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## DEVELOPMENT OF UZBEK BANKS BY INTRODUCING FINANCIAL INNOVATIONS

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### Abstract

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**Keywords:** *innovation, innovative banking product, digital banking, innovative strategy of the bank, financial technologies, remote banking services, digital services, banking efficiency.*

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*At present, the activity of national banks has innovative features. Innovative banking products relevant to the country's dynamic socio-economic development are being introduced into business practice with the participation of commercial banks. The article talks about the impact of innovation on the development of banking through remote services using banking products. An analysis of the available information on the activities of banks confirms that innovation activity serves to develop the overall activities of banks.*

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### INTRODUCTION

The introduction of new types of innovations in the field of information and digital financial technologies leads to the rejection not only of the accounting of the banking and financial system, but also of the global economy. The beginning of the 21st century is conditional with "Industry 4.0" or the Fourth Industrial Revolution, which is about penetrating the scope of the widespread use of transformational perception of the boundaries of "smart" (that is, smart) technologies in all aspects of observable life. In particular, this transformation affects the change in the banking and financial system. The introduction of new bank products does not develop into an increase in influence not only on the pension banking system, but also on the financial and credit systems in general, on their essence and even fundamental foundations. As a result of the emergence of large banking products, not only is there a need for demand from customers, but there is also a positive impact on the rapid activity of banks.



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The transformation of banking activities in the context of digitalization is inextricably linked with the introduction of innovative banking products. In connection with the integration of the national financial system into the international financial system, the development of global banking and the emergence of new banking innovations, it became necessary to introduce innovations into the national banking system. Today, people actively use mobile communications and the Internet with a huge amount of information. According to the Digital 2022 global overview report, developed in collaboration with We Are Social and Hootsuite, in 2021, 67.1% of the world's population used mobile phones and 62.5% used the Internet [4]. As the demands of customers for banks are growing, which encourages them to strive to improve the quality of service and various banking products to meet growing needs.

In this regard, in recent years, in the process of transformation of national banks in our country, they have stepped up the introduction of innovative banking products. The fact that it is the government itself that is the initiator of this transformational process in this regard shows once again how important these changes are for the economy [1], [2]. The reason is that the appearance and development of new products in national banks increases the quality of banking products and the speed of their delivery to the Consumer by several times. This, in turn, leads to the development of not only banks, but also the country's economy, due to the acceleration of economic processes. Of particular importance in this regard is the creation of an efficient banking infrastructure under the auspices of the government and the central bank.

Under these conditions, it remains relevant and necessary to determine whether the introduction of new banking products will affect the development of the banking system and the economy. Within the framework of the article, the banking system and the economic consequences of emerging innovations in the national banking system were studied.

## **LITERATURE REVIEW**

Many researchers analyze the impact of innovation banking products on banking activities. There are different opinions on this matter.

In particular, the most basic idea suggests that in the next decade, developed countries will move to the formation of a new technological base of economic systems based on the use of the latest achievements in the field of Biotechnology, Informatics and nanotechnology[7].

Referring to classical economists, P. Drucker notes: "at present, knowledge is used systematically and purposefully to determine what new knowledge is required, what is desirable to acquire such knowledge, and what needs to be done to ensure the effectiveness of their use. In other words, knowledge is used for systematic innovation and innovativeness" [6].



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King Brett believes that now the banking business is not enough in the classical sense to be just a bank – an institution that gives loans, makes payments and opens deposits, provides access to financial markets, but it is necessary to become a business that solves all the needs of the client without visiting remote service channels [8].

Also, in his opinion, calling Future banks bank 4.0, he gives him the following definition: "the bank 4.0 is afraid of cars that calculate and then make payments without the participation of a plastic card, or vehicles that independently calculate their expenses and income and carry them out. Through smart voice assistants such as Bank 4.0, Alexa and Siri, they make payments, reservations, transactions, requests, storage or investments according to the client's assignment. It can be attached to any small devices, not specific specific devices" [5].

The researcher S., who put forward the idea that for the effective functioning of the bank it is necessary to reduce banking costs. I. Mindrin believes that "in order to effectively adapt to a new economy called a new rationed economy, it is necessary to radically transform the banking business model in order to run a banking business and increase the productivity of a bank person, subject to the requirements of bank liquidity and appropriate quality of banking assets " [9].

But A. Demirgüç-Kunt emphasizes that financial technologies cannot increase the level of use of financial services alone. The reason for this is an effective payment system, a developed financial infrastructure, and the implementation of consumer protection measures, etc. z. products are required. It is believed that in order for these products to have a high effect, it is required to be adapted for both passive groups of the economy, that is, those with low financial literacy, women and the poor [3].

## **RESEARCH METHODOLOGY**

The promotion of reforms in the banking industry and ensuring its sustainable growth is carried out against the background of transformation in the conditions of digitalization of the country's banking infrastructure. In this regard, from the philosophy of product sales of the bank, it became necessary to form an innovative banking thinking, which is focused on the needs of customers of the bank and their needs. At the same time, it should be noted that although the banking system has undoubtedly improved in many ways over the past few decades, most credit organizations are still far from customer-oriented transformation. Analysis shows that many banks, international and domestic, large and small, changed their market positions and related consumption strategies after the financial crisis, but in many ways their changes were the result of reforms carried out by the government and the central bank.

The article used the methods of scientific abstraction, descriptive statistics, peer review, grouping, dynamic analysis.



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## RESULTS AND DISCUSSION

The introduction of innovative banking products into the activities of commercial banks requires new technologies. But technology is usually only part of problem solving. The application of these financial technologies requires the formation of innovation banking infrastructure first of all.

Based on the above-mentioned government decisions, a number of measures have been taken to create an effective infrastructure under the leadership of the central bank. For example:

1) the central bank issued licenses for the activities of 2 payment system operators (LLC "unified nationwide processing center" and LLC "National Interbank processing center") and 19 legal entities;

2) Uzcard and Humo Retail Payment Systems Integration;

3) 3 electronic money systems (easy, Slick and E-Card) were entered in the Register of the central bank electronic money system;

4) in 2020, the rapid payments system (RPS) was launched. To him 2 500.0 million. sum of funds;

5) in March 2020, the QR-online payment method was introduced;

6) the DUK database "pledge register" under the central bank was integrated into the unified automated information system of the notary of the Ministry of Justice and the unified integrated base of the Ministry of internal affairs "texpassport+prava", and through the site of the pledge register it was possible to obtain information about the status of property from these information systems and To create this system, 348.0 million were allocated in total. sum spent;

7) the release of several eurobligasies was carried out: Uzsanoatqurilishbank 300 million. The total amount of Mortgage bank of the US dollar Eurobond, TIF Milliybank and AT is 500.0 million. US Dollar Euro-bank mortgage-bank 785 billion soums in national currency (75 million US dollars. eurobligasias in the amount of (equivalent) were issued and placed on foreign investors;

8) due to the integration of National Payment Systems with international payment systems VISA and Mastercard, customers began to carry out operations with international bank cards through ATMs and terminals located on the territory of the Republic;

9) according to the regulation"on the procedure for calculating the debt burden of borrower individuals on loans (microloans), the permissible amount of the debt burden, as well



as the restriction of the growth of the debt burden", the income of borrowers from the personal accumulative pension system of individuals applying for a loan through remote Internet banking or mobile applications is determined.

Of course, these measures carried out have opened up a number of opportunities for national tijoarts. However, according to Article 66 of the law "on banks and banking activities" in our country, commercial banks publish open information on general conditions for the provision of banking services, information on intermediary fees, tariffs and interest rates for providing banking services on their official websites, and there are no systematic statistical indicators on the introduction of innovative banking products by banks. Therefore, the result of the transformation processes carried out in national banks on the basis of government decisions can be assessed precisely by analyzing the performance indicators of banking activities.

An analysis of the main indicators of the national banking system over the past three years shows that banking activity in our country is developing steadily (Table 1).

**Table 1**

**Analysis of the main indicators of the national banking system in 2019-2022\***

Indicators of profitability of the banking system	2019	2020	2021	2022**
Net profit to total assets ratio (ROA)	2,2	2,2	1,3	2,6
Net profit to total capital ratio (ROE)	16,7	10,3	6,1	12,9
The ratio of net interest income to total assets	3,6	3,8	3,7	4,9
Net profit, billion The amount	4 680,7	5642	3885	7122,5
Non-performingloans (npl)	1,5%	2,1%	5,2%	4,7%
The ratio of assets to liabilities	123%	119%	119,0%	116,6%
Ratio of credit deposits to deposits	232%	241%	209,0%	195%

*Note: \* the table was prepared on the basis of the open documents of the central bank.*

*\*\* indicators are listed at the end of 9 months of 2022*

According to Table 1, we see that the banking system developed steadily in 2019-2022, but the complication of the 2020 pandemic and quarantine measures in 2021 also affects the economy, in particular, the banking system. At the same time, an increase in the share of problem loans among the bank's profitability indicators over the period under study indicates an increase in risks in the banking system.



In order to study the impact of the activities of invasion commercial banks on the banking system, it is advisable to conduct an analysis on the example of active 4 national banking areas that are trying to transform their activities into digital form.

**Table 2**

**Analysis of risk indicators in some national commercial banks for 2020-2022**

Banks	share of problem loans (NPL)			clustering of loans to deposits(L / D)		
	2020	2021	2022*	2020	2021	2022*
<b>Uzsanoatkurilish bank</b>	1,00%	3,8%	3,60%	348,80%	342%	345,00%
<b>MortgageBank</b>	2,30%	3,30%	2,80%	255,80%	183,60%	174,00%
<b>AnorBank</b>	0,00%	0,90%	2,30%	395,50%	73,60%	66,00%
<b>CapitalBank</b>	0,90%	2,90%	2,00%	73,60%	61%	63,00%

*Note: \* the table was prepared on the basis of the open documents of the central bank.*

*\*\* indicators are listed at the end of 9 months of 2022*

Table 2 data show that in 4 banks that are actively innovating in our country in 2020-2022, the level of problematic assets has an average growth rate. But this situation can be called the basis of a pandemic, changes in the state of the world's geopolitical situation. At the same time, a decrease in the ratio of loans to deposits can be seen in these banks. Especially in the NAR Bank, which operates as a digital bank, a sharp decrease in the analysis period from 345foiz to 66 percent shows a high level of effective risk management and deposit policies in them.

Taking the analysis into account the activities of commercial banks in the current period, for 9 months of this year, banks received a total of 7 trillion. 122.5 billion. sum balance achieved net profit. At the same time, 5 banks - ravnaq-bank, Uzagroeksportbank, TBC Bank and Hi-Tech Bank and Turkestan banks, which are currently licensed, spent 9 months in total -173.6 billion. som graduated with damage.

The first place in terms of the amount of net profit is occupied by the National Bank balance sheet net profit increased by 2.2 times compared to the corresponding period last year and amounted to 1.5 trillion. made up the sum. For the first time in terms of the amount of net profit, 3 of the top five were established by banks that were not under state control. In particular, 800.8 billion. Mortgage bank (748.9 billion), while Kapitalbank, which received a net profit of



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sum, took 2nd place. in the next place after the sum is Partner Bank (531.7 billion. sum) and Trustbank (498.1 billion. soms) were recorded.

In some banks, the amount of net profit has increased dramatically compared to last year. In particular, 130 billion. Net Profit received Universalbank and 24.6 billion. having received net profit, madad Invest banks achieved an increase of 26 times more than last year's figure. It is also possible to separately note The Anorbank, which recorded a 20-fold indicator.

These indicators also mean that Ipotekabank, which is actively operating innovation, has a high level of efficiency in Kapitalbank, and in Anorbank, which focuses its activities mainly on the provision of digital innovation services, efficiency is growing rapidly.

## **CONCLUSION**

The research shows that the digitalization of banking and the offering of digital banking products to customers have an impact on banking.

In particular, a comparative analysis of the indicators of the financial condition of Uzbek banks showed that transformation processes and created innovative products reduce operating costs; demand for them is growing due to the low cost of digital banking products, which, as a result, allows increasing banking assets and liabilities; increases the possibility of effective bank risk management, but not

However, given the continuous transformation and development of digital transformation tools, banking models and types of digital banking products, the digital transformation of banks cannot be viewed as a short-term project. In other words, the last 3-4 years has been paying special attention to this issue, and one can only say that at the initial stages.

For this reason, the implementation of transformation by national banks requires the development of 5-year, 10-year dynamic strategies and the development of extremely effective measures, taking into account temporary and market changes.

Moreover, as Demircuc-Kunte (2020) noted, fintech alone cannot increase financial uptake. This requires an efficient payment system, a developed financial infrastructure, and the implementation of consumer protection measures. In order for these products to have a high impact, they must be adapted to both the passive groups of the economy, i.e. those with low financial literacy, women and the poor.



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