

Development of Innovative Activities of Commercial Banks

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Abstract

The article presents the importance and necessity of the introduction of new types of services by banks, as well as proposals for the development of innovative activities of commercial banks. Moreover, the paper provides an analysis of the current state and analysis of innovative activities in commercial banks of Uzbekistan.

Keywords: commercial banks, innovation, innovation activities, bank services, remote banking.



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1. INTRODUCTION

Economic reforms in Uzbekistan require rapid and comprehensive development of the service sector. One of the priorities is the rapid development of the service sector, increasing the role and share of services in GDP, radically changing the structure of services, primarily due to their modern high-tech types.

In the context of modernization and liberalization of the economy, the priority is to introduce new innovative services to the economy and improve the quality of services, studying the experience of developed countries in order to further develop the provision of financial services, in particular financial services.

2. THEORETICAL ASPECTS OF BANKING INNOVATION

Innovation is a new development that is introduced into civil circulation or used for personal needs, the application of which in practice provides a great socio-economic effect. A new development is the result of an intellectual activity that has new features in relation to the results of similar intellectual activity, can be applied in practice and can achieve great socio-economic benefits when used in practice (new or advanced technology, service and organizational-technical solution of production, administrative, commercial or other nature).

Banks are interested in the regulation of the economy, distribute the attracted and accumulated funds, and independently determine the ways to enter the financial markets. The activities of banks are aimed at supporting the commercial interests of enterprises, encouraging the introduction of new forms of business, based on the principle of “Client - not for the bank, the bank - for the client.”

As the President of the Republic of Uzbekistan Sh.M.Mirziyoev noted, “it is necessary to further expand the range of banking services through the introduction of new financial instruments and the issuance of bonds, the development of the banking system on the basis of advanced information technologies.”

Mankind is going through an important period associated with the change of sectors of the economy, the digitization of this process, mobilization, the introduction of artificial intelligence in the industry. The need to develop a new economy becomes even clearer by 2022, when the digital sector is projected to account for almost a quarter of world GDP.

The digital economy is an economic activity based on digital technologies, associated with e-business, e-commerce, producing and providing digital goods and services. In this case, payments for economic services and goods are made via electronic money. The concept of digital economy is based on the transition from the atom to the bit, that is, from the smallest chemical particle to the electronic unit.

Uzbekistan is taking comprehensive measures to actively develop the digital economy, the widespread introduction of modern information and communication technologies in all sectors and industries, especially in public administration, education, health and agriculture. In particular, one of the priorities for the development of the digital industry is to complete the digital transformation of commercial banks by January 1, 2022 by providing a wide range of online services, including the sale of remote credit products, opening deposits and accounts.

3. CURRENT STATE AND ANALYSIS OF INNOVATIVE ACTIVITY IN COMMERCIAL BANKS OF UZBEKISTAN

According to the current legislation of the Republic of Uzbekistan, commercial banks, which are the second tier of the national banking system, are established in the form of joint-stock companies.

As of April 1, 2021, there are 33 commercial banks in the country, 5 of which are private commercial banks.

The inconsistency of the production and provision of banking services in terms of time leads to the fact that the service varies depending on which person provides the service, where and when. The variability of banking services is sometimes caused by customers, because one of the peculiarities of banking services is their individualization based on customer requirements. This, in turn, prevents the large-scale production of many types of banking services.

As the services of commercial banks continue to expand and improve in quality, they are competing to attract new, promising customers.

As a result of the ongoing reforms in the banking system of the Republic of Uzbekistan, the services provided by commercial banks have high technological features, which has laid the foundation for the widespread development of remote customer services. Currently, with the development of interbank competition in the country, the practice of commercial banks to provide banking services using innovative technologies is improving. The number of users of remote bank account management systems (bank-client, internet-banking, mobile-banking, SMS-banking) in commercial banks is also growing.

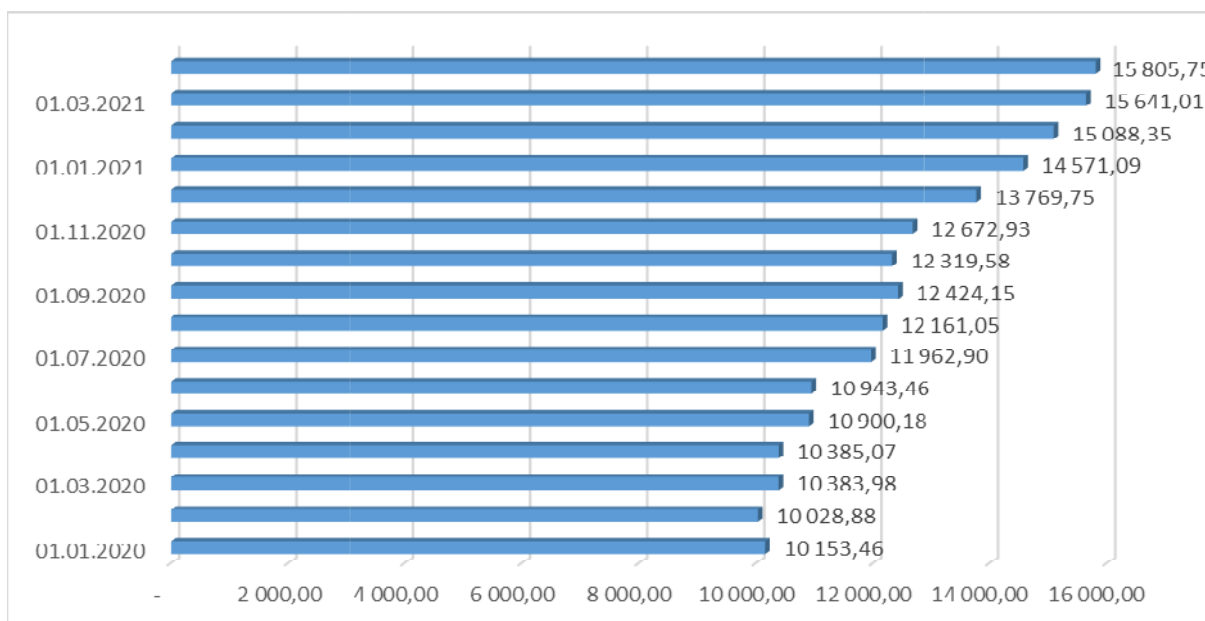


Fig 1. Dynamics of the number of remote banking users in the Republic of Uzbekistan (in thousands)

The number of remote banking users in the Republic of Uzbekistan is growing every month. As of January 1, 2020, the number of users of remote banking services amounted to 10,153,458 while at the beginning of 2021 this figure increased by 1.44 times to 14,571,094. As of April 1 this year, the number of users of modern banking services amounted to 15,805,747 (Fig. 1).

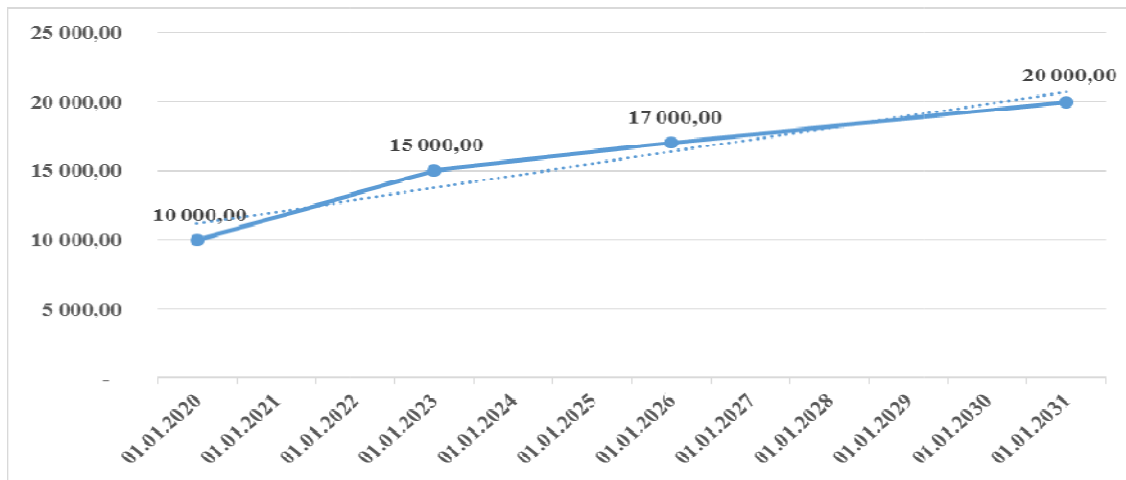


Fig 2. Plan to increase the number of users of online banking services (in thousands)

The targets of the Strategy “Digital Uzbekistan - 2030” are planned to increase the number of users of remote banking services by 2030. As of January 1, 2020, the number of users of remote banking services, legal entities and individuals amounted to a total of 10 million, and by the end of 2030 it is planned to almost double this figure to 20 million (Fig. 2).

In order to improve the quality of remote banking services, all banks:

- should organize customer service at attractive rates;
- commercial banks and payment organizations should introduce a mechanism for generating electronic receipts for payments made from their mobile applications through digital communication channels;
- it is necessary to introduce mechanisms for making payments on requisites from mobile applications of commercial banks;
- measures such as the development and implementation of a target plan for the bank to dramatically increase the use of remote services by bank customers.

4. CONCLUSIONS

The innovative activity of a commercial bank is related to the development, introduction and use of new technologies. All of these processes cannot be carried out without conducting marketing research that allows an objective assessment of the market situation in order to achieve the expected result with the least risk, and this is especially important in the context of innovative development.

In order to develop the innovative activities of commercial banks of Uzbekistan and thus create convenience for customers, it is important to implement the following proposals:

- a commercial bank needs to determine the purpose of an innovative product: is it a profitable instrument for it or a prestigious service? Only then can bank choose one of two ways to introduce an innovative banking service: the bank itself can do it all and develop it independently later, or buy a ready-made solution from the manufacturer;

- organization of relevant seminars, trainings and programs for banking specialists and clients in order to develop innovative banking services;
- development of a system of remote provision of “financial advice to clients”. To do this, banks will need to establish service centers, where the customer will communicate with a qualified banking specialist through videoconferencing, forums, chat;
- extensive use of modern operating systems, Internet browsers and antivirus software to further improve the legal framework for electronic banking services and electronic digital signatures, to further increase its security;
- rapid development of the banking system, testing of various innovative methods to improve the quality of services, development of new innovative projects for the development of modern banking services.

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