

## Digitalization of the Financial Market is Necessary For State Economy

**Turaev Alijon Akmal o'g'li**

Teacher, Department of Investment and Innovation, Samarkand Institute of Economics and Service, Samarkand, Uzbekistan, e-mail: [alijon.turayev@mail.ru](mailto:alijon.turayev@mail.ru),

**Hikmatov Zehniddin Shokir o'g'li**

Student, Samarkand Institute of Economics and Service.

**Abstract.** The growth of the financial market is considered important for every country, and its development is the key to the good functioning of internal economic mechanisms. For this, digitalization of certain mechanisms of the financial market is a necessary factor. The following article will determine the effectiveness and necessity of these indicators.

**Keywords:** digitization, financial technologies, economic impact, automation, efficiency, risk management, digital payments, innovation in finance, financial inclusion, blockchain technology.

The concepts of economic growth, financial market and their digitization, which are considered to be one of today's urgent topics, are considered to have important meanings. Because these concepts not only have a certain meaning, but also determine the starting points for performing certain tasks. That is why it is necessary to understand the meaning of each of them.

"**Finance**" refers to economic relations arising from the creation, accumulation, distribution and redistribution or use of centralized and decentralized monetary funds. Finance occurs in the monetary sector of the economy and is based on income. The monetary sector is the movement of money and money-equivalent assets, resulting in the creation of monetary funds. Trust Funds are Financial Resources or Financial Facility. The financial entity consists of participants in the creation, distribution and use of these funds, that is, enterprises (firms), various households, households, non-governmental public organizations and government agencies. Finance means generating income and spending it.

"**Financial market**" means a market in which the object of trade is money or a security equivalent to money. In this market, relationships are conducted regarding the temporary use of financial resources for a fee or their purchase, as well as the transfer of funds from savers to borrowers. Economic entities with surplus funds offer their financial resources to entities in need of funds.

The financial market is conducted in banks, stock exchanges and auctions. Depending on the nature of financial transactions, there are several ways to categorize MB. According to the principle of return, the financial market is divided into 2: the debt market (money that persuades consumption) and the capital (property) market.

Financial digitization opens up the following opportunities for the economy:

First, Efficiency and speed increase. Digitization allows to automate financial processes, reduce the time required for transactions and financial operations. Fast-moving transactions - contribute to overall economic efficiency, smoother business operations and increased economic efficiency. Through these two factors, the following achievements can be achieved: Accuracy and reduction of errors - automation reduces the possibility of human errors in financial transactions. Digital systems follow predefined rules and algorithms, reducing the risk of manual errors. This, in turn, contributes to the accuracy and reliability of financial information. Improves the effectiveness of the audit system and compliance. Digital systems create a comprehensive audit trail for financial transactions. This facilitates monitoring and auditing of each stage of the transaction lifecycle, which is critical for regulatory compliance. Automated systems may also generate reports to demonstrate compliance with applicable financial regulations.

**Flexibility** – digital platforms allow workflows and processes to be tailored to specific business needs. Financial institutions can adapt their systems to changing market conditions, regulatory requirements or internal policies. Integration of Financial Services - Digitization helps to integrate different financial services and products. For example, online banking platforms can seamlessly connect with investment accounts, providing customers with a unified and comprehensive view of their financial portfolio. It is also considered very important for data security and fraud prevention. Automation comes with advanced security measures to protect financial data. Digital systems use encryption, multi-factor authentication, and other security protocols to protect sensitive data.

Automated fraud detection tools can quickly identify and respond to suspicious activity. And mobile accessibility provides a very noticeable quality. The widespread use of mobile devices allows the automation of financial transactions. Mobile banking apps and digital wallets allow

### Top 10 Global Platforms in 2023

| Rank                           | Platform   | Country/Region | Year of launch | Customer | Coverage and Service Scope | Usage and Engagement | Financial Performance | Ecosystem | Strategy and Leadership | Total Score |
|--------------------------------|------------|----------------|----------------|----------|----------------------------|----------------------|-----------------------|-----------|-------------------------|-------------|
| <i>Total Scores Achievable</i> |            |                |                | 20.0     | 20.0                       | 20.0                 | 20.0                  | 10.0      | 10.0                    | 100.0       |
| 1                              | Alipay     | China          | 2004           | 8.0      | 18.9                       | 10.3                 | 13.3                  | 8.0       | 6.0                     | 64.5        |
| 2                              | Gcash      | Philippines    | 2004           | 12.0     | 15.6                       | 14.4                 | 12                    | 3.0       | 7.0                     | 64.0        |
| 3                              | Wise       | UK             | 2011           | 8.0      | 14.4                       | 12.0                 | 14.7                  | 5.0       | 6.0                     | 60.1        |
| 4                              | WeChat Pay | China          | 2013           | 6.0      | 16.7                       | 10.0                 | 13.3                  | 7.0       | 5.0                     | 58.0        |
| 5                              | M-Pesa     | Africa         | 2007           | 5.0      | 15.6                       | 10.0                 | 9.3                   | 7.0       | 7.0                     | 53.9        |
| 6                              | PayPal     | Global         | 1998           | 2.0      | 17.8                       | 6.0                  | 14.0                  | 5.0       | 6.0                     | 50.8        |
| 7                              | MoMo       | Vienam         | 2010           | 8.0      | 8.9                        | 7.8                  | 10.7                  | 7.0       | 7.0                     | 49.4        |
| 8                              | Toss       | South Korea    | 2015           | 8.0      | 15.6                       | 10.7                 | 4.0                   | 6.0       | 5.0                     | 49.2        |
| 9                              | GoTo       | Indonesia      | 2021           | 9.0      | 7.8                        | 10.9                 | 8.0                   | 6.0       | 7.0                     | 48.6        |
| 10                             | Apple Pay  | Global         | 2014           | 4.0      | 15.6                       | 7.5                  | 10.7                  | 5.0       | 4.0                     | 46.7        |

Source: TABInsights

Second, **Cost Reduction and Resource Savings** The implementation of digital technologies in the financial sector often leads to cost reductions by streamlining processes, reducing red tape and optimizing the use of resources. Such economic efficiency can have a positive effect on the state budget and contribute to fiscal stability. For example, the AliPay and WeChat programs launched in the People's Republic of China contain certain mechanisms of banking networks. Even in the period of Covid-19, the majority of activities in the financial market did not stop and, on the contrary, developed. In 2023, it took first place among the world's top platforms.

Digitization of the financial market, not limited to the mentioned ones, gives its effectiveness to several other directions. **Expanded financial inclusion** Digital financial services enable access to a wider population (those living in remote or underserved areas). Increasing financial inclusion can help reduce poverty and stimulate economic growth by providing a wider population with access to banking and financial services. Transparency and accountability, digitization ensures transparency of financial transactions and reports, facilitates control and monitoring of compliance with regulatory authorities. Increased transparency helps increase the accountability of the financial system, which is crucial to maintaining confidence in the economy. Innovative financial products and services stimulate innovation in the financial sector, leading to the development of new and diverse financial products and services. This innovation can attract investment, stimulate economic growth, and create new opportunities for businesses and consumers.

Another critical quality is Risk Management. Digital tools and technologies enable more effective risk management in the financial sector. Advanced analytics and artificial intelligence help identify and mitigate risks, contributing to the overall stability of the state's economy. This leads to greater efficiency in combating threats that exist on several fronts:

**Transaction Security Measures** Both Alipay and WeChat Pay use advanced security measures to protect users' financial information. This includes encryption, secure access procedures and real-time transaction monitoring. Implementing secure technologies can help reduce the risk of fraud and unauthorized access. It also performs fraud detection and prevention functions. These platforms use sophisticated algorithms and artificial intelligence to detect and prevent fraudulent transactions. Unusual patterns, inconsistencies, or suspicious activity will trigger alerts, enabling rapid response and mitigation. Currently, fraud monitoring contributes to the overall security of digital transactions. **Biometric authentication** functions will also be available. Alipay and WeChat Pay include biometric authentication methods such as fingerprint and face recognition. This adds an extra layer of security by making it harder for unauthorized individuals to access user accounts. Biometric-authentication improves the overall risk management system by providing secure and convenient user verification. There is also a **two-factor authentication (2FA)** function, which has the following performance.

Two-factor authentication is commonly used to verify the identity of users during transactions. This additional layer of security, often involving a combination of something the user knows (such as a password) and something the user has (such as a mobile device), reduces the risk of unauthorized access. **Data Privacy Compliance** Both Alipay and WeChat Pay adhere to strict data privacy regulations. Compliance with these rules is critical to managing the risk of data breaches and ensuring the protection of users' confidential information. The Platforms take steps to protect user data and maintain the trust of their user base. And cooperation with regulatory

bodies helps to solve the most important tasks for public authorities. For example, Alipay and WeChat Pay cooperate with regulatory authorities to stay abreast of evolving risks and compliance requirements. Cooperation with regulatory authorities helps ensure that these platforms meet industry standards and are well prepared to address emerging risks.

A digitally developed financial sector can attract international investments, develop economic cooperation and contribute to increasing the state's competitiveness in the world economy. Drives consumer behavior change, adapting to the changing needs and behaviors of consumers who increasingly rely on digital channels for financial transactions. For governments that support and promote digital financial services, they are able to meet the changing needs of their citizens.

#### **REFERENCES:**

1. <https://uz.wikipedia.org/wiki/Finance>
2. [https://uz.wikipedia.org/wiki/Financial\\_market](https://uz.wikipedia.org/wiki/Financial_market)
3. "The Fintech Book: The Financial Technology Handbook for Investors, Entrepreneurs and Visionaries" by Susanne Chishti and Janos Barberis.
4. "Blockchain Revolution: How the Technology Behind Bitcoin and Other Cryptocurrencies is Changing the World" by Don Tapscott and Alex Tapscott.