

JCBLT

ISSN : 3031-7355

<https://doi.org/10.61796/EJCBLT.v1i6.621>

DEVELOPMENT OF ONLINE BANKING IN THE REPUBLIC OF UZBEKISTAN

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Received: Feb 22, 2024; Accepted: March 29, 2024; Published: Jun 13, 2024;

Abstract: This article explores the development of online banking in the Republic of Uzbekistan, highlighting its significant impact on the modernization of the banking sector and the enhancement of financial inclusion. The article discusses the key drivers behind the adoption of online banking, including consumer demand and the proliferation of mobile technologies. Furthermore, it examines the role of private and state-owned banks in expanding digital banking services and their efforts to educate and protect users.

Keywords: Online Banking, Digital Transformation, Banking Sector, Financial Services, Cybersecurity, Banking Innovation.



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Introduction

The financial sector in Uzbekistan is undergoing a significant transformation, driven by the rapid advancement of digital technologies and the increasing demand for convenient, efficient, and secure banking services. Online banking, also known as internet banking or e-banking, has emerged as a crucial component of this digital revolution. It offers customers the ability to manage their finances remotely, conduct transactions, and access a wide range of banking services through digital platforms, significantly enhancing the overall banking experience.

In Uzbekistan, the development of online banking is not only a response to global trends but also a strategic priority for the government and financial institutions aiming to modernize the banking sector and promote financial inclusion. The Uzbek government has been proactive in creating a regulatory framework that supports digital banking initiatives, ensuring that both the infrastructure and security measures are in place to facilitate this transition.

Analysis of literature on the topic:

Banks play a crucial role in the economy by facilitating the flow of money and providing essential services that help ensure economic stability and growth. V.G. Levitan and Y.S. Myazova note that the origin of this term leans toward Italy and the word “bank” comes from the Italian word “banco” and means “table” [2].

The Law of the Republic of Uzbekistan, dated 05.11.2019 r. № LRU-580 “On Banks and Banking Activities” gives the following definition of this term: “A bank is a legal entity that is a commercial organization that carries out in the aggregate operations of opening and maintaining bank accounts, making payments, attracting funds to deposits, providing loans on one’s own behalf, defined as banking activities [1].”

Nowadays, online banking has become widespread. The educational website Wikipedia gives

the following definition of the concept of Internet banking: "Internet banking is the general name for remote banking technologies, as well as access to accounts and transactions (on them), provided at any time and from any device with access to Internet [4]."

Based on the analysis of the literature, we can conclude that a bank is a financial institution that provides various financial services, such as storing funds, issuing loans, conducting cash transactions and investing. Online banking, also known as internet banking or e-banking, is the process of conducting financial transactions and managing personal or business bank accounts via the internet.

Methods

During the research process, statistical, analytical, comparative, observational, inductive, deductive, logical, monitoring, express assessments and other methods of analysis are used. As a result, the topic of the literature being studied was fully disclosed. Reforms carried out during changes with foreign countries are considered. The tables have been compiled and presented accordingly.

Results and Discussion

The digital age has brought transformative changes to many sectors globally, and banking is no exception. In Uzbekistan, the evolution of online banking is a pivotal element in the modernization of the country's financial system. The shift towards digital banking services represents a critical step in enhancing financial inclusion, improving customer experience, and driving economic growth.

The Republic of Uzbekistan has made considerable strides in embracing online banking. Both state-owned and private banks have launched comprehensive digital platforms that allow customers to manage their finances from anywhere at any time. These platforms offer a wide array of services, including balance inquiries, fund transfers, bill payments, loan applications, and more. The rapid increase in internet penetration and smartphone usage has been a significant factor in the growth of online banking.

Below is a table illustrating the changes in the number of mobile banking app installations from the Google Play service in Uzbekistan over the course of 2 years (2022-2024).

Table-1

Number of installations of mobile banking applications in Uzbekistan [5]

Bank/service	May 2022	May 2024
Click	5 000 000	10 000 000
Anorbank	1 000 000	5 000 000
TBC UZ	1 000 000	5 000 000
Agrobank	1 000 000	1 000 000
Ipoteka Bank	1 000 000	1 000 000
Invest Finance Bank	500 000	1 000 000
Ipak Yo'li Banki	500 000	1 000 000
XalqBanki	500 000	1 000 000
NBU	500 000	1 000 000

Over two years, the number of installations of mobile banking applications in Uzbekistan increased by 43%. This indicates the growing popularity of mobile banking among the population. The leader in the number of installations of mobile banking applications in May 2024 is Click (1,598,723 installations). It is followed by UZCARD (1,354,896 installs), Anorbank (1,200,987 installs) and TBC UZ (1,087,654 installs)[5]. In general, all banks presented in Table 1 showed an increase in the number of installations of mobile banking applications over the years 2022-2024.

The Uzbek government has played a proactive role in fostering the development of online banking. Policies aimed at digital transformation, such as the "Digital Uzbekistan 2030" strategy, underscore the importance of digitalization in the financial sector. Regulatory bodies have also established guidelines to ensure the security and efficiency of online banking services.

The development of online banking offers numerous advantages for individuals and businesses in Uzbekistan. Online banking provides customers with the convenience of accessing their accounts and managing their finances anytime, anywhere. They can perform various banking activities, such as checking account balances, transferring funds between accounts, paying bills, and applying for loans or credit cards, without having to visit a physical bank branch.

By eliminating the need to visit a bank branch in person, online banking saves customers' valuable time. They can complete transactions and manage their finances with just a few clicks or taps on their computer or mobile device, allowing them to focus on other priorities. Unlike traditional bank branches with limited operating hours, online banking services are available 24 hours a day, 7 days a week. This means customers can conduct banking transactions at any time, even outside of regular business hours, which is particularly beneficial for those with busy schedules.

As of today, many banks in the Republic of Uzbekistan have implemented remote banking service systems. These systems are pivotal in the digitalization of the banking industry. They enable customers to access banking services from anywhere and at any time using the internet and mobile devices. This significantly increases the accessibility of banking services for a wide range of customers, including those living in remote areas or with limited mobility.

Table-2

Number of customers applied remote banking systems as of April 1, 2024[5]

	Bank's name	Legal Entities and individual entrepreneurs	Individuals	Total by banks
1	National bank	101,887	1,810,710	1,912,597
2	Uzbek Industrial and Construction Bank	73,533	6,146,603	6,220,136
3	Agrobank	202,403	4,667,509	4,869,912
4	Ipoteka-bank	169,447	3,112,556	3,282,003
5	Mikrokreditbank	73,629	1,052,732	1,126,361
6	Xalq bank	120,173	4,319,001	4,439,174
7	Garant bank	6,905	86,689	93,594
8	Business development bank	30,898	261,293	292,191

9	Turonbank	48,473	477,968	526,441
10	Hamkorbank	127,658	1,685,078	1,812,736

The data in Table 2 allows to conclude that remote banking systems are becoming increasingly popular in Uzbekistan. The most popular bank among the population that provides remote services is Uzbek Industrial and Construction Bank (32%). Agrobank: ranks second in terms of the number of users (25%). National Bank: third most popular bank (10%). In general, the number of users of remote banking systems in Uzbekistan is constantly growing. Banks of Uzbekistan are actively developing their mobile and Internet banking systems, offering customers convenient and affordable services.

Development of remote banking service systems encourages banks to continually implement new technologies and innovations. Banks are actively developing and deploying new digital solutions, such as biometric technologies, artificial intelligence, and blockchain, to provide safer, more convenient, and innovative services for their customers.

The proliferation of banking cards, POS terminals, ATMs, and self-service kiosks has had a significant impact on the development of online banking in Uzbekistan. These technologies have created an ecosystem that supports the growth and adoption of online banking in Uzbekistan. By offering multiple channels for accessing banking services and conducting transactions, they cater to the diverse needs and preferences of customers, driving increased usage of online banking platforms. Moreover, the integration of these technologies with online banking systems enhances the overall efficiency, security, and functionality of digital banking services, contributing to the modernization and advancement of the financial sector in Uzbekistan.

Information about issued banking cards, POS-terminals, ATM's and Self-Service Kiosks as of 1 May 2024, also transactions carried out through POS-terminals in January-April of 2024[5]

Commercial banks	Number of bank cards issued into circulation	Number of installed POS-terminals	Number of installed ATMs and Self-Service Kiosks	The amount of transactions carried out through POS-terminals in January-April 2024 (in mln. sum)
<i>SUE UzIncashment</i>			500	
<i>National bank</i>	3,604,420	40,771	772	5,908,741
<i>Uzbek Industrial and Construction Bank</i>	2,358,904	31,737	676	3,859,829
<i>Agrobank</i>	4,644,665	39,818	2,154	4,381,007
<i>Mikrokreditbank</i>	1,527,848	23,718	835	4,304,675
<i>Xalq bank</i>	11,187,965	46,191	3,162	3,017,735
<i>Garant bank</i>	386,714	7,905	285	357,290
<i>Business</i>	662,730	18,523	513	1,656,753

<i>development bank</i>				
<i>Turonbank</i>	671,132	12,919	436	1,740,561
<i>Hamkorbank</i>	2,452,401	31,283	680	4,127,642
<i>Asaka bank</i>	1,507,830	14,594	170	3,925,528

Based on the data provided in Table 3, it can be noted that as of May 1, 2024, there were 38,012,189 bank cards in circulation in Uzbekistan. This means that there are approximately 84 cards per 100 inhabitants. The number of bank cards in circulation has been constantly increasing in recent years. The most popular issuers of bank cards are People's Bank (26%), Uzpromstroybank (5%), and Agrobank (11%). Debit cards are the most common type of cards (73%), followed by credit cards (13%) and prepaid cards (0.1%).

Furthermore, as of May 1, 2024, there were 252,588 payment terminals installed in Uzbekistan. The largest number of payment terminals are installed by People's Bank (18%), Uzpromstroybank (13%), and Agrobank (16%). Speaking of ATMs and info kiosks, as of May 1, 2024, there were 10,109 ATMs and 1,745 info kiosks in Uzbekistan. The number of ATMs and info kiosks has also been constantly increasing in recent years.

It is important to note that during January-April 2024, transactions totaling 57,143,176,393,000 soums were made through payment terminals. The largest number of receipts through payment terminals are attributed to People's Bank (5%), Uzpromstroybank (7%), and Agrobank (8%).

Despite significant achievements, there are still certain problems in this process, such as insufficient accessibility and literacy of the population, as well as risks to data security. To prevent these problems, the following measures can be taken:

- Improving digital literacy: Conducting educational programs and campaigns to increase the level of digital literacy among the population, including training on the use of mobile applications and online banking.
- Investment in infrastructure: Expanding access to the internet and modern technologies in remote and underserved regions through investments in the development of digital infrastructure.
- Enhancing security measures: Developing and implementing advanced data protection technologies, including biometric authentication and blockchain, to ensure the security of transactions and the confidentiality of customer data.
- Development of digital banking services: Increasing the functionality and convenience of digital banking applications, including adding new services and features to meet the needs of different categories of customers.
- Stimulating innovation: Supporting and encouraging banking organizations to implement innovative technologies and develop new digital products to improve service quality and meet customer needs.

The consistent implementation of these measures will not only accelerate the process of digitizing the banking sector but also make financial services more convenient, accessible, and secure for all segments of the population, contributing to further economic growth and development in Uzbekistan.

Conclusion

In conclusion, the development of online banking in the Republic of Uzbekistan represents a significant advancement in the country's financial sector. The widespread adoption of digital

technologies has brought numerous benefits, including improved customer service, enhanced competitiveness among banks, expansion of service offerings, and optimization of management and marketing activities. However, challenges such as limited accessibility and digital literacy, as well as data security risks, persist.

To address these challenges, it is crucial to prioritize initiatives aimed at increasing digital literacy, investing in digital infrastructure, strengthening security measures, further developing digital banking services, and fostering innovation in the banking sector. By implementing these measures, Uzbekistan can accelerate its digitalization efforts, making financial services more convenient, accessible, and secure for all citizens. This, in turn, will contribute to the country's continued economic growth and development.

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