

## THE NEED TO DIGITIZE THE ECONOMY AND ITS USE IN THE BANKING SYSTEM

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**Annotation:** This thesis focuses on the study of the need to digitize the banking sector in Uzbekistan and the economy as a whole. The thesis covers the advantages and problems of digitization and discusses the current state of digitization in the banking sector of Uzbekistan. Recommendations have also been made for further development of the field. According to the conclusion, digitization provides great opportunities to stimulate financial inclusion and economic growth in Uzbekistan.

**Keywords:** digitization, economy, banking system, financial services, digital infrastructure. National Payment System Development Program, National Financial Inclusion Strategy.

Digitization of the economy refers to the process of integrating digital technologies into various aspects of economic activity. In recent years, digitalization has been rapidly changing the way enterprises work, and the banking sector is also developing rapidly at this point. But at the same time, one of the slow-growing parts of the current banking system is the financial inclusion.

Despite the significant progress made in expanding access to banking services globally, still millions of people remain without a bank or without banking services. According to the World Bank, almost 1.7 billion people around the world do not have access to a bank account, which makes it difficult for them to obtain loans, save money or carry out digital transactions. This figure indicates that in 2018, about 60% of the adult population in Uzbekistan did not have a bank account. This means that about 17 million people in Uzbekistan have not been able to use basic banking services such as savings accounts, credit and digital transactions. Together with Ishu, almost 49.5% of the population of Uzbekistan lived in villages, according to data from 2020. The strategy sets several priorities for action, including:

1. Savings accounts, improving access to basic financial services such as payment services and loans, especially for unserved and remote areas.

2. Promote the use of digital financial services such as mobile banking and electronic payments to increase convenience and reduce costs.

3. To increase financial literacy and promote consumer rights, to ensure that consumers make financial decisions through education and awareness campaigns.

4. Encourage responsible and sustainable finance by encouraging financial institutions to adopt social and environmental standards and to offer products and services that meet the needs of disadvantaged and vulnerable populations.

5. Strengthening financial infrastructure and regulation by improving the legal and regulatory base of financial services and increasing the capacity of regulatory bodies to control the industry.

It is a key part of the government's efforts to promote inclusive growth and reduce poverty in Uzbekistan, and its successful implementation is expected to have a significant impact on financial inclusion and economic development in the country.

The central bank is also implementing various measures to develop digital banking and reduce the cost and complexity of opening and maintaining bank accounts. For example, the central bank introduced regulatory documents aimed at simplifying the procedures for opening an account and reducing the requirements for the registration of documents for customers. While the number of people who do not have a bank account in Uzbekistan as a whole remains high, the government and the central bank are working to develop financial inclusion in the country and expand access to banking services.

Financial exclusion is caused by several factors, including poverty, lack of financial education, inadequate financial infrastructure, and regulatory barriers. However, technological advances and innovative business models offer opportunities to improve financial inclusion and create more inclusive banking systems. The use of digitization in the banking system has led to many advantages such as increased efficiency, reduced costs, improved customer experience and increased security. In this regard, we can cite some of the ways in which numbering changes the banking sector:

Online banking: digitization has allowed customers to access their bank accounts and perform various transactions online. This significantly increased customer comfort and reduced the need for physical branches.

Mobile banking: mobile banking has become increasingly popular in recent years, allowing customers to access banking services using their smartphones. This further increased comfort and reduced the need for physical branches.

Digital payments: digitization has led to the emergence of various digital payment platforms such as mobile wallets, online payment gateways and cryptocurrencies. These platforms have significantly improved the speed and convenience of making payments.

Data analysis: digitization allowed banks to collect and analyze large amounts of data on customer behavior and transactions. This information can be used to improve customer experience, develop personal products, and prevent fraud.

Artificial intelligence: in recent years, the use of artificial intelligence has increased in the banking industry, with chatbots and virtual assistants being used to improve customer experience. AI can also be used for credit rating, fraud detection, and risk management.

**In conclusion**, financial inclusion remains an underdeveloped part of the current banking system, but there are promising solutions and opportunities for improvement. Using technologies and innovative business models, banks can help create more inclusive and accessible financial systems that are beneficial to everyone, regardless of income level or geographical location. Digitization has become an important aspect of the banking industry and has brought many advantages such as increased efficiency, reduced costs and improved

customer experience. Banks that employ digitization can become competitive and relevant in a rapidly changing business landscape.

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