

Development Mechanisms of Commercial Banks Services Through the Experiences of Developed Countries

Rakhmatov Temur Sotiboldievich

Tashkent State University of Economics Associate Professor of the Department of Banking

Annotation: The article examines the types of services of commercial banks of developed countries and gives practical suggestions and recommendations on their application to the banking practice of Uzbekistan.

Key words: bank, service, banking operation, savings, credit, remote banking services, bank cards, innovation, online service, customer, diversification.

Introduction

The scale of development of the customer demand factor in the provision and implementation of banking services is determined by modern banking technologies.

The expansion of the banking infrastructure in our republic serves to strengthen the competitive environment between banks and increase the quality and scope of banking services. On May 12, 2020, the Decree of the President of the Republic of Uzbekistan No. PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025" was adopted.[4]

By decree, the main conclusions and recommendations of the Central Bank and the Ministry of Finance in cooperation with the World Bank on the results of the study of the current state of the country's banking system, It was also developed taking into account the experience of foreign countries in transforming the financial sector and international trends in the financial sector.

The existence of current issues regarding the improvement of services provided by commercial banks of the Republic of Uzbekistan justifies the importance of research on the topic of the article, in particular,

- the existence of interruptions in providing customers with cash by commercial banks in remote areas of our republic
- Insufficient qualification of bank employees and lack of technical IT specialists.
- Increased need to incorporate environmental, social and governance (ESG) aspects into banking services.

Literature review

A number of scientific researches have been conducted on the topic of improving the procedures for providing and implementing banking services.

Customer needs and their satisfaction in the market of banking services, as well as the research of issues such as banking services, reflected in the scientific research of Russian scientists E.F. Zhukov, O.I. Lavrushin, T.N. Nesterova, A.N. Ivanov, and the French economist S. De Cousser. Piter S. Rose [7] says this about the services provided by banks to the public, particularly banks: "A bank is a company that provides financial services, professionally manages society's funds, and performs many functions in the economy.."[5]

A number of foreign economists, including B.King's "Bank 4.0. In the book "Banking not only in

banks, but everywhere" it is emphasized that in the conditions of a global unstable environment, the complete reorganization of banks, penetration into the digital life of the consumer, organization of activities based on the principle of single-channel services from multi-channel services is an inevitable process. [7]

According to A.A. Azlarova, in the banking system of Uzbekistan, a number of works have been carried out in recent years to increase the quality and scope of banking services. However, the changes taking place in the world, the process of globalization, the excessive development of competitiveness, the need to further activate the transformation process of commercial banks, to bring the banking services provided to customers to a new level.[6]

Research methodology

As a theoretical and methodological basis of this article, general economic literature and scientific articles, scientific works of economists, economic views of scientists and representatives of the field in improving the development of women's entrepreneurship, analysis of their opinions, expert evaluation, observation of processes, systematic approach to economic events and processes, the author by conducting a comparative analysis with their experiences, conclusions, suggestions and recommendations are given in the relevant directions.

Analysis and results

Banking services are understood as a set of activities directly related to the operational and strategic activities and effective management of commercial banks.

By attracting the free money of enterprises, organizations, state institutions, and citizens, banks accumulate a large amount of capital in their hands and manage the movement of income-generating capital.

The activity of commercial banks in our country is governed by the Decree of the Republic of Uzbekistan dated 11.11.2019 No. ORQ-582 "On the Central Bank of the Republic of Uzbekistan" and dated 11.05.2019 No. ORQ-580 "Banks and is formed and regulated on the basis of Laws on banking activity. [1-4]

Based on this legislation, a two-tier banking system is operating in our country, as in many developed countries. Currently, 36 banks have received licenses from the Central Bank of Uzbekistan to carry out banking activities.

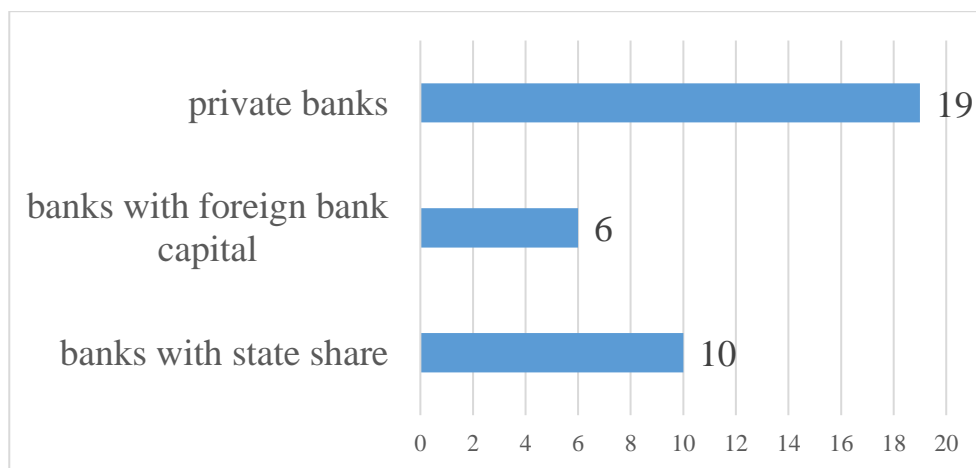


Figure 1. Information on the number of commercial banks operating in Uzbekistan by ownership¹

¹ The picture was compiled by the author based on the information from the official website of the Central Bank. <https://cbu.uz/oz/credit-organizations/banks/head-offices/>

As of January 1, 2024, the number of commercial banks operating in the republic is 35, of which 10 are state-owned banks, 19 are private banks, and 6 are banks with foreign bank capital. (Fig. 1)

In order to expand the scope of bank services, in 2023 licenses were granted to joint-stock companies "APEX BANK", "HAYOT BANK" and "YANGI BANK" to carry out banking activities. Commercial bank branches - 696, mini-banks - 69, banking service offices - 1,747, and 24/7 bank branches - 3,723. [9]

In recent years, 3 state banks - "Ipoteka Bank", "Aziya Alliance Bank" and "Uzagroexportbank" have been privatized.[10]

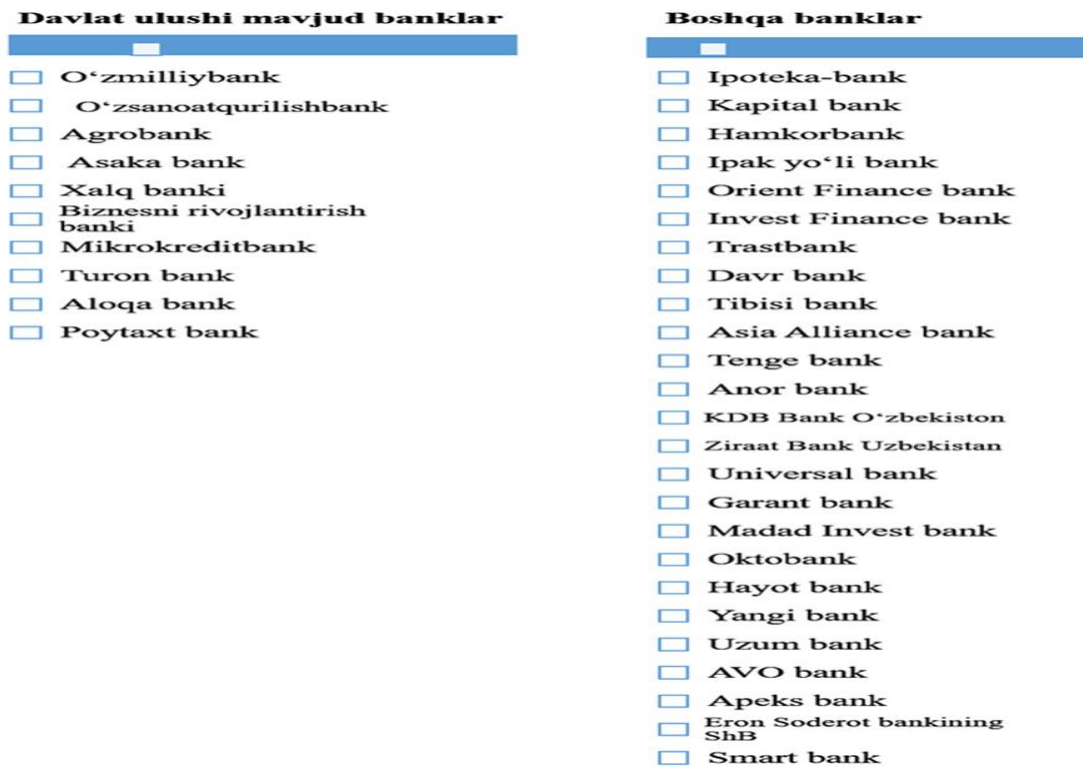


Figure 2. Information about state-owned banks and other banks operating in Uzbekistan²

The privatization of the mortgage bank brought foreign capital to the market of Uzbekistan, and the opening of banks such as Tenge Bank, Ziraat Bank Uzbekistan, TBC Bank also led to the operation of foreign banks in Uzbekistan.

According to the data, the total assets of Uzbekistan's banks amounted to 652 trillion so'm by the beginning of 2024, and the total authorized capital amounted to 68.1 trillion so'm.

As noted by the World Bank, Uzbekistan has been conducting a "transitional policy" for the last seven years in order to achieve economic liberalization and improve macroeconomic management.

As part of this policy, the country's government plans to privatize two banks (UzSQB, Asakabank) by 2025. And banks need to significantly change their business models with the help of international financial organizations in order to improve profitability, investment attractiveness and corporate governance practices. Also, according to the "Uzbekistan-2030" strategy, it is envisaged that 3 or 4 banks will remain under state control in 2030.

² The picture was compiled by the author based on the information from the official website of the Central Bank. <https://cbu.uz/uz/statistics/bankstats/1674458/>

4-jadval Performance rating of the top 10 most reliable banks of Uzbekistan(As of January 1, 2024 ³)

№	Commercial bank name	total assets (billion. so‘m)	authorized capital (billion. so‘m)	Deposit (billion. so‘m)	common score
1	"O‘zmilliybank" joint stock company	127 503	15 476	32490	36
2	"Asakabank" joint stock company	58 014	5858	15485	29
3	"Ipoteka bank" joint-stock commercial mortgage bank	47 638	3834	17773	29
4	"Agrobank" joint-stock commercial mortgage bank	66 700	10 770	15 389	26
5	"O‘zsanoatqurilishbank" joint-stock commercial bank	74634	4629	13799	26
6	"O‘zsanoatqurilishbank" joint-stock commercial bank	36603	7748	17 044	21
7	Business Development Bank	27 063	1857	9 419	19
8	"Mikrokreditbank" joint-stock commercial bank	19 062	3796	6361	19
9	"Kapitalbank" joint-stock commercial bank	41 866	407	30 102	18
10	"Trastbank" private joint stock bank	9 405	1000	6743	15

Table 1 shows the rating of the top 10 most reliable banks of Uzbekistan as of January 1, 2024.

Banks are sorted by the highest ratings given by the "big three" international rating agencies (Fitch, S&P, Moody's) - those with higher ratings have more points.

Ratings from each rating agency were calculated using a maximum 5-point system (data on rating ratings were obtained from official websites of banks).

Also, the total assets of banks (in a 10-point system), authorized capital (in a 6-point system) and deposits (in a 5-point system) were also taken into account in scoring. In case of equal scores, the bank with better above-mentioned indicators takes the higher place.

As a result of the improvement of business models of commercial banks, the increase in the offer of modern banking services by banks, and the simplification of loan allocation processes, the scope of lending practices based on market principles is expanding.

The total liabilities of commercial banks amounted to 477 trillion so‘m as of January 1, 2023 and increased by almost 1.3 times compared to 2021. This situation is explained by measures taken in 2022 to increase the resource base of banks and meet the economy's demand for loans.

³table by the author of Akbarali Omonturdiyev's most reliable banks of Uzbekistan - 2024

The article was compiled on the basis of information processed on the basis of the data of (<https://bankers.uz/news/1426>)

Table 2 about loans and deposits of commercial banks Information as of April 1, 2024 (The state share is in the segment of existing banks)

№	Bank nomi	Jami kreditlar	shundan		Jami depozitlar	shundan	
			jismoniy shaxslar	yuridik shaxslar		jismoniy shaxslar	yuridik shaxslar
Jami		478 201	153 330	324 871	243 128	88 531	154 597
Davlat ulushi mavjud banklar		335 366	78 235	257 131	122 163	38 013	84 151
1	O'zmilliybank	99 756	15 106	84 649	33 216	9 745	23 472
2	O'zsanoatqurilishbank	58 338	8 061	50 277	14 846	4 116	10 730
3	Agrobank	55 658	9 227	46 431	14 974	7 417	7 557
4	Asaka bank	38 379	7 932	30 447	12 406	4 698	7 708
5	Xalq banki	25 473	16 359	9 114	17 518	3 436	14 082
6	Biznesni rivojlantirish banki	21 191	10 487	10 703	8 591	1 658	6 933
7	Mikrokreditbank	14 181	5 237	8 944	6 077	1 746	4 331
8	Turon bank	12 143	2 585	9 558	4 651	1 607	3 044
9	Aloqa bank	10 145	3 201	6 944	9 830	3 581	6 249
10	Poytaxt bank	103	40	63	54	10	44

Table 3 About loans and deposits of commercial banks Information as of April 1, 2024 (among other banks ⁴)

59% of the increase in liabilities was formed at the expense of deposits, 23% of interbank loans and deposits, 12% of borrowed funds and 6% of other liabilities.

As of January 1, 2023, deposits made up 45%, drawn credit lines - 39%, funds received from other banks - 9%, securities, subordinated debts and other liabilities - 7%.⁵

⁴ <https://cbu.uz/uz/statistics/bankstats/1674457/>

⁵ <https://cbu.uz/upload/medialibrary/961/c7zfjexu3h0f302za00orz0s0s3t3lghg/Yillik-hisobot-2023.pdf>

№	Bank nomi	Jami kreditlar	shundan		Jami depozitlar	shundan	
			jismoniy shaxslar	yuridik shaxslar		jismoniy shaxslar	yuridik shaxslar
Jami		478 201	153 330	324 871	243 128	88 531	154 597
Boshqa banklar		142 834	75 095	67 739	120 965	50 518	70 447
11	Ipoteka-bank	36 960	22 428	14 532	17 312	3 733	13 579
12	Kapital bank	27 231	19 010	8 222	31 802	17 305	14 498
13	Hamkorbank	16 749	7 525	9 225	8 178	4 709	3 468
14	Ipak yo'li bank	12 339	2 735	9 604	7 865	2 654	5 211
15	Orient Finance bank	8 835	3 337	5 498	8 065	2 894	5 172
16	Invest Finance bank	6 497	2 966	3 531	7 191	3 810	3 381
17	Trastbank	5 444	2 585	2 859	7 074	1 618	5 456
18	Davr bank	5 203	3 708	1 496	2 798	1 110	1 688
19	Tibisi bank	4 430	4 266	165	3 122	2 991	131
20	Asia Alliance bank	3 977	1 459	2 518	5 800	1 610	4 191
21	Tenge bank	3 891	1 644	2 247	2 147	1 436	711
22	Anor bank	3 652	2 827	825	4 718	3 180	1 538
23	KDB Bank O'zbekiston	2 700	13	2 687	7 366	497	6 869
24	Ziraat Bank Uzbekistan	1 932	112	1 820	2 154	1 039	1 114
25	Universal bank	1 301	226	1 075	1 688	748	939
26	Garant bank	929	177	752	1 106	834	272
27	Madad Invest bank	285	15	269	43	24	19
28	Oktobank	144	17	127	1 913	303	1 611
29	Hayot bank	141	0,0	141	309	12	297
30	Yangi bank	50	0,5	50	20	2	18
31	Uzum bank	50	0,0	50	10	0,0	9
32	AVO bank	42	30	12	14	0,5	14
33	Apeks bank	33	4	29	225	1,2	224
34	Eron Soderot banking ShB	18	13	5	39	1,3	38
35	Smart bank	0,1	0,1	0,0	5	5	0,1

In 2023, the balance of population savings increased by 1.7 times and reached 63.1 trillion soums, including the balance of deposits attracted in national currency to 39.5 trillion soums, and its share in total population savings was equal to 62.5%.

The increasing use of remote banking services, in turn, serves to increase the demand for bank cards.

In particular, the number of bank cards put into circulation in 2023 reached 46.2 million pieces, which increased by 35% compared to 2022.

The number of kobeijing bank cards, which provide the population with the opportunity to make calculations using one card in the infrastructure of the republic and foreign payment systems, has increased by 1.7 times compared to 2022 and reached 3.1 million.

In 2023, the number of payments received through 429,000 payment terminals increased by 1.4 times compared to 2022 and amounted to 254.7 trillion so'm.

In 2023, the number of users of remote services increased by almost 1.5 times and reached 44.1 million as of January 1, 2024. Of these users, 1.3 million are business entities, and 42.8 million are individuals.

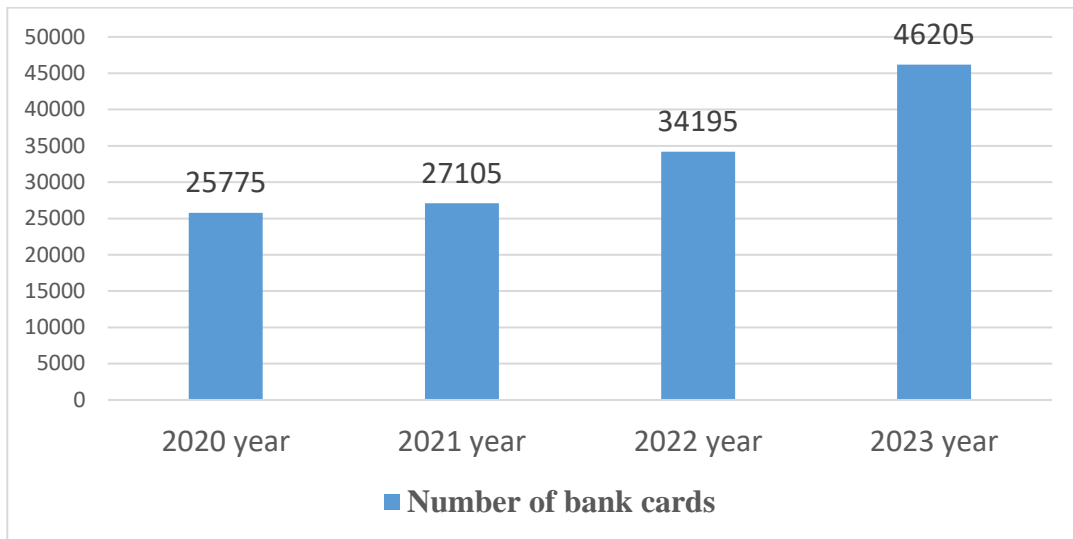


Figure 3. Information on the number of bank cards (millions)⁶

In the reporting year, the volume of transactions carried out remotely by individuals online through mobile application programs of banks amounted to 250.1 trillion so'm.

At the same time, as part of the expansion of contactless payment technology in our republic, the service of making payments for trade and paid services without using a bank card through the "HUMO PAY" program is being provided through the mobile applications of 23 commercial banks.

As of January 1, 2024, the number of entities using the services of the Tap-to-phone system (which allows receiving payments like a payment terminal) is 3,100 as of January 1, 2024.

In 2023, the volume of transactions based on NFC technology increased by 1.5 times compared to 2022 and amounted to 37.7 trillion so'm.

Also, as of January 1, 2024, the number of commercial banks using Face ID technology has reached 27, and the number of payment organizations has reached 15, and the number of customers who have undergone digital identification through mobile applications of banks and payment organizations is 4.2 million compared to January 1, 2023. increased to 6.8 million by the end of the reporting year.

This growing trend is explained by the fact that customers can not only make payments online without going to the bank, but also open bank accounts through the remote identification system (Face ID).

Summary. Today, customers can use the services of banking institutions at any time, according to their wishes, without involving bank employees. With digital banking, all records are stored digitally, data is interpreted into useful information using analytical techniques, better customer communication is established, and more business is generated through customer interaction. will be All this leads to increased work efficiency and improved income of the bank.

In Uzbekistan, the concept of a cashless economy has been accelerated by spreading the idea of a cashless economy throughout the country, increasing the digital literacy of the population, and connecting to the Internet remotely.

One of the main quality marks that determine the competitiveness of a commercial bank, as well as its consistent and effective development opportunities, is the set of real and potential products and services that the bank offers to its customers.

It requires creation of new banking services and rational management of possible risks by increasing communication opportunities between banking services and different areas of activity.

⁶ <https://cbu.uz/upload/medialibrary/a53/wn6gcejpkxphv2v4guajin4x01h7iyxa/Yillik-hisobot-2024.pdf> 125-bet

At the same time, the trend of diversification of the banking services sector is increasing.

For the purpose of introducing new types of services to improve banking services in Uzbekistan, it is appropriate to take into account the following suggestions:

It is necessary to ensure that the funds of the users of the bank plastic cards are kept safe and secure. In doing so, commercial banks should offer security services that are acceptable to customers to ensure that their funds are safe.

Individuals should be able to manage their bank accounts directly through mobile applications or websites. Currently, it can be seen that this service is partially implemented in commercial banks. Certain types of payments are permitted. It is possible to increase the number of customers by expanding their type and reducing the service fee.

Analyzing the market for new services to match existing services and bank personnel.

Deciding which department or division of the bank will sell the new service, taking into account the skills and flexibility of the employees.

Development of a marketing plan that allows the bank to communicate to customers that it offers the type of service they need.

Deciding on the feasibility of involving bank management and personnel and investing capital to implement a new service program.

It is necessary to establish a supermarket (department store) of banks that increases the possibilities of providing services in places and legally protect their activities. Efforts are being made to create a high-tech infrastructure of banking services in Uzbekistan. However, at the current stage, new non-traditional approaches are required to allow commercial banks to expand their customer base and offer retail services.

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