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DEVELOPMENT OF THE PAYMENT SYSTEM IN UZBEKISTAN

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Annotation:

The article considers the structure of the country's payment system, describes its constituent elements and provides an overview of their functioning.

Keywords: payment system, interbank payment system, clearing system of settlements of the Central Bank; instant payment system, transaction, bank card, mobile application

Introduction

The development of the economic sphere of any country is impossible without an effective payment system with effective payment mechanisms. Payment systems, being the basis for the stability of the financial system of the state, reduce transaction costs in the economy, increase the efficiency of the use of financial and other types of resources, increase the liquidity of the financial market and contribute to the conduct of monetary policy.

Literature Review

The concept of a payment system is also disclosed as "a set of mechanisms for fulfilling the obligations assumed by business entities when they acquire material or financial resources." It is possible to define bank payment systems in terms of their economic essence. From this point of view, bank payment systems are part of the non-cash payment system, based on their own principles, payment methods and forms of payment and actively interacting with the entire system of non-cash payments. [10].

In a more limited sense, the term "payment system" is sometimes used as a synonym for "interbank money transfer system". However, in general, the term "payment system" refers to the complete set of tools (intermediaries, rules, procedures, processes and systems of interbank money transfers) that facilitate the circulation of money in a country or currency area. [11].

At the same time, the practice of building and developing national payment systems differs from state to state, being highly dependent on many national factors, including the level of economic development, cultural and legal traditions, level of education and much more. As a result, national payment systems differ in terms of payment structure, quality and quantity of payment services, degree of integration, etc. [12].

Material & Method

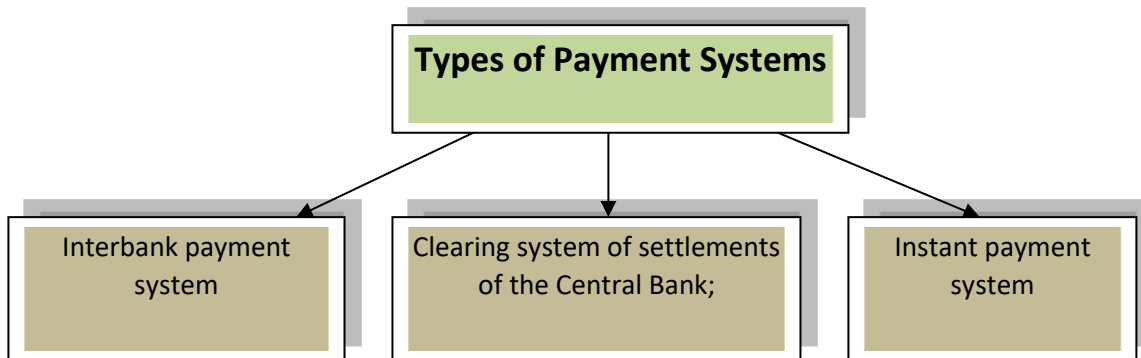
Participants in the payment system are banks that carry out settlements and have entered into an agreement with the payment system operator on participation in the payment system. According to the



legislation of Uzbekistan, Payment systems are divided into significant payment systems and other payment systems. The Central Bank of the Republic of Uzbekistan classifies the payment system as a significant payment system if its uninterrupted operation contributes to the stable functioning of the payment services market of the Republic of Uzbekistan, and stops (failures) in its operation may lead to risks in the payment services market of the Republic of Uzbekistan.

A payment system is significant if it occupies a share of the payment services market in excess of the value established by the Central Bank for this market, and (or) if payments are made through the payment system in the territory of the Republic of Uzbekistan during the year in an amount not less than the indicators established by the Central Bank. [1]. A payment system is significant if it meets at least two criteria. [2] The Central Bank determines the significance of the payment system based on an analysis of its activities according to the above criteria.

The classification of payment systems in Uzbekistan, depending on the purpose, is presented in Figure 3.



Rice. 1. Classification of payment systems in Uzbekistan in accordance with the new Law "On Payments and Payment System" [1]

Thus, we will further consider and characterize the types of payment systems currently existing in Uzbekistan, depending on the purpose.

1. Interbank Payment System of the Central Bank

The interbank payment system is designed to make electronic payments between banks through their correspondent accounts opened with the Central Bank of the Republic of Uzbekistan. The rules of the interbank payment system are determined by the Central Bank of the Republic of Uzbekistan. The interbank payment system of the Central Bank is an important electronic payment system, which is the basis for the functioning of all payment systems. All commercial banks are connected to the Interbank Payment System of the Central Bank as participants for making interbank payments.

In this payment system, payments are made in real time, that is, within a few seconds, and based on the principle of gross settlement, from the moment of receipt of the payment document and a message about the result is sent to the initiator and recipient.

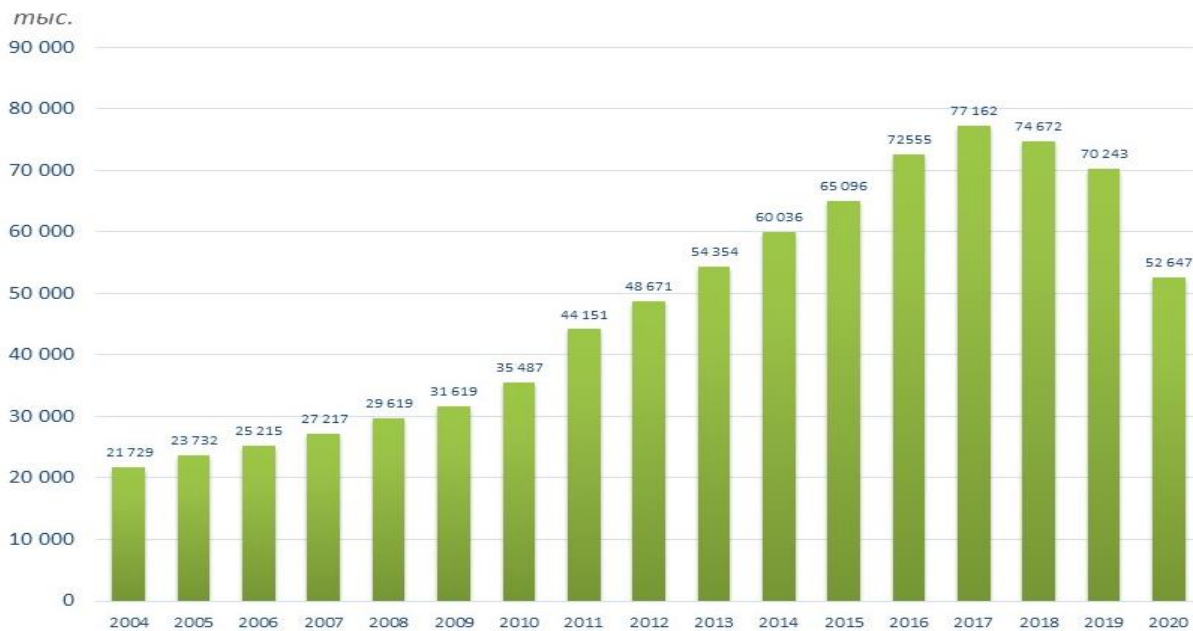
The participants of the interbank payment system are the Main Center for Informatization and the



Settlement Center of the Central Bank. Users of the interbank payment system are banks and financial institutions that have correspondent accounts in the Central Bank Settlement Center, it is responsible for opening and maintaining correspondent accounts of the head offices of commercial banks (banks) and ensuring the continuity of electronic payments between them.

The main center of informatization of the Central Bank (hereinafter referred to as the GCI) is a center that provides technical, software and operational support of the interbank payment system in accordance with the current legislation, as well as agreements between the GCI and banks. The rights and obligations of participants and users of the interbank payment system are regulated by bilateral agreements of user banks with the Central Bank of the Central Bank - for opening and servicing correspondent accounts of banks, with the GCI - for electronic payments through the interbank payment system.

Electronic payments from banks are made only within the balance of funds on the correspondent account, unless otherwise specified in the agreement between the Central Bank and the bank. From 9:00 a.m. to 5:00 p.m. - the time of transmission-reception-control of electronic payment documents (hereinafter referred to as EDD) for interbank settlements. Banks at any time of this period can transfer the EPD to the Central Bank of the Central Bank. The Central Bank of the Republic of Uzbekistan has the right to extend the time of interbank EDD on the basis of a written order of the Deputy Chairman in charge of the payment system, based on the parameters of monetary management.



Rice. 2. The number of transactions carried out through the interbank payment system of the Central Bank [2]

As can be seen in Figure 2, the number of transactions carried out through the Central Bank's interbank payment system until 2017 had an upward trend. However, since 2017, the number of transactions has been decreasing, as the clearing settlement system has begun to work, which has taken on part of the



burden of payments.

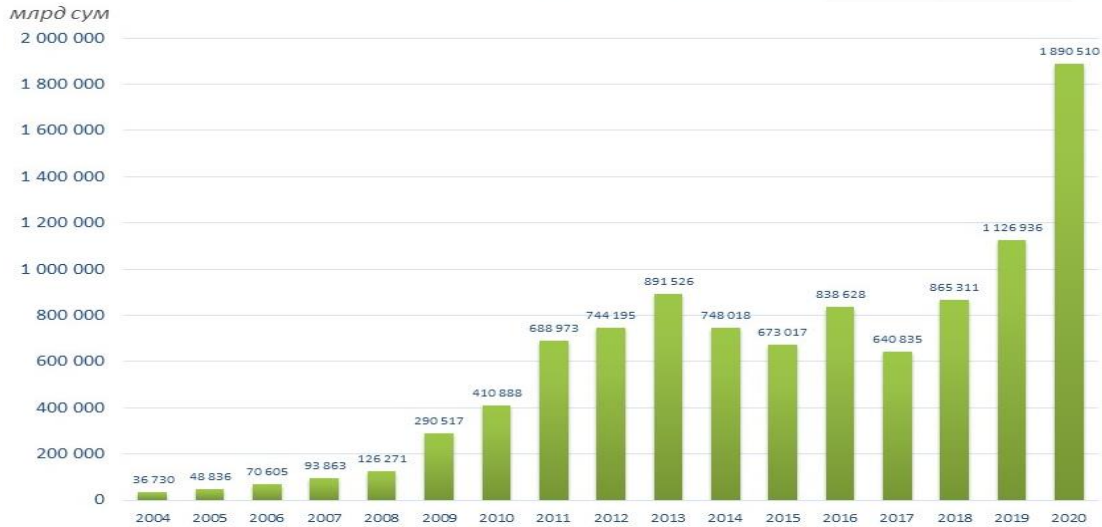
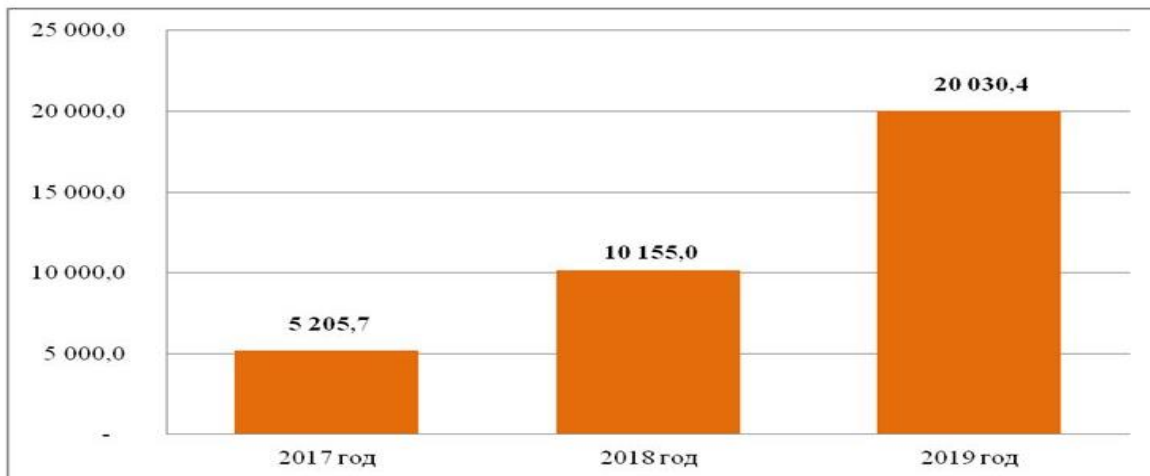


Fig.3. The amount of transactions carried out through the interbank payment system of the Central Bank[2]

The amount of transactions carried out through the interbank is growing from year to year, steady growth has been observed in the last 3 years.

2. Clearing system of settlements of the Central Bank;

In 2014, the Central Bank's project "Clearing System for Calculating Retail Payments in Real Time, Taking into Account Further Integration with the Billing Systems of Service Providers" was developed and implemented. [3] There is a regular increase in the volume of payments and the range of services through this system.



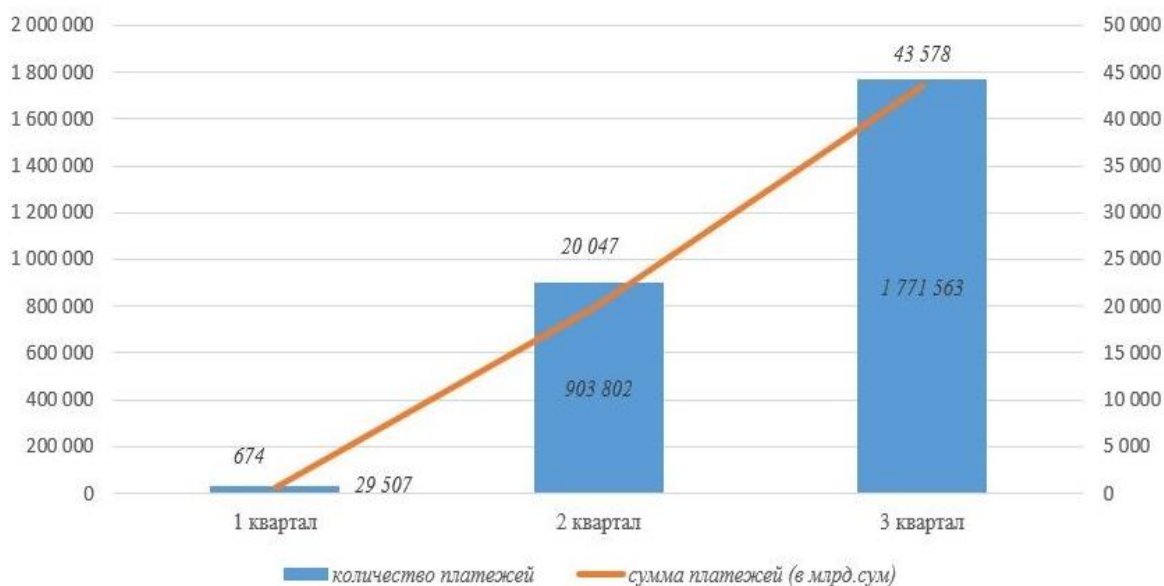
Rice. 4 The amount of transactions carried out through the Clearing System of Settlements of the Central Bank (billion soums) [2]



At present, banking infrastructures have created opportunities for making various payments (utility bills, budget payments, tax and customs payments, payments for notary and registry office services, fines of the Ministry of Internal Affairs, payments for services of Public Services Agencies, payments for GM Uzbekistan cars, payments for mobile communication services, Internet providers and other services) through the Central Bank's Clearing Settlement System by identifying the payer using billing real-time service provider systems. In addition, the Clearing System of Settlements of the Central Bank performs the function of a "Settlement Bank" for conducting interbank settlements based on the results of clearing transactions carried out using bank cards of retail payment systems operating in the Republic. The number of organizations and departments that have shown interest in making payments online through the Central Bank's Clearing Settlement System is constantly growing. To date, payments are made through it for more than 30 types of services [2].

3 Instant payment system of the Central Bank.

Since February 2020, payment transactions of business entities have been carried out online around the clock through the Instant Payment System. This system allows you to make interbank money transfers between legal entities and individual entrepreneurs, make payments to the budget and extra-budgetary funds in real time (24/7) also on weekends and holidays. This is very important and convenient for the smooth and timely execution of money transfers.



Rice. 5. Information on payments made through the instant payment system during 2020 [2]

Today, all banks of the republic are connected to the Instant Payment System, and all customers working through remote service systems have the opportunity to use the new mechanism. In October 2020, the volume of payments made through the Instant Payment System amounted to 18% of the total volume of interbank transfers. This indicates an increasing interest of customers in this system. As a result of the connection of all banks to the NSR in the third quarter of 2020, legal entities and individual



entrepreneurs carried out transactions in the amount of 43.6 trillion. soums, which is twice as much as in the second quarter. At the same time, during 2020, more than 2.7 million transactions or payments worth 64.3 trillion were carried out through this system. sums (Figure 5).

At present, commercial banks issue bank cards in the national currency of the Uzcard and Humo payment systems and expand the infrastructure of these systems. In 2004, the Unified Republican Processing Center was created and the Uzcard payment system was launched [5]. On April 11, 2020, the Central Bank issued a license to the operator of the Uzcard payment system - Unified Republican Processing Center LLC. In 2018, the National Interbank Processing Center was created, and in the first quarter of 2019, the Humo payment system was launched [4]. During 2019, the integration of two national retail payment systems ("Uzcard" and "Humo") with the international payment systems Visa, Mastercard, China Union Pay and Mir was successfully implemented. This allowed users of international payment cards of these systems, that is, tourists and guests visiting our country, to make payments in national currency through the payment infrastructure "Uzcard" and "Humo" (a network of ATMs and payment terminals). On April 11, 2020, the Central Bank issued a license to the operator of the Humo payment system - National Interbank Processing Center LLC.

In November 2021, the Central Bank of the Republic of Uzbekistan registered a new payment system "United Fintech", developed by "Qulay Pul". Unlike the payment systems "Uzcard" and "Humo", the main activity of which is the issuance and maintenance of bank cards, the new payment system "United Fintech" plans to offer and develop together with banks new infrastructure solutions in the field of transfers and payments. United Fintech will start servicing banks, payment organizations and their customers in the first quarter of 2022.

Table 1. Register of payment system operators in Uzbekistan[2].

on 01.01.2022

No p/n	Operator's name	Name of the payment system	Date of issue of the license
1.	OTO "Foreign Republican Processing Center"	UZCARD	11.04.2020 g.
2.	OTO "Million Interbank Processing Center"	SMOKE	11.04.2020 g.
3.	SO "CONVENIENT MONEY"	UNITED FINTECH	27.11.2021 g.

Currently, the plastic card market, as well as its infrastructure, is actively developing, as of January-March 2021, the number of bank plastic cards issued in circulation amounted to 22,606,599. [2]

Mobile banking is a catalyst for improving the efficiency of the bank. In 2021, the mobile application for the bank is the strongest product, which is becoming the main means of both attracting and retaining customers. Every year, the percentage of customers who prefer to use the bank's services



through the application is growing.

Table 2 Top-5 banking applications at the end of 2020 [8]

No	Mob. Application	Points
1	Orange	140,16
2	Silk Road Bank	130,09
3	National	117,76
4	Zoomrad	117,16
5	On Location	114,72

The banking application market has developed significantly during the pandemic, but so far it lags far behind global trends. Payments and transfers have become a direction that has received significant development in banking applications in 2020. The top-5 banking applications in Uzbekistan at the end of 2020 are presented in Table 2. The assessment is carried out according to a checklist consisting of more than 80 parameters, divided into two areas: functionality and convenience. In turn, each direction is divided into a number of categories, into which individual parameters are grouped. Each category is assigned a certain weight, depending on its importance in the use of banking applications by users.

The country has approved a "Roadmap" for the implementation of the Digital Uzbekistan 2030 Strategy, which provides for measures in the development of e-government, digital industry, digital education, as well as in the development of digital infrastructure [7].

In accordance with the Concept for the Development of Digital Banking in the Republic of Uzbekistan, the Central Bank, together with commercial banks, launched a universal standardized payment service "QR-online" based on a QR code ("**Quick Response Code**"). Within the framework of this system, trade and service enterprises (business entities) form and register a QR code through commercial banks serving them. Buyers pay for goods and services by scanning the merchant's QR code and entering the purchase amount in the payment service provider's mobile application, with funds withdrawn from bank card accounts and e-wallets linked to the application. Trade and service enterprises can track the receipt of funds online through the "QR-online" system, through the "@onlineqrbot" channel in "Telegram", through a personal bank account, or by SMS informing. Unlike alternative services, this system is developed in accordance with international standards and works in conjunction with the Central Bank's Clearing Settlement System.

Conclusion

Based on the study on the trends in the development of the payment system of Uzbekistan, the following conclusions and recommendations were formed:

1. Depending on the purpose in the domestic payment system, the Interbank Payment System, the Clearing Settlement System of the Central Bank and the Instant Payment System are distinguished, the functioning of each of them has its own characteristics.



2. The infrastructure of the domestic payment system, including bank and plastic cards, terminals, ATMs, self-service kiosks and mobile applications, the use of QR codes tends to expand, which positively characterizes the further development of the payment system in the country as a whole.

3. Payments are at risk, like any transfer, but due to the peculiarities and some properties of operation (the widespread use of informatics), they are especially sensitive to security problems. Therefore, it is necessary to develop the concept of information security of the Central Bank, as well as to reduce the likelihood of fraud in payments by increasing the financial literacy of settlement participants.

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