

**MODERN BANK SERVICES APPLIED IN WORLD PRACTICE AND ITS
INTRODUCTION IN UZBEKISTAN**

By

DILDORA KHUDAYAROVA

THESIS

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

MASTER OF PUBLIC POLICY

2014

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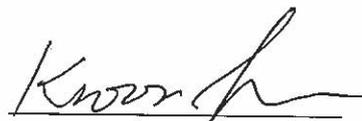
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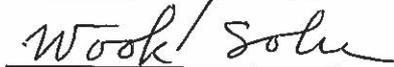
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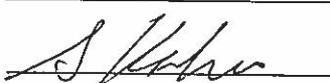
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Approval as of December, 2014

ABSTRACT

MODERN BANK SERVICES APPLIED IN WORLD PRACTICE AND ITS INTRODUCTION IN UZBEKISTAN

By

DILDORA KHUDAYAROVA

The constant increase of the competition in the banking sector and aggressive growth of subsidiaries of foreign banks that specialized in various services for the population, as well as being a consequence of the mentioned factors reducing of the commission and interest income from customer services, make the world's commercial banks to seek new, more promising and cost-effective ways to increase the density and quality of interaction with customers.

The purpose of this research is to determine the prospects for the development and characteristics of modern banking services, including remote banking services used by global banks, elaboration of recommendations for the development and improvement of these services in the Republic of Uzbekistan.

In the research work, we studied modern bank services in the world practice, identified shortcomings of banking activities of Uzbekistan. Learning from the practice of developed bank services, we have assessed the prospects of applying the world developed bank services in the banking sector of Uzbekistan.

Developed scientific proposals and practical recommendations can be used in the formulation of regulations, special measures by commercial banks, aimed at improving the technologies of modern banking.

*This work is dedicating to my dearest,
wonderful, unique mother Khojal Ganieva,
my dearest father Abdunazar Khudayarov
and my beloved sisters*

ACKNOWLEDGEMENTS

First of all, my deep thanks go to the God (Allah) for His endless blessings through my entire life path.

I would like to profoundly thank my research supervisors' professor Jung Kwon and professor Sohn Wook, at KDI School of Public Policy and Management for their advices, assistance. I am so grateful to the KDI School of Public Policy and Management for giving me a full scholarship opportunity for pursuing my master degree.

My profound gratitude goes to the Academic and Student affairs division of the KDI School of Public Policy and Management for their immediate responds to our messages.

I comment my family and my heart – my Mom Khojal Ganieva for their moral support during my studies in South Korea. Thank you for being present every time I need you and for your encouragements throughout my stay in South Korea.

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CHAPTER 1. INTRODUCTION

1.1 Background to the study

The constant increase of the competition in the banking sector and aggressive growth of subsidiaries of foreign banks that specializing in various services for the population, as well as being a consequence of the mentioned factors reducing of the commission and interest income from customer services, make the world's commercial banks to seek new, more promising and cost-effective ways to increase the density and quality of interaction with customers.

The territorial expansion of the branch cannot be infinite, and in an era of rapid development of information technologies banks in an effort to get closer to the customer are increasingly trying to develop not for the expense building of large networks of branch offices, but through the introduction of advanced science and technologies, implemented in various methods of distant bank services (DBS) for customers.

As the President of Uzbekistan Islam Karimov said at the meeting of the Cabinet Ministers that dedicated to the socio-economic development in 2013 and the most important priorities of developing economic reforms in 2014, “It is encouraging to note Uzbekistan’s banking system is assigned with rating at "stable" second consecutive year by such reputable international rating agencies as "Standard & Poor's", "Moody's" and "Fitch Ratings" and number of commercial banks in the republic, with the same assessment is increasing from year to year. If in 2012 the country's 15 commercial banks were rated as "stable", today their number reached 23, and their assets make up more than 98 percent of the total assets of the banking system of the country”.¹

All these figures certainly indicate the degree of development of the banking system. But for the further development of the banking sector of the

¹Report of the President of Uzbekistan Islam Karimov at the meeting of the Cabinet Ministers which was dedicated to the main results of 2013 and the priorities of socio-economic development in 2014. 19.01.2014.

republic, and output it to a higher quality level of the world it is needed to develop new banking technologies, new ways of attracting customers.

The spread of mobile communication devices and Internet among the population, the development of network infrastructure in the regions, improvement of legislation, the growth of financial literacy and income - all of these contribute, on the one hand, to increasing confidence in banks and demand for retail banking services, and, on the other – to possibilities of credit institutions that seek ways to maximize satisfaction of customers' needs, to introduce, and constantly expand the range of remote services.

1.2 Research purpose and objectives

The operations of remote channels are beneficial for both parties: the public, and banks. The first is able to perform a wide range of operations at anytime, anywhere with the available resources (a computer with Internet access, mobile or stationary phone, ATM, kiosk, etc.) at a high level of security. Credit organizations benefit from cost savings arising from the traditional method of service, to attract more customers and increase loyalty and, consequently, increase competitiveness. All above said determines the **relevance** of the research topic, as well as the **purpose and objectives**.

The scientific novelty of the research is follows:

- Wider revealed significance of modern banking services,
- Discussed opportunities of increasing modern banking services' role during the modernization of the economy;
- substantiated the importance and necessity of modern banking services, including remote banking services;
- Deeper developed theoretical aspects of the introduction of modern banking services;

- Investigated possibilities of the services offered on the basis of modern banking services, including remote banking services;
- Elaborated the recommendations about the introduction of modern banking services in the activities of banks;

1.3 Research questions

The aim of the thesis is to determine the prospects for the development and characteristics of modern banking services, including remote banking services used by global banks, elaboration of recommendations for the development and improvement of these services in the Republic of Uzbekistan.

Solving the following tasks helps to achieve main purpose of the work:

- What modern concepts and value of banking services exist in world banking system?
- What modern services are offered by world developed banks to achieve high customer satisfaction?
- What are the shortcomings of legal regulation and practical experience of the banking activities in Uzbekistan?
- What are the prospects of applying modern bank services in the banking system of Uzbekistan?

Developed scientific proposals and practical recommendations can be used in the formulation of regulations, special measures by commercial banks, aimed at improving the technologies of modern banking.

1.4 Methodological and theoretical bases of research.

The methodological basis of the study are fundamental economic theory in the field of banking, the main provisions contained in the scientific works of domestic and foreign scholars on the problems of modern banking, legal and

regulatory documents, Acts of the Republic of Uzbekistan, decrees, decisions and orders of the President of the Republic of Uzbekistan, the Resolution of Cabinet Ministers, Resolution of the Board of the Central Bank, Decree of Ministry of Finance, regulations, scientific literatures, periodicals, providing economic and legal regulation of banks, as well as details of the annual reports of local and foreign banks.

CHAPTER 2. THE ROLE OF BANKING SERVICES AND THEIR IMPORTANCE IN ECONOMIC DEVELOPMENT

2.1. Bank services, their economic importance and types

Bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses.

Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

Modern commercial banks – lenders that deal with all types of credit, payment and financial transactions related to the servicing of their customers for profit. The specificity of the bank is determined by features of its activities and services provided.

Some scholars interpret banking services as one or more of the bank's operations that meet the specific needs of the client and carrying out banking transactions on behalf of a client in favor of the latter for a fee.

Others say, that bank services is the various ways in which a bank can help a customer, such as operating accounts, making transfers, paying standing orders and selling foreign currency.

From the perspective of other scientists banking service should be viewed as a product that the bank realizes in financial market.

However, despite the identification of the terms «bank product», «banking service» and «banking operations» in a number of scientific publications, these categories should be distinguished (Table 1).

Table 1

Comparison of the terms «bank product», «bank service» and «bank operations»¹

Bank operations	Bank services	Bank products
Manifestation of banking functions in practice. Made in cash, reflect money flows in various phases of reproduction and are made directly through banks	One or more of the bank operations that satisfy customer needs and conduct banking transactions on behalf of the client in favor of the latter for a fee	Basic bank products - bank loans
Systematically conducted transactions made by banks in the legislation fixed capacity, which acts as object of money, securities, precious metals, natural gemstones	Activities and opportunities of bank for optimization and maintenance of transactions process	Banking product - a complex of interrelated services and operations of the bank. It has several options: purpose, amount, yield, rate, duration, reliability, compliance with the legal framework, tax taxability
The set of interrelated activities of the bank to resolve common economic problems	A variety of actions on the financial market, carried out by commercial banks on behalf of and in the interests of its clients, as well as for their own needs	The complex interrelated banking services and operations, aimed to meet needs of customers in certain types of banking activities
A complete set of market-based monetary relations	Operations on behalf of the client in favor of the client for a fee	Under banking products means any service or transaction performed by the bank
The complex interrelated activities of the bank and the customer made on behalf of the Bank, involving the movement of funds and aimed at solving specific economic problems	Providing to customers technical, technological, financial, intellectual and professional activities of the bank that accompany and optimize banking operations	Bank product or service means transactions that is made by credit institution, its action, entrepreneurial action, aimed at improving the business
Actions undertaken to achieve goals	Professional intellectual product that is based on market research needs of the market in order to implement it on the market and take profit	The particular way in which the bank provides a service to the client needs, that is, ordered, internally consistent and, as a rule, a documented set of interrelated organizational, technical, technological, informational, financial, legal and other actions (procedures) that make up a holistic regulation interaction between the bank's employees, its divisions to serve clients, a single and complete customer service technology.
Operations to attract funds and their placement	Services - attracting deposits and then lending	Customer value, it is a set of specific properties, which requires the client

¹According to the data that is gathered by the author

Thus, scientists do not make a clear distinction between the terms and highlight the following features of banking products (services) - abstractness, intangibility, intelligence, lack of material substance, the availability of consumer values, useful effect, the specific properties, the provision of banking services associated with the use of cash, bank services cannot be stored, accumulated.

Consequently, while using of terms it should be considered the following fact: while providing services to clients, commercial banks have operations that are reflected in the balance, that is, while provision of services the bank can perform multiple operations occurring in certain groups of services. On the other hand, the bank carries out a particular operation, providing service to customers. For example, attracting free funds in profitable business instrument and performing an operation on its registration, the bank provides a service to company to receive money under certain conditions (time, rate).

Consequently, it can be concluded that the operations involve the concept of banking services and certain types of banking operations correspond to certain types of services provided to clients: deposits, lending, investment, foreign exchange, cash settlement, trust, custody, safekeeping services, consulting, IT, audit, and others.

At the same time Lobacheva T. and Syulyargina A. Yu. propose to divide services provided by bank into four types:

1) strategic - allow clients to develop and achieve significant strategic change in the nature, direction and scope of activities or lifestyles;

2) current - allow the customer of the bank optimal way to achieve the goals set in the annual plan;

3) operational - allow the customer to the bank to prepare and quick to resolve unforeseen problems;

4) special - allow the client to obtain professional assistance in emergency crisis situations.

Dihtyar V.I. while giving the classification of services for businesses, divides them into bank and nonbank. He considers that traditional bank services include - deposits, credit, payment transactions, and collection of cash, promissory notes, payment and settlement documents, purchase / sale of foreign currency, bank guarantees, attracting deposits and placement of precious metals. The non-banking services include accommodation, subscription, purchase, sale, registration and deposit of securities, issuance of guarantees for third parties providing for the fulfillment of obligations in cash, purchase the right to demand from a third party fulfillment of the obligation in cash, trust funds and other property under the contract, leasing, consulting and information services, leasing of special rooms or safes.

Tavasiev A.M. believes that the existing prerogative of banks have the formation of the means of payment, and their release into circulation and withdrawal of the turnover realized in the following operations: receiving money as deposits (deposit) from businesses and individuals, giving businesses and individuals money loans (the emergence of new credit money), collection of money, bills, payment and settlement documents and cash services to natural persons and legal entities, buying and selling of foreign currencies. In his view, these operations determine the nature of banks. However, a scientist in the number of operations adds cash management services, which does not affect the amount of money, but reveals the nature of banks. Among them he includes: opening and maintaining bank accounts of individuals and legal entities; settlements and payments on behalf of individuals and entities with bank accounts to attract deposits and placement on its own behalf precious metals; issuing bank guarantees.

Other scientists have arbitrarily divided services into passive operation (to raise funds), active (on placement), a commission, brokerage, and trust (trust) operations.

There is another classification based on attributes that characterize the features of service delivery - focus on customer satisfaction (direct, indirect,

special services, bringing additional revenue or reduced costs), the segmentation of services by client group, depending on complexity.

However, for classification of banking operations it is better to divide them according to the Article 4 of the Law of the Republic of Uzbekistan «About Banks and Banking», which provides a list of banking operations. The law defines deals that banks are entitled to. This is issuing of guarantees for third parties providing for the fulfillment of obligations in cash, purchase the right to demand from a third party performance of obligations in cash, trust funds and other property under contract with individuals and legal entities; operations with precious metals and precious stones; lease to individuals and legal persons, leasing, provision of advisory and information services, as well as other transactions in the presence of licenses of the Central Bank of Uzbekistan.

Depending on the payment for the provision of banking services, they are divided into free and paid. However, this does not mean that any particular type of service is fully paid or free. Determine what kind of (for example, payment transactions), must charge a fee to customers, and for what - a fee not to establish, within the competence of the bank.

For a variety of reasons, some operations as part of the settlement, credit and deposit can be made free of charge. In relation to payment for services and, consequently, the bank's income can be applied to other more detailed features. Often distinguished banking services that brings income and do not, expensive and cheap.

Depending on the connection with the movement of material product banking services are divided into two types, associated with its movement and clean service.

Despite of the variety of classifications, they are designed to analyze the activities of commercial banks, grouping operations, making the product range, performance assessment, both in general and the group operations, services, and separate from them. However, for the purpose of ensuring the competitiveness of

services and selling them to customers, these classifications cannot be used. Therefore there is a need to develop a classification which is based on criteria of quality and usefulness (relevance) services for business clients. For it we should know which operations enter to one or other type of service (Appendix 1).

So, in conclusion, we should note that under the banking services we understand the totality bank's operations that satisfy customer needs. And under the banking operation - an orderly and logical set of completed actions of the bank to provide services to clients and meet their own needs of the bank. Banking services are classified according to specific banks, entities receiving services, the method of formation and allocation of resources to pay for services, due to the movement of material and product are determined by the performance criteria, which are incorporated in their basis.

2.2. Legal basis for the development of banking services in the Republic of Uzbekistan

According to the Resolution of the President of the Republic of Uzbekistan from 26.11.2010 №1438 “About the priority directions of the further reforming and increasing stability financially-bank system of the republic in 2011-2015 and achievements of the high international rating indicators” all commercial banks in the country must ensure the expansion of the spectrum and quality of banking services offered by the wide application of information and communication technologies, as well as 2015 to introduce Internet banking service for businesses and individuals.¹

In accordance with the Resolution in the next few years commercial banks of the republic are trying to expand the range of offered services and diversify their activities. For this purpose, they are actively introducing technologies such as e-

¹ Resolution of the President of the Republic of Uzbekistan № 1438 from 26.11.2010 " About the priority directions of the further reforming and increasing stability financially-bank system of the republic in 2011-2015 and achievements of the high international rating indicators "1 section 3 chapter 17 task

service ATMs, mobile phones, the Internet that allow customers to manage their accounts in the distance. With the introduction of remote banking credit organizations in addition to their traditional services added new banking products, which satisfy customer needs better and better. As an example, we can tell about «SMS-informant» of «Asakabank», service «Internet banking» of «Trust Bank», «SAM online» of «Samarkand» bank and others.

It should be noted that remote banking services refers to banking products and services through a variety of telecommunications networks for satisfying needs of the client, which is located outside of the bank building.

Currently, legal support of remote electronic payment systems is based on the following key documents:

- Civil Code of the Republic of Uzbekistan;
- Law of the Republic of Uzbekistan adopted in 25.04.1996, «Banks and Banking»;
- Law of the Republic of Uzbekistan adopted in 11.12.2003, N 562-II «About electronic digital signature»;
- Law of the Republic of Uzbekistan adopted in 29.04.2004, N 613-II «About electronic commerce»;
- Law of the Republic of Uzbekistan adopted in 29.04.2004, N 611-II «About electronic document»;
- Law of the Republic of Uzbekistan adopted in 16.12.2005, N ISG-13 «About electronic payments»;
- Resolution of the President of the Republic of Uzbekistan adopted in July 8, 2005 PP-N 117 «About additional measures to further development of information and communication technologies»;
- Regulation of 19.11.2010 № 2155 «About order of service in remote bank accounts»
- Regulations adopted in 15.04.2002, № 1122 «About non-cash transactions

in the Republic of Uzbekistan»

- Rules of the organization of payment systems that use public telecommunications networks from 13.02.2008, № 1767
- Regulations governing the banking business;
- State licenses and certificates of compliance of the bank in providing electronic banking services;
- State licenses and certificates of conformity to the trading floor of the safety and security of electronic documents;
- Contracts between the customer and the bank in terms of providing electronic banking services.

Adoption of the law of the Republic of Uzbekistan from 11.12.2003, N 562-II «About electronic digital signature» was intended to create legal conditions for the use of EDS, under which EDS would be in an electronic document equivalent to a handwritten signature in a document on paper, as well as the regulation of relations in the use of digital signatures.

Digital Signature - a combination of the data with size of 128 bits, 256 bits and so on, which is attached to each packet of data coming from the client to the bank.

Based on the above Act, the electronic digital signature - the signature of the electronic document received as a result of special data transformations of the electronic document using the private key, digital signatures allow using a public key digital signatures to establish the absence of distortion of information in an electronic document and identify the owner of the private key digital signatures. The private key digital signatures - the character sequence obtained with the use of digital signatures, known only to the signatory and is intended to create a digital signature in an electronic document and a public key digital signature - a sequence of characters obtained with the use of digital signatures, corresponding private key digital signature that is available to any user of information systems and is designed for authentication of digital signatures in electronic documents.

That is, in the usual sense of EDS - a sequence of numbers that is created by converting an electronic document signed by a special software tool for cryptographic algorithms and is designed to verify the authorship of electronic documents.

The problems of normative - legal base remote control of customer accounts:

- Lack of legal framework for Internet banking (in particular, the law of e-financial services). Not legally recognized as equivalent transactions carried out electronically and by traditional means;
- lack of organizational and legal mechanism for implementing the law on electronic digital signature;
- lack of a unified standard for the electronic and financial documents and contracts for Internet banking;
- complexity of the certification of cryptographic information in government agencies;
- Lack of standardization and certification of software used for electronic payments;
- lack of legal regulations on encryption for the exchange of confidential information;
- undefined tax status of transactions conducted via the Internet;
- do not developed a system of certification authorities.

So, as a conclusion we can tell that the legal base for the developing of modern bank services was created by our government, however there is still a lot of problems that are waiting solutions.

2.3. Modern bank services applied in world practice and their role in the global banking system

With the development of world economy banks are also looking to develop their operations, to improve its performance by increasing the scope of banking services. Modern banking services can reduce the costs of banks, and also save customers time. In order to expand the range of services banks started to offer services such as, «internet-banking», «mobile-banking», «sms-banking».

The company «Bank's soft systems» (BSS) continuously monitors the state of distant bank services (DBS) market , and in particular Internet banking, followed by the experts conducting the analysis of this segment, says the growing popularity of systems to provide remote services.

Specialists of the company analyzed the current situation of DBS in the U.S. and Russia. The study covered the following target groups:

- Representatives of the banks;
- employees of banks using the system DBS (staff departments that work with clients, operations);
- executives and employees of the marketing department;
- employees of the department, IT, involved in maintenance of the system in the DBS Bank;
- banking clients - legal persons;
- chief accountants, using DBS system;
- IT-specialists of departments;
- bank customers - individuals.

While studying it was carried out monitoring of six American companies engaged in the development of DBS, 20 U.S. banks, DBS service providers in the United States, 20 banks, DBS service providers in Russia.

The situation in the United States. In the market of the U.S. banking automation solutions in the field of DBS are focused on segments of consumers of

banking services, as individuals, large companies and corporations, small businesses, large (VIP) customers of the bank.

In terms of ways of providing services in U.S. banks, DBS can be identified in the following in order of most relevance:

- Internet-banking - the provision of services on the basis of DBS's banking system of payments through the Internet;
- Mobile-banking - the provision of services based on the DBS mobile technologies;
- External services - kiosks, ATMs;
- Phone-banking - the provision of services on the basis of DBS BSS voice of the banking system;
- Classic «Client-Bank».

All the major banks and many medium-sized U.S. banks use the home page of the bank as an input to the system of online services. Typically, the bank does not specialize in any one form of service - it is always a wide range of services and, moreover, always something, distinguishes the bank from its competitors. For example, First National Bank provides services Touchtone Banking - Phone Banking using a touchtone telephone - a conservative, but still demanded service. Chase Bank offers a management service pension contributions, and the HSBC Group offers a wide range of contributions from the administration till insurance. American Savings Bank allocates some of the services of «Internet Client» in an isolated service «Express Client» - such as paying taxes. A good marketing way.

Some banks provide the service Lockbox - a «mailbox», a special account of the client being processed by the bank where the payments are made for contractors of client. Selecting this type of account allows to reduce the cost of regular registration fees.

Widespread ATM-services (based on the ATM). The addresses of ATMs can be found at most sites, lending institutions, and ATM are divided by language, belonging to the bank itself, and also lists the ATMs of other organizations.

Compared with the use of ATMs in Russia the possibility of a qualitatively enhanced. For example, many machines can connect a headset for voice instructions. Such technologies allow the bank to expand the territory of the provision of services.

ACH-service is also popular (Automated Clearing House). Automatic Clearing House, an analogue of the accounts in the «DBS BS_Client. Private Client» – it is option of «Kiosk self-service.»

From the survey results imply that in the U.S. DBS services palpable advantage in the direction of the mobile service. With the growth of information technology there is a shift to a «thin» systems, communication channels, the main of which is the Internet.

The maximum demand is to the system, providing 24 hours access to the services of the bank, both mobile and stationary, but the mobility is prevalent throughout.

In the U.S., almost all major banks providing Internet banking services, including Citicorp, Bank of America, Wells Fargo, Bank One, First Union, and the number of users has about 80 million people. According to the online survey of US Synergistic Research, in 2008, almost one-fifth (18%) of all U.S. households were connected to the Internet to make payments via the Internet - paying bills, money transfers, loan repayments and the payment of purchases.

Situation in Europe. In Europe, according to research firm Berg Insight, the number of users of Internet banking in 2010 exceeded 100 million.

In England at the moment there are quite a large number of «pure» Internet banks, which were formed by various banks and mortgage institutions, deposit to expand the scope of activity, for example, Egg, Smile, First-e, Abbey National. In this traditional banks such as Barclays, HSBC, Lloyds TSB, and the online service also have strong competitive positions.

In Germany, the largest Internet Service offers Deutsche Bank 24.

Widespread Internet banking services are received in the Nordic countries: Finland, Norway, Sweden, they have approximately 90% of the banks. According to recent studies of various agencies, the highest penetration of Internet banking is registered in Sweden, where on-line financial transactions commit 54% of users. For comparison, in Norway, online banks visit 48.3% of users in Denmark - 43%, while in Italy - only 12.7%.

The second most popular type of service is DBS - mobile banking, which is a logical extension of online banking. A full-service means that the mobile phone is as tender as the bank card. However, at present operating in many countries, part-time version of the mobile banking service, called SMS-banking with the information access layer that allows to receive statements via SMS transactions on the accounts, to monitor the account, etc. In this mobile banking is generally available only to holders of debit or credit card bank.

Against the backdrop of the increasing number of banks in the U.S. and Europe, offering Internet banking services, the main trend in this market include improving and supplementing existing services. Thus, in January 2008 Bank of America Corp. launched an advanced software application that lets customers check their balances and pay bills through the use of Apple Inc. iPhone. Wells Fargo & Co began in 2008 to promote services that allow business customers to confirm the transfer of funds through mobile phones. Central aspect of the new advertising campaign, Chase, JP branch Morgan Chase & Co, became a mobile banking service that allows customers to check their balance and other information through the usual electronic text message.

It should be noted that this trend is not just for big players, small banks are also beginning to invest in mobile banking. BankPlus, a subsidiary of BancPlus Corp., said in 2008 about a new service that allows consumers using mobile phones to transfer money and track the history of transactions.

Deterrent to the development of mobile banking at the moment are the concerns of users about its safety. As the survey of British consumers, only 5% of

respondents believe that mobile banking is completely safe and secure. However, analysts believe that banks and other players in this market will be able to convince users to secure new payment method, and predicting the rapid development of mobile banking. In 2011, Jupiter Research said that sales of mobile commerce in the world reached \$ 63 billion, with the largest portion of this volume was mobile banking.

Mobile banking market is very promising; it is not technically different from online banking, but carries a fundamentally new and important quality - mobility. And, despite the difficult financial situation, U.S. and European banks continue to invest in the development of mobile services, knowing that soon consumers, especially young people, will consider the presence of mobile banking as a mandatory criterion for choosing a particular financial institution.

The situation in Russia. Banks operating in Russia, in fact, provide services to two large groups of DBS customers - individuals and legal entities - without any division into subgroups.

In terms of ways of providing services to Russian banks, DBS can be identified in the following order of most relevance:

- Classic«Client-Bank»;
- Internet-banking - the provision of services on the basis of DBS's banking system of payments through the Internet;
- Phone banking - DBS services on the basis of the banking system of voice messages;
- Mobile-banking - the provision of information services on the basis of DBS WAP, PDA and SMS-technologies.

The first place among the services provided by the bank of DBS is «Client-Bank». This is due to a familiar interface, service, and compliance with safety standards, the independence of working hours and the ability to conduct its database.

«Internet Client» in the second place, and while Internet technology improves dynamically, with the same exponent will increase the quality and form of Internet banking. Obviously, the Internet is an ideal transport medium for the transmission of information.

Quite often, «Client-Bank» and «Internet Client» is used both to provide basic algorithms for bank clients acceptance of documents.

Phone-banking carries information functions and, as a rule, is part of the front office of the bank.

Of course, the «thin» solutions for the delivery of information via the Internet provide more suitable for processing and perception data, but in Russia the Internet is not yet widely distributed. Large and medium-sized banks operating in regions are actively using the phone-banking.

Mobile communications is the next step for the provision of remote banking services and is only beginning to develop in our country. Many credit organizations in Russia are already providing such services, or announce such services. In the world of this type of e-banking is so popular that there are banks that have refused other services for the benefit of mobile solutions. It is worth noting that the country`s mobile banking is primarily aimed at individuals - clients.

Conclusion of the Chapter 2

Consideration of the banking market as a set of interrelated elements, shows that all elements are needed for market development and identify factors that have influence on it, among them - state regulation of banking activities, the state of competition, availability of necessary infrastructure. Based on this approach we can further structuring of the banking market, based on the objects and subjects of the market.

So, we note that under the banking service we understand the totality bank's operations that satisfy customer needs. And under the banking operation - an orderly and logical set of completed actions of the bank to provide services to clients and meet their own needs of the bank. Banking services are classified according to specific banks, entities receiving services, the method of formation and allocation of resources to pay for services, due to the movement of material and product are determined by the performance criteria, which are incorporated in their basis.

With the development of world economy banks are also looking to develop their operations, to improve its performance by increasing the scope of banking services. Modern banking services can reduce the costs of banks, and also save customers time. In order to expand the range of services banks started to offer services such as, «internet-banking», «mobile-banking», «sms-banking».

CHAPTER 3. ANALYSIS OF DEVELOPMENT TRENDS OF MODERN BANK SERVICES OFFERED BY THE BANKS OF THE WORLD

3.1. Analysis of modern bank services used in the banking system of the Republic of Uzbekistan

Banks, being an important part of the modern financial system, carry out their activities connected with the demand of the market and manufacturers. They are located in the heart of the economic life of the world, and with the help of producer and customer service associate industry and trade, agriculture and population.

In April 10-11, 2012 in the exhibition hall «Uzkurgazmasavdo» in Tashkent was held an annual exhibition of banking technologies and services called «BankEkspo 2012.» During the exhibition were displayed the latest technologies and services to the banking and financial sector. In particular, companies, software developers for local and foreign banks, insurance companies showed the equipment software for remote banking, plastic cards, and others. Commercial banks that participated in the exhibition demonstrated the innovative services that create a lot of convenience for customers.

Many banks such as Infinbank, National bank for foreign Economic Activity, Mortgage Bank, Kapitalbank, Aloqabank, Asaka Bank, Trust Bank, Universalbank, Credit Standard Bank, Turonbank, Microcredit, and others who conduct their activities in the country demonstrated services carried out by using the Internet. It is proud of that our banks started to provide distant bank services that have more than 300 mln. subscribers in the world.

It is important that the introduction of remote banking technologies makes it possible to expand the customer base, reduce administrative costs, to reproduce the image of a modern bank. A lot of banks participating in the exhibition reported that

they began to offer their clients services such as bank-customer, Internet banking, SMS-banking.

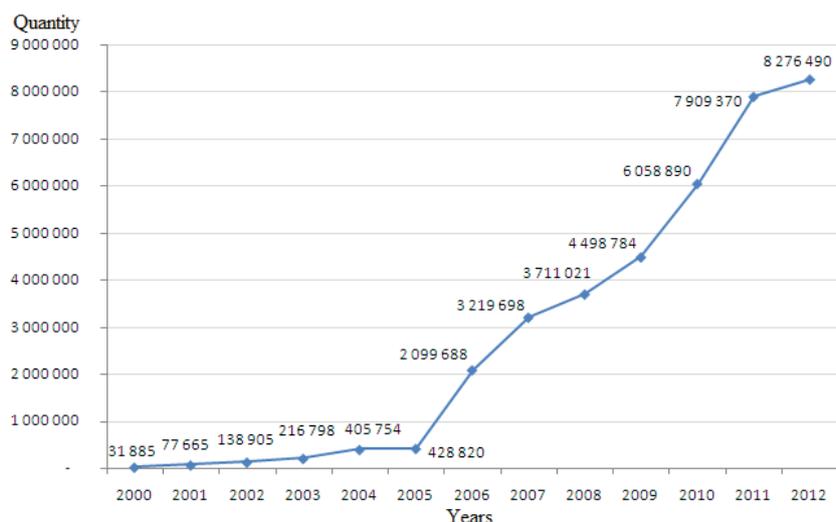
Now, let's pay our attention to the situation of distant banking services offered by of our commercial banks.

Interbank payment system using credit cards. First time plastic cards in local currency in Uzbekistan have been introduced in the treatment of credit and debit payment in 1995.

According to the regulation «About measures for further development of the settlement system based on plastic cards» by Cabinet of Ministers of the Republic of Uzbekistan № 445, adopted September 24, 2004, there was created Single Nationwide Processing Center (SNPC), allowing to carry out in a single mode of banking transactions in all outlets regardless of in which the bank served the organization of trade or service or the owner of a plastic card. Currently SNPC unites 28 commercial banks, issuing into circulation soum cards. The Center was created interbank payment clearing system for Soum plastic cards «UZKART».

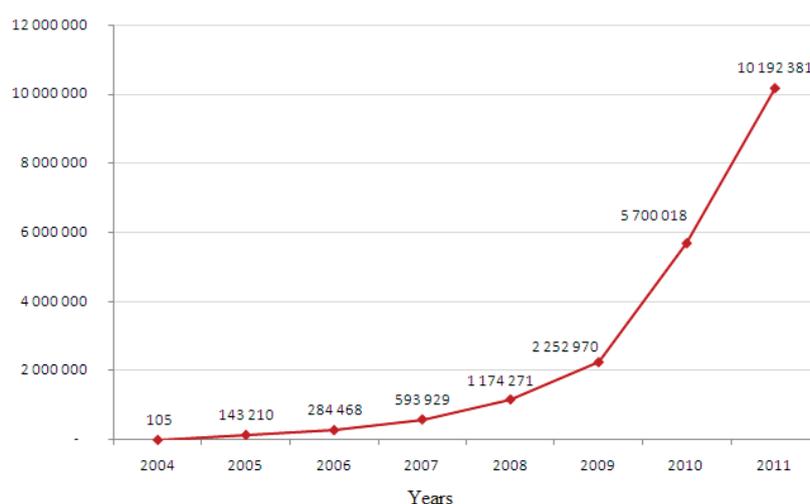
It is now fairly widely developed system of non-cash payments based on plastic cards in Uzbekistan. An extensive network of information and reference terminals of mass self-service around the clock to provide service allows card holders, organized maintenance, repair terminals, ATMs and kiosks in all regions.

Now let's look through banking statistics. Statistics of bank shows us that quantity of outstanding plastic cards increased slowly from 2000 till 2005. (Pic.1). During this years the base for further development of this way was built and statistics shows that the aim was achieved. From 2005 till 2012 this figure increased dramatically. Quantity of 2012 almost 20 times more than the quantity of outstanding cards in 2005.



Picture 1. The number of outstanding cards as of January 1¹

Sum of transactions carried out by plastic cards is growing inexorably. If in 2004 the sum of transactions was only 105 mln. soum, in 2012 this figure increased till 10 192 381 mln. soum (Pic 2.). Sum of transactions is increasing twice in comparison to the previous year. So we can tell that at the end of 2012 the sum of transactions will also increase twice. It is because of our policy, which stimulates using plastic cards.

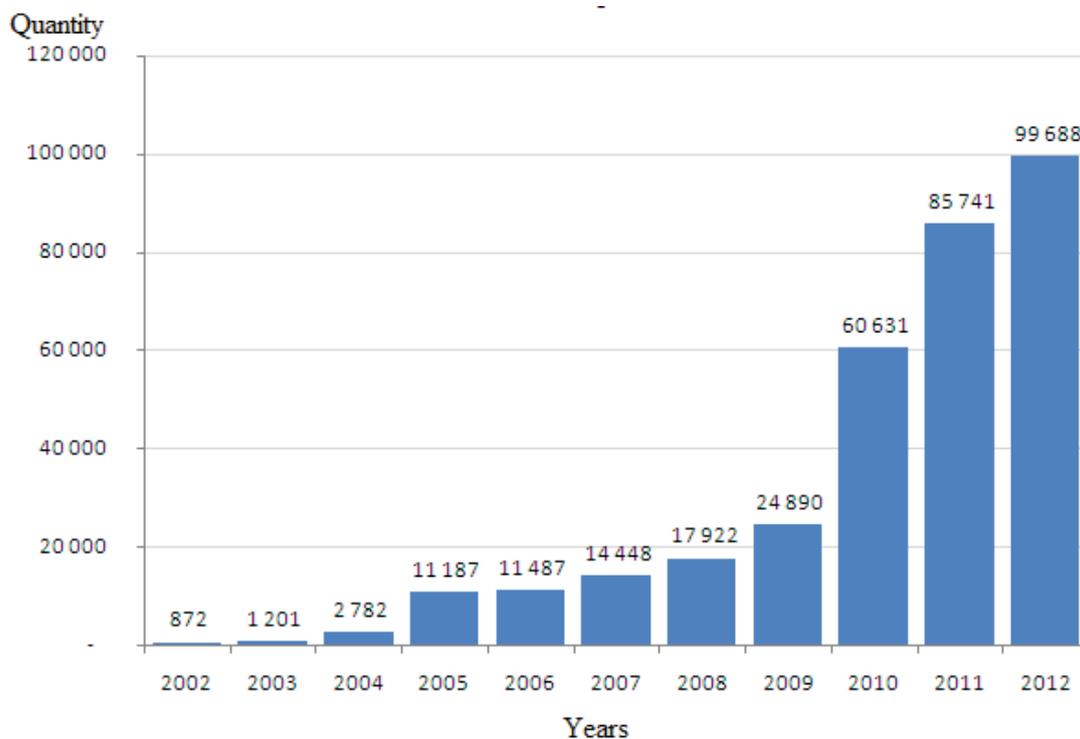


Picture 2. Sum of transactions carried out by plastic cards (mln. soum) ¹

¹ http://cbu.uz/ru/payment_system/Indicators.htm

While stimulating using of plastic cards our government also tries to provide devices that are needed to make payment operations, they are POS terminals, ATM, infokiosks and so on.

Quantity of POS terminals had tend to rise during years (Pic 3.). The number of POS terminals increased from 872 in 2002 till 99 688 in 2012, during 10 years. Of course it is not very huge figure. But for the country which for the first time using POS terminals, and applying all knowledge in practice it is good result.



Picture 3. Quantity of installed POS² terminals as of January 1³

Situation with ATM and info kiosks is not as situation with POS terminals. (Pic 4.) Of course their quantity increased during these years, but it was very slowly. The reason of this situation can be different; these devices are brought from other countries, we don't have production of them, that's why we have to buy

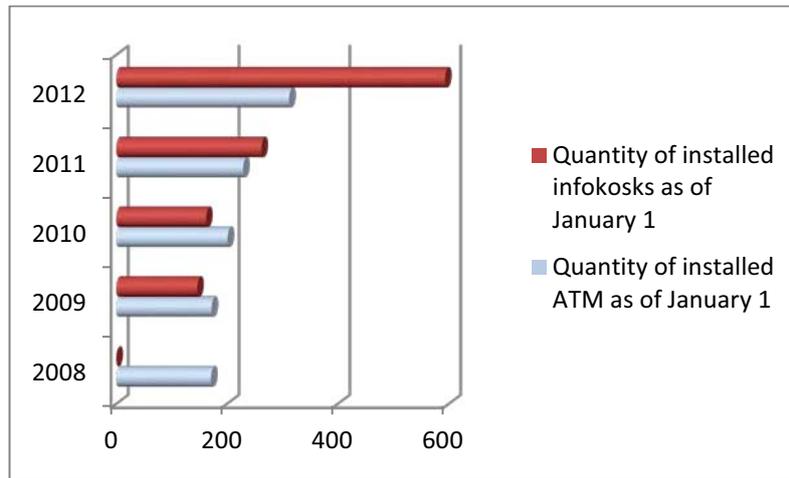
¹ http://cbu.uz/ru/payment_system/Indicators.htm

²POS - Point Of Sale

³ http://cbu.uz/ru/payment_system/Indicators.htm

them abroad. Difficulties can be result of delivering, not enough of knowledge of people, and bank personnel that use it every day.

It will be more understandable if we analyze relationship between cards, POS terminals, ATM, info kiosks. (Table 3) This table shows the quantity of these devices from 2008 till 2012.



Picture 4. Quantity of installed infokiosks and ATM as of January 1¹

Also it represents the number of cards per Pos terminal. The analysis shows that the number of cards per one terminal is reduced from year to year. In this case both figures are increasing, and this means that the rate of growth in the number of terminals is much higher than the growth rate of plastic cards.

And we see the opposite situation when calculating the amount of the transaction per one plastic card. The amount of the transaction is increasing from year to year. This rate increases with increasing of both figures, which means that the growth rate of the transaction amount exceeds the growth rate of cards. That is, more and more operations are made by plastic card. There is anything positive to say about established ATM and info kiosks. However their number is increasing in

¹ http://cbu.uz/ru/payment_system/Indicators.htm

real terms, but comparatively, increase in carried out plastic cards is not significant. Therefore it is necessary to take measures to increase these figures.

Other types of distant bank services are internet banking, “Bank-client”, SMS-banking and mobile banking. Nowadays developing them plays great role in the future of each bank.

Table 2.

Comparative analysis of non-cash payment indicators¹

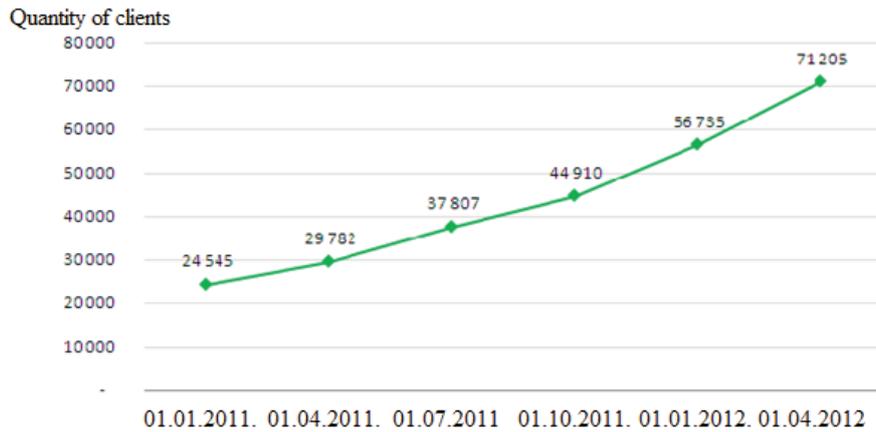
Indicators	2008	2009	2010	2011	2012
The number of outstanding cards as of January 1, unit	3 711 021	4 498 784	6 058 890	7 909 370	8 276 490
Sum of transactions carried out by plastic cards, mln. soums	1 174 271	2 252 970	5 700 018	10 192 381	-
Quantity of installed POS terminals as of January 1, unit	17 922	24 890	60 631	85 741	99 688,00
Quantity of installed ATM as of January 1, unit	171	172	201	229	312
Quantity of installed infokiosks as of January 1, unit	0,0	146	162	262	593
Sum of transactions carried out by plastic cards/ The number of outstanding cards, thousand soum/unit	316	501	941	1 289	-
The number of outstanding cards / Quantity of installed POS terminals, unit	207,06	180,74	99,93	92,24	83,02
The number of outstanding cards/ Quantity of installed ATM	21701,87	26155,72	30143,73	34538,73	26527,21
The number of outstanding cards/ Quantity of installed infokiasks	-	30813	37400	30188	13956

In pursuit of the bank's customers banks are increasingly seeking to diversify their services. And in this struggle remote service are important services.

Our country pays great attention to the development of these services. This trend we can observe in Picture 5. We can understand that users of these services

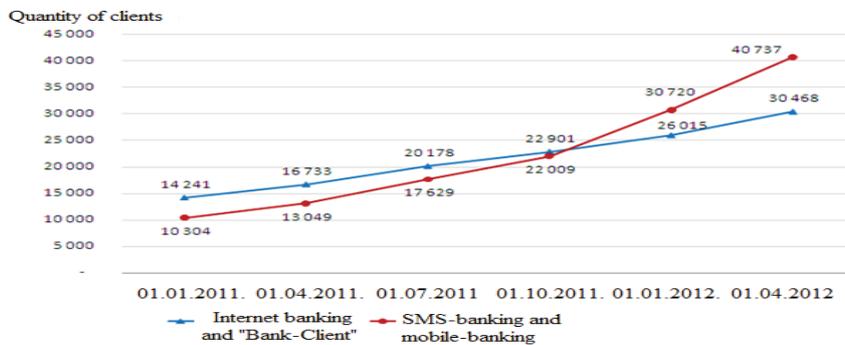
¹According to the data that is gathered by the author

are becoming more and more every day. In a short period, the number of DBS users has increased by almost three times. This indicator is increasing very stable. And this indicator shows us that our bank and clients of the banks started understand and use all advantages of distant bank services.



Picture 5.Total number of users of distant banking services¹

To understand it clearly we should observe all distant bank services more closely. For this reason we should pay our attention to the picture 6.



Picture 6.Number of users of remote banking services by type of systems²

Picture shows us that on 1 January, 2011 Internet banking and “Bank-client” services had more clients than SMS-banking and mobile-banking. But the situation changed and on 1 April, 2012 SMS-banking and mobile-banking became more popular.

¹ http://cbu.uz/ru/payment_system/remote_banking.htm

² http://cbu.uz/ru/payment_system/remote_banking.htm

It is because of the choose of the clients. And nowadays clients try to choose more portable, mobile services. That`s why clients of the mobile and SMS banking more than clients of internet banking and system “Bank-client”.

Table 3.

Number of users of remote management of bank accounts on April 1, 2012¹

№	Bank	Internet banking and «Bank-Client»	Mobile banking and SMS-banking	Total
1	NationalBankof RU	3556	13226	16782
2	«Uzpromstroybank»	1727	836	2563
3	«Agrobank»	1038	749	1787
4	«IpotekaBank»	2096	832	2928
5	«Microcredit»	2289	11 417	13 706
6	«XalqBank»	554	-	554
7	«Savdogar»	407	-	407
8	«QishloqQurilishbank»	794	5123	5917
9	Turonbank	659	321	990
10	«Hamkorbank»	2615	4205	6920
11	«Asaka»	1047	565	1612
12	«IPAK YULI BANK»	1759	68	1827
13	«RBS O`zbekiston MB»	61	-	61
14	«Uzbekistan-TurkishBank»	180	322	502
15	“Trustbank”	1194	709	1903
16	«Aloqa bank»	602	201	803
17	«UzKDB»	222	422	644
18	«Turkistan»	178	31	209
19	Subsidiary bank «Bank Saderat Iran»	21	12	33

¹http://cbu.uz/ru/payment_system/remote_banking.htm

20	«Samarkand»	5003	505	5508
21	«UniversalBank»	229	327	556
22	«Kapitalbank»	2092	112	2204
23	«Ravnakbank»	67	31	209
24	«Davir-bank»	395	-	395
25	«Credit-Standard»	120	112	232
26	«Invest finance bank»	705	241	945
27	«Amirbank»	31	25	56
28	«Asis alliance Bank»	358	179	537
29	«HI-TECH Bank»	244	66	310
30	«Orient Finans» bank	215	-	215
Total		30 468	40 737	71 205

Next table shows us quantity of clients of Uzbek banks. According to the information “Samarqand” bank and National bank of Uzbekistan are leaders in attracting clients. Almost banks have this or that service of distant bank services.

Service of Internet banking for corporate clients is provided by 28 out of 30 banks in our country.

As a rule, the possibilities of Internet banking of different banks in the republic do not differ greatly. The standard package of Internet banking, as a rule, include tracking the current status of accounts, obtain account statements, sending documents to the bank to prepare and transmit a payment order, the implementation of external and intra transfers.

A client, who is faced with the need to connect to internet banking, pays attention primarily on the convenience, functionality and cost of the service.

Here is the comparison of banks` rates in terms of the following indicators: connection to the system, the issuance of the encryption key, the penalty for damage or loss of key, monthly fee (Table 4).

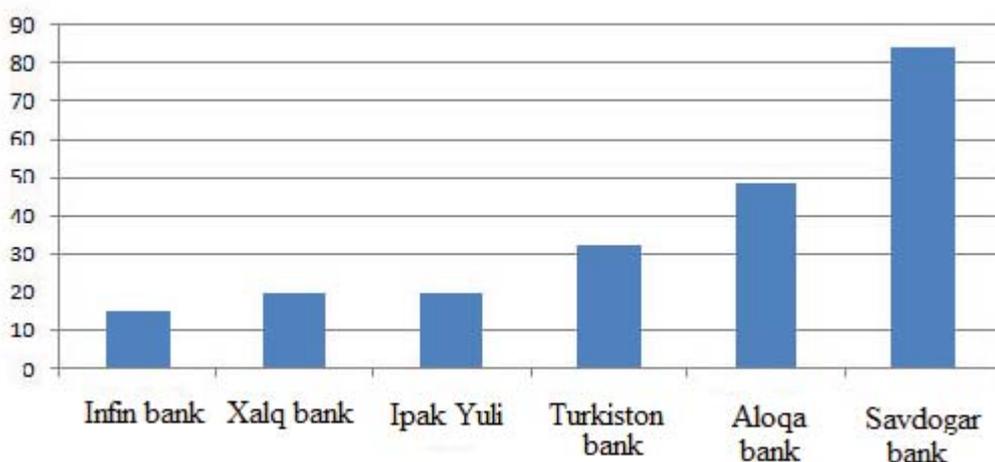
Table 4.

Comparison of banks` rates in terms of different indicators¹

Banks	Price			
	Connection	Encryption key	Monthly fee	Penalty for damage or loss of key
«Samarkand»	free	40 000 soum	15 €	40 000 soum
«XalqBank»	20 USD	free	20USD	80 USD
«Asaka»	free	free	20USD	100 USD
«AlokaBank»	1-1.5 MW	free	1.5 MW	2 MW
«HI-TECH Bank»	free	free	20USD	80 USD
«CapitalBank»	free	free	20 000 soum	three times of minimum wage
«AsisallianceBank»	free	free	15USD	100USD
«Turkistan»	1 MW	2 MW	1 MW	2 MW
«Investfinancebank»	15USD	20USD	20USD	60 USD
«Turonbank	free	free	30 000 soum	120,000 soum
«TrustBank»	free	free	20USD	100 USD
«IpakYuli»	20 USD	10USD	10USD	80 USD
«UniversalBank»	free	152,000 soum	1 MW	152,000 soum
«Credit-Standard»	free	free	20USD	70 000 soum
«UTBANK»	100 USD		free	75 USD
«IpotekaBank»	free	free	0,5 MW	65 000-95 000 soum
«OrientFinans»	free	free	20 USD	100 USD
«UzKDB»	free	40 USD	20 USD	40 USD
«Microcredit»	free	free	16 USD	116,500 soum
«Savdogar»	149,000 soum	free	2 MW	2 MW
«Agrobank»	free	free	0,5 MW	2 MW
NationalBankof RU	free	free	24 USD	2 MW

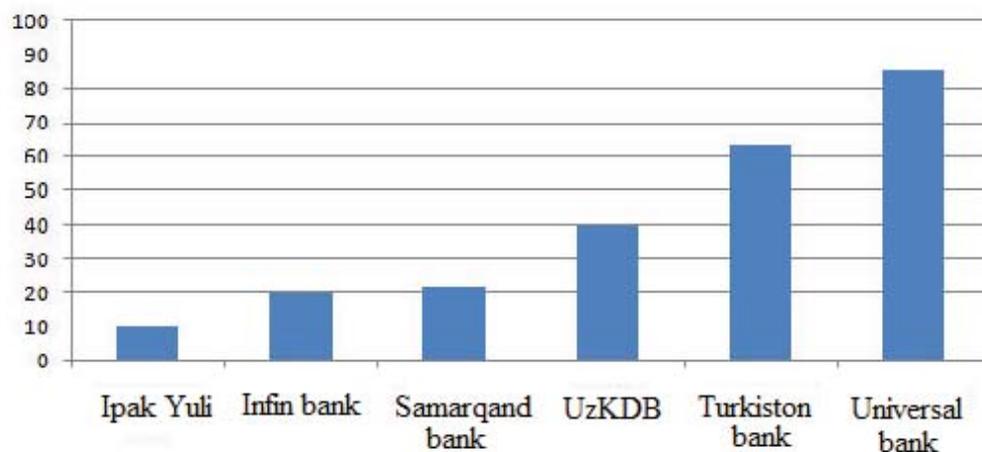
¹<http://news.olam.uz/business/6065.html>

We will translate all rates to USD for the convenience of comparison.



Picture 7. The cost of connecting to the internet banking for legal entities (USD).
November 2011¹

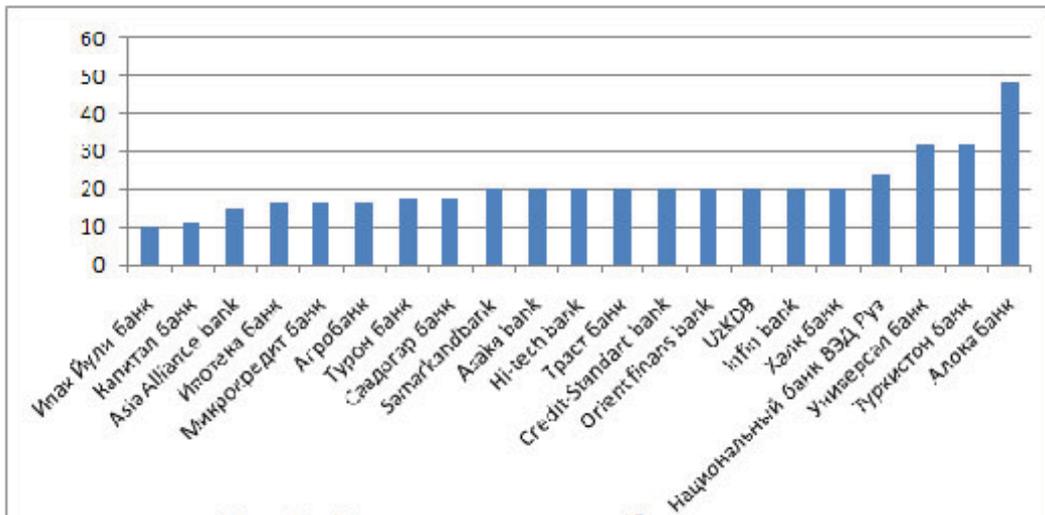
Some banks, such as «Samarkand», «ASAKA», «HI-TECH BANK», «Capital Bank», «Asia Alliance bank», «Turonbank», «Trust Bank», «Universal Bank», «Credit-standard», «Ipoteka Bank», «Agrobank», «Orient finans», National Bank of RU, «UzKDB», « Microcredit» practiced free connection. In the other banks the cost of connection varies from 15 USD («Invest Finance Bank»), at the rate of the Central Bank, up to 1.5 times of the minimum wage («Aloqa Bank»).



Picture 8. The cost of digital keys for the entities (USD), November 2011¹

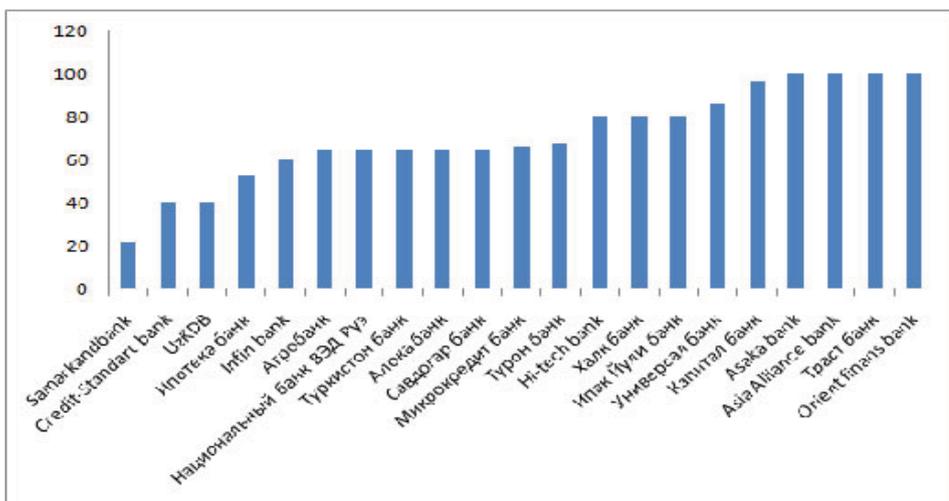
¹<http://news.olam.uz/business/6065.html>

Many banks give encryption keys for the use to clients and do not charge a fee for it. In other cases, the encryption keys are from 20 USD («Invest Finance Bank») up to 3 minimum wages (« Universal Bank»).



Picture 9. Monthly fee (USD), November 2011²

Monthly fee on average for banks is 20 USD. The lowest monthly fee «IpakYuli» has - 10 USD, the highest - 1.5 minimum wages «Aloqa Bank» has.



Picture 10. Penalties for damaging or losing of a key (USD) in November 2011¹

¹<http://news.olam.uz/business/6065.html>

²<http://news.olam.uz/business/6065.html>

For damaging or losing of USB key banks charge an amount ranging from 60 000 soum (damaging key - «Invest Finance Bank») to 100 USD (Losing - «ASAKA», «Asia Alliance bank», «Trust Bank»).

In contrast to Internet banking for corporate clients, Internet banking for individuals is provided by only four banks. These banks are «Samarkand», «ASAKA», «XalqBank» and «Aloqa Bank». Two banks also have a mobile banking («Samarkand», «HI-TECH BANK»). Internet banking for individuals is intended to view account status, make payments for cellular communication, Internet services providers, utilities and other service providers.

«Samarkand» bank provides Internet banking services under the brand name «SAM online», «Xalq Bank» under the name - «Uyalipul», «HI-TECH BANK» under the name - «Mobile banking», «Aloqa Bank» - «INTERNET BANK-CLIENT», «ASAKA» - PC «Internet banking».

Due to the insufficient development of Internet banking for individuals, the rates for this type of banking services in many market participants are not fully developed. Some of them have introduced a fee for each payment, for example, «HI-TECH BANK» charges 2% fee. In «Samarkand» there are three fare for individuals and provides various commissions during external (from 0.5% to 2% fee) and internal (from 0.2% to 0.5%) payments.

Overseas Internet Banking for individuals won his client through convenience, simplicity and reliability. For example, in U.S. 20% of households make payments via the Internet, in Europe in some countries (for example, Sweden) more than 50% of bank customers actively using online banking.²

Domestic banks today can not tell that they have a large number of clients and a variety of services. However, Internet banking is slowly but surely introduced into the lives of ordinary citizens and businessmen of our country.

¹<http://news.olam.uz/business/6065.html>

²bank.uz

3.2. Analysis of development trends of modern bank services offered by the banks of the world to their customers

The global market of Internet and telephone banking is going through times of great change. Just a few years ago it was enough to launch online banking in order to have a huge competitive advantage over other lenders. Now, when payments become available for consumers and processing of loans without leaving the house, the banks should think about how to make their electronic office more comfortable with the user's perspective and to expand the palette of options available online. Stiff virtual competition requires not only creativity, but also the speed - the Internet has taught consumers to measure time, not even minutes but seconds. Apparently, the Russian banks are also preparing to take part in this exciting race. The authors of the global market research online and telephone banking (Internet & Telephone Banking Market Report 2011) estimated the number of users of online banks in the past year, 45.1 million worldwide, compared with 28.2 million in 2010. This growth demonstrates the rapid development of the market of Internet banking and forecast of customers for 2015 is about 60 million. In U.S., according to a report by the American Bankers Association (American Bankers Association), over the past two years customers steady prefer online banking to any other method of managing their own finances.

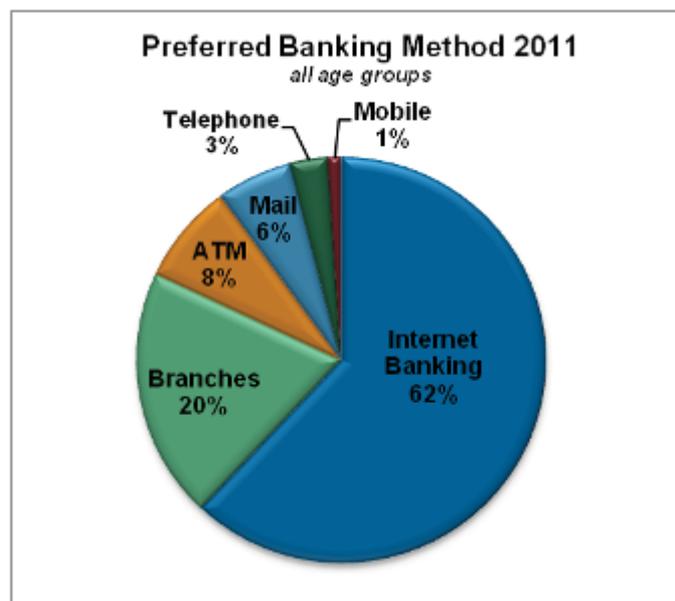
A new survey by the American Bankers Association shows that for the first time, older Americans prefer to do their banking online compared to any other method. The survey of more than 2,000 U.S. adults, conducted August 12-14, 2011 by Ipsos Public Affairs, an independent market research firm, revealed that the popularity of online banking among customers 55 and up has surged since last year. Fifty-seven percent of bank customers 55 and up say they prefer banking online compared to 20 percent in 2010.

Overall, bank customers now prefer online banking more than all other methods combined. This year, 62 percent of U.S. adults polled named online

banking as their preferred banking method compared to just 36 percent last year. This is the first year the ABA survey was conducted online. All previous surveys were conducted by telephone. ABA has conducted the survey annually since 1998. The margin of error is +/- 2.2 percent.

The preferences for all other banking methods experienced declines. Customers named the following banking methods as preferred as follows (see trend chart below) (Picture 11.):

- Internet Banking (laptop or PC) – 62% (36% in 2010);
- Branches – 20% (25% in 2010);
- ATMs – 8% (15% in 2010);
- Mail – 6% (8% in 2010);
- Telephone - 3% (6% in 2010);
- Mobile (cell phone, Blackberry, PDA, I-Pad, etc.) – 1% (3% in 2010);



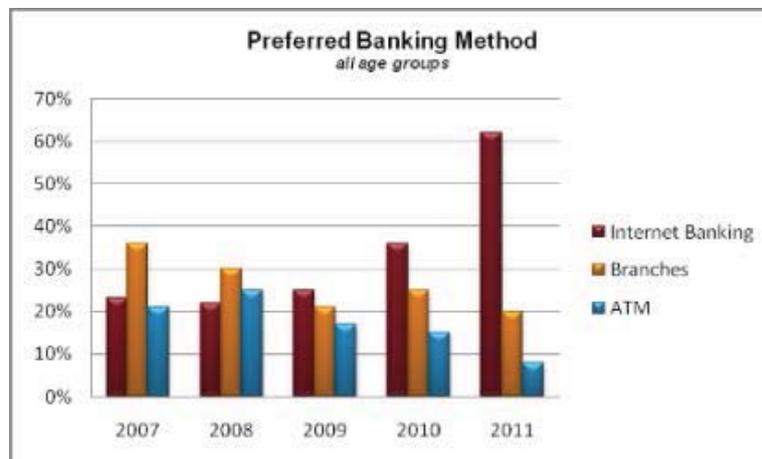
Picture 11. Preferred Banking Method 2011¹

¹ <http://www.aba.com/Press+Room/090811ConsumerPreferencesSurvey.htm>

These survey results hammer home the point that retail banking has changed for good. They tell us for the first time that customers of all age groups prefer the speed and convenience of conducting their banking transactions on the Internet to visiting their local branch or ATM. They also tell us that customers trust the accuracy and security of online banking.

Online banking first became the most preferred banking method in 2009 with 25 percent of customers naming it as their favorite. This marks the first time, however, that adults 55 and up also named it their preferred banking method. Previously, visiting a branch was the most popular method, followed by ATMs.

Online banking may be the most preferred method of banking but banks are still committed to providing multiple choices to serve the needs of all customers. Bank customers will continue to have the choice to use branches, ATMS, telephone, mobile devices or the Internet to conduct their transactions – whichever they find most convenient for them (Picture 12.).



Picture 12. Preferred banking method¹

The UK National Statistics Office (Office of National Statistics, 2011) states that in 2011, 55% of UK adults prefer online banking versus visiting bank

¹ <http://www.aba.com/Press+Room/090811ConsumerPreferencesSurvey.htm>

branches. Moreover, in the age group from 24 to 35 years, the percentage of users of online systems increased up to 72%. In Russia, according to a study MForum Analytics, only every tenth customer uses online banking system, but according to analysts, this number will grow, including through increasing of sales of tablet PCs and developing of applications for mobile phones. Despite the fact that the Russian market of Internet and mobile banking shows low growth relative to the U.S. and Europe, a survey of Muscovites Russian company Profi Online Research, conducted back in 2010, showed that a convenient system of online banking is a competitive advantage when choosing a bank for the majority of respondents. 53% of men and 42% of women pay attention to the presence of suitable functional internet banking system. In the first hundred Russian banks didn't stay at least one that does not offer customers a system of online banking in addition to opening the account and issue international credit card.

Almost all the major Russian banks offer to their customers the opportunity to enjoy with the benefits of e-banking service (DBS). DBS today - is the ability to ensure the competitiveness of the credit institution. In the remote service channels displayed a maximum range of banking services. But still the main question in the functioning of DBS is to ensure the security of financial transactions.

Perhaps there is no doubt that the bank of the future - is a bank with a unique set of technologies that enable customers to perform financial transactions from anywhere, anytime and any day of the week, quickly, efficiently and safely. Not surprisingly, now the Russian market for remote banking is growing rapidly. Experts say that over the past few years in this area there will be a qualitative shift: the most forward-thinking banks have started using internet banking, mobile banking and other types of DBS in all aspects of their business. Also development and maintenance of IT DBS is going parallel.

Experts predict that in the coming years the growth rate of the Russian market DBS will be not less than 100% per year. Sure the market growth will be

fueled by a proliferation of banking products among the population, and development of remote maintenance services.

Over the past few years, the relation of Russian banks to electronic channels of service has changed considerably: credit institutions have been actively working in the field to extend the functionality of DBS, expand into new market segments, although, according to experts, an effective promotion of sales of these services are engaged in earnest only a few players. As shown by a study Analytic Research Group, only a few banks have been actively promoting DBS services. Among them stand out VTB24, Alfa-Bank, Savings Bank and others, that is, as a rule, it is a major lending institutions.

It is clear that DBS is developed to a greater extent in large cities, where the level of automation suppliers of goods and services can receive remote payments. In the regions, according to experts Analytic Research Group even crisis has not pushed residents of small towns to the use remote banking services.

In this area, popular services are mobile phone deposits, payments for online services and utilities. The increasingly popular, according to market participants, are external transfers, replenishment of electronic purses, told representatives of Analytic Research Group. According to market experts, the Russian banks in this area have lacks of consolidator, who concluded a contract of payments acceptance with a large number of recipients, and then offered to banks to use the entire current contract when the consolidators appear banks would spend significantly less time to sign contracts.

According to analysts, penetration of e-banking services in developed countries exceeded 90%. Today the most popular and common kind of DBS in the world is online banking. In the U.S., almost all the major lending institutions are providing Internet banking services, and the number of users is about 80 million people.

In Europe, the number of users of Internet banking services at present, about 100 million people, and it is expected that by 2014 this figure will exceed 110 million.

We can compare the level of penetration of Internet banking in Russia, which is only 1.5-2%, and in some other countries: Canada, 65% in the U.S. - 45% in Sweden - 54%.

Researchers from the company comScore Data Mine showed the top ten countries in the world where people are most often uses remote banking services via the Internet¹.

As can be seen from the picture, the leader of top 10, according to comScore Data Mine, became Canada. The share of Internet users in this country who use the services of a monthly online banking is approaching 65%. In second place - the Netherlands, where the comparable figure was almost 61%.

Next in the ranking are other countries in Western Europe and the United States and Australia, where citizens are traditionally the owners of bank accounts and regularly go to the World Wide Web.

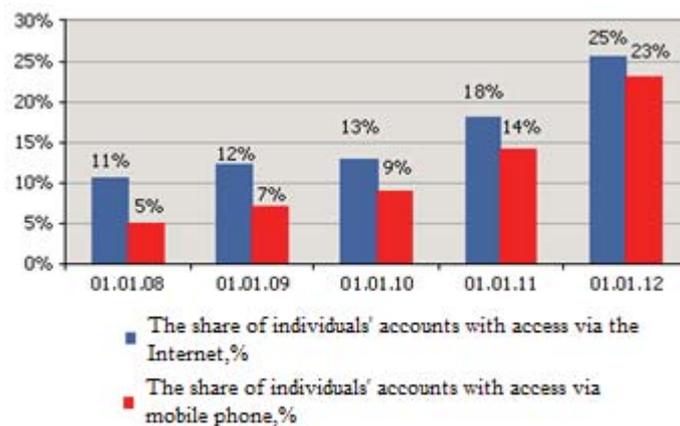


Picture 11. Top 10 Countries by Online Banking Penetration²

¹<http://moneynews.ru/News/14441/>

² <http://www.aba.com/Press+Room/090811ConsumerPreferencesSurvey.htm>

The possibilities of modern Internet banking for individuals increased significantly in Russia. In just 2-3 years, such systems from a simple information service for a small group of customers turned into a real working tool to commit a variety of operations «online». Number of users of DBS is growing (Picture 13.). Since 2009, the proportion of individuals' accounts that are available over the Internet increased from 12% to 25%, while the proportion with a score of «mobile» access, and even more - three times. According to its functional best Internet banking programs today satisfy the average user. Payment for cellular communications, utilities payments, repayment of loans - are standard features of most online banking systems.

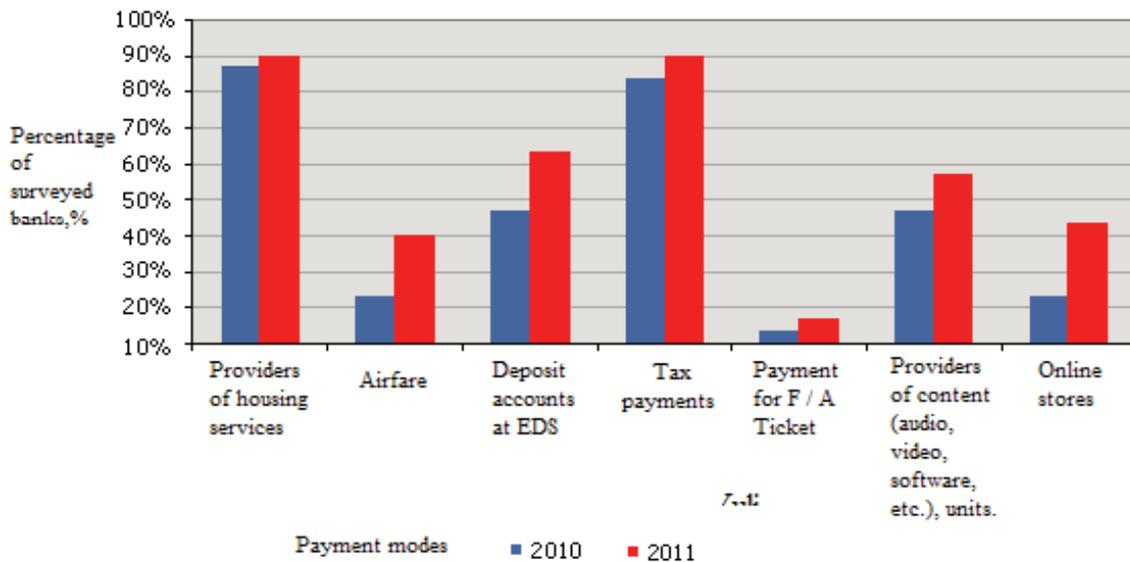


Picture 13. Availability of RBS for individuals¹

However, banks do not rest and continue to expand the functionality of systems in response to customer needs (Picture 14.). By the beginning of 2012 half of the surveyed lending institutions began to provide service according to schedule of automatic payments (at the beginning of 2011 there were only one-third). Similar progress is observed in the design of applications for credit (31% today vs. 18% a year earlier) and to provide additional services (online booking, air travel, the completion of accounts in the system of electronic money), and the list goes on.

¹Source: Assessment of "Expert RA" according to the information of Central Bank of Russian Federation

Large banks with their development teams far exceeded the requirements of the average customer; the same thing was achieved by medium and small banks that join the club systems. They are developing: for example, the number of customers of Handy Bank for the year increased by almost half - from 36 to 85 banks.



Picture 14. Banks are actively expanding the base of payees¹

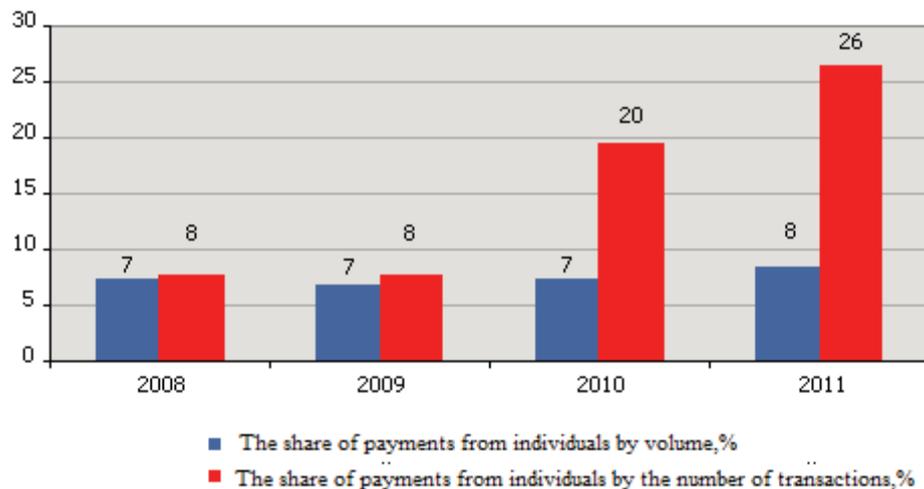
At the same time, the creators of the systems continue to add new features. JSC "CREDIT BANK OF MOSCOW" after making the final rating functionality hooked SMS and e-mail informing about transactions in the system. JSC "Russian Standard Bank," is constantly upgrading its Internet bank, in accordance with the wishes of users, as reflected in such remote services, such as the provision of invoices, statements on the cards to CSV². At the moment, it is also expected to launch a new information security from the TCR³ of the Bank with a significantly updated functionality.

¹ Source: Assessment of "Expert RA" according to the information of banks

²Comma Separated Values

³ T-cell receptor

Together with the marketing efforts of the functionality development allowed to banks to increase significantly, from 8% to 26% (Picture 15.), to increase the share of transactions conducted with the use of internet banking (the total number of transactions). Here, Sberbank of Russia plays an important role, which actively connect individuals to the system. Thus, banks have moved to the internet a lot of small payments, unloaded their operating offices. But this is just one of the tasks that can solve a good system of internet banking. The second problem - the growth of fee income by increasing the volume of transactions - has not yet been solved, as evidenced by a weak increase in the proportion of Internet banking in the amount of payments. As a result of 2011, only 8% of bank payments from individuals has been committed through the Internet, while the last four years this figure has not changed.



Picture 15. The volume of transactions over the Internet¹

The main causes of poor growth, according to "Expert RA" - distrust of the general population of Internet services, unavailability of active users to carry out large transactions and the relative complexity of the interfaces of most Internet banking programs for ordinary customers.

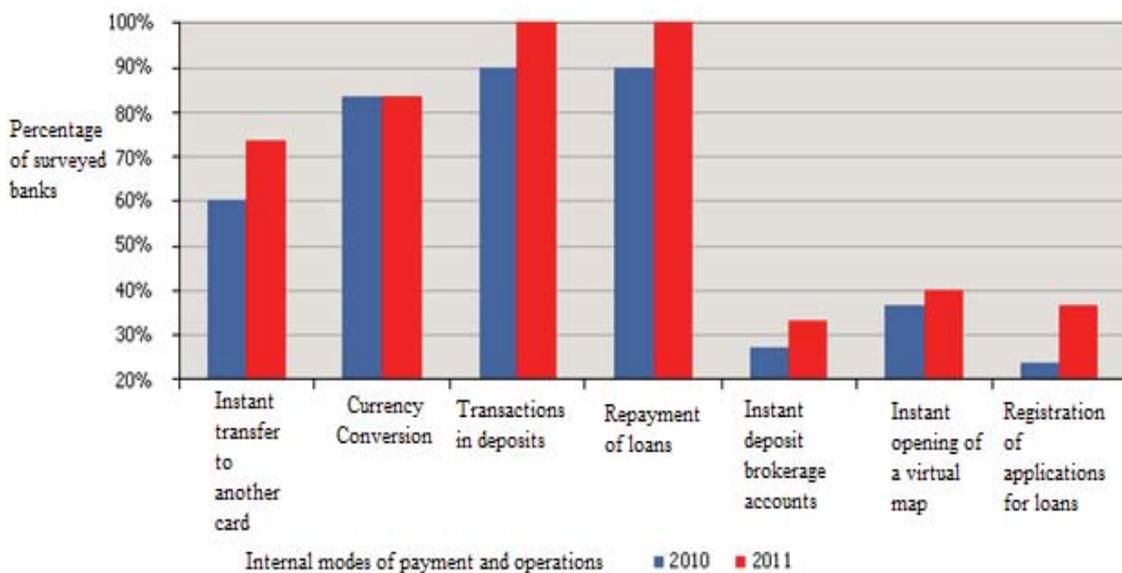
At a time when, from a user perspective, the majority of internet banking programs are similar in functionality, other factors start to work. Among them: the

¹Source: Assessment of "Expert RA" according to the information of Central Bank of Russian Federation

clarity of the interface, clock work, the security system. Another important factor is the awareness of customers that the bank is ready to go to meet them in resolving disputes.

The most popular services are online transactions with deposit accounts and loan repayments to the bank. It should be noted that some banks offer better terms on deposit products, opened with DBS.

The share of Internet banking systems that support the discovery of a virtual map or completion of brokerage accounts maintained at a low level, indicating weak demand for these services.



Picture 16. Main activities of banks are gradually transferred to the web space¹

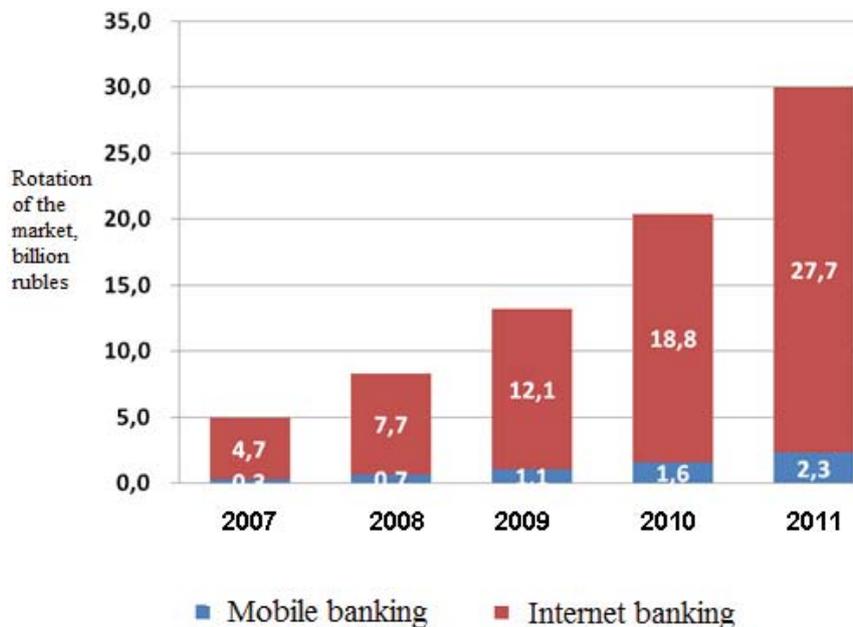
Information that internet and mobile banking are developing also can be proved with browsers. Year by year more and more browsers are supported by internet-banking (Appendix 1).

The company MForum Analytics presents the results of research of mobile and internet banking in the Russian Federation. Considered the dynamics and

¹Source: Assessment of "Expert RA" according to the information of banks

volume of the market by end of 2010, banks' profit margins on these services, as well as the main types of payments made through a digital banking.

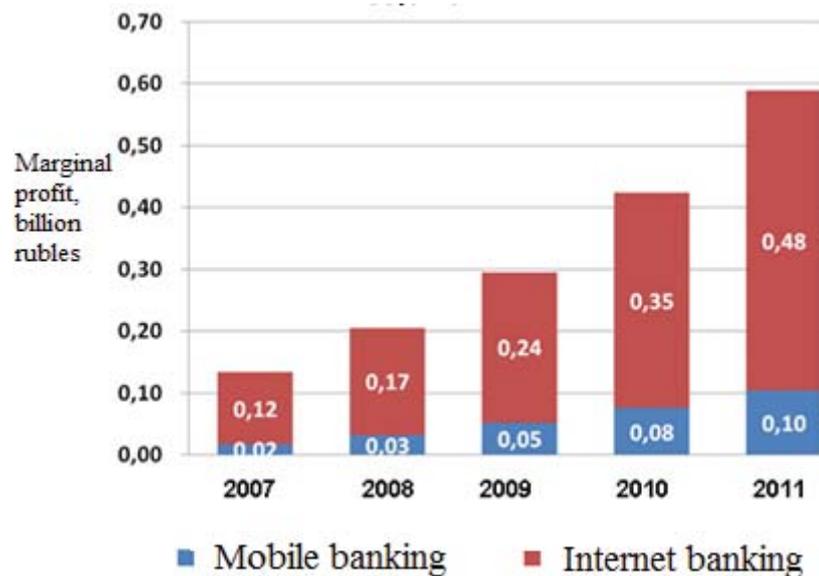
According MForum Analytics, the volume of Russian market of mobile and Internet banking in 2010 amounted to 20.4 billion rubles without electronic money WebMoney. Compared to the year 2009, an increase of 54% compared to 2007, market volume grew at exactly 4 times. In 2011, the growth of the market amounted to 27.7 billion



Picture 17. The market of mobile and internet banking in Russia (from 2007 to 2011)¹

At the same time Internet banking provides the main growth, while the mobile banking during the year increased by 31% and amounted to 1.6 billion rubles (about 7.8% of the total market of digital banking in 2010). In 2011, its growth amounted to 2.3 billion rubles.

¹MForum Analytics



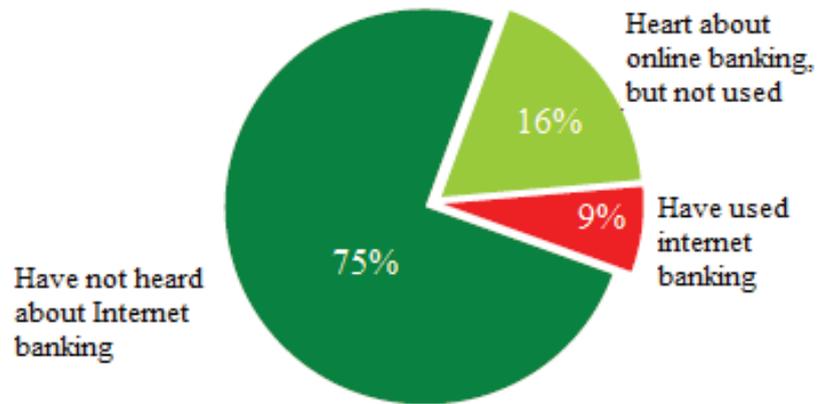
Picture 18. Marginal gains in the market of mobile and internet banking in Russia (2007-2011yy)¹

According MForum Analytics says that the combined profit margin of banks, payment systems operators and mobile operators from providing services to mobile and Internet banking in 2010 amounted to 0.43 billion rubles, with respect to performance in 2009 is 48% more. In 2011, its growth amounted to 0.58 billion rubles.

The increase in profit margin of mobile banking in 2010 was 62%, and Internet banking - 46%. In 2011 the growth rate increased to 25% and 37% respectively.

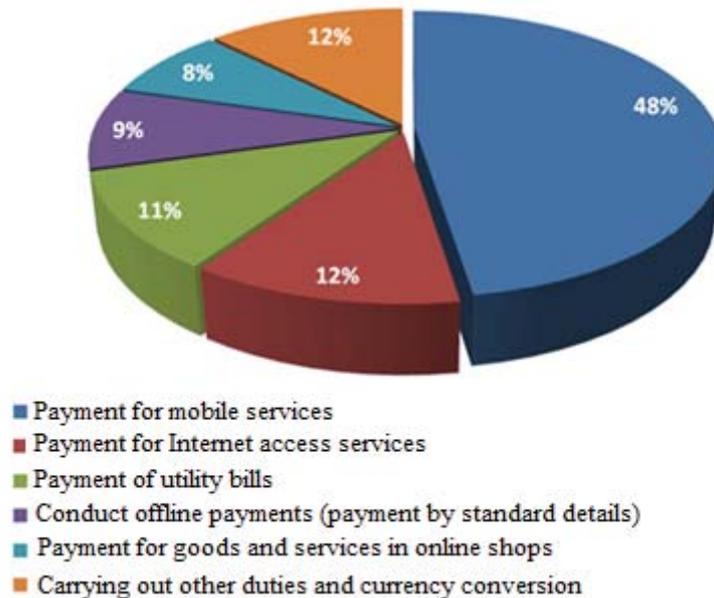
As shown by surveys conducted by analytical companies, 75% of Russians do not know anything and have not heard about the banking system through the Internet. Another 16% are aware of such services, but for one reason or another do not use them. Only 9% of respondents said they had used internet banking (Picture 19).

¹MForum Analytics



Picture 19. Level of using Internet banking by population of Russia¹

The most popular service of mobile and Internet banking in Russia is the payment service to the provider - 48% of payments. Another 12% is payment for Internet access.



Picture 20. Types and proportion of payments made through a digital banking in Russia²

¹MForum Analytics

²MForum Analytics

Utility services are also included among the leaders on the number of mobile transactions and online banking on the basis of 11% in 2011. Off-line payments for standard bank details and shopping in online stores make up 9% and 8% of the transaction, respectively.

Given that over 95% of the bank card users in Russia have mobile phones and over 60% - Internet access, the availability of and prospects for development of digital banking in Russia is obvious.

Assuming that the technological platform for consumer banking services to individuals in Russia is ready, they begin to copy the structure of the developed financial markets in the long term: proportion of cash flow of individuals begin to decline, the share of payments made through the Internet and mobile banking to grow.

Thus, in the coming years the growth rate of the Russian market DBS amount not less than 100% per year. Sure the market growth will be fueled by a proliferation of banking products among the population, and development of remote maintenance services.

In conclusion we can say that the development of information technologies affects the lifestyle of modern man. People are provided more opportunities to make transactions via the Internet and mobile phone from year to year. And to have remote access to information and services in real-time plays an important role in the development of modern business.

Conclusion of Chapter 3

Today, banks offer a wide range of services, united by a common term - remote banking services. The most popular and widely used are the Internet and mobile banking. A number of banks in Uzbekistan provide these demanded services not only to legal, but also to individuals.

Internet banking involves remote access to a bank account and manages it via the Internet around the clock in real time with a desktop computer or laptop. Mobile banking offers almost the same capabilities, but in this case, means that help to control the bank account is a mobile phone.

It is important to note that the remote maintenance of the bank rightfully be called the provision of banking products and services at the request of the client without any direct interaction with customers, is the employee of the bank.

Under present conditions in all countries the economic activity greater extent mediated by non-cash money. The introduction of modern payment technologies in the economy can significantly reduce the costs of treatment and reduce the time of the payments to a few seconds, which makes non-cash payments more efficient than other forms of payment. In this regard, modern methods of settlement services are becoming more common, including remote banking services.

In conclusion we can say that the global network has a huge impact on all spheres of human activity, including economics and business. One important aspect of Internet using is the further development trend of global mobility of capital and liquidity for all categories of customers. In practice, this trend has resulted in the emergence of e-banking. Abroad, the major banks provide the richest set of these services.

CHAPTER 4. IMPLEMENTATION PERSPECTIVES OF MODERN BANK SERVICES USED IN WORLD PRACTICE IN THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN

4.1. Problems associated with the improvement of bank services offered by banks of the Republic of Uzbekistan

Today, banks offering Internet banking services and mobile banking service to individuals in the domestic market can be counted on the fingers. However, the increasing number of Internet users in Uzbekistan (according to UzACI on January 1, 2011 amounted to 7.4 million people) forces banks to think seriously about giving his services to the public through the Internet. To the development of DBS in the country aimed Presidential Resolution of 26 November 2010, according to which all commercial banks of Uzbekistan have to start providing Internet banking services to individuals and legal persons till 2015.

Based on the foregoing we can say that there are several factors that against the development of DBS in the Republic, their removal will bring many new opportunities for the client and for the bank. For example:

1. The mentality of the citizens of the Republic.

Unpopularity and lack of development of non-cash forms of payment among the population. Customers of Uzbek banks are used to direct visual contact with the teller, as well as to obtain documentary evidence of committed transactions.

2. Distrust of customers to banks, low spread of banking services among the population and the risk of passing the security of financial information by electronic communication channels

Public confidence in the banks is regularly measured by public organizations. According to their information, citizens' confidence in our banking system is underdeveloped. But in fact most of the citizens keep their savings «under the mattress».

Mistrust must be overcome through the promotion and education programs of banks for existing and potential customers.

Individuals operate with cash it is the reason for weak demand for banking services of the population. People will not carry cash to the cashier of the bank to convert them into non-cash and then pay, for example, for cellular communication. This service can be paid directly to the operator. Legal entities required by law to keep a bank account, while the citizens - no. And we need very strong arguments to argue and they started to use account of a commercial bank. Even forcing them to use cards of bank through payroll projects gave little result, except queues in ATM on the day of payroll. People will not use banking products, including distance, while they would not be interested.

3. The low level of income.

From 10 to 20% of the population is below the poverty line, it means that fifth of the population still have nothing to put in the account at the bank.

4. The low level of financial culture of population.

Many banks, in practice, faced with the fact that customers are poorly versed in the nuances of the proposals, programs. For example, some banks have cut a wide range of products to several standard proposals. This applies, for example, contributions and suggestions on plastic cards.

5. Technical illiteracy of the population.

The average bank customer is afraid of all automatic things, learning of any technical device causing him problems. In addition, banks are improving their products and increase the complexity. For example, a multi-stage transitions in the IVR menu, or a complicated interface to Internet banking. It is therefore necessary to simplify the user's application, otherwise banks will have to wait until «advanced» users grow up and come to them.

6. Lack of proper attention to the promotion of remote services by the bank.

The fundamental error in the management of banks promoting remote channels is that: not all banks are positioning these services as a complete product:

instead of treating remote banking as a convenient form for the customer interaction with the bank, they tend to position it as a secondary service. Simultaneously, banks also have lack of attention to the promotion of Internet banking. Many banks have long mastered the technology for businesses, are buying technical products for DBS to individuals, but they don't know how to use them. Some banks even after the implementation of the technology don't print pamphlets and generally does not inform customers about new ways of service. One of the main reasons for these failures lies in the fact that the development, formation, promotion of the business, as well as fully customer support is on the responsibility of IT professionals, but that is wrong. Of course, the technical aspect of the problem should be provided only by highly IT professionals, but customer support should be assigned a specially trained staff. It is not important technologies by themselves, but it is more important how these technologies are offered to customers.

7. Legal restrictions.

The problems of normative - legal base of remote control customer accounts:

- lack of legal framework for Internet banking (in particular, the law of e-financial services). Not legally recognized as equivalent transactions carried out electronically and by traditional means;
- lack of organizational and legal mechanism for implementing the law about electronic digital signature;
- lack of a unified standard for the electronic and financial documents and contracts for Internet banking;
- complexity of the certification of cryptographic information in government agencies;
- lack of standardization and certification of software used for electronic payments;
- lack of legal regulations on encryption for the exchange of confidential

information;

- lack of legal practice dispute resolution in electronic services, including banking;
- undefined tax status of transactions conducted via the Internet;
- do not developed a system of certification authorities.

8. Undeveloped communication infrastructures in the regions.

Electronic channels in remote areas are not developed. The regions are widely used off-line solutions. To implement the ideas of remote banking channels it is needed good communication infrastructure, which is not yet available mostly in Uzbekistan.

9. High cost of implementation of DBS for the bank.

Serious system for remote maintenance - with access via the Internet, phone services and mobile operators, designed to service one million customers costs about \$ 5 million, but banks are usually bought much more modest project.

10. Unavailability of payment recipients, primarily utilities, taking a large number of non-cash payments, often due to lack of appropriate agreements with the banks in these services.

This is primarily due to economic reasons - low-interest of bank for the underwriting services of public utilities, compared with operating costs of the bank.

4.2. Implementation perspectives of modern bank services in the Republic of Uzbekistan

In accordance with the Resolution¹ in the next few years commercial banks of the republic are trying to expand the range of offered services and diversify their activities. For this purpose, they are actively introducing technologies such as e-service ATMs, mobile phones, the Internet that allow customers to manage their accounts in the distance. With the introduction of remote banking credit organizations in addition to their traditional services added new banking products, which satisfy customer needs better and better.

The Government of the Republic of Uzbekistan showed the prospects for remote banking and adopted measures to promote e-commerce in the country in general and DBS in particular. According to News Agency of Uzbekistan Today, the successful implementation of this initiative will allow the state of domestic virtual commerce switch from infancy to larger changes.

First of all, measures to develop trade with the use of modern computer technology that approved by the government will be used to improve the system of receiving and paying fees for the implementation of the retail and wholesale e-commerce. At the same time emphasis will be placed on the implementation to this field of modern technologies and cutting-edge IT technologies.

The program that was designated by the Government of the Republic has limited time - all the interested ministries, departments and organizations must meet the implementation goals by 2015.

The country will continue work on forming the legal framework governing e-commerce. Improving the regulatory framework requires amendments to the regulations of the Republic in connection with the adoption laws of the Republic of Uzbekistan «About electronic document» and «About electronic commerce».

¹Resolution of the President of the Republic of Uzbekistan № 1438 from 26.11.2010 " About the priority directions of the further reforming and increasing stability financially-bank system of the republic in 2011-2015 and achievements of the high international rating indicators "1 section 3 chapter 17 task

To stimulate and set clear rules in new business sector there will also be developed a new procedure for taxation and accounting for retailers offering electronic commerce. Budgetary organizations involved in the new trading system, will have a procedure of compulsory registration in the Treasury contracts that used in e-commerce.

Despite the fact that in Uzbekistan it is still a very small percentage of people engaged in electronic commerce, the positive experience of its implementation in Uzbekistan already has. Thus, the Government initiated the implementation of the Uzbek Republican Commodity Exchange (UZEX) uniform electronic exchange trading system not only increased turnover of exchange trade in the republic, but also showed that the greatest benefits from the introduction of e-commerce took entrepreneurs of regions of the country: trading volumes have grown by almost twice.

According to experts, UNDP, the establishment of electronic trading systems for public use will get, according to the experience of foreign countries, from 20 to 40% of the budget savings by reducing overhead and other expenses, as well as reduce purchasing prices by 15-20% due to competition.

The development of the new bank is closely associated with the introduction of advanced technology for providing high quality banking services, as well as offering a wide range of financial products for small and medium businesses.

With regard to e-banking service, as we found out, means enabling customers to manage their own accounts through the Internet access via secure channels. We can do this with both PC and mobile phone.

Prospects of development of e-banking in the Republic of Uzbekistan

Among the trends of development of the DBS in the world we can emphasize followings:

First, it is increased the activity and the role of developer of specialized equipment and software for remote maintenance needs of individuals, both CIS companies, specializing in banking automation and western developer entering into

our market.

Second, the development of DBS is going either in combination or in parallel with the development of the same bank of e-commerce - payment and trading systems on the Internet.

Third, the development of each areas of remote services separately and in combination with other areas.

Currently, about 95% of banks are developing remote maintenance of individuals in the form of Internet banking or sms-banking and in the future their share will grow. It is impossible continually expand branch network and it is very expensive. Therefore, development of network infrastructure and virtual communications will allow the banks to carry out territorial expansion.

To date, Internet banking is one of the most promising areas for further development of electronic banking services. One important aspect of Internet using is the further development of capital mobility for all categories of customers.

The main trends of e-banking in the Republic of Uzbekistan in the coming years is the introduction into the practice of commercial banks' Internet banking, a steady increase in the number of users of Internet banking, an increase in the intensity of their using, as well as growth in demand for mobile banking and other types of DBS.

With the development of credit bureaus, and the practice of EDS, as well as the improvement of legislation, most banks will make loans in the mode of on-line, open / close the deposits, as well as meet other integrated customer needs, such as internet trading, access to international foreign exchange market Forex, the possibility of multiple accounts in a single system of electronic banking services, even the accounts of different banks. As additional Internet services banks will offer advice on investments, minimize risk of financial investments, the conclusion of insurance contracts.

Majority of banks have a plan to support the development of mobile platforms (mobile banking services for PDAs, smart phones).

The main ways of organizing mobile payments by using a personal cell phone or smart phone can be divided into two major areas. On the one hand, it will be projects where the users can use the technology of short-range radio communication, which allows mobile phones to work also as an «electronic purse», with them we can pay for the goods and services in retail stores and vending machines. To do this, simply bring the unit to a special reader, similar to a POS-terminal for the cards.

On the other hand, it is full management services of bank account with a mobile communication device. After all, in order to remain in direct contact with customers, it is not enough to have extensive network of ATMs, branches, and voice telephone systems. At the moment it will be important for users to be able to use the mobile terminal to carry out any transactions with their money. Ideally, the mobile has become a universal means of payment that operates round the clock in real time.

Statistics shows that few people leave the house without taking with him a cell phone, PDA with Wi-Fi or other communications device (and often - a few). More and more people rely entirely on the safe operation of their mobile devices, so their functionality is growing and they cope with the increasing number of tasks. Mobility is a very important attribute in their daily lives, and these «mobile» people want to have the opportunity to combine management of their finances with the familiar way of life for them - a similar trend is observed not only in the West, but also in major cities of the CIS countries.

Promotion of mobile services is the next phase of strengthening the position of retail trends in the financial services industry, experiencing a period of broad expansion in Uzbekistan.

During the exhibition «BankExpo-2012» in accordance with the latest trends in technologies to banks, developers submitted comprehensive electronic banking solutions to private clients using various delivery channels (SMS, WAP, PC, Web, phone number). These solutions are constantly being improved. Already

implemented client authentication tools are special hardware devices, tokens, and long-time passwords. To ensure the authenticity of electronic customer orders there is a mechanism for obtaining an analog of a handwritten signature with the configuration of each type of document for each user. Allow to manage the accounts with Java-based applications loaded in the memory of your cell phone. One of the mobile banking solutions that are implemented on the basis of the protocol GPRS / EDGE is elaboration, which can be used in networks of all mobile operators, service providers of data transmission over cellular networks. It supports all types of payment instruments and diverse range of devices using a computing environment platform J2ME. The technology of mobile payments made on a cell phone also offers a payment system, «Mobile Wallet». Phone that works in GSM and connected to the service, GPRS, uses a Java-based application as a key to access the virtual wallet. User retailer built on a payment platform «Mobile Wallet» may make payments to the providers of more than one hundred different products and services. «Mobile wallet» can be filled up anywhere in the network.

Therefore, the banks have a lot of reasons and a wide range of possibilities for the introduction of advanced services.

Conclusion of chapter 4.

Today domestic banks stay far behind in variety of services and quality from international standards. Nevertheless, it is good that banks have started to pay attention to individuals and to develop the RBS, which is beneficial for both the public and banks. For example, the client does not need to carry out any banking transactions go into a branch of the bank and spend time on the road to the idle standing in line, talking with employees of the bank; he gets an opportunity 24 hours a day, in near real-time tracking of the status and controls their account. Banks DBS will reduce costs at a minimum; reduce the cost of cashiers and consultants, room rental.

Today, domestic banks constantly have to compete not only among themselves but also with the growing presence of Western banks. And the significant growth and progress cannot be achieved without the introduction of new, high-tech software products and services. The banking system, as said our President Islam Karimov, is the locomotive of the economy. To date, the dependence of the banking system to the computer technologies is so great, without the existence of which simply cannot be carried out their activities. Consequently, for the development of the country's economy as a whole must be continuously introduction of innovative banking solutions and technologies.

CHAPTER 5. CONCLUSION AND SUGGESTIONS

Conclusion

At the time of the tangible effects of the global financial and economic crisis in world economy, in all sectors of our economy are carried out large-scale structural changes. These changes, of course, touch banking activities also. If we take into account the fact that in developed countries, low-price policy is being applied as a new form of competition, the banks, so-called engines of our country have task of introducing services that will be useful, cheap and good quality. To date, the banks need not only effective use of traditional services, but also introduction of new advances of science and technology.

Nowadays modern electronic banking services are the most rapidly developing areas of the country. Many services provided by our banks are associated with the using of information and communication technologies.

Modern electronic banking services are changing the banking industry and are having the major effects on banking relationships. Banking is now no longer confined to the branches where one has to approach the person in branch, to withdraw cash or deposit, a cheque or request, a statement of accounts. In true modern electronic banking services, any inquiry or transaction is processed without any reference to the branch (anywhere banking) at any time. Providing modern electronic banking services is increasingly becoming a "need to have" than a "nice to have" service. The net banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

Traditional banks offer many services to their customers, including accepting customer money deposits, providing various banking services to customers, and making loans to individuals and companies. Compared with traditional channels of offering banking services through physical branches, modern electronic banking services use the Internet or special programs, devices to

deliver traditional banking services to their customers, such as opening accounts, transferring funds, and electronic bill payment.

Today, the banking system, as said our President Islam Karimov, is the locomotive of the economy. Currently, the dependence of the banking system to the computer technologies is so great, without the existence of which simply cannot be carried out their activities. Consequently, for the development of the country's economy as a whole must be continuously introduction of innovative banking solutions and technologies.

Based on the foregoing we can say that there are several factors that against the development of DBS in the Republic, their removal will bring many new opportunities for the client and for the bank. For example:

1. *The mentality of the citizens of the Republic.*
2. *Distrust of customers to banks, low spread of banking services among the population and the risk of passing the security of financial information by electronic communication channels*
3. *The low level of income.*
5. *Technical illiteracy of the population.*
6. *Lack of proper attention to the promotion of remote services by the bank.*
7. *Legal restrictions.*
8. *Undeveloped communication infrastructures in the regions.*
9. *High cost of implementation of DBS for the bank.*
10. *Unavailability of payment recipients, primarily utilities, taking a large number of non-cash payments, often due to lack of appropriate agreements with the banks in these services.*

Based on the foregoing we can say that during the current development of information and communication technologies to provide banking products and services with the help of remote communication devices is considered the most perspective direction of development of the banking system. Based on the analysis of the current situation of distant banking services of the country and for

improving the quality of customer services in the remote mode, we can offer the following **suggestions** (recommendations) to the commercial banks of Uzbekistan:

Suggestions

1. Our country is trying to develop system of plastic card. Nowadays almost all people have this kind of cards. But unfortunately plastic card on the system “Uzkart” cannot be scanned with the devices, which scan “Viza” cards and vice versa. This is also one factor that stops the development of non-cash payment system. Commercial banks of Uzbekistan should create special devices that can scan both plastic cards: system “Uzkart” and “Viza”.

1. Implement the service «mobile banking» in all banks of the republic, because it is the second promising development direction of the remote service (after the Internet banking). The interface and technology of using should be intuitive to an individual, as not all are IT-specialists: instead of the standard WAP-pages to create a colorful Java-based applications, make settings to work «by default», etc. In order to educate clients banks should begin implementation of SMS-mailing system to customers with ability to simultaneously send a request for information they are interested (the possibility of dialogue with the bank through the SMS-messages). And also on the websites of banks put demo version of «Mobile Banking».

2. Territorial expansion, not only in a geographical sense. Not just the opening of offices, expensive and sometimes ineffective, and search the entire complex solutions that come to every potential customer as closely as possible - to his place of work, life and leisure. This is the concept of branchless banking, using all possible channels of communication and equipment, including mobile phone and laptop. This mobile unit of the front office can be a self-service kiosk, ATM cash-in (which in the arsenal of the banks still do not) or even one person, agent, and the experience of insurance companies. A group of insurance agents can offer their customers access to remote services, for example, pay for insurance through internet banking.

3. Also, to attract clients for remote access by using the terminal with Internet access, and consultants in the branches of banks, shops, cinemas, etc. The consultants will help customers to pay utility bills, cellular, Internet, immediately needs of clients, while showing them that this is very easy and convenient, because only 3 lines should be filled: Name, services` title and the payment amount. By this the confidence of potential customers will increase to the bank and the virtual system.

3. It is necessary to carry out competent marketing, to attract bright images in advertising, to educate users with positive examples, and not to talk instead about the «advanced technology transfer» and «cryptographically secure financial information transmitted». It is terrible, boring, incomprehensible, and as a result - is not necessary. You cannot just leave the man alone with a web-site or mobile phone –it is needed vibrant and friendly people, who, at any time of day and night come to help the customer and answer all his questions, both by telephone and the Internet, including those in special forums.

4. To assist the client in the development of Internet banking and other remote services use animations that clearly explain the technology to connect, or transactions, or better yet - animation assistant (as in Microsoft Word Help appears when you call «paperclip-assistant»), which will advise the customers in the form of text and voice instructions.

Another variation of this service - video consultation (similar to video conferencing, when people are in different places, but communicate live via the internet and see each other through a web-camera).

5. Actively promote the services of DBS for individuals: leaflets in banks, advertising on television, radio, the Internet, through call-center operators and IVR.

And it is needed to advertise, by attracting customers:

- focus on low fares and free services (goal - to prove that almost for free, and no different from the branches, but do not need to waste time in queues);

- focus partners with which cooperated banks: mobile operators, service

providers, etc. (target - so customers understand that all services can be paid in one place, instead of looking for the terminals of each firm, where can be paid only to its service);

- on the reverse side of account statements received by the client from an ATM, place ads, review proposals from the extract (more complete and for any period), using the services of DBS and ending with advertising of opportunities of branchless banking;

- create a field on the websites of banks with accounting received daily income of the outstanding contribution of funds (goal - to give the client an opportunity to see the process of incremental capital, which indirectly increase his confidence to the bank).

6. Expand the range of services offered, such as air and w/e ticket purchases on the Internet, subscription to your favorite media, insurance payments, etc. Or a monthly transfer from the sum of salary to pay off the car, education or mortgage.

On websites of commercial banks, banks should accommodate requests for credit or a plastic card (or replacement for). Client will need to send the necessary documents and photos via your network, email or fax. An envelope with the card and PIN-code can be taken away from the nearest office to the customer (not to stand in a queue) or to receive in the mail.

7. In order to eliminate the distrust of customers to the new banking services it is needed to establish the legal framework relating to financial services.

8. Implement sms-service banking in all banks of the republic and provide such services to all holders of plastic cards free of charge. Because by using this service, customers will be able at any time know balance amount on a plastic card and information about the latest transaction. This in turn will facilitate the client's life from the economic side and will help to attract new customers to the bank.

From the foregoing it can be concluded that using of most modern information and communication technologies will allow banks to expand the customer base and helps them win during competition. In the near future, the pace

of development of information technology will grow rapidly. Almost all emerging network technologies will be quickly taken by banks for service. It is inevitable process of integration of banks in national and international banking communities. This will ensure the continuously growth of banking services` quality, from which will benefit in the long term, both - banks and their customers.

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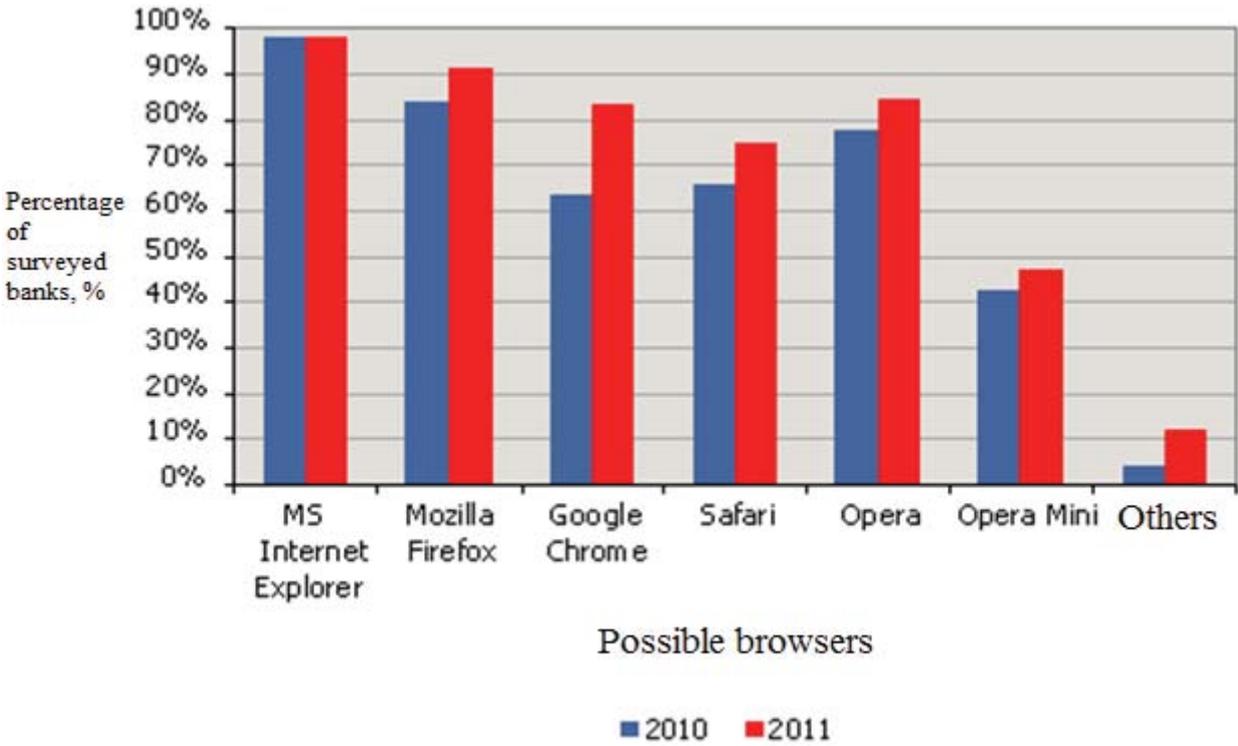
Classification of banking services by types for customers¹

Type of operations	Type of services for the client
<p>1. Operations for maintenance of account Opening the current account to the client. Transfer of funds to the account of a client. Debited from the account on behalf of the client, on behalf of the collector, on the basis of executive documents. Settlements payment orders, payment requirements. Letter of credit transactions. Making payment of checks and their payment. Operations on collections. Delivery of paper statements to the client.</p>	Accounting services
<p>2. Operations that use electronic systems 2.1. «Client-Bank» Acceptance of payment documents prepared by the customer, orders for currency exchange transactions in the stock market registers to enroll employees' wages, deposits, inventories funds credited to the correspondent accounts of corporate, etc. Receiving messages from the client to provide him with information of available format. Operations on the provision of information to the client: - The results of communication sessions (documents received and paid); - excerpts from personal accounts; - Current information on the accounts; - Additional information. 2.2. «Internet Bank» Acceptance of payment orders from the customer through an electronic system. The direction of the client statements of account at any time according to the current trading day and for the period. Formation of payments with reference from banks and by copying the documents both current and in the archive. Messaging in free format.</p>	Services in the «Client-Bank»
<p>3. Cash operations Receipt of cash from a customer in the afternoon and evening offices, including the cash bags. Preparation of cash for: - Immediate execution of a client application on the day of presentation of the check; - Request execution ordered by the client bill; - Further delivery to the customer. Cash funds, including the bill ordered. Urgent cash funds. Exchange of banknotes on the metallic coin. Checking the authenticity of banknotes and payment.</p>	Services in the «Internet Bank» Cash services
<p>4. Cash Collection Transportation of cash and valuables from the client to the bank. Delivery of cash to the company. Shipping coins to the company in exchange for paper money. Transportation money, securities and documents from the bank and between departments. Acceptance of cash to the cashier of the bank around the clock.</p>	Collection services

¹According to the data that is gathered by the author

<p>5. Operations on the registration and issuance of credit Acceptance of an application for credit. Review of documents for the loan. Analysis of credit conditions. The calculation of the solvency and creditworthiness of the client. Checking the collateral. Preparation of imprisonment (credit memorandum). Preparation of the loan agreement.</p>	<p>Lending services</p>
<p>6. Operations on the registration and issuance of bank guarantee. Acceptance of the application and review of documents for the issuance of guarantees. Making the contract.</p>	<p>Services to issue a bank guarantee</p>
<p>7. Leasing operations Passing according to the contract of lease specially purchased for this property for a specified period, for a fee, on certain conditions for temporary possession and use.</p>	<p>Leasing services</p>
<p>8. Factoring Operations on the purchase (accounting) term of payment of claims arising from the supply of goods (works, services), including the rights to demand repayment of loans.</p>	<p>Factoring</p>
<p>9. Operations with securities. Buying and selling securities on behalf of a client. Asset management in the securities market. Depository securities account.</p>	<p>Services that use securities</p>
<p>10. Brokering Cash advance to the companies' employees via ATMs and terminals in the inset offices, post offices. Carrying out the calculations of non-cash transfers to the card in the retail and service outlets. Conduct regular automatic payments to correspondent accounts by the request of the client. Selecting and contracting with insurance, marketing, accounting, legal, real-estate companies to provide services to these companies to customers of the bank and get commission.</p>	<p>Mediation (commission) services</p>
<p>11. Currency transactions Current foreign exchange transactions: - Transfers of foreign currency for settlement of exports and imports of goods and services, as well as payments associated with lending to export-import operations; - Transfers of interest, dividends and other income, as well as transfers non-trade concerns. Operations involving the movement of capital: - Investments in the authorized capital of the company; - Purchase of securities; - Purchase of property rights and other rights to buildings, structures and other property. Giving and receiving payment terms for exports and imports of goods and services. Giving and receiving financial credits.</p>	<p>Services for customers in foreign currency</p>
<p>12. Operations with precious metals Buying and selling of precious metals by the client. Involvement in the precious metals deposits. Storage and transportation of precious metals.</p>	<p>Services for customers with precious metals</p>

Appendix 2.



Internet banking support more browsers year by year