
GENESIS OF THE DEFINITION OF BANKING SERVICES: GENERAL AND SPECIFIC

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Annotation. The article is devoted to determining the essence of the genesis of banking services in the context of the competitiveness of banks in the financial services market. Attention is focused on such basic categories as “banking service”, “banking operation” and “banking product”.

A structured author's classification of banking services is proposed in accordance with the product approach. This expansion and deepening of the classification of banking services makes it possible to streamline banking services to increase their competitiveness, which is necessary in terms of understanding the formation of the financial behavior of the banking institution as a whole.

The findings can be used in developing a set of measures aimed at maintaining and ensuring the competitiveness of banks in the process of corporate transformation of their activities. An expanded interpretation of substantive competition in the banking sector is proposed, depending on the segment of the banking market; the essential content and significance of external and internal factors that determine the place of the banking system in the financial services market are revealed.

Key words: bank, commercial bank, banking activity, banking service, banking services market, segmentation of banking services, basic range of banking services, mass banking services, special banking services, highly specialized banking services, banking operation, banking product, main banking product, current banking product, extended banking product, levels of banking product, classification, traditional classification, non-traditional classification, system classification, classification group, competitiveness.

Introduction. Banks, focusing on meeting the needs of clients, being in a competitive environment, are improving the quality of providing traditional ones, and at the same time developing new banking services that meet the requirements of innovative technological development. The strategic goal of the bank and all its services is to increase profits by attracting the maximum number of clients, expanding the market for its services, and increasing market share.

As a result of targeted activities to reform the banking sector over the past three years, the capital of banks has increased by 1.8 times, and the annual volume of lending has increased by 2 times. 13 new private banks opened, and leading banks from a number of countries, including Hungary, Kazakhstan and Georgia, began operating in Uzbekistan. The volume of online banking services increased by 2.7 times¹. At the same time,

¹Transformation processes in the banking system are considered // <https://president.uz/ru/lists/view/6875>.

competition in the banking sector, as well as the demand for its services, is growing every day. As a suitable measure to increase the level of competition, it was proposed to reduce switching barriers (including regional and territorial) between financial service providers through remote digital mechanisms, etc. “Development of new financial technologies, changes in the format of providing financial services, the trend towards digitalization and open banking - all this significantly changes the landscape of the competitive field”². This requires accelerating the transformation processes of banks and identifying priority tasks for the future.

According to the classification of concepts adopted by the World Trade Organization (WTO, English World Trade Organization), the category “service” contains 160 types, grouped into 12 sections: types of activities [1], including financial services: insurance (including reinsurance), banking services, financial leasing, guarantees and obligations, and other services for all types of financial activities [2].

In this context, the essence of the economic category “financial service” is revealed in the absence of a substantive form, which is associated with the substance of existence in the form of relations of a legal property nature and reflection of specific forms of formation of flows of financial resources through the use of a credit and financial mechanism [3]. Today, the share of banking services in financial services is more than 90%, the rest falls on insurance services, lending and leasing, microcredit and microleasing services, stock market and securities services and other types of financial services³.

It is important to emphasize that the legislator (eng. legislator) builds a logical structure that reveals the understanding of the category “financial service”, meaning by it also banking services provided by a financial organization when attracting and placing funds from both legal entities and individuals [4].

During the years of their formation, the banks of Uzbekistan had to go through a long evolutionary path of development and overcome considerable difficulties in order to become today a powerful system influencing the national economy.

“The task has been set to strengthen interaction with international rating companies and develop medium-term measures to improve the ratings of banks. The need to adapt the system of training specialized personnel to the requirements of the time was noted”⁴.

In this context, the process of integration of the country into the world economy requires research and creative application in Uzbekistan of the experience of banks in countries with developed market economies in providing banking services. Today, the modern banking system requires theoretical and practical research that stimulates various aspects of activity, in particular, the actual and potential services offered by the bank to its clients in general.

Literature analysis. A high level of banking concentration and a lack of competition can negatively affect the accessibility of banking services, especially in developing countries, where the most severe market distortions may occur in favor of a small number of market entities. This issue has been studied both at the single-country level and based on data from many countries (for example, Beck et al., 2004, Carbó-

²Technology development and support for innovation. // www.cbr.ru/about_br/publ/results_work/2021/razvitie-tehnologiy-i-podderzhka-innovaciy/.

³Banking services: achievements and problems. // <https://www.uzdaily.com/ru/post/70115>.

⁴Mirziyoyev set tasks for the transformation and privatization of banks. // <https://news.mail.ru/politics/58695131/>.

Valverde et al., 2009, Chong et al., 2013, Leon, 2015) [5].

Currently, discussions continue in the scientific community about what is meant by a banking service. In the economic literature there are many interpretations about the productive nature of banking services.

Scientists made a significant contribution to the development of the theory and practice of creating and promoting banking products and services in a market economy: B. Buchwald [6], E.F. Zhukov [7], L.N. Krasavina [8], A.P. Safonov [9] etc. The problem of distinguishing the categories “banking operation”, “banking service” and “banking product” is reflected in the works of V. N Edronova [10], N.P. Kazarenkova [11] and others.

Theoretical and methodological issues relating to banking services and their further development were considered by the following scientists of Uzbekistan: Sh.Z. Abdullaeva, N.Kh. Zhumaev, Z.Ya. Rakhmonov, O.B. Sattarov, A.A. Omonov, F.R. Khasanov, F. Suyarov, M.M. Nuralieva, Z.T. Mamadiyarov, HA. Khudayarova and others [12] from the point of view of problems associated with macroeconomic or general banking activities, in particular, issues of classification and grouping taking into account modern trends, problems of ensuring their effectiveness in accordance with customer needs and adapting sales channels to national characteristics.

Considering the range of services provided by commercial banks, we can note the dependence of their range on the size of the bank, namely, the size of its equity capital, liabilities and assets. Thus, the bank offers services, starting with traditional ones (lending, deposits and deposits, settlement and cash services, issuance and servicing of plastic cards), adding the most complex services depending on the scale of activity (forfeiting, factoring, etc.).

At the same time, commercial banks themselves divide services into three categories depending on the target client audience:

- services to private or natural persons;
- services to legal entities or corporate clients;
- services to financial organizations.

Any classification of banking services will not be complete enough. In the author’s opinion, it is impossible to take into account all the features of banking services due to the subjectivity of classification and the continuous development of the banking sector.

By integrating various approaches, criteria and classification criteria, the author built his own classification system for banking services (Fig. 1).

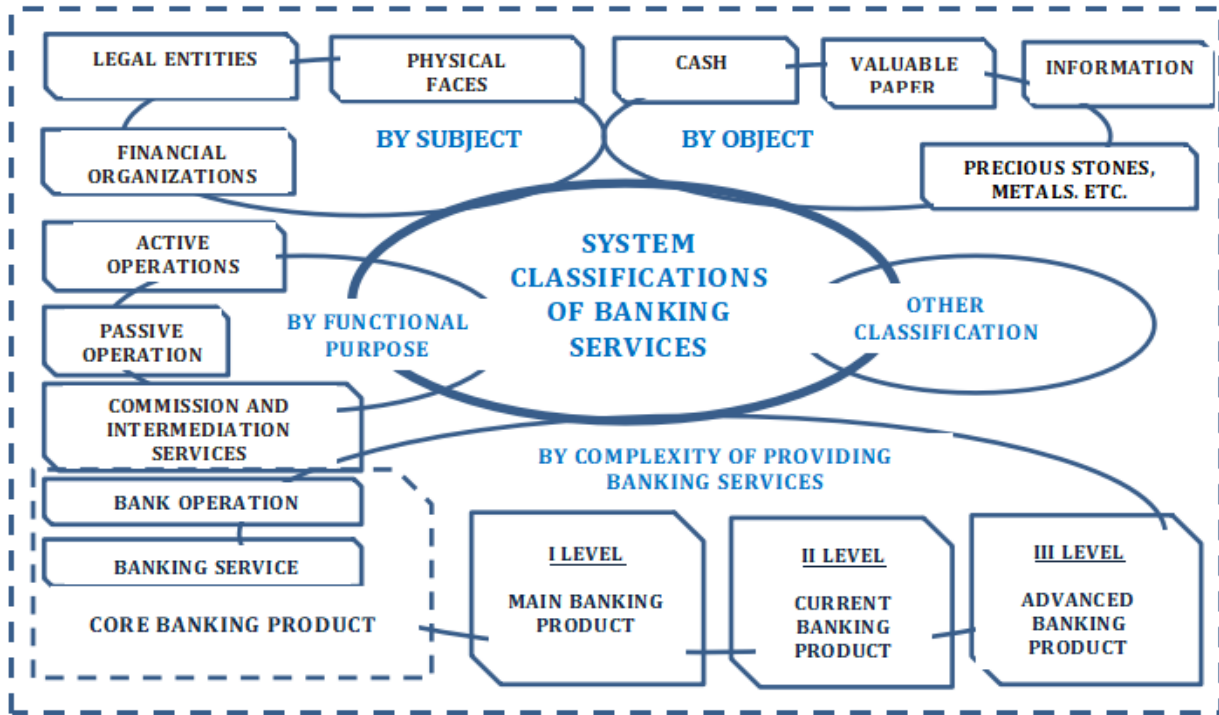


Fig.1. Systematic classification of banking services⁵.

The main principle of banking activity is the focus on meeting the client's needs for financial resources. Therefore, first of all, the banking service must be considered from the point of view of the subject. The systemic classification of banking services is based on the division of subjects and objects of banking services according to various criteria.

As the subject of the relationship with the bank, the group of individuals, in turn, can be divided depending on the target audience of clients consuming banking services and banking products by status: individual entrepreneur, government employees, pensioners, etc.

The group of legal entities is divided based on the organizational and legal forms of carrying out entrepreneurial activities of an economic entity: joint-stock company (JSC), limited liability company (LLC), additional liability company (ALC). carrying out entrepreneurship in the form of a business partnership, private enterprise (PE), etc.⁶ A client from each group consumes a banking service as an object. This underlies the service and expresses the form of satisfying the client's needs: in cash, precious stones and metals, securities, information, etc. In turn, each of the service objects of this group can be classified according to various parameters: maturity, riskiness of the investment, quality, form of presentation of a given object, etc.

When providing a particular service, a commercial bank primarily pursues the goal of obtaining benefits. Therefore, from the position of a commercial bank, all these service objects can be provided by entities consuming services and divided according to functional meaning

⁵ Developed by the author based on a synthesis of various approaches, criteria and classification features for defining the genesis of banking services, for example, Edronova V. N., Kryuchkov O. A. Analysis of approaches to the classification of banking services // Finance and Credit. 2004. No. 26. P. 2-6.; Vasilyeva Yu.A. Development of a system for improving the quality of banking services to enhance their competitiveness. 08.00.10 – Finance, monetary circulation and credit dissertation for the degree of Candidate of Economic Sciences, M.: 2021. -174 p.; Guryanov S. A. Marketing of banking services / edited by. ed. B. B. Tomilova. URL: <http://www.marketing.spb.ru/>, etc.

⁶Review and analysis of the form of doing business in Uzbekistan. // <https://vl-legal.uz/ru/publikatsii/21-publikatsii/obzor-i-analitika/193>.

(passive, active and commission-intermediary banking services).

The group of active operations includes basic banking services and operations, which are also most often reflected in the bank's balance sheet in assets. For example, loan, settlement, cash, investment, stock, currency, guarantee, etc.

Passive operations include raising funds for deposits and deposits, raising funds as a loan, correspondent accounts, raising funds by issuing securities and placing shares, etc.

The group of commission and intermediary services includes legal, intermediary, trade and commission, settlement, acceptance transactions, and any additional services provided to the client. Based on the complexity of providing banking services, banking services can be classified as follows: banking operation, banking service, basic banking product, current banking product and extended banking product.

The logical chain for expanding a banking service may look like this: banking operation, banking service, main banking product, current banking product, extended banking product. The combination of services and transactions from the first or second classification groups with services from the third classification group constitutes a specific banking product.

Active and passive banking operations and services are the core (foundation) of the banking product. If the main banking product is supplemented with services from the third group necessary for its implementation, which are not considered by the client at the initial stage, but are assumed, a certain current banking product will be obtained.

The third level of banking product is an extended banking product. It is formed from the current product and services aimed at retaining and re-attracting the client by improving the quality of financial and credit relations between the bank and the client. This is expressed in an individual approach to the implementation of banking services to the client. For this purpose, special conditions for implementation are created that stipulate creative cooperation and psychological comfort in the financial and credit relations of the client with the bank.

This classification can be used to develop innovative banking services and products. The logic of such a system classification is as follows:

- banking services are differentiated by subjects, each of the subjects selects a service for an object (in the form of cash, securities, information, etc.) for a specific purpose, which for banks is transformed (according to its functional meaning) into active, passive, active- passive operations. The client contacts the bank to resolve his issues in the form of service consumption. Only then does he focus his attention on the parameters of the banking product.

In this context, a banking operation is perceived by the client either as an additional element of a banking product, or as an intermediary in the process of providing a service.

Consideration of the banking services market as a set of interrelated elements leads to the conclusion that it is necessary to have all the components for its development and successful performance of the following main functions:

- *intermediary* (in the banking services market, credit and financial institutions act as financial intermediaries, linking the interests of savers and consumers);
- *pricing* (the optimal price is formed through the influence of changing market conditions);
- *informational* (consists in providing reliable and relevant information about the qualitative and quantitative characteristics of the services provided);
- *regulatory* (relationships arising between subjects of the banking services market are regulated by establishing norms and rules of behavior regulated by the legislation of the country and business customs);

- *stimulating* (intensification of various intermediary activities of subjects of the banking services market, aimed both at developing the economic potential of the banking industry and other sectors of the economy);

- *healing* (contributes to the restoration of the country's economy, subject-object relations of economic agents in different sectors of the economy, as well as the elimination of the negative consequences of crisis phenomena).

In order to organize the accumulated knowledge and better understand the banking services market, it is advisable to study the genesis of banking services and provide its classification.

Based on this, it can be noted that the most common approaches to structuring the banking services market are:

1) product (segmentation occurs in accordance with the types of banking services provided and the mechanisms for their implementation (Fig. 2).

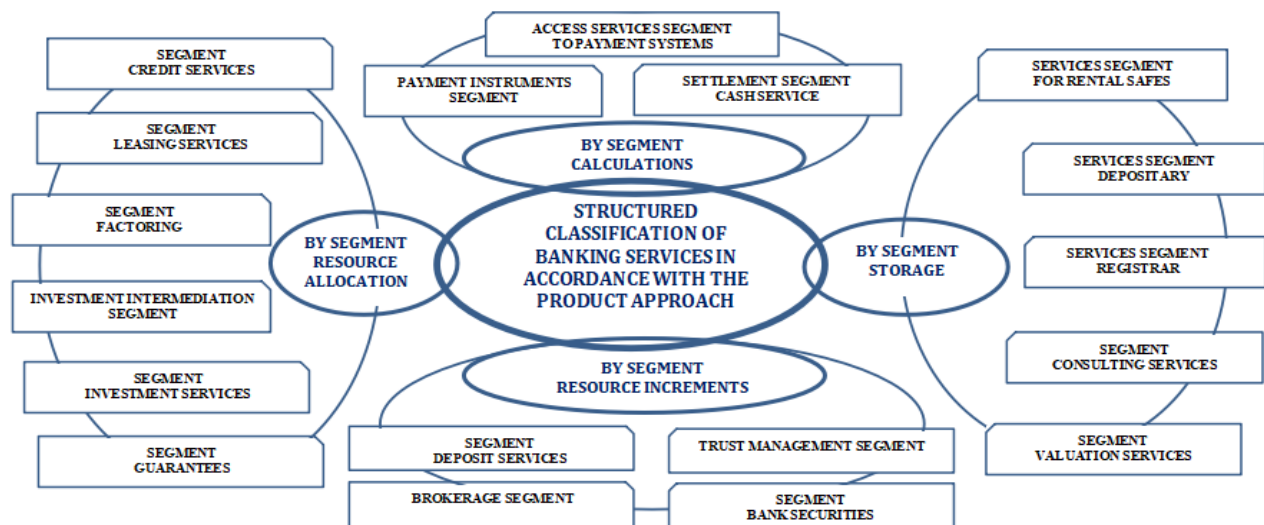


Fig.2. Structured classification of banking services in accordance with the product approach⁷.

2) client (classified by subjects of consumer demand):

- for individuals - based on the stage of the individual's life cycle;
- for legal entities - depending on the status.

3) spatial (classification is based on segmentation by characteristics):

A) according to local criteria:

- can develop within a city, region (local);

B) by nationality:

within a particular country (internal);

C) On an international basis, there are two sublevels:

- world market;
- market of intercountry associations (for example, the EU or the market of Mexico, Canada and the USA) [13].

⁷ Developed by the author based on a synthesis of various approaches, criteria and classification features for defining the genesis of banking services, for example, Kostin K.B., Khakimov R.M. Formation of the banking services market in conditions of increasing competition // Bulletin of USPTU. Science, education, economics. Economics series. No. 3 (25), 2018. pp. 58-69. and etc.

The analysis of scientific approaches to the description of the economic categories of “banking service” showed that the banking services market is defined as a system of economic relations that is based on the purchase and sale of banking products and services.

Based on the foregoing, the author determined that in *a narrow sense*, the banking services market is understood as a segment of the financial market, where financial institutions are the main operating entities, and the objects are exclusively specific banking products and services. In *a broad sense*, the definition of “banking services market” goes beyond the traditional concept of it as part of the financial market, since we are talking about services of a financial and non-financial nature inherent in institutions of other types of business, such as consulting, providing information, renting and storage, provision of marketing services, trust services, etc.

The banking services market system discussed above, its main functions, as well as approaches to structuring the banking services market are also valid for the retail banking services market. However, the market for retail banking services (or the retail banking market) is a derived category from the category “market for banking services” and acts as one of its directions. It is characterized by the provision of services to individuals without entrepreneurial purposes.

In this regard, the provision of services in the retail banking market can be divided into two fundamental types of interaction with clients: comprehensive individual banking services for wealthy private clients (private banking) and the mass segment. At the same time, comprehensive individual banking services for wealthy private clients are characterized by the highest level of service and an individual approach to solving the client’s problems; in this context, the decisive factor is his high financial position and social status.

When providing banking products and services, the principles of standardization and unification based on micro-segmentation are applied to the mass segment.

In this regard, in order to increase competitiveness and improve the core banking service (the core of the banking product - for example, placing funds on a time deposit), it is necessary to expand or improve the remaining levels of the banking product, aimed at retaining and attracting clients on an ongoing basis by improving the second and third levels, optimizing their combination in the banking product as a whole.

Conclusions and offers. The processes occurring in the banking system are complex and multifaceted, and are determined by the state of the services market. Representing the most important market regulator and being a stimulating element of the supporting structure of the economy, the organizational, financial and stimulating mechanisms of the banking services market regularly undergo changes.

The level of competition and concentration in banking markets is an important argument in discussions about the possible future structure of the banking system as a whole.

At the same time, in order to understand the essence of the economic nature of the financial behavior of banks in the market, it is necessary to understand the semantic load of the basic categories “banking service” and “banking product”, to correlate the financial or banking service. In *a narrow sense*, the banking services market is a segment of the financial market; in *a broad sense*, it is the integration of various sectors of the financial (banking, insurance, investment, pension) and non-financial market (consulting, valuation, marketing research).

By integrating various approaches, criteria and classification criteria, we developed our own structured system of banking services according to various criteria, determined the essence of the banking services market in the financial market system, which is necessary in terms of understanding the formation of the financial behavior of credit institutions. This classification can always be supplemented (expanded) and deepened (detailed).

Banks began to develop concepts for their development, focusing on their specialization or, conversely, the universalization of the services provided. In this context, a client-oriented approach of an individual nature is reflected in the development and implementation of personal banking services, which allow optimizing mutual settlements with partners, reducing costs and increasing the return on invested funds.

Thus, we can note a wide variety of types of services provided by commercial banks to potential clients, which requires constant attention of banks to the development and improvement of their activities. In this regard, it is advisable to consider issues related to the processes and trends in the development of banking services and determine the basic principles of modern banking entrepreneurship in general.

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