

## IMPROVING DIGITAL MONEY TRANSACTION IN COMMERCIAL BANKS

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**Abstract:** *Today, digital technologies are rapidly penetrating all sectors of our economy. The development of e-commerce, the formation and strengthening of the competitive environment between various payment service providers, the reduction of transaction costs for retail payments, as well as innovative and attractive means of payment that do not require the mediation of financial institutions in making payments required its introduction. Adoption of the Law of the Republic of Uzbekistan "On Payments and Payment Systems" created the legal basis for electronic money circulation, including the issuance, use and compensation of electronic money. On the basis of this law, "Rules for issuance and circulation of electronic money in the territory of the Republic of Uzbekistan" were developed and registered with the Ministry of Justice under the number 3231 on April 29, 2020.*

**Keywords:** *Central bank, digital asset, cryptocurrency, virtual currency, blockchain, mining, distributed ledger, economic, legal, value, information resource.*

What is digital currency?

Digital currency is a general term for regulated and unregulated digital money. Money exists only in digital form and is not related to cash, which means that digital currency is not electronic money either. Digital currencies are intangible and can only be managed using a computer or electronic wallet connected to certain networks. All cryptocurrencies are digital currencies, but not all digital currencies are cryptocurrencies. There are other digital currencies that include e-gold and paid games.

Based on world experience, this document was developed in order to organize the operation of the electronic money system, electronic money circulation, risk management in the electronic money system, and ensure security in the system. It covers key concepts of e-money, including "exchange transaction", "single and multi-issuer e-money", "prepaid card", "e-money agent", "e-wallet" and industry-specific other terms are explained in detail.

Reasons for Governments to Introduce Digital Currencies

There are many reasons to explore digital currencies, and the motivation of different countries to issue a digital currency depends on their economic situation. Some common motivations are:

- promoting financial inclusion by providing easier and safer access to money for the unbanked and underbanked population;

- introducing competition and stability in the domestic payments market, which may require incentives to ensure cheaper and better access to money;
- increase the efficiency of payments and reduce transaction costs;
- creation of programmable money and increasing transparency of money flows;
- to ensure a continuous and favorable flow of monetary and fiscal policy.

What is virtual currency?

A virtual currency is an unregulated digital currency that exists only in digital format. This electronic representation of monetary value can be used as a means of payment and you need a wallet, mobile or web app to do so. Any individual or legal entity can transfer, store and trade virtual currency electronically. However, virtual currencies are not used as a sum of value, a unit of account or a value used to calculate an exchange. It is important to understand the role of virtual currency. This type of currency cannot be exchanged for a designated currency and is not issued by a central or other banking authority. This means that virtual currency is an unregulated currency today, but it is only a matter of time. Central banks and regulatory bodies are actively working to create new, regulated and officially issued types of virtual currencies (for example, cryptocurrencies).

What is cryptocurrency?

Cryptocurrency is an unregulated virtual currency that is protected from counterfeiting and tampering by cryptographic encryption. The exchange rate of cryptocurrency depends only on supply and demand in the market. Cryptocurrency is also a type of digital currency, but it is not a type of electronic money because it is not regulated or issued by any bank or electronic money financial institution (EMI).

Head of the Central Bank Mamarizo Nurmuratov announced that the regulator will develop and test a digital currency. The work in this regard will be carried out step by step, taking into account the world experience of open banking, and international experts will be involved in preliminary scientific research.

Together with experts from the Central Bank, it was determined what kind of currency it is, how it differs from cryptocurrencies and cashless funds, and when it is expected to be issued.

Central Bank Digital Currency (CBDC) is a virtual national currency used as an alternative or additional means of payment. Most often, their value is linked to the national currency, but it is also possible to link to a floating exchange rate, such as precious metals (E-gold, WebMoney Gold - WMG), cryptocurrencies. One of the most talked about types of digital currency is the digital yuan. As part of the digital yuan pilot project in China, 1.32 million transactions for payment for goods and services were carried out in six cities

in June 2021, more than 20 million for individuals and 34.5 billion yuan for legal entities. 3.5 million wallets were opened.

The digital currency of the Central Bank of Uzbekistan is a new form of money that is an alternative to paper and non-cash amounts. It is a legal tender issued electronically and distributed on a special platform. Central banks around the world use several models of digital currencies — mostly retail and wholesale. The former is available to a wide range of users, including individuals and legal entities. It can be used by end users as a substitute for cash in settlements. It is assumed that the wholesale model is intended for a limited number of users, primarily banks and other participants of the financial market. The model is mainly used as an alternative method in interbank settlements. In fact, analogues of wholesale digital currencies are representative accounts and bank deposits in Central Banks.

Digital currency is still a complex and not fully understood product, Central Bank experts say. The regulator wants to carefully examine the impact of digital currency issuance on monetary policy, financial stability and payment systems. At the same time, special attention is paid to issues of cyber security, as well as to increasing the financial literacy of the population.

"Ensuring financial stability in the development of a national digital currency is important. Central banks are trying to minimize the influence of their digital currency on financial intermediaries, so that commercial banks do not "get left behind" in the financial system and the economy continues its work."

#### Summary

According to the regulator, today there are enough payment systems and electronic money systems for cashless payments, as well as a wide terminal infrastructure accepting bank cards.

Therefore, the Central Bank is in no hurry to introduce digital currency in the country. First, it is necessary to study the main advantages and disadvantages of this practice, taking into account the accumulated experience in the circulation of electronic money systems operating in our country, the Central Bank noted.

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