

DIGITAL TRANSFORMATION OF FINANCIAL SERVICES IN E-COMMERCE

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ABSTRACT

Financial investments are great importance for the effective functioning of financial markets and the transition to a digital economy. The digital economy changes the working methods of government bodies, companies, entrepreneurs and citizens, making it much easier for them to perform various tasks. Digital innovations stimulate the development of the digital economy and society and enable the use of new technologies in various directions, thereby leading to the digital transformation of the economy.

Keywords: digital economy, information technologies, digitalization, efficiency, digital operating model, federal model, state program, electronic economy, technologies, digital content, foreign experience, Internet.

Companies with high levels of organizational and human capital are more likely to benefit greatly from investments in digital technologies. Such companies are flexible enough to maximize the return on their investment, have opportunities to increase sales, reorganize processes and increase production efficiency. In such conditions, financial investments are considered to be the main driver of the transition to the digital economy. Digital transformation is the process of using digital technologies to improve existing business models and increase operational efficiency through it. This process will lead to a complete digital transformation of the entire economy, taking into account the implementation of innovative technologies on a permanent basis. The use of digital technologies improves the interaction of banks, government authorities and potential customers. Digital transformation involves the use of modern methods of providing banking services in all aspects. As a result, the number of bank branches will decrease, several services, including lending and investment of funds, will be transformed into online services. For him, he does not like to give up the traditional ways of doing business, and for banks, it will be a very beneficial event to go completely online, working on mobile platforms. An example is AtomBank, which does not have a physical customer service department in the UK.

In it, all operations are carried out using mobile applications. I can give several examples of the development of online banking in Russia. For example, innovative proposals for providing services to natural persons can be seen at JSC “**Tinkoff Bank**”. Before switching to Internet banking, the increase in the customer base was 500 thousand per year, now this indicator is 1.0-1.8 million, that is, the number of new customers has increased by 2-3 times. As an example of the use of digital technologies for legal entities, we can cite AO “**Modulbank**”. After the modern on-line banking system was launched, the number of customers increased by 1.5 times. The implementation of the advances of digital technologies leads to an increase in the number of customers in the bank due to the non-stop implementation of banking services throughout the day, month and year. The process of digital transformation of the banking sector includes the following elements: analysis of customer experience, digitization of services and products, and transformation of internal processes of the organization.

The digital transformation process is supported by a thorough study of the customer experience, analysis of existing requirements and identification of new requirements. The driving force of innovative development of banks is the users of its services, because they create a real demand for modern banking services and products through their requirements. Summarizing their communication experiences with banks, customers evaluate banking by how convenient and easy they received this or that service.

That’s why it is necessary for the experts of the banking sector to constantly study the experience of working with customers and quickly eliminate the existing shortcomings. In previous periods, the efficiency of banks’ activities was evaluated by the target indicators of sales of products and goods. But in the era of digital economy, banks are required to adapt to new conditions, i.e. customer orientation and their requirements. Today, billions of customers can be served through mobile phones.

This forces banks to constantly improve the digital technologies used in order to ensure competitiveness. **Barclays Bank** was one of the first banks to implement online banking: as a result, customers now visit bank branches once a month, while using mobile banking services 18 times a month. Transformation of internal processes of banks is also of great importance for the development of the banking sector. In addition to the implementation of customer-oriented digital technologies, management, leadership and control functions must also be improved. One of the main obstacles to full-fledged digital transformation of banks is the lack of skills of working in the conditions of the digital economy in the service personnel. **The CRM** (Customer Relationship Management) system is one of the important elements of digital transformation of banks in improving work with customers. Digital transformation of

banks requires a comprehensive approach to digital strategy development and implementation. The transformation covers all aspects of financial and credit operations, including the digitization of the bank's management mechanism, and helps to maximize efficiency. A digital strategy should focus on solving the following four main issues:

- Applying digital technologies to work;
- Transformation of the process of creating a price for services;
- Financial aspect of digitization;
- Change in organizational structure.

For the successful implementation of the digital strategy, coordination of the development directions listed above is required. It largely depends on the operational model of the bank. But there is no single operating model for all banks, so the following digital strategies can be used depending on the type of bank :

1. **Federated model** - such an operational model can be used in large banks that are gradually implementing digital transformation, in which digitization is carried out according to the lines of activity. In this, some organizational units participate in the implementation of the digital strategy, while independently controlling the flow of spending on digital technologies and instilling new skills in employees . But other departments may not participate in digital transformation . Over time, all employees begin to try to participate in this process, positively evaluating the advantages of the digital economy . An example of such an operational model is the transition to electronic document circulation. That is, in this model, news flows from one department to another and is applied to banking operations on a continuous basis over time.

2. **Model of differentiated services.** Once a firm realizes the importance of digital transformation and takes the first steps to implement a digital strategy, a dedicated services model can be used in larger banks. In this case, several similar functions are assigned to one centralized department. The department responsible for performing one or another operation will be the split service center. Such a model is an analogue of outsourcing, where some functions are provided by external contractors. The main goal of creating such an operational model is to increase the level of adaptation (rationalization) of operations within the bank and to optimize existing business processes due to the absence of standard returnable operations, as well as to reduce the costs of certain bank operations.

3. **The model of creating strategic centers of competences** - the next stage of the development of the bank's operational model in the conditions of digital transformation is the organization of competence centers as organizational units . Such an element of the organizational structure coordinates efforts to create a digital

strategy, predicts market trends and prepares proposals for the bank in order to increase competitiveness.

4. Digital operating model – This model is intended for use in banks that are nearing completion of digital transformation. The model can be used only for single sector organizations. The presence of a digital platform in the bank's activities can be the basis for using a digital operating model. Currently, such a model is used in companies that provide mobile payment system services or in banks that use modern online banking. At the current stage of development of banking sector operational models, they are striving for this stage. Many customers are finding that it is better to use digital technologies instead of going to a bank branch to use various banking services. From the point of view of the development of the financial sector, digital transformation is the improvement of financial activities as a result of the creation of a new digitized work environment. Digitization of banking processes requires qualified personnel and new positions that can solve professional issues based on the application of digital technologies. These positions include director of digital technology and director of innovation development.

According to experts, three different approaches can be used to implement the digital transformation of the banking sector: the approach used by 26% of the world's banks involves the implementation of digital technologies as a separate project rather than as a complete digital transformation - this is the bridging approach. In this case, digital transformation is implemented step by step on the basis of long-term planning and in case of implementation of pilot projects.

The second approach is implemented by establishing a branch of the company created taking into account the requirements of the digital economy. The digital transformation method is quite popular and is used by 42% of banks. The advantages of this approach are long-term adaptation to customer requirements, organization of teams that include specialists in different areas (programmers, information technology specialists, analysts and marketers) within the organization. As a result of these, a high level of flexibility of the organizational structure is achieved and an opportunity to test new directions of activity is created. The third approach to digital transformation is based on considering digital technologies as the main asset of the organization.

This method can be used in combination with other approaches, but it is implemented on the basis of the strategy of complete digital transformation of all internal and external processes in the bank. Currently, 32% of banks are implementing digital transformation using this method. Currently, the process of digital transformation is an important event necessary to maintain the competitiveness of banks, and today one-third of banking operations are carried out by means of digital

technologies. This situation is also caused by the demands of society, which has begun to understand the advantages of digital innovative technologies. It should also be said that the process of digital transformation should be based on a specific strategy, taking into account the characteristics and requirements of a specific bank. Only then the implemented digital strategy will allow increasing the efficiency of the banking sector and the use of modern technologies in financial and credit organizations.

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