


## PROVISION OF REMOTE BANKING SERVICES IN UZBEKISTAN ANALYSIS OF ITS PRACTICE

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Article Info	ABSTRACT
<p><b>Article history:</b> Received Mar 06, 2024 Revised Mar 16, 2024 Accepted Apr 17, 2024</p> <p><b>Keywords:</b> ATM, info kiosk, plastic card, payment terminal, internet banking, smart office, mobile banking</p>	<p>This article analyzes the emergence of remote banking services in Uzbekistan, the current situation, the development trends in the banking sector. The results of this study include the study of the current state of remote banking services, the formation of conclusions from the results and the development of scientific proposals..</p> <p>This is an open-access article under the <a href="#">CC-BY 4.0</a> license.</p> 

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### INTRODUCTION

While there are many aspects to digital transformation in banking, one of the most important is the readiness and ability to adapt to change. Banks are often required to be regulated based on bank security, legislation, and strict restrictions designed to protect customer information and privacy. Today, with the increasing importance of digital banking and new digital banking solutions and mobile applications, banks are outpacing traditional banking in terms of customer engagement. Adapting policies to meet changing consumer demand, quickly adapt to new technologies, and respond to market changes is critical to digital transformation in banking.

In order to raise the activity of commercial banks to the level corresponding to international standards, further improvement of the bank's corporate management and risk management system, increasing the popularity of banking services and digitization, in general, require institutional transformation of banks.

In particular, in the Address of the President of the Republic of Uzbekistan to the Oliy Majlis dated January 24, 2020, the fundamental reform of the banking system, transformation of banks, modern banking practice, management and introduction of new

services were specifically noted (Address, 2020).

**Literature Review.** Many studies in the field of digital banking have mainly investigated customer attitudes toward digital banking channels and the variables that are important to customers in using digital banking channels or the factors that influence customers' willingness to use modern banking channels (Montazemi, A. R., and H. Qahri - Saremi. 2015). Surprisingly, however, research in Uzbekistan has rarely focused on examining the impact of in-branch banking initiatives to encourage customers to adopt modern banking channels.

The most important thing is that the problem in Uzbekistan is not only the transfer of customers from traditional banking channels to digital channels, but also the issue of digital financing of the population is one of the main plans of the banking system today. One of the differences between a country with a developing economy and a developed country is the consumer acceptance and use of digital banking channels. That is, the financial literacy of the population is also sufficient, in particular, 91% of adults in high-income countries use digital payment methods, while in developing countries only 44% of adults use digital payment methods (World Bank, 2017).

Although, in addition to the benefits of remote banking systems (ease of use and usefulness), these new technological services pose some risks related to confidential information, personal information and transactions of customers (Shah, MH, Peikari, HR, Yasin, NM, 2014). Therefore, security and risk awareness is a key aspect in the electronic payment system (Ashrafi, M., Ng, S., 2008). For the success of such technologies and the adoption of new payment system platforms, we need to monitor security (Schierz, PG, Schilke, O., Wirtz, BW, 2010).

In our opinion, the remote provision of banking services is understood as the provision of services to the clients of the banks, not face-to-face with the clients in the bank, but using the capabilities of modern banking technologies. Our research shows that the development of remote banking services in the banking system is primarily due to changes in people's lives, the introduction of new information technologies, secondly, it is related to the automation of bank operations (Mamadiyarov Z.T., (2019)).

Mobile banking is widespread in Uzbekistan, and many banks provide services to customers through mobile applications. Services related to deposits, payments, money transfers and loans are carried out through mobile banking applications (Central Bank of Uzbekistan, 2022).

Through Internet banking, customers can manage their accounts, make online payments, and use currency exchange services. Many banks are offering the internet banking system to customers (PwC Uzbekistan, 2021).

In Uzbekistan, the practice of paying with plastic cards is also widespread. Banks offer debit and credit cards to customers to make online payments, purchases, and cash withdrawals (World Bank, 2020).

Various payments are made through electronic payment systems, including national payment systems such as UZCARD and HUMO. Payments for utility bills, mobile

communication fees and other services are made through these systems (Ministry of Finance of Uzbekistan, 2021).

## METHODS

In the process of digital transformation in Uzbekistan, the evolutionary development of remote banking services systems, the analysis of the current situation was researched based on statistical data and tables. In the process of preparing a scientific article, the methods of data comparison based on tables, data grouping, statistical grouping, and expert evaluation were used effectively

## RESULTS AND DISCUSSION

The work carried out in the priority directions of further reforming the financial and banking system of the republic, increasing its stability and achieving high international rating indicators should be carried out systematically by all banks, digitization of all aspects of the financial and banking system, electronic payments and electronic commerce from a wide range of information and communication technologies. its use will have a positive effect on the inevitable rise of the banking system of Uzbekistan, along with ensuring the provision of quality services to bank clients. As a result, customer service by commercial banks in Uzbekistan will be accelerated, the human factor will be reduced, the quality of services will be improved, bank costs will increase at first and then decrease dramatically, and modern banking services will be offered to customers.

It should be noted that the "Bank-client" program and internet banking service in Uzbekistan was created in order to fulfill the tasks defined in the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated June 12, 2007 "On measures to further improve the transfer of payments in the implementation of electronic commerce". First, the internet banking service appeared in 2007 for corporate clients. The next stage of this development covered individuals (<http://bank.uz>). Since 2008, the "Bank-client" program has also been used in commercial banks.

On March 1, 2007, Joint-Stock Innovation Commercial Bank "Ipak Yuli" was one of the first to implement internet banking in the banking system of Uzbekistan . That is, by entering the "Ipak Yuli Online" system, customers had the opportunity to perform several types of banking operations in their own deposit accounts. Initially, this service was used only by clients with the status of legal entities, later, these services were introduced for individuals as well.

Second, as a bank offering internet banking services to its clients, "Invest Finance

Bank" JSCB began to show its activity in the financial market. Of course, this has created a number of conveniences for the customers of this bank.

Thirdly, JSC "Trustbank" started to use this type of service, and this bank was the only bank in Uzbekistan that for the first time made presentations to the bank's customers and launched an interactive service, such as receiving online answers to the customers' questions, in order to popularize the use of the internet banking service.

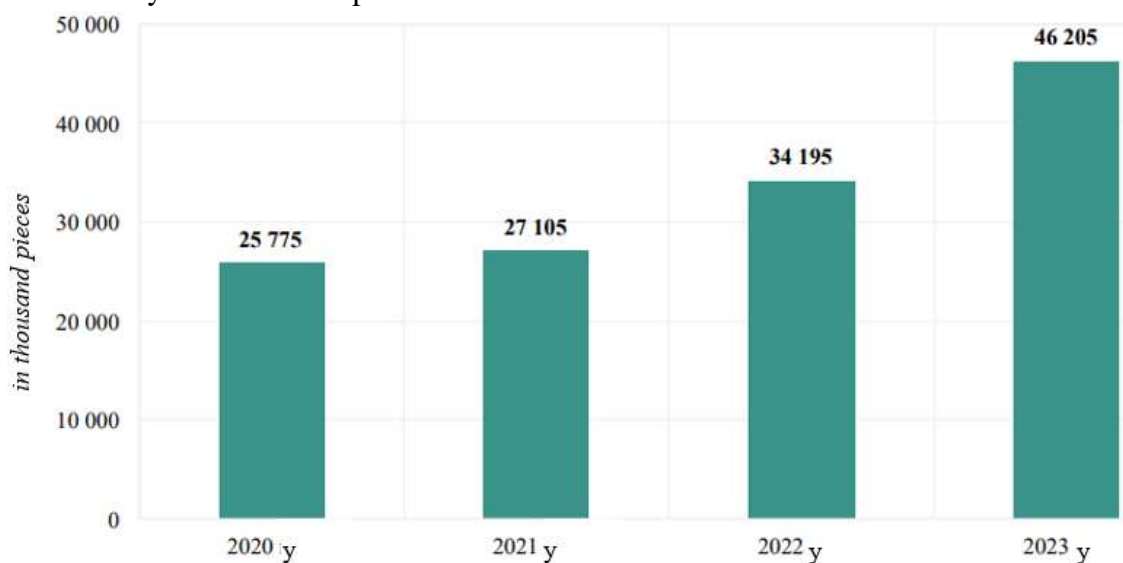
Offered to individuals by the former "Samarkand" JSCB. In May 2009, this bank introduced a new type of service on the Internet called sam.online. Its customers were able to remotely make various payments, transfer funds, send financial documents to the bank and receive information about the funds in their accounts. In particular, former "Samarkand" JSCB was one of the first to provide mobile banking service to its customers. According to it, bank clients could pay for the services of mobile communication and Internet providers using their mobile phones ( <http://www.finance.uz> ).

JSCB "Aloqabank" provided the Internet banking service for individuals for the second time to clients. Later, in other commercial banks of the Republic of Uzbekistan, remote banking services systems (internet banking, mobile banking and SMS banking) were introduced and developed.

The increasing use of remote banking services, in turn, serves to increase the demand for bank cards. In particular, the number of bank cards put into circulation in 2023 reached 46.2 million, which increased by 35% compared to 2022.

By 2022, the number of kobeijing bank cards, which allow the population to make calculations using one card in the infrastructure of the republic and foreign payment systems, has increased by 1.7 times to 3.1 million.

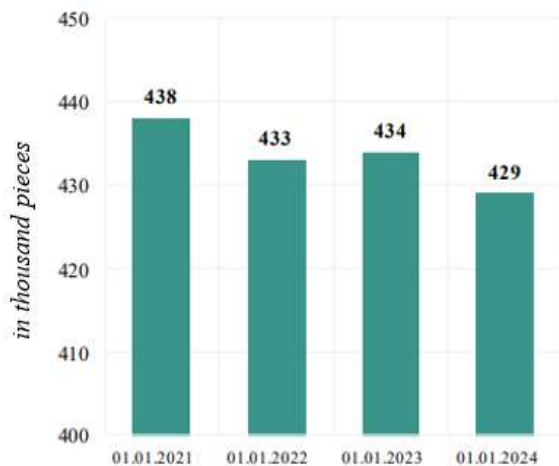
In 2023, the volume of payments received through 429,000 payment terminals increased by 1.4 times compared to 2022 and amounted to 254.7 trillion soums.



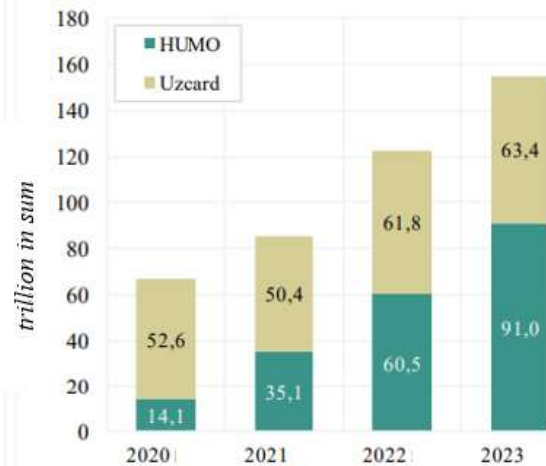
**Figure 1. Number of bank cards**

Retail payments systems functional and infrastructure expanded going and this in the market competition environment being formed national payment systems participants by terminals through done increased transactions in size too structural changes is being observed.

In particular, in 2023 total terminals through done increased transactions Humo terminals in volume share from 49 percent to 59 percent in 2022 increased if, Uzcard terminals share from 51 percent to 41 percent shortened.

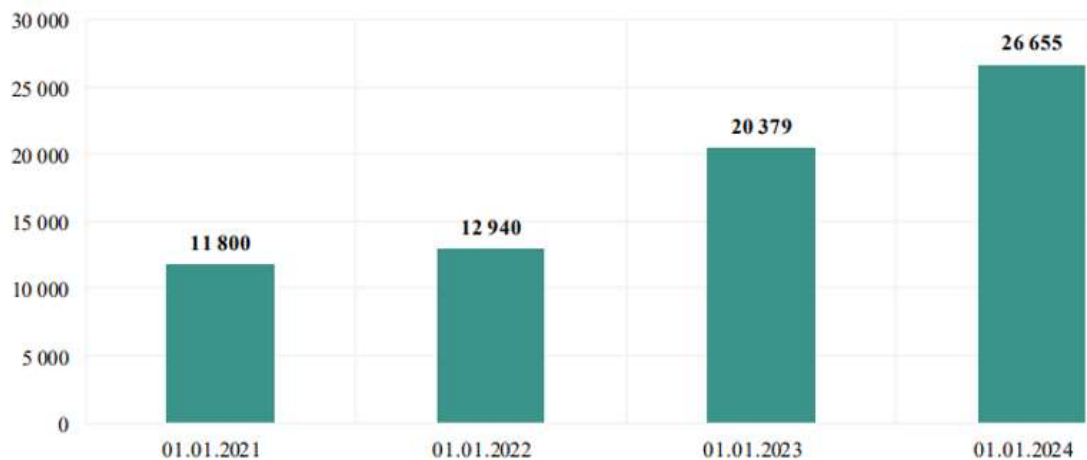


**Figure 2. Number of terminals installed by banks**



**Figure 3. Transactions made through payment terminals**

In order to provide convenience to users of payment services, the number of ATMs and infokiosks installed in banking infrastructures and tourist facilities increased by almost 1.3 times in the reporting year and reached more than 26,600 as of January 1, 2024.



**Figure 4. Number of ATMs and info kiosks, in units**

In 2023, the share of Humo ATMs increased from 33% to 47% in 2023, while the share of Uzcard ATMs decreased from 41% to 40%, and the share of ATMs connected to bank processing decreased from 26% to 13%.

In 2032, the number of users of remote services increased by almost 1.5 times and reached 44.1 million as of January 1, 2024. Of these users, 1.3 million are business entities, 42.8 million are individuals. In the reporting year, the volume of transactions carried out remotely by individuals online through the banks' mobile application programs amounted to 250.1 trillion soums.

The volume of online deposit operations carried out through mobile application programs - 46.5 trillion soums, online conversion operations - 27.4 trillion soums, online microloans - 13.3 trillion soums, and the volume of loan repayments - 15.3 trillion soums.

As of January 1, 2011, the number of bank plastic cards is 7 million. If it was 909 thousand, as of January 1, 2020, the number of bank plastic cards is 20 million. It was 547 thousand. 46 million as of January 1, 2024. reached 206 thousand. In general, as of January 1, 2024, the number of bank plastic cards increased by 5.8 times compared to the same period in 2011, the number of payment terminals by 5.0 times, the number of infokiosks and ATMs by 54.3 times, the number of users of remote service systems by 1796.7 times, in particular, the number of legal entities using remote service systems is 94.1 4149.8 individuals who use personal and remote service systems increased in number.

Table 1

**Development parameters of remote service systems in Uzbekistan (as of January 1, in units)**

No	Types	2011 year	2020 year	2021 year	2022 year	2023 year	2024 year	2024/2011 ( times )
1.	Number of issued bank cards (thousands)	7909	20547	25776	2710 6	3419 6	4620 6	5 , 8
2 .	Number of payment terminals	85741	392361	438410	433384	434018	429334	5, 0
3 .	Number of infokiosks and ATMs	491	9203	11800	12940	20379	26655	54 , 3
4 .	<b>Number of users of remote service systems</b>							
	Number (in pieces)	24545	10153458	14571094	20238463	30000914	44099600	1796 , 7

4 . 1.		<i>Legal entities and SOEs</i>						
	Number (in pieces)	14241	690958	822494	974141	1157045	1339609	<b>94 , 1</b>
	As a percentage of the total	58.0	6.8	6.5	4.8	3.9	3.0	
4 . 2.		<i>Individuals</i>						
	Number (in pieces)	10304	9462500	13748600	19264322	28843869	42759991	<b>4149 , 8</b>
	As a percentage of the total	42,0	93,2	93,5	95.2	96,1	97.0	

*Source: compiled by the author based on the information of the Central Bank of the Republic of Uzbekistan .*

As of January 1, 2011, the number of infokiosks and ATMs serving online Uzcard cards in Uzbekistan was only 491, as of January 1, 2017, it was 4,954, and by 2019, it was 6,859. Decision No. PQ-3945 of the President of the Republic of Uzbekistan dated September 19, 2018 "On measures to develop the national payment system" was adopted, and according to it, the National Interbank Processing Center was established in the IV quarter of 2018, and the "Humo" payment system was established in the first quarter of 2019. started in the quarter. Accordingly, as of January 1, 2021, the number of infokiosks and ATMs serving "Smart-Vista" online, "Humo" and foreign currency cards will be 11,800, and as of January 1, 2024 reached 26,655 , and their number on January 1, 2024 compared to the same period of 2011 was 54.3 we can see that it has doubled (Table 1).

The importance of ATMs and infokiosks in providing remote banking services is incomparable. That is, these easy-to-use equipments today put an end to the traditional interaction between the client and the cashier, and serve as a kind of mini-bank office. Currently, it is possible not only to withdraw cash from ATMs, exchange foreign currency, deposit money on bank plastic cards, but also make various payments for goods and services through them.

Currently, commercial banks are organizing and putting into use self-service smart offices that provide continuous service 24/7, day and night, in order to create convenience for the population and expand the scope of modern services. The increase in these 24/7 smart offices is leading to an increase in the number of ATMs and infokiosks.

As of January 1, 2022, Kapitalbank JSCB, Agrobank JSCB and JSC Xalq Bank are among the top three banks in terms of the number of infokiosks and ATMs. In the last five in the rating, JSC Xalq Bank has 10 points, Tenge Bank has 8 points, "Ipak Yoli"



Joint-Stock Innovation Commercial Bank, Private Closed Joint-Stock Commercial Bank "Orient Finans" and "Madad Invest Bank" JSCB banks had a sharp increase of 7 points.

It should be noted that ATMs are not only profitable for banks, but also convenient for citizens. If the profitability of the ATM is less than the planned amount or the profitability is low, the location of the ATM should be changed to other populated areas.

Infokiosks have become unprofitable due to the increasing importance of mobile applications and the fact that the functions of infokiosks are now being performed by mobile applications. Today, infokiosks bring in an average of 0.5-1.4 million soums (excluding internet, security, space rental, clearing, technical services and software costs). That is why banks are not buying infokiosks and they are gradually being phased out. As of January 1, 2021, there were 5,248 info kiosks in circulation, and by the same period of 2022, there were 4,750, that is, a decrease of 498.

## CONCLUSION

In our opinion, in order to expand the scope of customers of banks and to create a comfortable service environment for them, bank branches are established in places close to customers. However, the high costs associated with opening bank branches and their activities, as well as the fact that the profitability of many branches is low, indicate that today the opportunities of remote banking services are not widely used to increase the number of customers by opening branches or to expand the geographical area of service. That's why today's importance of transformation of banks, besides the fact that "ANOR BANK" JSC and "TBC Bank" JSCB started to operate as the first digital banks offered a new competition for other commercial banks. Digital banks with this innovative approach are making banking life easier by making services convenient, affordable and simple. At the same time, "ANOR BANK" JSC and "TBC Bank" JSCB banks do not have a single infokiosk or ATM.

Digital transformation has brought new empowerment capabilities and initiatives in banks at a rapid pace. One of the most important successes in this digital age is organizational agility. That is, the first transformational, digitized bank does not feel competition in attracting customers. As a result of the sustainable implementation of the strategy of digital development and the achievement of high profits, flexibility to the market increases (Mamadiyarov, Z. (2021)).

Today, the rapid development of digital technologies and their introduction into the banking sector has expanded the possibilities of remote banking services. Banks in Uzbekistan have also begun to widely introduce the practice of providing remote services to their customers. This article analyzes the practice of providing remote banking services in Uzbekistan and offers suggestions for its further improvement.

The following suggestions can be made to further improve remote banking services:

1. **Improvement of technological infrastructure:**



It is necessary to provide a modern and stable technological infrastructure for the remote provision of banking services. This, in turn, requires improvements in servers, data storage systems, and internet speeds (Gomber et al., 2017).

## **2. Ensuring information security:**

In order to protect the personal information of customers and financial transactions, it is necessary to pay great attention to information security. Banks should use modern cryptography and cyber security technologies (Arner et al., 2016).

## **3. Development of mobile banking and internet banking:**

It is necessary to expand the functionality and ease of use of mobile and internet banking applications. The speed, simplicity and security of applications ensure customer satisfaction (Deloitte, 2022).

## **4. Expanding Fintex Partnerships:**

Banks should develop cooperation with fintech companies. This enables faster introduction of new innovative products and services (PwC, 2021).

## **5. Improving the financial literacy of clients:**

By improving the financial literacy of customers, their digital banking skills can be developed. For this purpose, information campaigns can be conducted through mass media (Lusardi & Mitchell, 2014).

## **6. Updating the legislative and regulatory framework:**

It is necessary to update the legal and regulatory framework governing digital banking services. In this regard, new technological innovations and safety requirements need to be legislated (Berger, 2003).

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