
The Role and Significance of Macroeconomic Factors in Expanding the Scope of Retail Banking Services

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Abstract: The article describes the essence of providing modern banking services in the context of the development of the digital economy. Also, the types and types of banking services are indicated. Today, the analysis and development directions of modern banking services in our country are given.

Key words: bank, banking system, traditional banking services, modern banking services, internet banking, SMS-banking, bank marketing.

INTRODUCTION

During the pandemic and the post-pandemic period, two main trends have emerged in the commercial banking retail services market. The first trend, in our opinion, is related to the widespread use of fintech and digital technologies in offering services to retail consumers and reducing the impact of the human factor. Usually such services are offered by digital banks. The second trend is the digitalization of all aspects of human life and the introduction of high technologies, the demand for human labor, the decrease in the level of human participation in making decisions regarding the formation of the future projection. This trend is reflected in the restoration of direct communication with customers in the field of retail banking services.

Taking into account these trends, we try to consider the following issues in this paragraph of the scientific research work:

1. Clarifying the economic nature of the services and products offered in the context of the strengthening of the transformational processes in the activity of commercial banks and evaluating the role and importance of retail services in their structure;
2. To determine the type and composition of services and products offered by organizations operating in the retail banking services market.

First of all, let's briefly touch on the theoretical foundations of the concept of banking services. The absence of a generally accepted approach to this issue in the field of World Bank work creates certain problems. Therefore, in my opinion, the development of an author's approach to this issue creates an opportunity to find answers to questions that may arise in the future.

PF-60 of the President of the Republic of Uzbekistan dated January 28, 2022 "On the Development Strategy of the New Uzbekistan for 2022-2026", PF-5992 of May 12, 2020 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025 " decrees of Decree of the President of the Republic of Uzbekistan dated March 23, 2018 No. PQ-3620 "On additional measures to increase the popularity of banking services", Decisions of June 16, 2017 PQ-3066 "On additional measures to increase the level of financial stability and capitalization of commercial banks" ¹, Also, this dissertation research serves to a certain extent in the implementation of the tasks defined in other relevant regulatory documents related to this field.

¹ National database of legislative information of the Republic of Uzbekistan. <https://lex.uz>

Analysis of literature on the topic

Problems related to banking services, especially retail services, are reflected in many scientific works of our country and foreign scientists. In particular, F. Suyarov's article entitled "Retail banking services market" approaches the retail services of commercial banks as retail banking and concludes that "Retail banking is the delivery of many banking services for individuals ²." Russian scientists G.N. Beloglazova, A.M. According to Tavasievs, banking service is based on transaction, that is, as a result of banking transaction, banking service is created and this transaction satisfies the demand of bank client ³.

Unlike the above economists, A.N. Ivanov's banking product includes a set of interrelated banking services and operations to meet the client's demand for individual banking activities ⁴. Economist E.F. Zhukov included only financial services in the concept of banking services, he believes that the bank mainly performs operations. Bank operations are divided into active and passive operations, and the bank's financial services include leasing, factoring, forfeiting and trust operations ⁵. Russian scientist S.V. Although Galitskaya's view is consistent with the views of the above scholars, only unlike them, banking services include active and passive operations, and the object of banking services is considered to be capital ⁶.

O.A.Popova's scientific research work entitled "Management of processes for the development of an innovative ecosystem based on the concept of platforms" ⁷ expands the possibility of transforming economic sectors and markets by introducing new business models in the service sector, establishing new forms of cooperation due to the fact that platforms go beyond the scope of a separate company and created competitive advantages, noted that digital platforms have become a driver for the formation of an innovative economy, as well as that the platforms themselves are constantly changing. In addition, it was recognized that the main problems in this field are related to the improvement of technological platforms, development of human capital, and improvement of operational efficiency.

In Z.T.Mamadiyarov's thesis entitled "Development of Remote Services in Commercial Banks", ⁸in order to improve the effectiveness of remote banking services, the aim is to achieve the stability of operating costs, introduce the indicator of the level of customer satisfaction into banking activities, finance the bank's infrastructure, improve risk management, credit practices, and provide customer service. suggestions and recommendations have been expressed regarding the introduction of a special automated mode, the establishment of smart offices working 24/7 in order to reduce costs and non-stop operation in bank branches, to strengthen the analysis of the banking services market in order to ensure the popularity of remote banking services and increase the number of customers.

Analysis and results

The increase or limitation of the types and volume of retail services offered by commercial banks occurs under the influence of a number of macro-level factors. In our opinion, these factors include:

1. Changes in the dynamics of the population's real income and the structural structure of consumer spending.
2. Level of development of information-communication and communication networks.

² Suyarov F. "Rynok roznichnyx bankovskikh uslug" . Market , money and credit magazine . August 8 , 2002 - p

³ Tavasieva A.M. "Additional operations for clients" Moscow "F i S" 2005g 13 s

⁴ Ivanov A.N "Bankovskie uslugi: zarubezhnyy i rossiysky opyt" Moscow "F i S" 2002g 176 p

⁵ Zhukov E.F. "Bankovskoe delo" M.: YUNITA-DANA 2007g 250 p

⁶ Galitskaya S.V. "Dengi, credit, bank". Full course. Moscow izd. "Eksmo" 2008 g 253 p

⁷ Popova O.A. Upravlenie razvitiem innovatsionnoy ekisotemisy na osnove platformennoy konceptsii. Dissert. nor sois. three. Step. sugar economy science Voronezh 2021.

⁸ Mamadiyarov Z.T. "Development of remote services in commercial banks". Doctor of Philosophy (PhD) Dissertation in Economics. Tashkent 2021.

3. Development of services and financial market instruments provided through financial intermediation and level of financial inclusion (popularity).

It is necessary to recognize that each of the listed factors is a unique "combination" of many other factors, and they are also interconnected. In particular, the population's debt burden, cross-border transfers, the level of inflation in terms of consumer goods and services, as well as inflationary expectations, social transfers, and other factors have a direct effect on the real income of the population and form their payable demand. It is not possible to investigate all these factors in one research framework. Therefore, we will limit ourselves to the analysis of the characteristics and observed trends of the factors that have a large influence on the development of retail services of commercial banks.

In our opinion, it is appropriate to take as a basis the results of the research conducted by the Fund of Savings Banks for International Cooperation on the activities of Uzbekistan banks ⁹. Four factors were considered during this study; a) financial situation, financial attitude and behavior; b) the image of the financial sector and trust in banks; c) use of banks and banking products; g) customer satisfaction and loyalty. We will try to analyze these factors from the point of view of evaluating the current state of retail services provided by banks to customers.

Factor 1. Financial status, financial attitudes and behavior. In our opinion, an important aspect is the state of stability in establishing financial relations between the bank and clients (individuals and families). By the term stability, we mean a stable increase in the payable demand of customers and the matching of prices for services, including innovative products.

In our opinion, it is appropriate to assess the factors that directly influence the level of ability to pay of the population who are consumers of retail banking services.

Table 1. Dynamics of nominal and real incomes of the population¹⁰

Indicators	2018 year	2019 year	2020 years	2021 year	2022 years
Population common revenues, billion soums	236893.1	300842.7	365735.6	415085.0	515660.7
past per year relative to, in %	119.7	127.0	121.6	113.5	124.2
Population soul per head common income, thousand soums	7314.1	9128.6	10891.3	12125.6	14769.0
past per year relative to, in %	117.7	124.8	119.3	111.3	121.8
Population real common revenues, billion soums	216400.1	255971.0	319336.1	367559.6	465271.8
past per year relative to, in %	109.3	108.1	106.1	100.5	112.1
Population soul per head real common income, thousand soums	6681.4	7767.0	9509.6	10737.3	13325.8
past per year relative to, in %	107.5	106.2	104.2	98.6	109.9

From the data of Table 1, it can be seen that the total income of the population amounted to 515,660.7 billion soums by the end of 2022, which increased by 124.2% compared to 2021. Accordingly, the per capita income increased from 12,125.6 thousand soums to 14,769.0 soums. During this period, the real income of the population (taking into account the consumer price index) increased by 112.1 and 109.9 percent, respectively. The difference between nominal and real income growth rates in 2021 was 12.1 percentage points for total income and 11.9 percentage points for per capita income. If we pay attention to the dynamics of the consumer price index (see

⁹ <https://cbu.uz/oz/monetary-policy/analysis/683086/> based on the data

¹⁰Based on the information of the State Statistics Committee www.stat.uz

the data in Table 2), inflation is influenced by the increase in the price of food products (107.8 percent in 2018, 120.1 percent in 2019, 116.9 percent in 2020, 117 percent in 2021 .2 percent, 114.3 percent in 2022) had a high level of impact. The importance of this issue, in our opinion, is based on the fact that spending on food products has a large share in the total expenditure of the population. In particular, according to the results of the survey conducted by the Central Bank of the Republic of Uzbekistan, the main part of the respondents, 39 percent, in the distribution of household incomes, is 2-4 million per month. indicates that he is in the group of those who have an income of soum. 31% of the respondents had an income of 4-6 million soums, 22% had an income of 6 million soums and more, 8% had an income of 1-2 million soums ¹¹.

Table 2. Dynamics of consumer price index¹²

Indicators	2018 year	2019 year	2020 years	2021 year	2022 years
Cumulative index	109.5	117.5	114.5	112.9	110.8
Goods	109.6	118.8	114.3	113.6	111.6
Food products	107.8	120.1	116.9	117.2	114.3
Non-food products	111.7	117.1	111.1	109.1	108.3
Services	109.0	112.1	115.5	110.6	108.2

The analysis of the difference in the composition of expenditure of different income groups of households shows that low-income households spend more on food and less on non-food goods and services (transportation, education, health, etc.) than high-income groups. gives In particular, 69% of the expenses of households with an income of 1-2 million soums are directed to food products and 31% to non-food goods and services. These indicators are 58 and 42 percent in households with an income of 2-4 million soums, 51 and 49 percent in households with an income of 4-6 million soums, 6 million and it was 43 and 57 percent in those with higher incomes. It should be noted that the expenses of the population aged 30-55 years were 18% higher than the age group under 30 years and 63% higher than the population over 55 years old. The relatively high share of non-food goods in the consumption structure of the 30-55-year-old population is explained by the fact that representatives of this group are the main payers of communal services and other financial obligations.

In our opinion, it is appropriate to supplement the analysis of population income with changes in its structural structure. By the end of 2021, 65.9 percent of the population's income was income from work, 24.6 percent was income from transfers, 2.1 percent was income from property, and 7.4 percent was income from services produced for personal consumption. By the end of 2022, these figures were 65%, 26.3%, 2.2% and 6.5%, respectively. It should be recognized that as of the first half of 2022, the share of income from labor activity has decreased to 61.3%, and the amount of transfers has increased to 29.7%. If we pay attention to the composition of transfers, in 2020, 40.8% were social transfers, 59.2% were other (cross-border) transfers, and at the end of 2021, this ratio was equal to 37% and 67%. In the first half of 2022, social transfers were 38.1 percent, other (cross-border) transfers were 61.9 percent ¹³.

Based on the conducted studies, the following conclusions can be noted, which are considered significant from the point of view of expanding the scope and range of retail banking services:

- first, a sufficiently large number of citizens of our country are included in the group of households whose expenses are higher than their income. This group mainly includes low-income households (income 1-2 million soums, 2-4 million soums) and is obliged to cover a

¹¹ Central Bank of the Republic of Uzbekistan. Standard of living and inflation. Based on information and analysis <https://cbu.uz/oz/money-policy/analysis>

¹²Based on the information of the State Statistics Committee www.stat.uz

¹³ State Statistics Committee of the Republic of Uzbekistan. Total income of the population of the Republic of Uzbekistan. Based on 2022 data www.stat.uz

certain part of their consumption by growing products at home, and cover part of the expenses with debt obligations. Therefore, for this group of the population, minimum tariff services and relatively cheap credit products will be necessary. It should be noted that today's interest rates of credit products can lead to further impoverishment of the population and a decrease in the standard of living;

it is appropriate to introduce software that allows quick monitoring, planning and control of expenses in the structure of retail services . In this direction, the number of jobs in the non-state sector is 11 million. per person, the number of people employed in the public sector is 2.6 million. organization of a person should be in the center of attention;

- thirdly, the significant weight of the share of cross-border transfers in the composition of the population's income should be taken into account in the expansion of retail services.

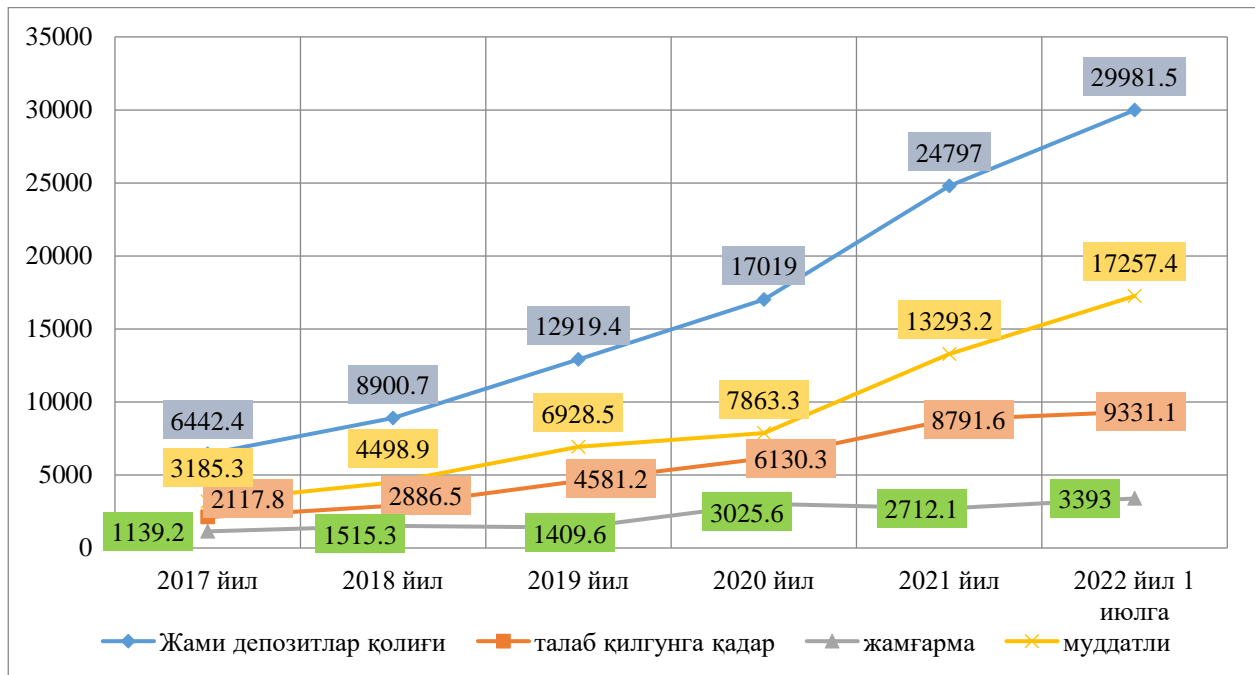


Figure 1. Dynamics of balance of national currency deposits of individuals involved in commercial banks (in billion soums)¹⁴

From the data of Figure 1, it can be seen that the interest of individuals in bank deposit services in national currency is high. In particular, at the end of 2017, the balance of deposit accounts of individuals in commercial banks was equal to 6,442.4 billion soums, and at the end of 2021, it increased to 24,797 billion soums, or 3.9 times. This trend will continue in 2022, and the total volume of deposits will reach 29,981.5 billion soums, or during the 6 months of this year, it will increase by 5,184.5 billion soums in absolute terms. Offered deposit services include attractive term deposits for individuals. We can see this in the volume of time deposits increased by 5.4 times in the last five years. At this point, it should be noted that the growth of deposit rates of individuals is the main factor behind this situation. In particular, the average weighted interest rate on time deposits was 17% in 2017, 17.4% in 2018, 20.4% in 2019, and 20.2% in 2021. It rose to 21.0 percent in the first half of 2022. As a result, the real interest rates on time deposits of individuals in national currency (taking into account the inflation rate) made 9.3 percent by the end of 2021.

Also, a similar situation is observed with savings deposits. Their growth rate is 4.4 times. At the moment, the growth rate of deposits until demand was at a moderate level. During 2017-2021, its

¹⁴ Based on the statistical bulletin of the Central Bank of the Republic of Uzbekistan for the relevant years <https://cbu.uz/>

volume increased by 2.9 times. This requires increased attention to demand deposits of individuals (the main part of which is the balance of funds in plastic card accounts).

Factor 2. Image of the financial sector and trust in banks. The results of the research mentioned above show that customers are in a neutral position towards the banks' activities¹⁵. In particular, 75 percent of the respondents said that when they think about banks, the first thought that comes to mind is a neutral thought. 11% of the respondents expressed a positive opinion, while a negative opinion was expressed by the same 11%. The main reasons for this are high interest rates on loans, low service quality, corruption and bureaucracy.

Factor 3. Use of banks and banking products. In this direction, we will try to analyze the deposit and credit services offered to individuals.

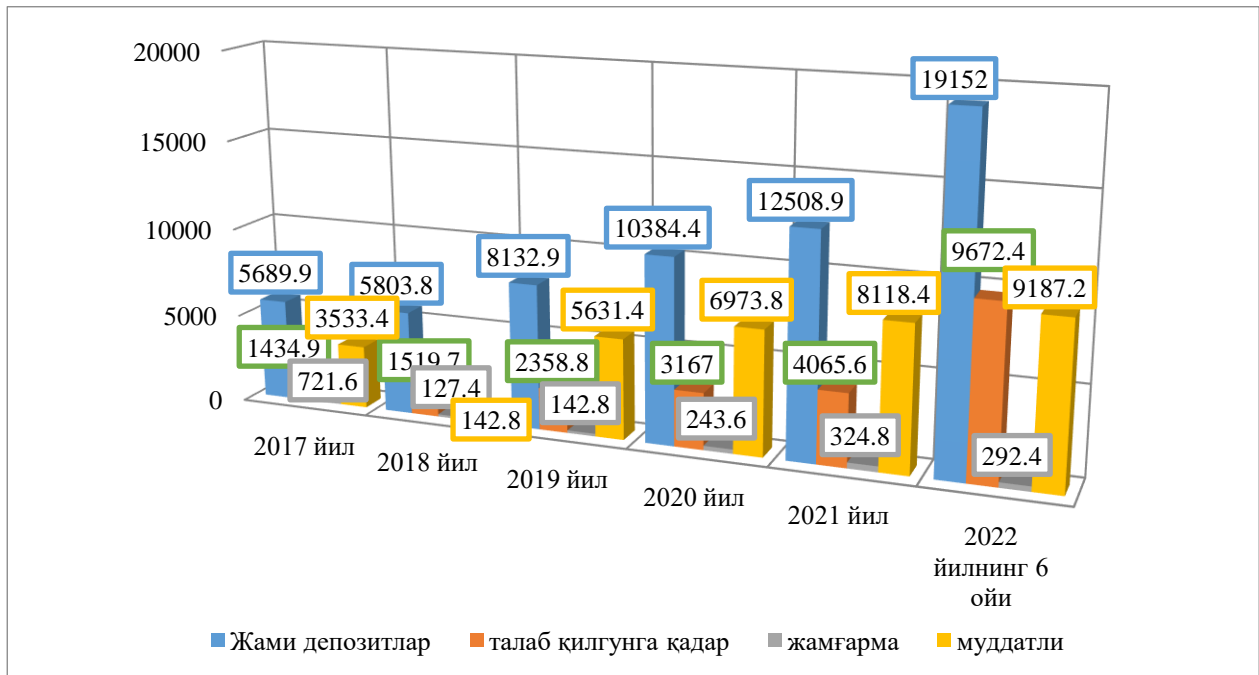


Figure 2. Dynamics of foreign currency deposits of individuals involved in commercial banks (in billion soums)¹⁶

From the data of Figure 2, it can be seen that the trends in the dynamics of the volume of foreign currency deposits attracted to commercial banks are almost the same as those of national currency deposits. The main difference in the middle refers to the savings deposits, which have significant fluctuations in their volume. In particular, in 2017, savings deposits amounted to 721.6 billion soums, in 2018 they increased to 124.4 billion soums, in 2019 to 142.8 billion soums, in 2020 to 243.6 billion soums, and in 2021 to 324.8 billion soums. to soums, at the end of the 6th month of 2022 it was equal to 292.4 billion soums. It is necessary to admit that over the years the weight of saving deposits in total deposits has been decreasing. In particular, their weight was 12.7 percent at the end of 2017, 2.6 percent at the end of 2021, and 1.5 percent at the end of the first half of 2022. This indicates that the services offered for savings deposits in foreign currency are not at the level of demand.

Before expressing relevant conclusions on the above data, in our opinion, it is appropriate to analyze the dynamics of the mass of money in circulation (aggregate M2 in the broad sense).

¹⁵ Based on information from <https://cbu.uz/o z /m o n e t a r y - p o l i c y / a n a l y s i s / 6 8 3 0 8 6 />

¹⁶ Based on the data of the statistical bulletin of the Central Bank of the Republic of Uzbekistan for the relevant years

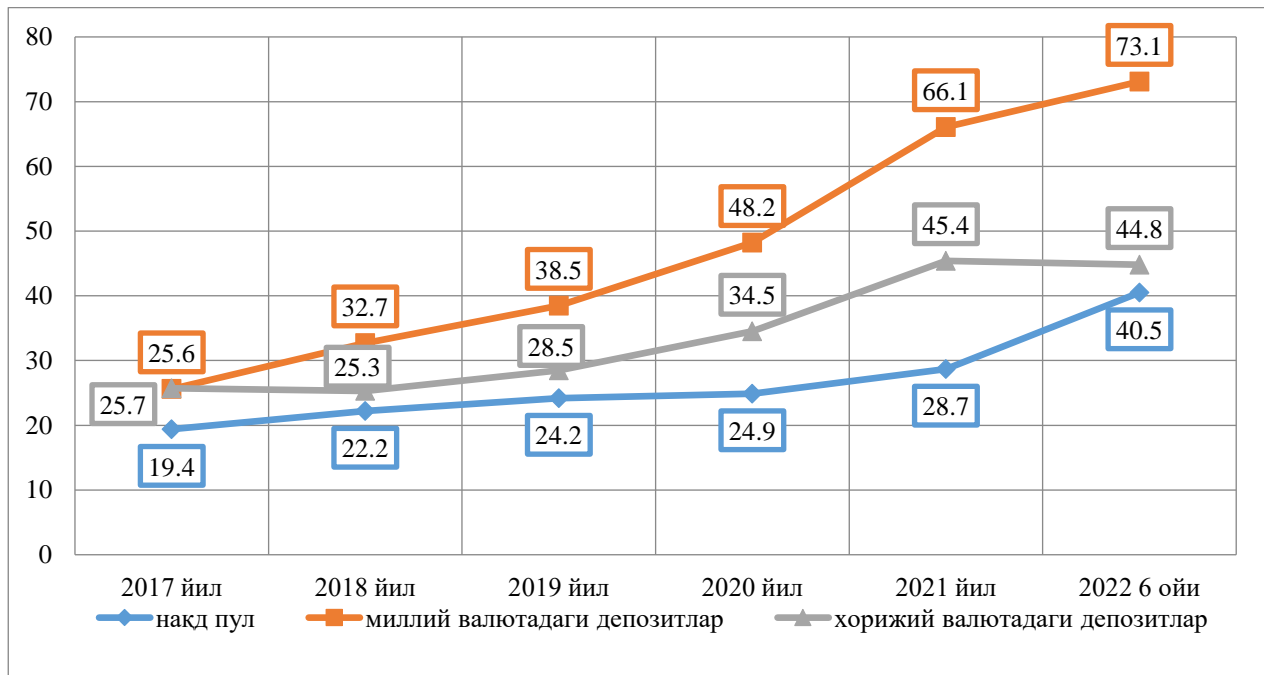


Figure 3. Dynamics of the components of the money supply in a broad sense (aggregate M2) (in trillion soums)¹⁷

It can be seen from the data of Figure 3 that the volume of deposits in national and foreign currency showed growth dynamics during 2017-2021. Although at the end of 2017, the volume of deposits in the national currency was equal to 25.6 trillion soums, by the end of 2021 it amounted to 66.1 trillion soums and increased to 40.5 trillion soums or 2.6 times in absolute terms. During this period, foreign currency deposits increased to 19.7 trillion soums or 1.8 times. During these years, the amount of cash in circulation has increased by 1.5 times, or from 19.4 trillion soums to 28.7 trillion soums. Only by the end of the first half of 2022, the amount of cash in circulation reached 40.5 trillion soums. Nevertheless, the country's cash-to-GDP ratio remains low. In 2017, this ratio was 22.3%, in 2018 - 18.8%, in 2019 - 17.7%, in 2020 - 17.6%, in 2021 - 19.1%. The relatively low amount of cash in circulation is, on the one hand, the result of active measures to develop cashless settlements, and on the other hand, it leads to the "precious money" policy in the banking system. In addition, an increase in the amount of cash in circulation does not always lead to inflation. It depends on the effectiveness of the use of funds in circulation. Also, the increase in the amount of cash has a positive effect on the savings mood of the population.

Factor 4. "Customer satisfaction and loyalty. No matter how paradoxical, the improvement in the financial situation of the customers of the bank's customers provides an opportunity to objectively evaluate the bank's services and products. In our opinion, the financial condition of bank clients is primarily assessed by the level of the population's debt burden. Studies conducted by the Central Bank of the Republic of Uzbekistan indicate that there is a significant increase in the debt burden in recent years¹⁸. " In particular, "the ratio of loans allocated to the private sector to the gross domestic product (GDP) remains above the general dynamics. The credit-to-GDP ratio between the 25th (lowest) and 75th (highest) percentiles is expected to grow at a faster rate than benchmarked countries and is likely to maintain this growth rate in the future. If this indicator is higher than 75 percentile, it can cause systemic problems. In addition, given that the number of contracts per borrower, that is, the loan-to-value ratio of one customer is on average 1.2, the increasing number of borrowers indicates a relatively faster increase in the debt burden in the future. Alternatively, a credit ratio of one customer higher than 1 may create systemic risks not only for individual borrowers, but also for the banking sector. In particular, more than 48% of

¹⁷ Based on the data of the statistical bulletin of the Central Bank of the Republic of Uzbekistan for the relevant years

¹⁸ Central Bank of the Republic of Uzbekistan · Debt burden analysis and risks. March 2022. Based on information-analytical information <https://cbu.uz/o/z/money-policy/analysis>

households with a lower income level (income less than 3 million soums per month) have bank loan obligations¹⁹. "

Table 3. "Dynamics of loans allocated to individuals, (in billion soums)"²⁰

Indicators	2020	2021	2022	2022
Mortgage loans	20 326	28 301	35,946	40 627
Microloan	3 177	5 737	9 429	15 112
Tea loans	9 963*	12 237 *	12 795 *	12 274 *
Entrepreneurship development for separated loans	6 467	8 613	11 326	11,983
Other loans				464
Total credits balance	39,934	54 888	69 496	80 461
Credit portfolio balance of commercial banks	211 581	276 975	326 386	343 572
The ratio of loans allocated to individuals to the total loan portfolio (percentage)	15.9	19.8	21.3	23.4

* Consumer loans include car loans.

First of all, it should be noted that it is appropriate for us to consider lending practices from the perspective of the period before and after the pandemic. This can be explained, firstly, by the fact that a significant part of the population will be deprived of basic income during the pandemic, and secondly, by the increase in the demand for long-term and relatively expensive goods in the composition of consumption. Essentially opposite trends determine the trends in the retail credit market.

From the data of Table 2.3, it can be seen that the volume of loans, which is the most demanding part of retail banking services, is constantly increasing. At the beginning of 2020, the balance of loans allocated to individuals amounted to 39,934 billion soums, and at the end of 2022, it increased to 69,496 billion soums. As of July 1, 2022, the balance of loans has increased to 80,461 billion soums. An increase in the credit balance was observed in all components. In particular, the largest growth rates occurred in the direction of mortgage loans (in 2020-2022 to 20,301 billion soums or 2-fold increase), microcredit (in 2020-2022 to 11,935 billion soums or 4.7-fold increase).

However, it should be noted that despite the fact that the information is based on the official information of the Central Bank of the Republic of Uzbekistan, a number of important cases may be overlooked. In particular, due to the fact that in the analysis of consumer loans allocated to individuals, only loans allocated by commercial banks are taken into account, the weight of this indicator in the balance of total loans is relatively low (19.8% as of January 1, 2021, 21.3% as of this date of 2022, 23% as of July 1, 2022 .4 percent). However, it should be noted that the large-scale introduction of the practice of purchasing consumer goods and services on the basis of term payment in retail stores may have had an effect on causing the above situation. In addition, statistics on car loans issued by banks do not include information on the sale of cars on the basis of term payment in the primary and secondary markets outside the banking system. Due to the fact that the information about transactions made on the basis of term payment outside the banking system is not sent to credit bureaus, the indicator of loans allocated by commercial banks cannot accurately describe the level of the population's debt burden. Taking into account the financial obligations of the population outside the banking system for consumer goods and services, the level of the debt burden may be higher than estimated.

The acceleration of housing construction works in our country made it possible to buy houses on the basis of installment payments in the primary real estate market. This leads to the formation of indebtedness of individuals for the purchase of real estate outside the banking system. This, in

¹⁹ Central Bank of the Republic of Uzbekistan. Standard of living and inflation. Based on information and analysis <https://cbu.uz/oz/money-policy/analysis>

²⁰Based on the data of the statistical bulletin of the Central Bank of the Republic of Uzbekistan for the relevant years

turn, creates financial obligations that are additional to the debt of the population on bank mortgage loans (5 percent of GDP by the beginning of 2022).

It should be noted that the excessive debt burden of the population means that the main part of their income will be spent on repaying loans and, as a result, will limit the growth of consumer spending in the future. On the other hand, the decrease in the income of the population can create problem loans and have a negative impact on the financial stability of the banking system.

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