



## **INTERNET BANKING IN THE CONTEXT OF DIGITALIZATION: ADVANTAGES AND DISADVANTAGES**

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### **Article history:**

**Received:** September 6<sup>th</sup> 2023

**Accepted:** October 4<sup>th</sup> 2023

**Published:** November 8<sup>th</sup> 2023

### **Abstract:**

The article describes the essence of Internet banking in the digital economy, as well as its advantages and disadvantages

**Keywords:** Digital economy, Internet banking, banking services, banking operations, electronic payment

Today, the digital economy is developing at an incredible speed thanks to the ability to collect, use and analyze huge volumes of digital data from all areas of human's life. Digitalization is irrevocably changing society, and is also an important source of economic growth, and its effective use can lead to prosperity in all countries. Digitalization of the economy in Uzbekistan is inextricably linked with the development of information communication technologies, which is characterized by several stages of development. The current stage of technology development in the republic is characterized by the period of formation and high dynamics of development. The establishment of a digital economy in the republic is determined by the increasing role of those types of economic activities that are associated with the production of intellectual products and services, and corresponding structures major changes in the national economy.

The term "digital economy" was first used in 1995 by an American scientist from the University of Massachusetts N. Negroponte to explain the advantages of the new economy in comparison with the old one in connection with the intensive development of information and communication technologies. In other words, the digital economy is an activity directly related to the development of digital computer technologies, which includes electronic payments, online services, online trading, crowdfunding, etc. The main elements of the digital economy are usually called e-commerce, Internet banking, Internet games, Internet advertising, electronic payments, etc [1].

In recent decades, the formation and use of information technologies in banking in significant quantities has marked a qualitatively new stage in the development of financial markets. Increasing the competitiveness of the national economy in modern conditions is also based on the development of information technology and the identification of innovation as a key factor in economic development.

The idea of using Internet technologies to provide banking services first appeared in the United States in 1995, when the first virtual bank, Security First Network Bank, opened. In the real world, it did not have the usual bank office or branches; all transactions were carried out by bank clients only via the Internet. Today, more than half a million people in the world are Internet banking users, which accounts for more than 35% of all Internet users. The most active users of Internet banking are Americans, whose number makes up almost half of the audience of Internet users, in Europe this figure reached 45%, in Latin America - 39%, in the Pacific region - 28%, with a growth dynamics of more than 5.2% annually. In Europe, the largest number of Internet banking users are in countries such as Sweden, Norway, Finland, Denmark and the Netherlands [2].

A developed legislative framework for Internet banking is being formed in Uzbekistan. It includes the Laws of the Republic of Uzbekistan: "On banks and banking activities"; "On the Central Bank of the Republic of Uzbekistan"; "About informatization"; "On electronic digital signature"; "On electronic document management"; "About e-commerce"; "On electronic payments"; "On the protection of information in an automated banking system."

The main direction of development of banking services at present is the maximum transfer of financial products to remote channels. Combined with the rapid development of mobile devices, mobile and Internet banking systems have become business attractive for banks, and their importance is only increasing. If just a couple of years ago banks differed from each other with more favorable service tariffs, interest rates on loans and deposits, today banking products are largely similar and competition has reached a new level: now the quality and functionality of remote banking services matter. The development of remote banking services is shaped by business needs [3].

Internet banking is a system that allows you to receive bank services via the Internet. For example, transfer



money, pay bills, repay a loan. You can access online banking from a computer, tablet, or smartphone simply through a browser. With online banking, you can check your account balance, make transfers, pay bills, and many other transactions using your computer or mobile device.

Internet banking is a software package that provides corporate bank clients with a full range of services for remote account management using the Internet.

The system is designed for remote management of accounts of legal entities, including individual entrepreneurs, as well as companies [7].

Internet banking allows you to:

- receive detailed information about cash flows and current account balances;
- view the status of sent payments;
- import and export payment documents from accounting systems, including 1C;
- send payment documents in national and foreign currencies electronically to Ipoteka-Bank;
- receive documents confirming transactions on the account;
- send payment documents signed with an electronic digital signature (EDS) to the bank;
- credit wages to employees' plastic card accounts;
- receive statements of all accounts for any period;
- parent organizations can monitor and control their divisions using a single electronic key.

One of the main reasons for the popularity of Internet banking is the ability to pay for goods or services via the Internet. According to experts, this trend is gaining momentum and will only grow. Almost all banks have their own mobile application for remote customer service, and their number is growing every day. To carry out any operations - from a computer or mobile device - confirmation from the user is required. The user fully controls the balance on the card without leaving home [4].

Opportunities for a user who has registered on the site: operations to pay for goods and services: utility bills, mobile communications, Internet, etc.; money transfers to a card of any third-party bank; payment of fines, state fees and other payments; management of a current account with the option of transferring to any local bank; loan payment; information about new banking products; management of accounts and deposits; online loan processing; auto payment option; reflection of payment history for the current month, year; virtual chat with bank specialists; additional services: insurance, SMS information [6].

Advantages of Internet banking:

- Safe storage of funds in a bank account;
- Availability of additional banking products;
- Feedback from bank employees.

Payment transactions can be made at any time of the day, without leaving your apartment or office.

Similar transactions in a bank require time. ATMs often experience technical problems: the program freezes, payments do not go through, etc. Sometimes the machine accepts bills, but does not issue a receipt, or attackers can spy on the secret code after gaining access to the card. Internet banking is the best option for making instant bank payments from home.

Disadvantages include:

- Making payments independently: in a bank, these functions are taken over by an employee of the institution. He enters the details, fills out the receipt and issues the final receipt to the client. For older people who do not have computers or modern mobile phones, this format is much more convenient.
- Lack of physical and emotional contact: Internet banking excludes direct communication with a bank employee;
- Risks of "phishing" when a user visits "clones" of official websites and enters personal information and bank account number.

In general, users who have chosen a modern service willingly use Internet banking, which provides access to personal accounts 24 hours a day, seven days a week [5].

Compared to traditional banks, online banking offers many advantages. One of them is the ability to access your financial accounts around the clock, anytime and anywhere you have access to the Internet. Also, Internet banking allows you to quickly and conveniently pay for services, transfer money and much more.

Compared to other financial services, such as payment systems, Internet banking offers greater functionality and flexibility. You can transfer money anywhere in the world online and have full control over your finances in real time.

One of the key advantages for banks is the opportunity to significantly reduce the costs of operating bank offices: rent and maintenance of premises, organization of workplaces and salaries of employees. By cutting costs, the bank can offer customers more attractive terms, which helps increase its customer base. For small and medium-sized banks, digital banking is the most attractive, since saving on staff and premises for such banks is a key means of survival and competition [6].

The main problem for the bank is to ensure the security of Internet services, which are handled by information security specialists and which require constant updating of information and transaction security systems to support it.

Thus, Internet banking for our country is one of the most promising markets for the development of the banking system, as the bank becomes truly customer-oriented thanks to a clear understanding of its characteristics and needs. His main task today is to



gain the trust of clients. To do this, it is necessary to actively advertise Internet banking systems in the press, on television and on the Internet.

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