

INNOVATIVE TECHNOLOGIES IN THE FINANCIAL SECTOR: CURRENT TRENDS AND PROSPECTS.

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Abstract: The article explores how digitalization affects financial services and promotes innovation in this area. The changes in traditional financial institutions and the growth of new startups are considered. Research data from UBS and BCG confirm that revenues continue to grow, and more and more customers prefer digital services using a consistent method. This suggests that digitalization is not only shaping the market, but also creating new expectations for users who are looking for convenience and speed in financial transactions. Thus, digitalization is becoming a key factor contributing to development and transformation. In recent years, there have been clear changes in the approaches of traditional financial institutions, such as banks and insurance companies, which are trying to adapt to new market conditions.

Keywords: Innovation, prospects, fintech, digitalization, financial services, mobile banking, startups, technologies.

Digitalization has made drastic changes in the financial services sector, which has significantly affected the entire industry. Traditional financial institutions, such as banks and credit institutions, have begun to transform in order to respond more quickly and effectively to customer requests. These changes are necessary to maintain competitiveness in a rapidly changing market. At the same time, there is an active development of new innovative startups that offer a variety of digital services to customers around the world. These companies often use modern

technologies, which allows them to create convenient and effective solutions for consumers.

According to a UBS study, global revenue for fintech companies is expected to grow to \$500 billion by 2030, up from \$150 billion in 2018. This growth highlights the importance and relevance of financial technologies in the modern world, and also suggests that digitalization is becoming a key driver of the development of the entire industry.

Nowadays, innovation and technology have redefined almost every area of life, and the financial industry is no exception. Banks, insurance companies and other financial institutions are actively implementing new technologies to improve services for consumers. Next, we will look at exactly what innovations and technologies are making changes in the financial sector and how this affects ordinary consumers.

The digital revolution in the financial industry will not stop, and it will continue to change the way we interact with money, investments and banking services.

One of the key trends in the financial sector is the use of blockchain technology. Blockchain is a decentralized data storage system that ensures the security and transparency of transactions. Many companies and financial institutions are already experimenting with blockchain technology to improve efficiency and reduce costs.

Fintech startups play a crucial role in the transformation of the financial industry, actively introducing innovative technologies and attracting users to create new approaches to lending and personal finance management. Among the most popular services are mobile payments, which allow customers to record a transaction directly from their smartphones, which greatly simplifies the shopping process. Digital wallets that store financial information and allow one-click payments, as well as online lending, which offers the possibility of obtaining loans via the Internet, are becoming increasingly in demand. This method avoids lengthy procedures, borders with traditions. They not only make financial services more accessible, but also

change the usual idea of how we manage them, which, in turn, ensures an increase in interest and trust on the part of consumers.

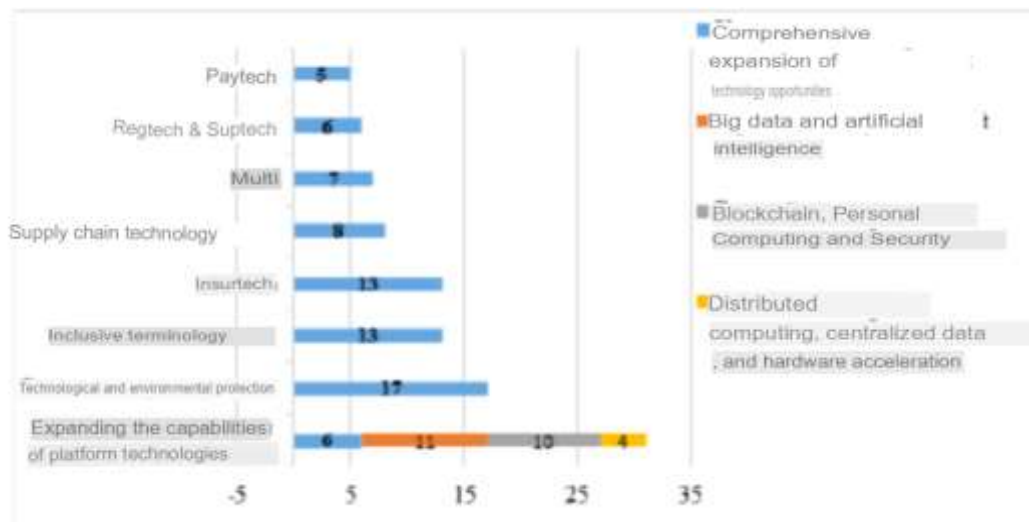


Figure 1 — Distribution of Fintech specialization areas, according to KPMG China¹.

The distribution of investments in financial technologies by regions of the world in the period from 2022 to 2024 shows that the United States occupies the most significant share — more than 30%. The Asia region follows them with more than 20% of investments, while Europe also accounts for about 20%. Latin America and other regions have less than 5% of the total investment.

In 2024, the United States continued to dominate the market, concluding an average of 36.75% of all transactions in the FinTech sector. Europe and Asia occupy the second and third places with shares of 24.75% and 22.75%, respectively, while Latin America showed 7.8%.

China is currently a leader among high-tech countries, especially in the field of banking technology. Among Latin American countries, Mexico and Brazil are considered the most promising, which are actively developing fintech in the banking sector.

¹ compiled by the author according to [2023 China Fintech 50 Report

China, being one of the most powerful economies in the world, is also heavily influenced by fintech. The financial technology industry in this country covers various segments, where the most notable achievements are observed in the expansion of platform capabilities (31%) and in the field of healthcare technology (17%). They are followed by inclusive technologies and insurance technologies (insurtech), each of which occupies 17%.

To highlight how fintech is returning to the basics of technology services and demonstrating the achievements of banks, four key areas can be identified in the "platform empowerment" category: artificial intelligence, integrated technologies, big data, as well as blockchain and computing for security and privacy. These aspects play an important role in the development of the fintech sector.

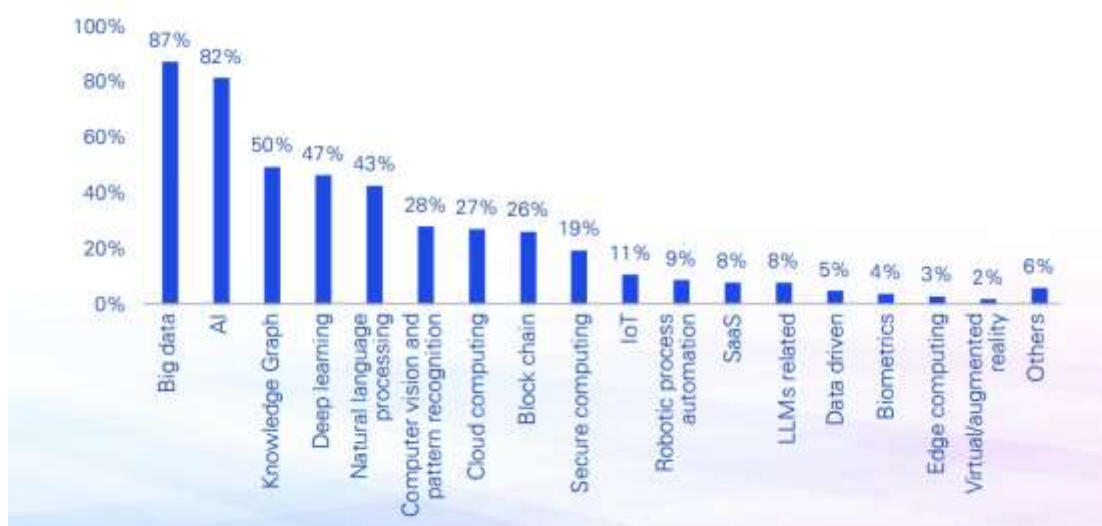


Figure 2 - The spread of major fintech technologies, according to KPMG China²

2022 was a crucial year, marking the beginning of the Fintech Development Plan (2022-2025), as well as a period during which the country moved from strengthening the pillars and framework of fintech to harnessing the momentum of the sector's growth. To support the long-term, stable development of the fintech sector in 2022, financial institutions fully engaged in digital transformation and applied innovative

² <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2024/01/china-fintech-50-2023.pdf>

financial information technologies more effectively, as well as played a role in improving the top-level system and developing a system of ethics and sound regulation of fintech.

At this critical moment for the development of fintech, KPMG China announces the China Leading Fintech 50 and Emerging 50 2022 rankings, which showcase a number of well-developed and technologically savvy enterprises. The year 2023 marks the seventh year in a row when KPMG publishes the China Fintech 50 rating, which started in 2016, and we are more excited than ever to participate in the fintech market and witness its phenomenal changes and milestones. We are confident that the fintech sector is becoming more open, innovative and sustainable, while keeping risks under control.

However, with the development of technology, the financial sector is facing new challenges such as cybersecurity and data protection. Regulators are also forced to adapt laws and standards to the changing environment in order to ensure stability and protection for all market participants.

In the financial sector, the use of blockchain technology, the development of artificial intelligence and fintech, digital payments, cybersecurity, cloud technologies and big data analysis have become important trends. These innovations improve the efficiency and security of financial transactions, make financial services more accessible and personalized for customers. It is predicted that the development of these areas will continue, opening up new opportunities for financial institutions and improving the overall customer experience.

In conclusion, we can say that innovative technologies are transforming the financial sector, opening up new opportunities and challenges. It is important for companies and financial institutions to stay on the cutting edge and adapt to a rapidly changing environment in order to remain competitive and successful in the future.

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