



Development of the Payment System in Uzbekistan

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ABSTRACT

The article considers the structure of the country's payment system, gives a description of its constituent elements and an overview analysis of their functioning.

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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 the 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 banking payment systems in terms of their economic essence. From this position, banking payment systems are part of the system of cashless payments, based on their own principles, methods of payment and forms of payment, and actively interacting with the entire system of cashless 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 for 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, the 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

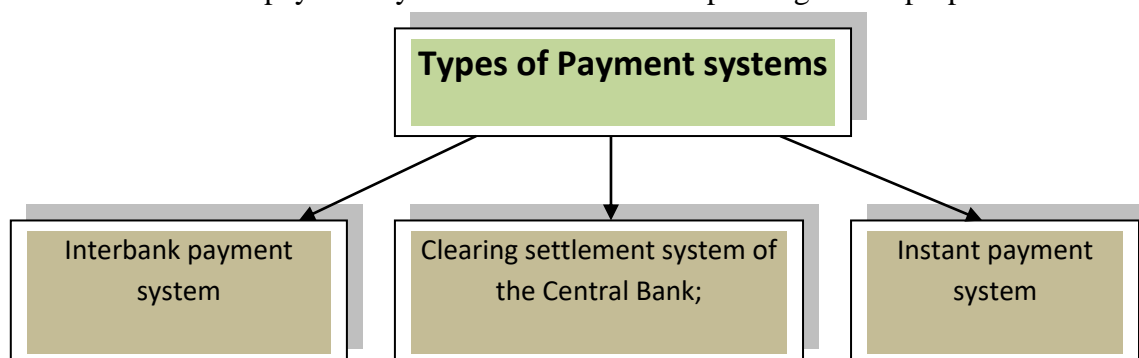
integration, etc. [12].

Material and Method

Payment system participants are banks that carry out settlements and have concluded 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 a 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 stoppages (failures) in its operation may lead to risks in the payment services market of the Republic of Uzbekistan.

The payment system is considered 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 on 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 the analysis of its activities according to the above criteria.

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



Rice. 1. Classification of payment systems in Uzbekistan in accordance with the new Law "On payments and the 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 the payment document is received, and a message about the result is sent to the initiator and recipient.

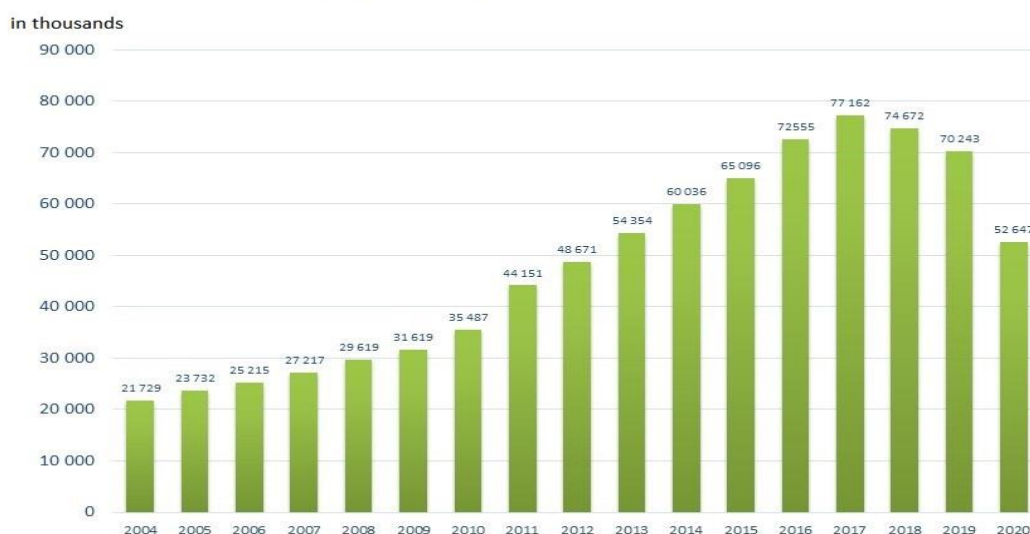
The participants of the interbank payment system are the Main Informatization Center and the Settlement Center of the Central Bank. The users of the interbank payment system are banks and financial institutions that have correspondent accounts with the Central Bank Settlement Center, which is responsible for opening and servicing correspondent accounts of the head offices of commercial banks (banks) and ensuring the continuity of electronic payments between them.

The Main Informatization Center of the Central Bank (hereinafter referred to as the GCI) is a center that provides technical, software and operational support for the interbank payment system in accordance with applicable law, 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 between banks

- users with the Central Bank of the Central Bank - for opening and servicing correspondent accounts of banks, with the GCI - for making electronic payments through the interbank payment system.

Electronic payments from banks are made only within the limits of the balance of funds on the correspondent account, unless otherwise stipulated in the agreement between the Central Bank of the Central Bank and the bank. From 9-00 to 17-00 hours - the time of transmission-reception-control of electronic payment documents (hereinafter referred to as EPD) for interbank settlements. Banks at any time during this period may 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 for conducting interbank EPDs on the basis of a written order of the Deputy Chairman in charge of the payment system, based on the parameters of monetary management.

The number of transactions carried out through the interbank payment system of the Central Bank



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

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

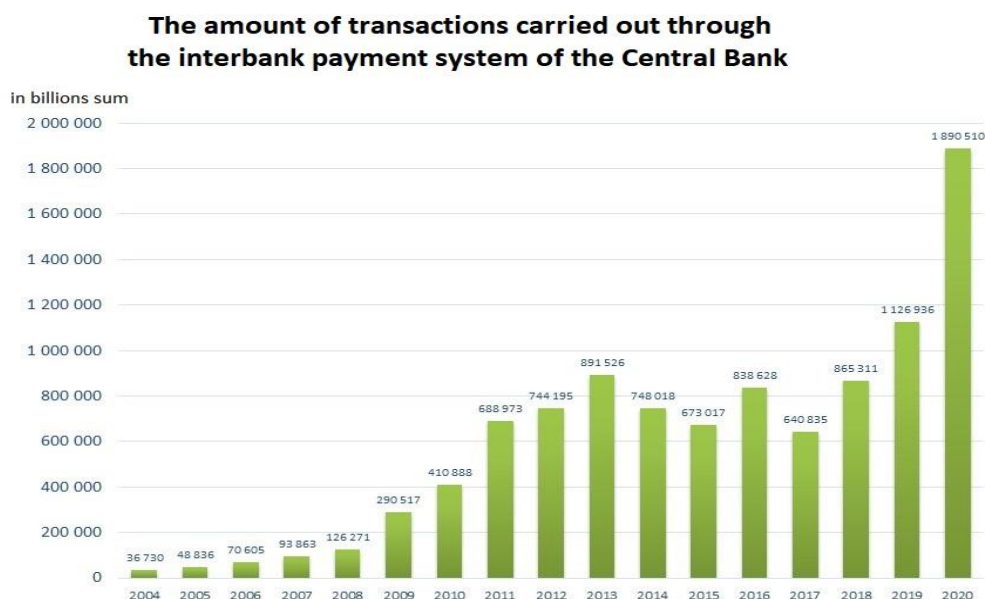
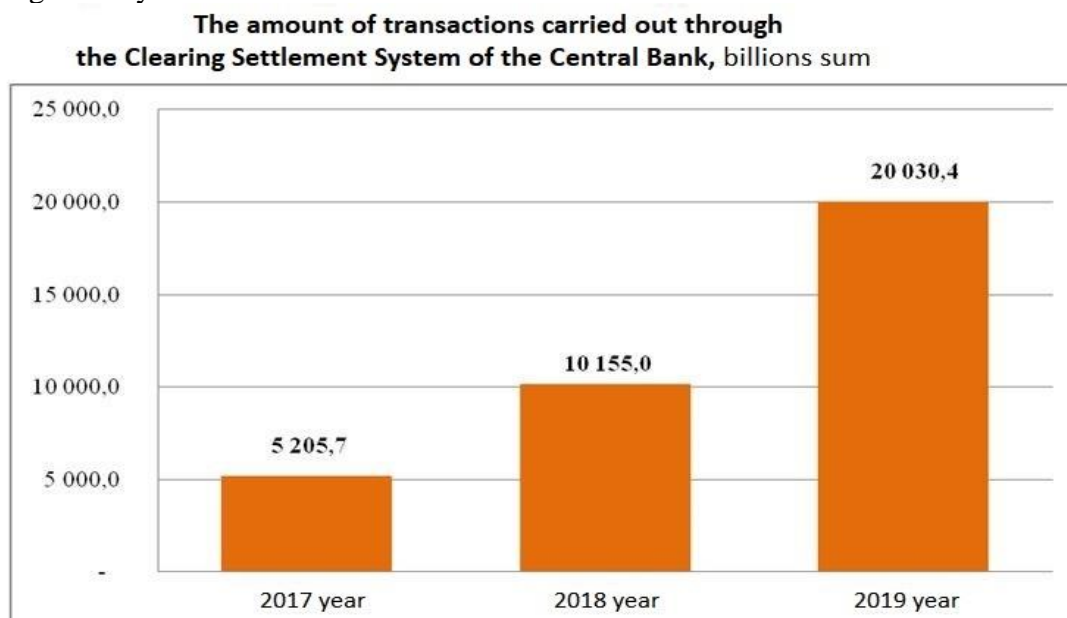


Fig.3. The amount of transactions carried out through the interbank payment system of the Central Bank

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

2. Clearing settlement system of the Central Bank;

In 2014, the Central Bank developed and implemented the project of the Central Bank "Clearing system for real-time payment of retail payments, taking into account further integration with the billing systems of service providers." [3] There is a regular increase in the volume of payments and the range of services through this system.



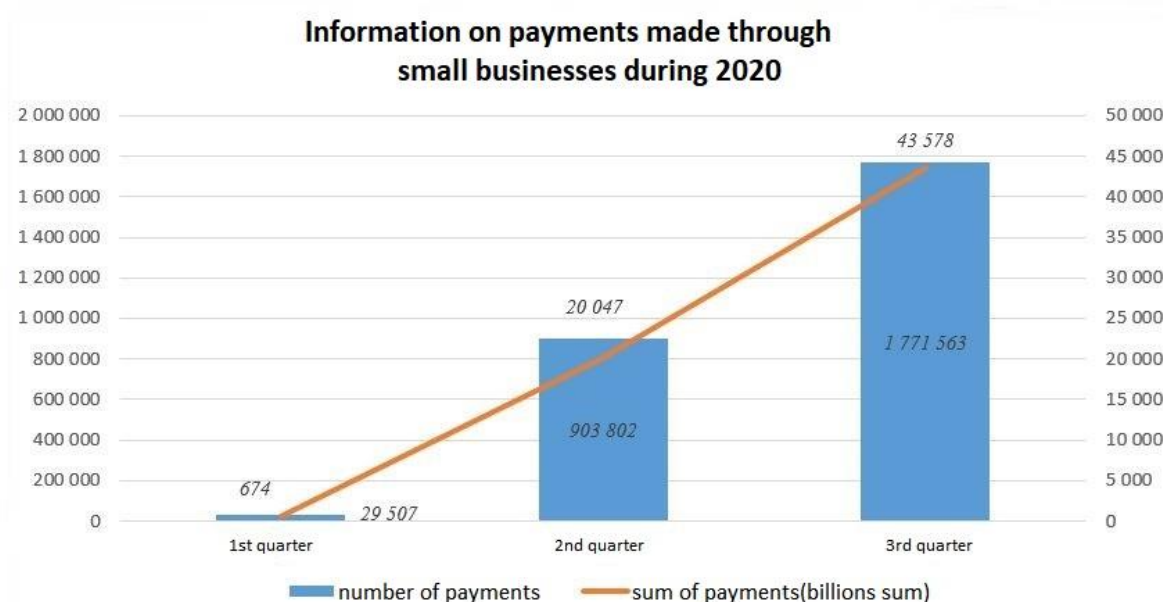
Rice. 4 The amount of transactions carried out through the Clearing Settlement System of the Central Bank (billion sums) [2]

Currently, banking infrastructures have created opportunities for making various payments (utility payments, budget payments, tax and customs payments, payments for notaries and registry offices, fines of

the Ministry of Internal Affairs, payments for services of Public Services Agencies, payments for cars "GM Uzbekistan", payments for mobile communication services, Internet providers and other services) through the Clearing Settlement System of the Central Bank by identifying the payer using the billing systems of service providers in real time. In addition, the Clearing Settlement System of the Central Bank performs the function of a "Settlement Bank" for interbank settlements based on the results of clearing for transactions made 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 Clearing Settlement System of the Central Bank is constantly growing. Today, 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 around the clock online through the Instant Payment System. This system allows making interbank money transfers between legal entities and individual entrepreneurs, making 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 implementation of money transfers.



Rice. 5. Information about 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 the growing interest of customers in this system. As a result of connecting all banks to the SMP in the third quarter of 2020, legal entities and individual entrepreneurs carried out transactions in the amount of 43.6 trillion. sums, which is two times more than in the second quarter. At the same time, during 2020, more than 2.7 million transactions or payments in the amount of 64.3 trillion rubles were carried out through this system. sums (Figure 5).

Currently, 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 - United Republican Processing Center LLC. In 2018, the National Interbank Processing Center was created, and the Humo payment system was launched in the first quarter of 2019 [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.

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

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

on 01.01.2022

№	Operator name	Name of the payment system	License issue date
1.	LLC "Yagona Umumrespublika Protsessing Markazi"	UZCARD	04/11/2020
2.	LLC "Milliy Banklararo Protsessing Markazi"	HUMO	04/11/2020
3.	LLC "QULAY PUL"	UNITED FINTECH	November 27, 2021

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 increasing bank efficiency. In 2021, a mobile application for a bank is the strongest product, which is becoming the main tool for both attracting and retaining customers. Every year, the percentage of customers who prefer using the bank's services through the application is growing.

table 2
Top-5 banking apps in 2020 [8]

№	Mob. Appendix	Points
1	Apelsin	140.16
2	Ipak Yo'li Bank	130.09
3	Milliy	117.76
4	Zoomrad	117.16
5	Joyda	114.72

The market for banking applications has developed noticeably during the pandemic, but so far lags far behind global trends. Payments and transfers have become a direction that has received significant development in banking applications in 2020. 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" - a quickly identified code). Within the framework of this system, trade and service enterprises (economic entities), through the commercial banks serving them, form and register a QR code. Buyers pay for goods and services by scanning the seller's QR code and entering the purchase amount in the mobile application of the payment service provider, while the funds are withdrawn from the accounts of bank cards and electronic wallets linked to the application. Trade and service enterprises can track the receipt of funds online using the "QR-online" system via the "@onlineqrbot" channel in "Telegram" through a bank personal account, or by SMS informing. Unlike alternative services, this system is developed in accordance with international standards and works in conjunction with the Clearing Settlement System of the Central Bank.

Conclusion

Based on a study on Trends in the development of the payment system of Uzbekistan formed the following conclusions and recommendations:

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 plastic cards, terminals, ATMs, info kiosks, 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 computer science), 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 improving the financial literacy of participants in the settlements.

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