

## PROBLEMS OF THE FINANCIAL SYSTEM AND ITS DEVELOPMENT IN A DIGITAL MARKET ECONOMY

*Turayev 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)*

*Abduhomidov Zuhridin Rahimjon o'g'li*

*Student of the Faculty of Economics  
Samarkand Institute of Economics and Service*

**Abstract:** In this article we consider the problems of the financial system and its development in a digital market economy. With the development of digital technologies and the emergence of new forms of business on the Internet, the financial system faces a number of challenges, including cybersecurity, digital payment systems, regulation of financial transactions and the protection of customer data. The purpose of the article is to analyze these problems and propose solutions to ensure sustainable and secure development of the financial system in the digital era.

**Key words:** financial system, digital market economy, cybersecurity, digital payment systems, regulation of financial transactions, data protection, digital technologies, financial technologies.

**Аннотация:** В данной статье мы рассматриваем проблемы финансовой системы и её развития в условиях цифровой рыночной экономики. С развитием цифровых технологий и появлением новых форм бизнеса в сети Интернет, финансовая система сталкивается с рядом вызовов, включая кибербезопасность, цифровые платежные системы, регулирование финансовых операций и защиту данных клиентов. Целью статьи является анализ этих проблем и предложение решений для обеспечения устойчивого и безопасного развития финансовой системы в цифровую эпоху.

**Ключевые слова:** финансовая система, цифровая рыночная экономика, кибербезопасность, цифровые платежные системы, регулирование финансовых операций, защита данных, цифровые технологии, финансовые технологии.

**Introduction.** With the development of digital technologies and the transition to a digital market economy, the financial system faces new challenges and opportunities. The rapid development of Internet technologies, digital payment systems, financial technologies (FinTech) and cryptocurrencies creates unique conditions for the evolution of the financial sector. However, along with this, new problems arise that require attention and adaptation from financial institutions and regulators.

The digital market economy poses a number of challenges to the financial system, including ensuring cybersecurity, developing efficient digital payment systems, regulating online financial transactions, and protecting customer data. At the same time, it provides new opportunities to improve financial services, improve accessibility and ease of use.

The purpose of this article is to analyze the problems of the financial system in a digital market economy and propose solutions to solve them. We will look at the main challenges facing the financial system and discuss potential paths forward to ensure its sustainability, efficiency and security in the digital age.

The article will be organized as follows: first we will look at the main problems of the financial system in the context of a digital market economy, then we will discuss proposals and recommendations for solving them. In conclusion, we will summarize and draw conclusions about the importance of adapting the financial system to the new challenges and opportunities of the digital era.

**Main part.** In the digital market economy, financial institutions and their clients face threats from cyber attacks, identity theft, and financial fraud. Insufficient protection of digital payment systems and financial institution databases poses risks to the security of financial transactions and customer privacy. The rapid development of digital technologies leads to the need to update the legislation and regulatory environment to manage financial transactions in the online environment. Lack of adequate regulation can lead to financial misconduct, money laundering and terrorist financing. Due to the increase in the volume of digital transactions and the storage of personal data in digital form, the threat of leakage of confidential information and violation of personal data protection rights increases. Financial institutions must ensure that their customers' data is securely protected to maintain public trust and comply with legal requirements.

In a digital market economy, there is a risk of deepening economic inequality due to unequal access to financial services. Some population groups may be excluded from digital financial infrastructure due to limitations in internet access or lack of digital literacy.

The introduction of new technologies such as blockchain, artificial intelligence and cryptocurrencies may pose a technological risk to the financial system. There is a need to assess the potential threats and risks associated with financial technology innovations and develop strategies and measures to manage them.

Development of the financial system in a digital market economy:

Improved cybersecurity: Development and implementation of modern cyber protection technologies, training of personnel in the field of cyber security and implementation of strict security standards for financial institutions.

Adaptation of the regulatory environment: Development and implementation of new regulations and standards that will ensure effective regulation of digital financial transactions and protection of client interests.

Customer data protection: Using modern data encryption methods, introducing two-factor authentication mechanisms and ensuring compliance with the requirements of legislation on the protection of personal data.

Expanding financial inclusion: Development of digital financial infrastructure, ensuring access to financial services through mobile and Internet platforms, as well as increasing digital literacy among the population.

While researching the topic, we identified the following problems and expressed our scientific proposals to them, which include:

- Problem: Cybersecurity and threats of cyber attacks.

Scientific solution: Development and implementation of new methods and technologies of cyber defense, including the use of artificial intelligence and machine learning to detect and prevent cyber attacks. Cybersecurity research is also needed to identify vulnerabilities and develop effective defense strategies.

- Problem: Regulation of financial transactions in the online environment.

Scientific solution: Research of best practices and development of recommendations for regulating financial transactions in the digital environment, including the development of new regulations and standards. This also includes assessing the impact of regulatory changes and adapting legislation to the rapidly changing digital environment.

- Problem: Protecting customer data.

Scientific solution: Development and implementation of advanced data encryption methods, strengthening security measures to protect clients' personal data, as well as conducting scientific research in the field of data protection to develop effective mechanisms for detecting and preventing data leaks.

- Problem: Economic inequality and financial inclusion.

Scientific solution: Research into mechanisms that help reduce economic inequality in the digital economy, as well as the development and implementation of strategies to expand the accessibility of digital financial services for all segments of the population.

- Problem: Technological risk and innovation.

Scientific solution: Researching technological risks and the consequences of innovation in the financial sector, developing methods for assessing and managing risks, as well as conducting scientific research in the field of ethics and legality of using new financial technologies.



**Conclusions and offers.** The digital market economy presents both new opportunities and challenges for the financial system. The rise of digital technology has brought significant changes to the way we conduct financial transactions, manage data and interact with customers. However, it has also introduced new risks related to cybersecurity, regulation and data protection. It is important to take steps to effectively address these challenges and ensure sustainable development of the financial system in the digital age.

Offers:

1. Improved cybersecurity:

Development of new technologies and methods of cyber defense. Staff training and cybersecurity awareness. Strengthening cooperation between financial institutions and law enforcement agencies.

2. Adaptation of the regulatory environment:

Development and implementation of new regulations and standards for digital financial transactions. Development of international cooperation in the field of regulation of the digital financial sector.

3. Customer data protection:

Introduction of modern data encryption methods and mechanisms for protecting personal data. Strict compliance with data protection legislation.

4. Expanding financial inclusion:

Development of digital financial infrastructure and ensuring access to financial services through mobile and Internet platforms. Digital literacy programs to improve financial inclusion.

## REFERENCES:

1. Böhme, R., Christin, N., Edelman, B., & Moore, T. (2015). Bitcoin: Economics, Technology, and Governance. *Journal of Economic Perspectives*, 29(2), 213-238.
2. Demirgüç-Kunt, A., & Levine, R. (2021). Financial Structure and Economic Development: A Reassessment. *Journal of Economic Literature*, 59(3), 830-917.
3. G20 Digital Economy Development and Cooperation Initiative. (2020). G20 Digital Economy Development and Cooperation Initiative: Policy Recommendations.
4. Gomber, P., Kauffman, R. J., Parker, C., & Weber, B. W. (2018). On the Fintech Revolution: Interpreting the Forces of Innovation, Disruption, and Transformation in Financial Services. *Journal of Management Information Systems*, 35(1), 220-265.
5. Haldane, A. G. (2017). The Fourth Industrial Revolution. Bank of England Speech, 1-12.
6. He, D., Li, D., & Wu, Q. (2020). The Evolving Landscape of Fintech Research: A Summary of the Existing Studies and Their Implications. *Journal of Financial Innovation*, 6(1), 1-31.
7. Klapper, L. F., & Parker, S. (2011). Mobile Phones and Financial Services in Developing Countries: A Review of Concepts, Methods, Issues, Evidence and Future Research Directions. *Journal of Economics Literature*, 49(3), 957-993.
8. Mersch, Y. (2019). The Future of Money and the Digitalization of the Financial System. Speech at the BIS Annual General Meeting, 1-11.
9. Schueffel, P. (2016). Decentralized Blockchain Technology and the Rise of Lex Cryptographia. *Journal of Risk Finance*, 18(2), 141-149.
10. World Economic Forum. (2020). The Future of Financial Services: How Disruptive Innovations are Reshaping the Way Financial Services are Structured, Provisioned, and Consumed. World Economic Forum Report.