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INNOVATIVE PROCESSES IN THE MICROFINANCE SYSTEM

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Abstract. This article examines the role of innovation in microfinance institutions, in particular the role of digital systems in banking and non-bank microfinance institutions in Uzbekistan.

It also analyzes the "digital banks" established in the country, their legal framework, the possibility of using innovations in the activities of microfinance institutions in the country, including digital systems.

Keywords: innovation factors, innovative services, "digital banking", internet, remote banking services, digital economy, banking and non-banking organizations.

Introduction

The mechanism of microfinance in the development of small business and private entrepreneurship in Uzbekistan has been set great tasks. Not only microfinance banks, but also pawnshops and microcredit organizations should be actively involved in this process. For this purpose, the Resolution of the President of the Republic of Uzbekistan dated July 23, 2019 No PP-4400 "On measures to increase the popularity of microfinance services" was adopted [1].

In accordance with this decision, the range of services provided by non-bank credit institutions has been expanded and the volume of microfinance services has been increased.

It is difficult to imagine the development of a modern market economy without innovative factors. In particular, the enrichment of the microfinance mechanism with innovative ideas and technologies is one of the factors that directly affect the competitiveness of microfinance institutions. The fact that the Republic of Uzbekistan ranks 93rd out of 131 countries in the Global Innovation Index in 2020 [2] also indicates that the country's innovation potential is growing.

The process of developing innovative services begins with the idea of a new product and ends with its launch, followed by feedback cycles. It includes the idea of introducing a new product, preparation for designing a new product, designing a prototype, and testing steps before testing.

It is difficult to imagine the innovative activities of microfinance institutions (MTFs) without the Internet. From the process of communicating with customers to learning their feedback, offering new services, the whole process is related to the Internet. In modern times, the development of the Internet provides an opportunity for the development of digital systems and technologies.

Although digital banking services have been widely used in our country in recent years, we cannot say that digital services are being actively implemented in the activities of microfinance institutions.

Insufficient investment to attract innovations in the activities of microfinance organizations (non-banks), the value of innovations hinders the implementation of innovations in microfinance institutions.

Research methodology

Along with the method of analysis and synthesis, theoretical research has also been extensively studied throughout the study. The historical foundations of microfinance, its origins, the degree of study are also based.

Level of study of the topic

Microfinance is often characterized by socially oriented activities in the financial services market. M. Jonah believed that small business development would solve the problem of poverty and social inequality. According to his concept, the main factor in repaying a loan for small business development is not the collateral for the loan, but the incentive for the entrepreneur to develop his business and survive in an aggressive external environment. It is a generally accepted fact that the founder of microfinance is Muhammad Yunus [3], and it is based on the mutual guarantee of debtors of the same social group. It was microcredit that served as a starting point for the fight against poverty and social stratification.

M. Yunus was the first practitioner-scientist who studied the theoretical and practical aspects of the microfinance mechanism, and later this topic was actively studied by many foreign scientists.

In particular, Sunny Li Sun, Hao Liang explores the interrelationship of globalization and microfinance. We know that concepts such as globalization and innovative economy are interrelated, and the study of the two without separating them is one of the important elements of a modern economic system.

Based on institutional logic, microfinance institutions incorporate both social and market logic in providing affordable microfinance loans. In particular, social logic is strengthened by the activity of non-governmental non-profit organizations in the field of greater social globalization and microfinance. Conversely, economic globalization is a catalyst for the market logic of microfinance institutions, resulting in a weaker or greater depending on the motives for maximizing the benefits of microfinance and the relative strength of real competition. The level of social globalization in the country is negatively related to the average interest rates on microfinance loans [4].

In the research of Afsheen Abrar, Iftekhar Hasan, Rezaul Kabir [5], he examines the relative importance of microfinance institutions both at the macro level (financial development, economic growth, income inequality and poverty) and at the micro level (efficiency of traditional commercial banks). The microfinance mechanism increases the total savings (total bank deposits) and loans (loans to the private sector) in the economy. Their participation increases economic well-being by reducing income inequality and poverty. In addition, their active participation helps to regulate traditional commercial banks by making them more competitive, and as a result, efficiency increases.

The development of microfinance, its impact on the innovative economy has been studied by many scientists through various research methods. Examples include Isabelle Pignatel, Hubert Tchakoute Tchuigoua [6], Frédéric Huybrechs, Johan Bastiaensen, Gert Van Hecken [7].

Microfinance institutions play an important role in financing the innovative economy. Innovations in various sectors and industries of the country are financed from the state budget, investments and bank loans. However, the volume of projects financed by non-bank microcredit organizations is small.

In order to finance innovations, banks and non-bank microcredit organizations themselves must be innovative. In the context of globalization, the competitiveness of microfinance institutions and the quality of their services also depend on their improvement.

In the modern literature, one can also observe views on the innovation of the economy as synonymous with the concepts of digitization.

According to a study by Thomas Mezenburg, there are three main components to the concept of digital economy:

- 1) infrastructure support (hardware and software, telecommunications, networks, etc.);
- 2) electronic business (conducting business and other business processes through computer networks);
- 3) e-commerce (distribution of products via the Internet). The digital transformation encompasses all aspects of human activity.

With the advent of digitalization of documents and electronic signatures, expanding the list and accelerating the delivery of public services to citizens, and the emergence of a digital state (e-government) that allows new tools for citizen-government interaction, mass democracy is slowly replacing party democracy. Over the past 25 years, the level of services provided has become more sophisticated, combining previously distributed technologies and creating entirely new approaches to production processes and environmental management. Examples of integrated services are PLM-systems (Product lifecycle management (PLM)) - product / product life cycle management, BPM-systems (Business process management (BPM)) - business process management. Professors B.N. As Panshin [8] noted: "The main reason for the expansion of the digital segment of the economy is the growth of the transaction sector (services sector), which in developed countries accounts for more than 70% of GDP."

These areas include public administration, consulting and information services, finance, wholesale and retail trade, as well as various utilities, personal and social services. The greater the level and dynamics of diversification of the economy, the greater the amount of unique data circulating inside and outside the country, and therefore more information traffic is generated within national economies. Therefore, the digital economy is operating effectively in markets with many participants and in markets with a high level of ICT services. First of all, it is related to Internet-connected industries (transport, trade, logistics, etc.), in which the share of the electronic segment is about 10 percent of GDP, more than 4 percent of employment, and these figures have a clear growth trend.

Analysis and results

If we turn to the figures on the introduction of innovations in the banks of the country, the clients of commercial banks of the Republic are increasing the use of remote services such as mobile banking and SMS-banking. As of January 1, 2011, the number of users of these services was 10,304, while at the beginning of this year

this figure reached 472,573. Over the past 4 years, it has grown 45 times. Also, in accordance with the above growth rates, the number of users of Internet banking and Bank-Client services increased from 14,241 to 62,227 during the same period. The above figures alone show the scale of the growth rate [9].

Indeed, on August 1, 2018, by the Resolution of the Central Bank of the Republic of Uzbekistan, the concept of "digital banking" was introduced into our national legislation. According to him, a bank or its subsidiary that provides remote banking services using innovative banking technologies is a "digital bank".

In 2018, 4225 individuals used remote banking services, while as of January 1, 2021, their number reached 13,748. With the increase in the number of mobile applications, the advantages of the QR-code system, and most importantly, the improvement of literacy in the use of digital financial services among the population, the use of digital technologies in the banking system is growing.

Table 1.

**Number of users of microcredit remote banking systems
as of November 1, 2019 [2]**

№	Bank	Legal entities and individual entrepreneurs	Individuals	Total
2	JSC "Industrial and Construction Bank of Uzbekistan"	60 115	101 467	161 582
3	"Agrobank" JSCB	77 745	1 722 826	1 800 571
5	"Microcreditbank" JSCB	9 706	167 693	177 399
8	JSCB "Qishloq Qurilish Bank"	3 458	93 949	97 407
12	"Silk Road" bank	6 144	132 963	139 107
24	Asia Alliance Bank JSCB	4 007	12 289	16 296
26	"Orient Finans Bank"	3 560	21 723	25 83

A FINCERT Center for Prevention of Information and Cyber Security Threats and Response to Financial Fraud (FINCERT) will be established under the Central

Bank in the banking and financial sector. Of course, information security issues will be in the focus of attention in ensuring customer confidence in the payment services market, combating fraud and data protection [10].

Anor Bank, the number one bank in the country, has also been registered by the Central Bank. The activities of this bank are aimed at providing online services 24 hours a day through a mobile application. The microloans provided by the bank amount to 8 million soums, with an interest rate of 23% [11].

The Digital Bank service has a number of features:

- Cash flow is non-cash, maximizes access to electronic communication with the customer;
- Aims to modernize the methods of ensuring the security of banking services using authentication methods, physical electronic, encrypted biometric, combined methods;
- Optimization of digital IT architecture and data management using the data center "Big data" centralized data center via the Internet;
- Extensive use of social media, web applications, video communication forms in communication with the client.

As a result of reforms carried out in recent years in our country, great attention is paid to increasing the popularity of banking services, the introduction of direct communication and mobile technologies, especially in social services, transport, trade, catering, especially in the regions. The first stage of development of the Internet banking system has been implemented in Uzbekistan. That is, the exchange of information has intensified, banking services have been introduced that systematically integrate the Internet and mobile communications (Click, Payme, launch of a program for remote management of financial resources in the bank). In particular, as of January 1, 2017, the number of users of Internet banking and "Bank client" increased by 9.5 times compared to 2011 and amounted to 135,629. Users of SMS-banking and mobile banking services will receive 1 mln. 906 thousand 482.

However, despite the above, the share of bank assets in the country's GDP remains low. Also, the high level of government intervention in the banking sector is one of the factors that increase the competitiveness of the banking system, which hinders the development of the digital banking system.

There are also problems that hinder the development of the digital economy in our country:

The system is not fully protected from cyber threats. The majority of users of services from banks and non-banking organizations want to store all their data on a single plastic card and manage them through a single system. Lack of Ammr data security can cause problems with storing this data.

The amount of time it takes to troubleshoot a system. There are still problems with plastic cards, ATMs, electronic conversion in the banking and financial system of the country. Our scientific research has shown that it takes an average of 2-72 hours to solve such problems. The main reason for this was the lack of specialists in the field or their low level of qualification.

The number of programs running in the off-line system. The number of off-line banking and financial programs in the country is limited. Most of the software is on-line software. Because online applications consume a lot of internet, the majority of customers use these programs in limited quantities.

Low competitiveness. There are few Internet providers and software companies in our country. The services they provide and their prices are also very close to each other. Since the number of users is not large, the products of the offerers will not be different either.

Underdeveloped infrastructure of the digital economy. It was found that the communication standards were not fully developed and most of the communication system programs and tools did not meet the standards. Of course, the main reason for this is that the standards of the Republic of Uzbekistan for the programs and tools of the communication system are not fully formed.

Conclusion and recommendation

The first stage of digitization of the process of financing microfinance institutions in the country began with the activities of Anar Bank. However, the process of adapting or digitizing the activities of microleasing organizations and pawnshops in the country to the requirements of an innovative economy has not yet taken place. To do this, the country needs to:

Most commercial banks in the country specialize in cash or non-cash, and the development of digital banks and non-bank credit and microcredit organizations requires the regulation of the legal framework and mechanisms of operation of cryptocurrencies, which are popular in the global banking system;

In the country in 2020 it amounted to 45.0 thousand soums (\$ 4.3) per 1 Mbit / s. The number of Internet users in Uzbekistan has exceeded 22.1 million. Of these,

the number of mobile Internet users is 19 million [13]. The development of digital banking and non-banking systems requires the reduction of the cost of Internet services and the improvement of the quality of Internet services by increasing the range of services provided;

The inclusion of data (including financial statements) of individuals around the world in a single biometric database also means ensuring the cyber security of this data. Ensuring cyber security measures by the state will prevent the leakage of personal financial information;

It is important to be one of the main initiators of the Central Bank in innovating the activities of microcredit, microleasing and microcredit organizations. The creation of a regulatory framework in this area, the financing of the process of innovation and digitization will depend on the position of the Central Bank in all respects;

Innovative services of microfinance institutions should not consist only of remote registration of debts. It is important to improve the sites and mobile applications of microfinance organizations, the operation of call centers and services 24/7.

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