DIRECTIONS FOR IMPROVING THE EFFICIENCY OF SERVICES IN THE BANKING SECTOR IN THE CONTEXT OF DIGITAL TRANSFORMATION

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https://doi.org/10.5281/zenodo.14766552

Abstract

The article discusses the features of changes in banking activities in the context of the digital economy. Digitalization of the economy and the introduction of digital technologies have had a huge impact on current production and lifestyle. At the same time, the importance of digital transformation of banks is reflected not only in increasing efficiency and financial indicators, but also non-economic indicators of commercial banks. Priority areas for achieving increased efficiency of banking services and customer retention through remote servicing of the banking sector through the use of innovative technologies are presented.

Keywords: digital transformation, remote services, innovative technologies, banking sector, service efficiency, mobile banking, Internet banking, blockchain.

Introduction

The process of digital transformation requires special changes for all economic systems, as well as for the banking sector, which forms the financial sector within these systems.

With the influx of digital innovations into the financial sector, commercial banks are actively or passively undergoing digital transformation. Accelerating the digital transformation of the financial sector, this leads to an increase in the income of commercial banks and an increase in the efficiency of banking activities.

According to the legislation of Uzbekistan, a bank is a legal entity that carries out a set of operations defined as banking activities for opening and maintaining bank accounts, making payments, attracting funds into deposits (deposits), issuing loans on its own behalf [1].

It is evident that the spread of financial technologies and financial innovations has contributed to the acceleration of digital transformation in the banking sector. Thanks to the digital transformation of banks, the efficiency of lending in banks has accelerated, the efficiency of enterprise financing has increased by reducing the level of risk management and control, and recently, scientists have studied the digital transformation of banks from the perspective of financial innovation technologies and found that the digital transformation of banks has improved the efficiency of banking operations and financial performance of commercial banks, they emphasized that it is aimed at further improvement.

Theoretical aspects of research.

Digital transformation of the banking industry will improve the efficiency of commercial banks, improve the service model of traditional commercial banks, and thereby help transform and modernize commercial banks. The introduction of digital technologies can be implemented faster and more efficiently in large commercial banks than in small commercial banks.

Russian economist N.I. Likhodeeva defined the system of remote servicing of a bank account as a technology for providing banking services to a client using computer technology without visiting the bank, that is, on the basis of remote orders.

Digitization is the renewal of an organization using new information and communication technologies. According to Matt, digital transformation is a complex process that includes: changes in value creation, structural changes, the use of technology and financial aspects, and is aimed at solving the problems that banks are currently facing. Digital transformation is blocked by a number of obstacles that can hinder or even destroy this process. Based on the established regulatory standards known as Basel III, banks are seeking to transition to new technology standards, such as Regulatory Technology (RegTech), which facilitate the digital transition. RegTech is an emerging trend that uses information technology and digital innovations to greatly assist the process of managing banking regulations.

The terms “challenger bank” and “neobank” are often used interchangeably, but a bank can offer everything from simple transactional lending to small business lending. And as a result, it’s hard to tell the difference between all the digital banks using these devices. Here’s one way to classify current digital challenger banks based on their business models and the services they provide.

1-table. Different types of digital banks[1]

New banks	New banks have full banking licenses and are direct competitors to major banks, offering the same services as traditional banks. Examples include Monzo, N26, Starling Bank, and Revolut.
Neo banks	Neo banks do not have a banking license, but partner with financial institutions to offer licensed services. Typically, neo banks still require customers to have an account with an existing licensed bank, and then they offer a more user-friendly interface and free services. Tencent's WeBank, Yolt, Lunarway, and Moven are examples of neo banks.
Beta banks	Beta banks are joint ventures or subsidiaries of existing banks that offer financial services under a license from the parent company. Beta banks are often created to enter new markets by offering limited services but to a wider range of consumers. Examples of beta banks include AiBank (a joint venture between China's CITIC Bank Corp and search giant Baidu) and Simple (a partnership between Bancorp and BBVA).
Nonbanks	Non-banks are not subject to traditional banking licenses. Instead, they provide financial services in other ways. This unique model allows the company to operate independently of existing banks. For example, Monese operates under an e-money license.

We should note more that innovative development is the main opportunity to increase the efficiency of banks. The theory and practice of using digital technologies in the world's leading countries has a significant impact on the functioning of the modern banking system. This phenomenon is typical for the leading five countries as well as for developing countries, which is confirmed by many analytical reviews and fundamental studies of various scientists. In particular, S. Carbo-Valverde, K. Kahn analyzed the efficiency of the American and European payment systems, emphasized the role of online banking products and did not see them as a threat from cryptocurrency. T. Akhisar, K. Tunay emphasize that the effectiveness of electronic banking services is increasing. A study conducted by F. Libana-Cabanillas in Spain shows that the interest of companies and people in this segment is increasing. Electronic banking is actively developing in Asia, Africa and the Middle East.

Research methodology.

The research is based on the tools of economic theory, banking, risk theory and security methodology. In the process of conducting the research, general scientific methods were used - analysis and synthesis, induction and deduction, systematic and comparative analysis, economic and statistical methods, as well as the methods of correlation of theory and practice, comparison and analogy.

Foreign experience of research.

During our research we have analyzed foreign experiences that illustrate directions for improving the efficiency of services in the banking sector through digital transformation such as Romania's Digital Banking Transformation-Romania is actively transforming its banking sector by adopting emerging technologies and innovations. The COVID-19 pandemic accelerated the shift towards digital banking, emphasizing the need for banks to enhance their operational capacity and customer service through digital means. The integration of artificial intelligence and machine learning has improved investment strategies and customer relationship management, indicating a strong correlation between digitalization and the financial stability of banks in Romania[2].

A comprehensive bibliometric review highlighted that countries like the UK, USA, Germany, and China are at the forefront of research in digital banking transformation. The study identified key trends such as the rise of FinTech, blockchain technology, and mobile banking services. This research underscores the importance of understanding digital client behavior and preferences to enhance service delivery in banking[3].

Research has identified three distinct phases in the digital transformation journey of banks: digitization, digitalization, and digital transformation. Each phase has specific characteristics and requires distinct actions to progress. This structured approach helps banks track their digital maturity and implement effective strategies to enhance service efficiency. The emergence of FinTech companies has significantly disrupted traditional banking models. Banks are increasingly investing in digital initiatives to meet evolving customer needs and expectations. This shift towards digitalization is essential for maintaining competitiveness and preventing the commoditization of banking services[4].

The globalization of banking services has opened new markets and opportunities, enhancing profitability for banks that effectively navigate these changes. The integration of technology into banking operations has led to improved efficiency and customer satisfaction, demonstrating the need for banks to adapt to a rapidly changing digital landscape. These experiences highlight the critical role of digital transformation in enhancing the efficiency of banking services, emphasizing the need for banks to adopt innovative technologies and strategies to remain competitive in the global market.

Analyze and result of research.

Digital transformation of the financial sector means the continuous expansion and application of artificial intelligence and cloud technologies, that is, digital technologies represented by big data, business optimization, modernization and the process of accelerating innovative transformation in commercial banks. By providing remote services, it helps improve operational efficiency, stimulate innovation and reduce costs in the banking sector. Also, technically, the digital transfor-

[1] Prepared by the author.
[2] https://www.mdpi.com/2079-8954/11/11/534
[3] https://www.mdpi.com/2079-9292/13/22/4383
[4] https://ideas.repec.org/a/ovi/oviste/vxxiiiy2023i1p1112-1122.html

mation of banks is based on the development of information technology, at the same time, smart robots have appeared that increase the efficiency of service based on artificial intelligence; cloud flash payments based on the Internet of Things technology have appeared; the use of blockchain technology in the banking sector is the most effective. To make a payment using blockchain technology, it is enough to have a minimum level of information about the payer, for example, to know that there are enough funds in his account to make a payment. The emergence and application of various innovative technologies have increased the operational capabilities of banks and reduced banking costs. At the same time, digital transformation has provided an opportunity for commercial banks to carry out operational activities with high efficiency and low costs.

As a result of the introduction of innovative technologies and continuous technological improvement by commercial banks, the volume of remote services has expanded, which directly served to improve the quality and efficiency of service.

An important aspect of the activities of modern banks is to improve business efficiency through the introduction of new technologies. One of the driving factors in the development of the digital economy is the financial sector [2]. The efficiency of service activities in banks is a comprehensive expression of the competitiveness of commercial banks, improving the efficiency of banks prevents financial risks and promotes the sustainable development of commercial banks. The efficiency of banking activities of commercial banks is mainly focused on the efficiency of servicing customers of commercial banks.

Forecasting the efficiency of service activities in banks allows for strategic planning, evaluation of innovative digital services and overall financial stability [3].

At the same time, the importance of digital transformation of banks is manifested not only in improving efficiency and financial indicators, but also in the social indicators of commercial banks. Digital transformation of banks is based on encouraging the use of technological innovations by commercial banks. Increasing the transparency of information in commercial banks will help commercial banks improve their management system and more properly fulfill their social obligations. The use of cloud technologies to provide mobile banking, as well as banking products and services for various groups of clients can reduce the loss of resources and improve the efficiency of commercial banks. One of the important results of the digital transformation of banks is mobile banking: clients can manage wealth and acquire funds using mobile banking, which helps can improve the efficiency of commercial banks by implementing the online process. Thus, at present, the financial stability of a commercial bank is the basis for the financial stability of the entire banking system [4].

These different business models demonstrate how diverse the digital banking industry is becoming. And while each type of challenger bank tailors its services to its target customers, they all provide the same benefits.

2-table.

Benefits of digital banks for customers[5]

Easy setup	Setting up a bank account is a simple, paperless process. Most accounts can also be set up entirely from a mobile device.
Lower fees	With lower operating costs, banks can set more competitive prices for their services.
Greater financial inclusion	Branchless banks have lower operating costs and can therefore afford to accept customers who cannot obtain traditional financial services due to lack of credit history or poor credit ratings.
Focus on security	Traditional banks are known for being slow to adapt to the demand for more flexible yet secure banking services. Digital banks are not only easy to use, many are security-focused and quick to respond to the latest security threats.
Additional functions	In addition to providing digital bank accounts, many banking apps offer their customers built-in payment, budgeting, and savings tools.

The development of digital banking has changed the way individuals and legal entities manage their funds. These remote services use digital technology to provide customers with a convenient and efficient way to access and manage their accounts, conduct transactions, and interact with their banks. With digital banking, customers can perform a wide range of tasks through their smartphones, tablets, or computers, eliminating the need to visit bank branches. By providing remote services, banks can reach a wider audience, making it easier for individuals and legal entities to place their savings, as well as provide loans to entrepreneurs and manufacturers. These advanced remote services not only increase the liquidity available for loans, but also accelerate economic growth by reducing geographic restrictions and transaction barriers.

Thus, the implementation and development of digital transformation in the banking sector has had a significant impact on the increase in bank deposits, loans, and investments. The development of the banking sector and the increase in its efficiency depend entirely on the amount of funds available in a commercial bank. At the same time, individuals and legal entities have the right to choose the terms of placing their funds. A distinction is made between term deposits, i.e. providing clients with funds for a period determined by a commercial bank, and demand deposits, i.e. funds that a client can withdraw at any time.

Usually, in modern conditions, credit risk does not have a significant impact on the performance of an economic entity. All this is due to the insufficient development of the stock market, that is, the absence of credit risks and the low creditworthiness of economic entities [5]. The efficiency of the banking sector is important

[5] Prepared by the author.

for economic development, and its assessment is a combination of various criteria, including financial, human and technological resources [6].

The prospects and profitability of introducing digital technologies into the production of goods and services can be seen in various examples of successful business development [7].

Conclusion.

It should be emphasized that the scale of development of the consumer demand factor in the field of banking product innovations in the provision of remote services is determined by the innovative technologies used by the bank. At the same time, the development of remote servicing of commercial banks requires further expansion of the capabilities of mobile payment programs.

Clients evaluate their experience with banks by how easy and convenient it was to receive a particular service, so the banking sector must constantly study the experience of communicating with clients, because new clients require the use of innovative technologies. Previously, the efficiency of banking activities was assessed by increasing the target sales volume of products and services, but in the era of digital transformation, banks are forced to consider innovative digital issues, that is, banks focus their attention on clients. In particular:

1)While previously the efficiency of banking activities was assessed by increasing the targeted sales volume of products and services , in the era of digital transformation , banks are forced to deal with innovative digital issues, that is, banks are focusing their main attention on customers.

2)By introducing innovative financial technologies, digital transformation in the banking sector can be achieved by improving the reliability of banking operations, retaining customers, and creating a customer-oriented banking system that meets the requirements of digital transformation.

3)In the banking sector, it is necessary to perfect innovative technologies, develop digital banking services, and regularly improve the qualifications of bank employees in accordance with the needs of the times.

4)When providing remote banking services, it is necessary to implement innovative types of services, taking into account the opinions of customers and their financial literacy.

In conclusion, we note that the rational use of remote services using innovative technologies in banking allows us to reduce costs, increase business efficiency, improve the quality of banking products, minimize risks and raise the level of the financial sector as a whole in the country.

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