking services over Internet banking and "Bank-Client" services. In terms of banks, the number of users of JSC Xalq Bank, JSCB Agrobank and TIF National Bank is 5,474,994, which is more than 68% of the total number of users, which is also reflected in the large number of bank branches of these banks across the republic. JSCB Universal Bank, Cheque "Savdogar" The low number of users of remote banking services of JSCB, Hi-Tech Bank, ZIRAAT BANK, Turkistan, Ravnakbank, Madad Invest Bank, Uzagroexportbank, and Iranian Soderot banks can be explained by the small number of their branches and clients.

Table 1 The number of users of remote banking systems in Uzbekistan, as of January 1, 2024 (in units)

№	Name of the bank	Legal entities and SOEs	Individuals	Total
1.	AT Xalq banki	28 942	2 641 778	2 670 720
2.	«Agrobank» ATB	78 981	1 814 016	1 892 997
3.	TIF Milliy banki	19 565	891 712	911 277
4.	«Asaka» ATB	7 959	626 322	634 281
5.	ChEKI «Hamkorbank» ATB	56 115	289 755	345 870
6.	AT «Aloqabank»	5 882	251 017	256 899
7.	ATB «Qishloq qurilish banki»	3 600	194 784	198 384
8.	«Mikrokreditbank» ATB	10 847	182 085	192 932
9.	AT «Sanoat qurilish banki»	65 491	108 263	173 754
10.	«Ipak Yo'li» AITB	6 157	135 708	141 865
11.	«Ipoteka-bank» ATIB	28 786	110 985	139 771
12.	«Kapitalbank» ATB	6 957	106 849	113 806
13.	«Trastbank» XAB	5 197	92 981	98 178
14.	«Invest Finance Bank» ATB	5 939	40 379	46 318
15.	«Orient Finans» XATB	3 933	41 815	45 748
16.	«KDB Bank O'zbekiston» AJ	1 631	17 259	18 890
17.	«Asia Alliance Bank» ATB	4 108	12 542	16 650
18.	«Davir-Bank» XATB	5 452	9 116	14 568
19.	«Turon» ATB	6 242	6 884	13 126
20.	«Universal bank» ATB	2 407	6 897	9 304
21.	ChEKI «Savdogar» ATB	2 216	5 105	7 321
22.	«Hi-Tech Bank» XATB	529	5 632	6 161
23.	«ZIRAAT BANK» AJ	473	3 866	4 339
24.	«Turkiston» XATB	1 135	1 347	2 482
25.	«Ravnaqbank» XATB	931	651	1 582
26.	«Madad Invest Bank» ATB	179	805	984
27.	«O'zagroeksportbank» ATB	69	417	486
28.	Eron «Soderot» banki	47	367	414
Total		359 770	7 599 337	7 959 107

Among the commercial banks operating in the banking system of Uzbekistan, Invest Finance Bank JSCB is also one of the leaders in the banking system of Uzbekistan for individuals, having introduced the Internet banking service (InfinONLINE). This type of service can be used online from anywhere in the world via the Internet. Its distinctive feature is the ability to use it around the clock, without days off. Internet banking is also notable for the fact that it has the ability to manage a client's account using various computers (non-personal) connected to the Internet.

The development of the electronic payment system plays an important role in the development of the banking system of Uzbekistan. Today, commercial banks provide the population with such services as the Bank-Client program, mobile banking, Internet banking, SMS banking and self-service external devices, i.e. ATMs, infokiosks and terminals, which are remotely controlled. The number of users of these types of services is also increasing from year to year. Currently, in order to create convenience for the population and expand the range of modern services, commercial banks are organizing and commissioning self-service smart offices that provide 24/7 service, that is, day and night. The increase in these smart offices operating 24/7 has led to an increase in the number of ATMs and info kiosks.

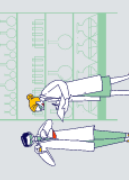
Citizens can cash out funds on their plastic cards at any time of the day through ATMs. Also, new ATMs of the NCR SelfServ 6632 type, which support the Uzcard cash-in functions installed by some commercial banks, have created the opportunity to independently replenish the Uzcard card with money. In addition to the "cash-in" and "cash-out" functions, these ATMs have the ability to directly convert foreign currency into local currency. The exchange rate is set by the bank servicing this ATM without commission payments.

As of January 1, 2022, the number of ATMs and infokiosks per 100,000 adults in Uzbekistan was 24, compared to 75 in neighboring Kazakhstan, 128 in Japan, 228 in Canada, and 278 in South Korea. In Uzbekistan, this indicator has improved slightly as of January 1, 2023, i.e., the number of ATMs and infokiosks was 6,859, or 44 per 100,000 adults. This is especially true because it prevents cash in commercial banks from being used in circulation, satisfies the population's need for cash, and the fact that a 1% service fee is charged on the amount of cash withdrawn from ATMs allows for the effective use of excess cash in the bank's cash register.

Conclusion

The proper functioning of the settlement mechanism in the economy and its accurate functioning are the main foundations of development in all countries. The economic power of any state cannot be imagined without a highly efficient monetary system and modern payment mechanisms. At the same time, the state is always interested in the implementation of any payments through banks, that is, the expansion of the system of non-cash settlements, in particular, payments through remote banking services.

The importance of modern information technologies in the introduction of new banking products and services in the banking services market of Uzbekistan is increasing. As market economy relations develop in Uzbekistan, commercial banks are also diversifying their service



activities by increasing the types of remote banking services and the range of services they provide to customers through them.

Currently, the use of remote banking services in the activities of commercial banks of the Republic of Uzbekistan is increasing year by year. In particular, the number of users of JSC Khalq Bank, JSC Agrobank and TIF National Bank is 5,474,994, which is more than 68% of the total number of users. The low number of users of remote banking services of Hi-Tech Bank, ZIRAAT BANK, Turkistan Bank, Ravnakbank, Madad Invest Bank, Uzagroexportbank and Iranian Soderot Bank can be explained by the small number of their branches and clients.

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