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| Research Article

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Development of a Modern Banking Services Market in Uzbekistan in the Conditions of Interbank Competition

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Annotation: The article comprehensively studies the banking services provided by commercial banks in Uzbekistan in the context of interbank competition, covers the types of banking services, and analyzes them based on practical data. The expansion of the types of services offered by banks today, new banking services are analyzed. As a result of the research, existing problems in this regard have been identified and proposals have been developed to eliminate them.

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

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Introduction.

The work on the widespread introduction of information and communication technologies in the banking system in accordance with the requirements of the time and the automation of many banking services has been accelerated.

The Resolution of the President of Uzbekistan Sh.M. Mirziyoyev dated March 23, 2018 No. PQ-3620 “On additional measures to increase the popularity of banking services” stipulated that from July 1, banks should create conditions for transparent registration and consideration of loan applications, indicating a step-by-step process for making a decision on granting a loan (microloan) and the procedure for informing about the granting of a loan (microloan) or a reasoned refusal to grant it.[1]

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 banking infrastructure in our republic contributes to the intensification of the competitive environment between banks and the increase in the quality and scope of banking services. On May 12, 2020, the Decree of the President of the Republic of Uzbekistan No. PF-

[1]Resolution of the President of Uzbekistan Sh.M. Mirziyoyev dated March 23, 2018 No. PQ-3620 "On additional measures to increase the popularity of banking services"

5992 “On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025” was adopted.

The decree was developed by the Central Bank and the Ministry of Finance in collaboration with the World Bank based on the results of a study of the current state of the country's banking system, taking into account the experience of foreign countries in transforming the financial sector and international trends in the financial sector.

The relevance of the topic of the graduation thesis is determined by the existence of urgent problems in improving the services provided by commercial banks of the Republic of Uzbekistan and the need to develop ways to solve them.

Research methodology

This article was conducted on the basis of a methodologically complex approach, that is, in studying the phenomenon of competitiveness, economic analysis, a systematic approach, comparative legal analysis, empirical evaluation and statistical methods were used. Initially, in the theoretical analysis of the competitiveness of commercial banks, inductive and deductive analysis methods were used based on a review of scientific literature, existing concepts and international approaches. In this process, the author deeply studied the interpretations of the concept of competitiveness within the banking sector, its determining factors and assessment indicators.

Also, in analyzing the activities of banks from a competitive perspective, in-depth analysis was conducted based on empirical data through statistical analysis, including trends, growth rates, relative indicators (profitability, liquidity, capital adequacy), and proportional analysis methods.

In the comparative analysis with international experience, a comparative methodology was used to compare the competitiveness management practices in the banking systems of developed countries (USA, Japan, South Korea) and regional countries (Kazakhstan, Turkey) with the conditions of Uzbekistan. At the same time, a content analysis method based on interviews with specialists working in the banking sector, annual reports of banks, and regulatory information provided a practical basis for the study.

During the research, decrees and resolutions of the President of the Republic of Uzbekistan, regulatory documents of the Central Bank, recommendations of international financial institutions (IMF, WB, BIS), reports of banks of Uzbekistan, and world banking statistics served as sources. In general, a systematic approach, strategic analysis methods, comparative and empirical methods were selected as the methodological basis of the research in a complementary manner, which allowed us to develop theoretical and practical conclusions that serve to improve the management of the competitiveness of commercial banks.

Review of literature on the topic:

The evolution of theoretical views on interbank competition creates the need to study the role and importance of competition in the banking system in more depth. Asli Demirguc-Kunt and Harry Huizinga (2004) study interbank competition in their article "Market Discipline and Deposit Insurance". In this work, they analyze the interaction of two factors - the state deposit insurance system and interbank competition. They conclude that interbank competition can increase market discipline and reduce risks in the banking system.

High levels of competition between banks encourage more careful management of resources and sound banking practices, as banks argue that they must compete for customer trust and the sustainability of their business. Xavier Vives (2016) argues that “interbank competition contributes to the efficiency of the banking system and reduces the level of monopolization, increases innovation and the quality of services provided. Both approaches examine the relationship between interbank competition, financial stability, and banking system efficiency.

They emphasize the importance of competition in the banking sector and its positive impact on the efficiency and stability of the banking system. Xavier Vives (2016) also examines issues related to market concentration and its impact on interbank competition and stability. He discusses the various mechanisms by which competition affects market structure and banking performance. It promotes the idea that effective regulation is necessary to maintain a balance between competition and stability.

In our opinion, Xavier Vives' (2016) focus on the relationship between competition and sustainability is explained by the need to take these factors into account when formulating and monitoring effective governance policies in the banking sector. Uzbek economist Mirzaev (2009) explains that "interbank competition is usually understood as competition between commercial banks in attracting resources and providing financial services to customers."

According to Arifkhodjaeva (2016), “interbank competition is primarily a struggle for customers. The more customers a bank has and the more reputable it is, the more likely it is to advance its interests.” In our opinion, competition in commercial banks is not only about attracting more customers, but also about the struggle for resources, loans, and other financial resources.

Local scientists, such as Kurbanov, in his scientific research, paid special attention to modern ways to increase the level of bank capitalization in ensuring the stability of the banking system (Kurbanov, 2022; Kurbanov, Asirarov, 2022; Kurbonov, 2021). Another economist, Yuldasheva (2022), emphasized that “Bank competition should be viewed as a struggle between financial market participants, in particular credit institutions, for the sale of loans, deposits and other banking products, and as a process that requires constant research.”

According to some foreign economists, "interbank competition can increase the risky activities of banks, as banks seek to attract more customers by offering favorable conditions to their customers, which can increase their risky assets. On the other hand, competition encourages banks to work more efficiently and introduce innovative approaches, which has a positive effect on their stability" (Klapper, Leora & others, 2009).

Another foreign scholar argues that "As market competition intensifies, banks may be forced to lower lending interest rates and increase deposit rates to attract customers, which may reduce their profit margins and affect their financial strength (Christian, Kersting & other, 2020)."

In general, the need to ensure the stability of commercial banks in the context of interbank competition is such that, as a result of entering into competition, banks will be able to analyze their strengths and weaknesses, develop strategies to further increase their role and share in the banking services market, and increase their opportunities to further strengthen innovative approaches in interactions with customers (Jurayev, 2021).

Analysis and discussion of results

Banking service is the theoretical, technological, financial, intellectual, and professional banking activity that optimizes the conduct of banking transactions.

Banking service is truly a complex of banking activities. These are services related to meeting the needs of customers in banking activities. At the same time, the optimization of banking operations has been introduced into the concept of banking service as an important element, since when choosing a particular type of service, banks should pay attention to the level of efficiency, convenience and quality of this operation and realize that these indicators are the basis for ensuring its competitiveness.

Banking product - a set of interrelated banking services and operations aimed at satisfying the needs of customers of a particular type of banking activity.[2]

As we know, a product is the result of an activity. Therefore, the result of services and operations aimed at satisfying customer needs constitutes a banking product.

A banking operation is a set of interrelated actions of the bank and the client, which involves the placement of funds by the bank and is aimed at solving a specific economic problem.

The services of commercial banks can be divided into two large groups according to their economic content and intended purpose:

1. Services performed to maintain the liquidity of the bank to a certain extent.
2. Services performed for the purpose of generating income.

There is a certain ratio between these two groups of services, which allows to ensure a certain level of quality of banking activities. While some of the services performed to ensure bank liquidity bring income to the bank, the reason for their existence is to maintain a certain level of overall bank liquidity.

Typically, the types of services provided by commercial banks include:

- lending to the real sector of the economy, lending to individuals;
- services provided with government securities;
- services provided with securities of enterprises and organizations;
- services in the national and international currency markets, provision of settlement and cash services to clients;
- trust services of commercial banks;
- consulting services of banks;
- leasing, factoring, forfeiting services, etc.

Table 1. Classification of types of banking services[3].

Classification criteria	Banking services
By economic content	Deposit; loan; account; settlement; cash; investment; fund; commission; guarantee.
By risk level	Risky; risk-free
By description of placement of funds	Primary – the bank participates as a creditor (asset); secondary – the bank participates as a debtor (passive).
By customer composition	Legal entities; individuals
By profitability level	Profitable; non-profitable
By payment	Paid; free of charge
By regularity	Regular; irregular
By display method	With banking services; using ATMs – remotely; electronic services (home banking).
By submission time	Immediate; medium term; long term
By form of payment	In cash; in non-cash form
By currency of transfer	In national currency; in foreign currency
By shape	With the conclusion of a contract; without the conclusion of a

[2]Azlarova A.A. "Bank Management and Marketing", Tashkent Tashkent Financial Institute, 2021.
[3]Hamidi, H., & Nourani, M. (2020). Green Banking Practices: A Systematic Literature Review. Corporate Social Responsibility and Environmental Management, 27(1), 3-22.

	contract.
By complexity	Products and services that may be required by a large number of consumers (account opening, cash management, clearing services); services that require a special level of training of banking personnel (asset management, investment services); services that require professional knowledge in the field of using services (corporate, financial services, mixed asset management); services that require special knowledge in the field of financial planning, financial engineering.

According to the orientation of banking services to meet customer needs:

- "Direct services" directly meet the needs of customers. For example, payment transfers, account opening, investment services;
- "Indirect services" are banking services that are provided to customers in a convenient and useful way, including clearing, internet banking, SMS banking, consulting services, and plastic cards.

The fifth level is the need for information of customers.

Depending on the regularity of the provision of banking services, they are divided into regular or irregular services. This is a phenomenon related to bank marketing. A bank can provide some services to customers on a regular basis. However, it can also limit the provision of some types of services for a certain period. Sometimes this is also influenced by the country's domestic policy and economic situation.

Depending on the method of provision of banking services, they are divided into: with bank employees; using ATMs - remotely; electronic services (home banking). This is another confirmation of the practical existence of the above-mentioned types of paid and free services. Depending on the method of provision of banking services to the client, the service is paid or free.

Remote banking is a set of services that allow you to perform various banking operations remotely, using a computer or mobile phone, without having to visit a banking institution.

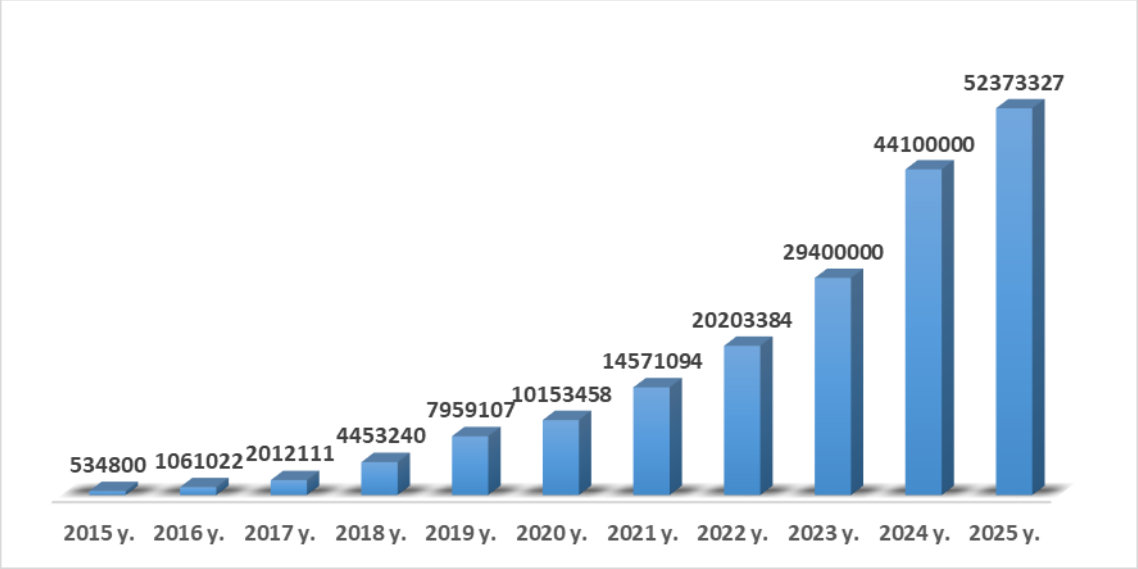

Figure 1. Number of users of remote banking systems (as of January 1)[4]

[4]Prepared by the author based on information from www.cbu.uz.

SMS banking service provides the client with the opportunity to perform the following actions:

- funds received on the account;
- expenses made from the account;
- account balance;
- receive operational information about banking transactions carried out during the day.

Figure 1 above shows the number of users of remote banking systems as of January 1, 2015-2025. This figure was 534,800 people in 2015, and as of January 1, 2025, it is 98 times more, that is, 52,373,327 people. From this, we can conclude that the demand for using these systems is increasing significantly.

Figure 2 below analyzes the issuance of plastic cards by commercial banks in 2015-2025, showing that at the beginning of 2015, the number of plastic cards issued was 15,215 thousand, while as of January 1, 2025, their number was 53,516 thousand.

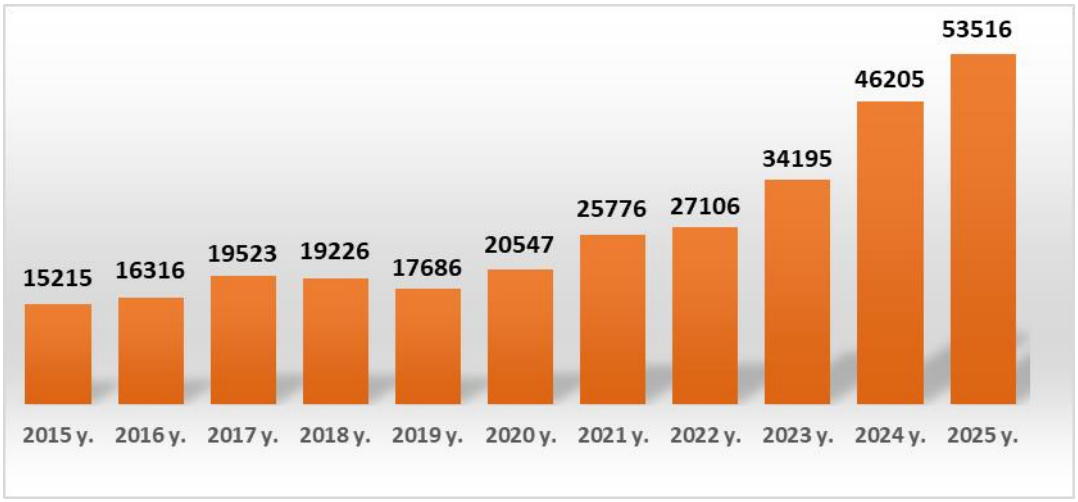

Figure 2. Number of bank cards issued in Uzbekistan (thousands, as of January 1)[5]

The main directions of the reforms being implemented in the banking system of our country are aimed at ensuring a free competitive environment in the banking services market, and the main focus is on establishing foreign bank branches in our republic.

Figure 3 below shows the status of users of remote banking systems by type as of January 1, 2016-2025. While this indicator was used by 81.5 thousand legal entities and 979.5 thousand individuals in 2016, as of January 1, 2025, this indicator is 1,478.1 thousand legal entities and 50,895.2 thousand individuals. From this we can conclude that the demand for the use of these systems is increasing significantly.

[5]Prepared by the author based on information from www.cbu.uz.

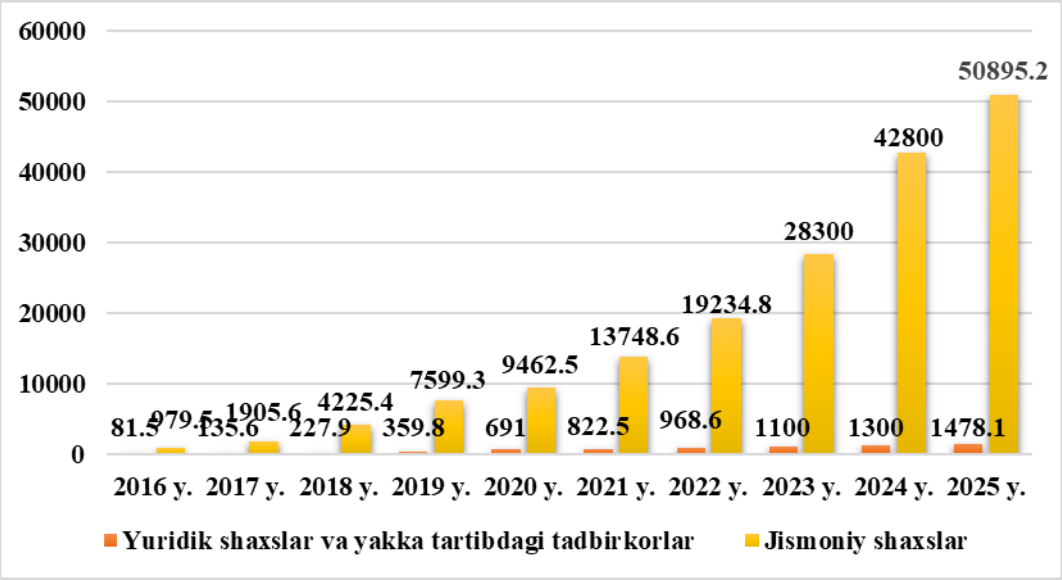

Figure 3. Number of users of remote banking systems (thousands by type)

As of January 1.[6]

Local commercial banks do not have enough competitive opportunities compared to branches of large foreign credit organizations. Such shortcomings are especially evident in the processes of customer relationship management. Accordingly, it is advisable to effectively manage customer relationships and change customer policy in local commercial banks, in particular, it is necessary to include it in the general management system.

Conclusions and suggestions

In the practice of Uzbekistan, when improving banking services, it is considered appropriate to finance short-term and long-term consumption of the population by separating bank cards with debit and credit status.

Banking services help to effectively carry out banking operations and, combined with these operations, create banking products. In short, banking products are specific financial instruments offered by banks, while banking services are support, guidance, and interactions provided to improve customer experience and help customers use these products effectively.

Therefore, bank customers often use banking products and services to meet their financial needs and achieve their financial goals. In addition, the formation of a regulatory framework for the sale of retail banking products in commercial banks is important not only for the protection of consumer rights, but also for the stability, competitiveness and development of the banking sector.

The existence of a regulatory framework ensures that retail banking products are offered responsibly and safely, while providing the necessary structure to balance the interests of commercial banks, consumers, and the economy.

Considering the current state of the banking services market in Uzbekistan, there are no clear boundaries for banking services. Therefore, it is appropriate to divide them into two groups:

1. Services provided to individuals (not related to the provision of services to a bank or any other organization or entrepreneurial activity);
2. Corporate-retail services provided to legal entities to meet the consumer needs of individuals working in these organizations (for example, paying salaries to employees of an organization

[6]Prepared by the author based on information from www.cbu.uz.

by transferring them to personal accounts on bank payment cards of individuals).

In order to improve the procedures for providing and implementing banking services in Uzbekistan, it would be advisable for commercial banks to introduce new types of services on bank plastic cards:

1. It is necessary to ensure the safety of the funds of bank plastic card users and the security of payments.
2. Individuals should have the opportunity to directly manage their bank accounts opened for them through mobile applications or websites.
3. It would be advisable for banks to introduce bank credit cards that allow customers to make payments for goods and services from bank funds within a certain limit for a certain period, and at the same time expand the practice of issuing microloans or overdrafts on debit bank plastic cards.
4. It is necessary to introduce software that allows for seamless acceptance of payments through international and local bank plastic cards through payment terminals.
5. It is necessary to constantly study the demand for payment terminals of trade and paid service entities, to ensure the short-term delivery of the necessary equipment and materials to them, and to constantly form a sufficient stock of terminals, plastic cards and infokiosks in bank warehouses, and to organize their sale or leasing along with the practice of renting terminals. It is also necessary to further improve the scope of prompt technical maintenance of payment terminals and banking equipment.
6. Introduction and expansion of the following types of services in commercial banks for the provision of interactive services to legal entities and individuals via the website:

- introduction of services with the functions of accepting applications for bank cards, their consideration periods and notifications about the readiness of bank cards for use;
- provision of electronic documents necessary for obtaining a loan in order to provide a wide range of services to entrepreneurs and notification of the compliance of the submitted documents with the established regulatory legal acts;
- introduction of an interactive loan calculator to use as a tool for calculating the amount of loans and interest rates on them, the amount of monthly payments at loan interest rates, the maximum loan amount and other calculations;
- development of a personal user account to access various interactive and information services of the bank, which provides information on funds to be loaded onto a bank plastic card, the history of all funds loaded onto a plastic card, withdrawal operations, as well as complete information about loans.

In conclusion, the services of commercial banks are expanding and improving in quality, and competition among them to attract new prospective clients has significantly intensified.

It is advisable to introduce new types of services that are widespread in foreign banks into the banking practice of our republic and increase their volume.

List of used literature

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