

THE VALUE OF DIGITAL CHANGE IN COMBATING FINANCIAL FRAUD IN THE BANKING SECTOR

Khamroev Sherzod Akhtamovich

PhD, Senior lecturer of the Department of Banking and Investments
Tashkent State University of Economics

Kholikova Rukhsora Sanjarovna

PhD, Acting associate professor of the Department of Economy of Branches,
Tashkent State University of Economics

E-mail: rxoliqova@bk.ru

Abstract: Financial fraud is commonly used to describe an act of dishonesty involving financial transactions for personal gain. Hence, the next thesis will disclose the potential solutions provided by digital reform to avoid the problem.

Keywords: digital reform, finance, financial fraud, Artificial Intelligence (AI), digitalization, financial institutions, banking,

The rapid advancement of the digital economy and technology has caused mankind to become completely surrounded by gadgets and to transition to a virtual life in a very short period of time.

Certainly, this change could provide a plethora of opportunities for entrepreneurs to establish new businesses in terms of production and service; however, as a coin has two sides, this event created some misunderstandings that allowed criminals to steal people's money despite the fact that financial security systems have been improved significantly. As an example, the recent decade saw a large volume of loss in the banking and financial sectors.

As more purchases and transactions have moved to the internet for convenience over the last few years, financial institutions have begun to leverage AI and fintech to attract more clients internationally with their established security measures that aid in the prevention of financial frauds.

As a consequence, the digital transformation paved the way for many concerns with this scenario to be solved through automation, and the particular outcomes, as well as new offerings, may be found in the following paragraphs.

Jon Deiulis, a person with over ten years of experience in Healthcare IT, providing services in both payer and provider organizations, considered digital transformation to be the best tool for the prevention of financial frauds after careful analysis of situations with financial problems and a decade of experience related to the economic situation of folk. As a result, he believes that businesses should streamline their anti-fraud efforts, increase operational efficiency, increase employee happiness, and, most importantly, better protect consumers and the business by drastically reducing the amount of time spent and minimizing manual intervention required by staff. [1]

Furthermore, because banks are so important in the financial world, the analyses of a reliable international online source, NetGuardians, in terms of digital banking frauds that could become international propaganda, if necessary, steps would not be taken for the security development through digital transformation in banking systems. [3]

In turn, Sean Durkin, Head of Data Science at Barclays, stated that banks are embracing technique, as well as the new high level of examination as well as disruption of pursuit with reference to productive and scientific summaries. And he mentioned that one of the initiatives the bank is now working on is the use of machine learning technology, namely neural networks, to assist with anything from customer service to fraud detection and prevention. [4]

The study is being undertaken on the issue of digital transformation in the sphere of finance and its benefits for preventing financial fraud by converting manual procedures to automated ones and utilizing AI. Furthermore, these digital

transformation trends provide financial institutions with options for streamlining operations and improving client experience, ranging from more personalized products to mobile payment platforms like Apple Pay.

The article provides theoretical and practical observation according to the latest statistics of professional experts and institutions, formulates proposals and recommendations on the basic tips for the solutions to the problems that were mentioned by many authors of fruitful articles above.

The developed scientific and practical recommendations can be used in the process of further improving the condition in this region and ways of preventing the global issue of financial frauds.

While globalization provided several possibilities for corporations to grow, it also provided criminals with the same opportunity. People lost a lot of money and valuable assets due to a lack of understanding in digital creation, in particular.

This increased especially during the Pandemic because of increase on online service worldwide. Ultimately, many processes started working in distant mode after this to fulfill customers’ needs, so the rate and type of frauds also changed according to this attitude.

Meanwhile, in March 2020, Google noticed a 350% increase in Phishing websites with coronavirus-related keywords (Damiani, 2020). [5]

Hence, the chart below is going to describe date about where did people face with the problem of frauds in 2021 via the right statistics according the report of Roman Chuprina, Technical Journalist at SPD Group.

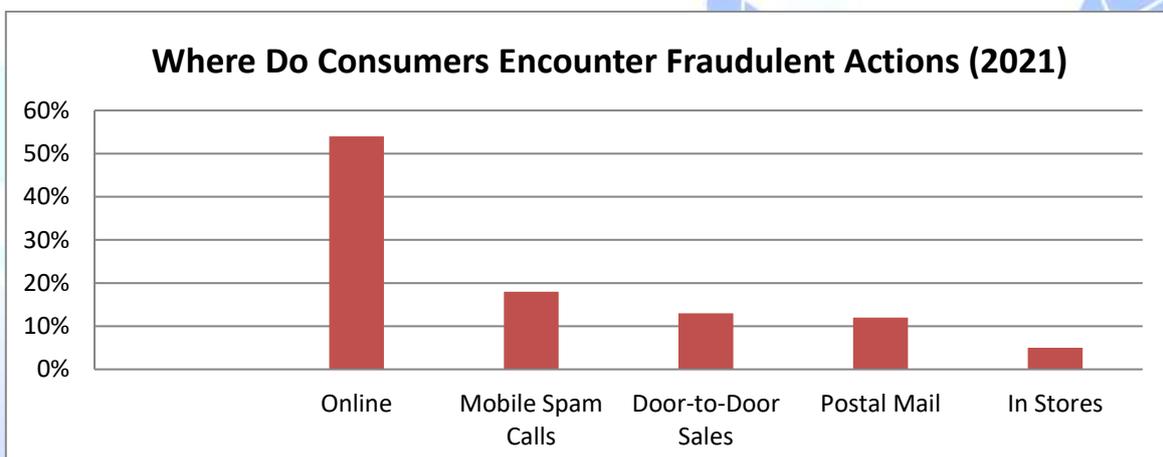


Figure. Fraudulent activities faced by consumers [5]

As can be clearly seen from the graph, the highest rate of fraud with 54% belongs to online transactions, while the lowest score was in stores where people purchased offline by going to shops (5%). This also means how individuals are not good enough at online payments. Moreover, Post Mail along with Door-to-Door sales' points were nearly the same in which Mails' result was 12% that was lower than Door-to-Door point for only 1%. The last trend which was related to Mobile Spam had nearly one fifth rate. [5]

Therefore, people and companies should work more on improving fraud prevention by detecting it accurately and being saved through teaching folk how to use their financial e-wallets on a daily basis.

The risk rate of criminal action boosts dramatically, unless financial institutes and banks do not hire much more constant and continuing approach for detecting fraud. According to this situation, companies have been implementing operator intervention requiring technologies, that are basically manufactured by themselves.

Nevertheless, the vast majority of experts are convinced about the more advantageous benefits of old detection systems in terms of checking individual point-of-sale in reality due to previously conducted experiments, and even this is not enough to prevent fraud risk as it maintains only a small part of big issue. [6]

Considering all assessed events and circumstances in terms of financial frauds in the business and banking sectors, the following prevention advice will be stressed below:

- Calculation of statistical parameters for spotting outliers that may indicate fraud
- Control sums that have been modified are identified using numerical value summation
- Implementing AI detection system that analyzes all actions taken by clients and send suspicious activities to be monitored immediately
- Combining data from disparate sources to identify similar values when they should not exist

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