

## Ways to Develop Banking Services in the Republic of Uzbekistan

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### ABSTRACT

*The current situation in the banking system today requires further development of bank management and marketing. The increase in the number of banks is a result of increased competition. This means new tasks in the management of the bank, and therefore the development of ways to develop management and marketing in the banking system. In carrying out effective management activities in the banking system, it is necessary to identify the following tasks. This article provides information on how to develop banking services in the Republic of Uzbekistan.*

**Introduction.** The urgency of the topic of this master's dissertation defines Our goal today is to "strengthen macroeconomic stability aimed at further development and liberalization of the economy and maintain high economic growth, maintain the stability of the national economy, actively attract foreign investment in sectors and regions of the economy by improving the investment climate."

Today, the development of innovative banking services in commercial banks is of great economic importance for the implementation of large-scale reforms in the economy.

Especially in the context of reforms in the sectors and industries of our economy to modernize and modernize the country, it is necessary to improve the quality of existing services, intensify the implementation of innovations and widely use the experience of foreign banks. It is difficult to gain a strong position in the global financial market without making the necessary structural changes in the economy, without diversifying and technologically modernizing banking products and services.

The implementation of innovative banking services is a topical issue in the current environment of strong competition, first of all, the introduction of new principles and mechanisms in the development of new banking services and products.

With the growing role of modern information and communication technologies in our lives, there is a growing need for quick access to information and the use of various interactive services. In order to expand the range of banking services and create convenience for customers, modern interactive services are being implemented. In particular, the large-scale work carried out by the joint-stock commercial People's Bank creates various conveniences for customers. Today, banks

introduce interactive services such as "Internet banking", "Mobile banking", "and Mobile money", "SMS informer, Electronic register" and provide fast and quality services to citizens.

Legal entities of the bank can control the movement of their accounts and make payments via the Internet banking service, while through the interactive service "Mobile Money" citizens can transfer funds from their personal accounts at home or from anywhere. 'can make hunts online. Depending on the movement of the operations they performed, universal and specialized banks would be distinguished.

At present, all banks are universal banks, which are able to provide a wide range of operations and services to customers, and its activities are not limited. The number of customers servicing such banking services in the sectors of the national economy will be unlimited, as well as the number and volume of transactions, as well as the range of services by region.

That is, a universal bank provides loans in most sectors, while a specialized bank often serves one sector or subsector of the economy and a group of enterprises. In countries that do not have a developed market economy, the banking system has its own characteristics. Simply put, the concept of the banking system includes banks and non-banking institutions that perform banking-specific functions.

Organizationally, there are single-tier and two-tier banking systems. Developed countries have a two-tier banking system. The first link is the Central Banks, which organize and control the money supply in the country. The second category includes commercial and specialized banks, which are independent but operate under the control of the Central Bank, as well as non-bank institutions that perform banking-specific functions.

In a hierarchical system, the Central and commercial banks act as equally equal agents, meaning that all banks are state-owned banks and operate as branches of the Central Bank. Such a system is capable of countries with advanced economies and totalitarian regimes.

**Relevance of the topic.** Another characteristic of the banking system of developed countries is that in addition to banks, they also have specialized financial institutions and postal savings institutions that perform non-banking but banking functions. Such financial institutions are called empty banking systems.

They offer a certain category of customers, usually one or two specific types of financial services. Their activities are often focused on a smaller segment of the financial market. Over the years, the development of society and the growth and improvement of commodity-money relations have led to the expansion of the range of operations and services provided by banks. In order to harmonize the interests of the state, individuals and legal entities, to ensure the economic growth and stability of the state while meeting the financial needs of the state and members of society, the functions and operations performed by banks that is, banks that operate by the state, protecting the interests of the state, working with members of a separate society, or banks that combine both of the above directions.

During its first years of independence, Uzbekistan did not have a special law on the Central Bank. The banking system functioned in compliance with the Law on Banks and Banking Activity adopted on 15 February, 1991 (1 September, 1991 is the day the country gained its independence). This law was improved by introducing various amendments and addenda into it, thus creating a legal foundation for establishing the Central Bank of Uzbekistan (CBU) based on the regional division of the U.S.S.R. State Bank.

At the initial stage of the country's economic reform, the CBU performed such functions as servicing the government's accounts, controlling the activity of commercial banks, and organizing and managing the national payment system. But it did not issue money, since at that time Uzbekistan did not have its own national currency.

Introduction of the national currency, the soum, into circulation required conducting an independent monetary policy and presumed the need for intensifying the reforms in the financial sector. In addition, it became obvious that it was impossible to define the legal status, goals, and tasks of two entirely different institutions—the CBU and commercial banks—within the framework of one law. These factors made it necessary to regulate the activity of the CBU by means of a separate law.

Keeping in mind the proposals and recommendations of international financial institutions, foreign banks, and independent experts, the CBU drew up the draft of a Law on the Central Bank. This draft law was openly and extensively discussed by specialists, academic economists, and experts, who supplied numerous proposals and comments. Finally, on 21 December, 1995, at a regular session of the Oliy Majlis (the country's parliament), the Law on the Central Bank of the Republic of Uzbekistan was adopted.

According to Article 1 of this law, the CBU is a legal entity and all of its property is in federal ownership. This article also enforces its economic independence: “The Central Bank is an economically independent institution that shall cover its expenses with its own revenues.”

According to Article 3, the main goal of the CBU is to ensure the stability of the national currency. The main tasks are:

- to form, adopt, and implement monetary policy and currency regulation policy;
- to set the rules to ensure an efficient payment system in the country;
- to license and regulate banking activity and the activity of credit unions and lombards, to supervise banks, credit unions, and lombards, and to license the production of certified securities;
- to keep and manage the country's official international reserves, including federal reserves by agreement;
- to manage, along with the Ministry of Finance, cash execution of the state budget.

It is important to emphasize that this law ensures the political and economic independence of the CBU. According to Article 6, the Central Bank shall independently make decisions within the limits of its competence. The state shall not be liable for the obligations of the CBU and the CBU shall not be liable for the obligations of the state.

It must be emphasized that certain factors interfere with the CBU performing its functions. For example, an increase in price for the products and services of natural monopolies promotes an increase in inflation and has a negative effect on the stability of the national exchange rate. This factor is not under the direct control and influence of the CBU.

Today, increasing the competitiveness of our economy is an urgent task. To achieve this goal, it is important for commercial banks to use modern technologies. It is important that the modern banking system is well-funded and attracts new customers in order to play a role in the rapid development of the national economy. Today, the development of a sustainable banking system requires a more modern modernization and the introduction of efficient and quality services that meet the needs of the economy and customers. Such models provide for innovations in the banking sector.

**Literature review.** There are several types of innovative banking products in the practice of commercial banks today. Examples are Internet-banking, Mobile-banking, SMS-banking and Telegram-bot. In developed countries, the main source of financing the active operations of commercial banks is time and savings deposits attracted from customers. This is because, firstly, capital is a relatively expensive form of financing the activities of commercial banks; secondly, commercial banks are, by the nature of their activity, commercial organizations engaged in

attracting temporarily free funds of the population and enterprises to deposit accounts and placing them in the form of loans and investments; third, interbank loans are a relatively expensive financial resource, so its use in financing active operations leads to an increase in interest expenses of commercial banks; fourth, commercial banks do not have the right to use transactional deposits directly, that is, without concluding a fixed-term deposit agreement. At the same time, in order to provide these services, banks have tried to take an innovative approach to their services. As a result, attracting customers to the bank will increase the bank's liabilities.

In the modernization of the economy, the modernization and simplification of the banking system plays an important role in the development of financial services. Today, as in all spheres, information technology is deeply ingrained in the banking system. The development of digital banking in the banking system is one of the key issues for economic growth. Commenting on the banking system, the President said, "Unfortunately, the banking system lags behind the modern requirements for the use of digital technology products and software" [1]. In this, we need to recognize digital banking as an issue that needs to be developed.

One of the important issues is the development of digital banking system, which will increase the confidence of users in the banking system and offer convenient services. Literature review Economists, scientists and practitioners of our country express the concept of "digital banking" together with the concept of "digital banking". Research shows that using innovative banking technologies (without providing cash services), it is recognized that a bank that remotely provides banking services or its subsidiary is a digital bank [2].

This is a definition given to an entire bank or bank branch. Unlike digital banking, it is considered as a set of software for online presentation of banking products to users of banking services. It is digital banking that should provide convenient banking services to customers (users). A.A. Gontar argues that and its customers, including innovations in the field of financial services for consumers and commercial clients in the field of digital, information and technology strategies" [3]. John Ginovsky describes digital banking as "the integration of new and evolving technologies in the activities of financial institutions with appropriate changes in internal and external corporate and personal relationships to expand customer service and increase the efficiency of our opinion, digital banking is a set of software that provides efficient operation for bank employees and a user-friendly interface in the existing online banking services system.

**Analysis and results.** Term and savings deposits are a stable source of financing for commercial banks. The SMS Banking service informs the deposit holder, ie the customer, about the interest accrued. Typically, the bulk of them is not claimed by the customer until the expiration date and is received along with the accrued interest. If the client demands a term or savings deposit ahead of schedule, the amount of interest paid to him is sharply reduced.

**Conclusions and suggestions.** That is, the client loses a significant part of the income from the deposit. encourages not to demand. The level and stability of interest rates on time and savings deposits play an important role in attracting them. Typically, when setting interest rates on time and savings deposits, they are compared to the interest rates on government securities.

The provision of digital banking services in commercial banks of Uzbekistan is underdeveloped in banks of developed countries and is not strongly regulated. The Regulations on the Procedure for Working in Remote Banking Systems also do not reflect the requirements for these services. It is necessary to ensure that digital banking becomes an integral part of a commercial bank.

This would have prevented data security and unnecessary hassle. It is necessary to fill the gap in the development of the system and ensure that personnel are trained abroad in the banking system. So far, the work on obtaining online loans has not been completed. The legal framework and mechanisms for transferring or withdrawing a loan to an account without visiting the bank have not been improved. Establishing this mechanism would have prevented a number of scandals.

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