THE POSITIVE IMPACT OF THE FINANCIAL TECHNOLOGY INDUSTRY ON THE FINANCIAL STABILITY OF COUNTRIES IN CRISIS CONDITIONS

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Abstract
The article focuses on the positive impact of the financial technology industry on the financial stability of countries in crisis conditions. The main tendencies and measures, concerned to digitalization of banking and financial operations were researched.

Keywords: financial services, KYC, digital platforms, Regtech, Suptech, digitalization, bank capitalization, crisis, emission, bank transactions.

One of the tasks of regulators in order to improve financial stability is to monitor the provision of financial services and eliminate barriers to financial inclusion. According to GPFI [1], increased use of technology in the context of the pandemic has the potential to mitigate the economic impact of the crisis. Despite the fact that developed countries are already characterized by a fairly high level of financial inclusion, this was rather the merit of traditional financial services. When assessing the pandemic period, one can observe structural changes in the specifics of financial intermediation, which is specifically reflected in the example of the use of mobile applications. The greatest growth in application usage was observed in the payments, investments and insurance segment.

The provision of relevant financial services during the pandemic was jointly provided by fintech companies and banks, which launched payment services similar to fintechs . In practice, traditional institutions in developed countries have increased their consumer base coverage by 4% due to new payment solutions, which confirms the growth of financial inclusion [2]. Adding the growth in the number of users of FinTech and BigTech applications , which are approximately 14% and 16%, we can say that the cumulative growth of digital accessibility has increased by 34%. It is worth specifying that, with the impact of the pandemic, the adoption of fintech services at the level of each developed country has become less related to market size or GDP per capita, since the crisis has had global consequences for all countries. However, it is noted that the further slower penetration of fintech services may be due to the demographic situation in the country, namely the proportion of the older population.

[1] Global Partnership for Financial Inclusion – Global Partnership for Financial Inclusion
[2]Fintech in the time of COVID-19: Technological adoption during crises / Jonathan Fu† and Mrinal Mishra // Department of Banking & Finance, University of Zurich and the Center for Sustainability, the Swiss Finance Institute - 2021 - P. 62.

In general, since developed countries tend to grow their user base during times of crisis, we can conclude that fintech has a positive impact on financial inclusion. This in turn contributes to macroeconomic stability by reducing restrictions and providing clients with tools to overcome crises and periods of risk [3].

Fintech can influence the financial market in some main areas:

1) by increasing competition, empowering consumers, democratizing access to financial services, especially in developing countries, and, as a result, stimulating further innovation. Innovation creates new product/service capabilities and new strategies and commercialization channels;

2) by increasing efficiency through innovation in: related infrastructures, such as payment systems infrastructure, credit information systems and public registries (eg collateral registries, land registries and identification systems). One example is [4]“know your customer” (KYC) utilities , i.e. tools that can be used by multiple financial service providers and that streamline the collection and exchange of customer identification data; back-office and front-line procedures in traditional financial institutions, as well as in their decision-making process. This includes improving risk management and compliance. Most often, institutional innovation relies on partnerships with fintech companies, which take on specialized roles such as providing credit scoring, insurance pricing tools, KYC utilities , prepaid account management and communications automation;

3) by creating new investment opportunities for existing financial institutions. Banks and insurance companies are increasingly investing in and buying out fintech companies as part of their (broader) investment portfolio, and some are also sponsoring fintech incubators to create investment opportunities;

4) by improving financial supervision;

5) by improving and optimizing the risk management process.

At its broadest level , FinTech can be defined as the application of financing technologies[5].

Fintech as a whole may be overhyped and some innovations may already be “disappointing”, however, as history shows, this does not necessarily mean that Fintech will not have a long-term impact on the financial market. The current rate of development and innovation is higher than in previous decades, and there are clear signs that it will continue to accelerate. For example, when comparing the duration of implementation of various banking innovations, the introduction of ATMs took two decades, while Internet banking and mobile banking took shorter periods of time. In fact, changing demand for digital financial services is a key driver of change. The faster pace of change means that the effects of innovation and disruption can

[3] Fintech and Financial Stability Potential Influence of FinTech on Financial Stability, Risks and Benefits / Vučinić MJ // Journal of Central Banking Theory and Practice. - 2020. - No. 2. - P. 43-66.

[4]Utility – a service program for computer maintenance

[5] Bakoeva, Gulbakhor Matyakubovna. "The Essence Of Transformation Of The Banking Sector In The Context Of The Implementation Of Modern Financial Technologies." *NATURALISTA CAMPANO* 28.1 (2024): 2569-2575.

occur faster than before, creating pressure to adapt to realities more quickly. When assessing the impact of new technologies on the financial market, two factors have recently become particularly important:

1) level of acceptance of basic technology by society;

2) the extent and prevalence of technological know-how among the general population.

the FinTech sector is attracting the interest of regulators who are currently assessing the best ways to support financial market development, while ensuring the development of the sector contributes to core mandates such as systemic stability, protection of interests and market competition. The challenge is to reconcile the tension between having flexible, forward-looking frameworks that encourage innovation and frameworks that are clear enough to maintain market, consumer and investor confidence

The presented study also carried out its own assessment of the impact of fintech on the financial stability of developed countries in the context of a pandemic, as well as the countries of Central Asia. To begin with, the features of the fintech industries of developed countries were highlighted and an analysis of the impact of the pandemic on the development of their fintech industries was carried out in terms of supply and demand factors.

Financial technology[6], or " Fintech ", is an industry consisting of companies that use technology and innovation to compete with traditional financial institutions such as banks and intermediaries in the financial services market. Fintech can be referred to as the use of technology to provide financial solutions. Fintech has emerged as an initiative focused on generating profit from new business opportunities, filling untapped markets that have become less attractive (or too costly) for financial institutions, especially in the post-crisis environment. On the other hand, such competitive force encourages financial innovation. Fintech can also be seen as a component of the digitization of goods and services offered by traditional organizations, and as a response to high compliance costs and the need to address long-standing weaknesses such as weaknesses in data risk management.

The current situation can be characterized as a period of development of FinTech 4.0, in which startups and technology companies provide services to economic agents directly, without traditional financial intermediaries. Of course, digital technologies alone do not facilitate access to financial services. This requires a developed payment system and physical infrastructure, effective legal regulation, as well as an effective system for protecting consumer rights. Reducing costs in the provision of financial services should lead to increased accessibility .

The role of fintech has received much attention both from international financial regulators and within government jurisdictions. However, in the context of a pandemic, with the threat of exacerbating systemic risks to financial stability, there is an urgent need to assess the impact

[6] Bakoeva, Gulbakhor Matyakubovna. "The Essence Of Transformation Of The Banking Sector In The Context Of The Implementation Of Modern Financial Technologies." *NATURALISTA CAMPANO* 28.1 (2024): 2569-2575.

of fintech and develop regulatory and supervisory approaches that take into account structural changes in the fintech industry and are aimed at strengthening the stability of the financial system.

1) The assessment of financial stability is based on the analysis of micro- and macroeconomic indicators in accordance with the objectives of macroprudential policy. In terms of assessing stability, developed countries regularly provide relevant reports to the International Monetary Fund, on the basis of which recommendations are made to maintain the stability of the financial system.

2) Key indicators include assessment of the health and functioning of financial institutions and financial markets, infrastructure and financial inclusion, assessment of risks associated with credit, debt and asset prices, and domestic and cross-border spillovers.

3) of the fintech industry on financial stability deserve special attention . The positive effect is ensured by financial inclusion, transparency, efficiency, decentralization and diversification. A negative effect occurs when macroeconomic risks are realized, such as the risk of procyclicality , the risk of financial contagion, the risk of excessive volatility and risks associated with systemically important players.

4) At the microeconomic level, there are both traditional credit and liquidity risks and a range of operational risks, including new vulnerabilities to financial stability, such as cyber risks.

Increased accessibility of financial services has a clear positive effect on financial stability. Diversification has an ambiguous effect due to the potential increase in the risk of financial contagion due to increased interconnections between structures. The cumulative negative impact at the moment is exerted by growing cybercrime and increased credit risk, not only due to the influence of fintech , but also due to gaps in the regulatory system. Thanks to the detailing of national fintech industries, an increase or decrease in the degree of influence of fintech through dedicated channels was noted , which indicates a pronounced influence of the characteristics of the economy of each country and the characteristics of its fintech industry.

Research and analysis show that Uzbekistan needs to:

— implementation of legal provisions regulating the field of remote banking services;

— establishing a differentiated licensing regime for banks using innovative business models;

— securing the bank’s obligations to provide the client with complete and detailed information about a new product or innovative technology before concluding a contract;

— establishing the boundaries of legal liability for organizations that are not participants in the banking sector, but at the same time play a key role in the functioning of the entire digital banking system, as well as those responsible for the most vulnerable points of the digital infrastructure;

— introduction of legal provisions allowing bank clients to claim funds lost as a result of theft using digital technologies, as well as receive compensation in case of software failures and leakage of confidential information and information containing personal data.

In general, it can be concluded that fintech played a positive role for the financial stability of advanced economies during the pandemic, which is more likely to be rejected than confirmed. Further research requires measuring the scale of impact through these channels, since the real consequences of the pandemic can be more accurately assessed over time. However, the real need at this stage is the issue of updating the regulatory environment in connection with the acceleration of fintech innovation during the pandemic.

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