

Opportunities to Improve the Innovative Activity of Banks

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Abstract: The article conducts research to improve the innovative activities of banks. Given original author's explanation to innovative banking products and the opinion of scientists on innovation is noted. In order to prevail in the competition between banks and Fintech companies, it is necessary to develop innovative banking activities. The digitalization status of commercial banks in Uzbekistan has described. The latest statistics on users of remote banking services in Uzbekistan for 2017-2021 been provided. It has noted that the development of innovative activities should be carried out in two directions: the digitization of business processes and the introduction of new products. Suggestions include the use of blockchain technology, the introduction of CRM, BPM, DWH systems and the use of artificial intelligence for forecasting future product sales.

Keywords: Innovation, innovative banking products, digitalization, remote banking services, Internet-banking, Online banking, SMS banking, CRM, BPM, ATM, DWH, Artificial intelligence, QR-payment, NFC-payment

INTRODUCTION

As the competitive environment in today's banking and financial market is growing, the chances of earning a high income with the provision of traditional banking services are declining. Customer requirements are now not limited with only fast and high-quality banking services, but also to the use of modern banking products, including digital technologies and services that fulfills additional needs.

In such a competitive environment, banks can effectively operate in the market only through the development of innovative activities. So, what should they pay attention for the development of innovative activities and in what areas should they make changes?

In answering this question, we first analyze the views and opinions expressed on the concepts of innovative activity and innovative product.

Literature review. Austrian scientist J. Schumpeter was the first author who introduced the term innovation into the economy as a separate economic term. According to him, innovation is at the heart of economic development. And innovation is the implementation of something completely different from the reality of economic life. According to Cookea and Mayers, "innovation is the whole process from turning an idea into a finished product and selling it on the market." Innovation is the precious currency of the new economy and creativity is the seed of all innovation.

According to the L.V. Cox's banking innovation - is the application of new or radically modified banking products, organizational and information technologies which includes new banking services

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or services provided based on modern information and communication technologies of high quality, delivered directly to the customer, which gives direct or indirect economic or social benefits to the bank” The same opinion was expressed by LV Zubchenko, NV Marenkov, MK Sprujevnikova and others.

An innovative product of a bank is a product formalized by a contract (offer) in the form of a set of material, software or services that allows customers to perform one or more banking operations in a new, convenient, high-quality form, resulting from innovative activities. Examples are modern types of plastic cards, customer-bank, internet banking, mobile banking, sms-banking, new types of loans, money transfers, account servicing, deposits and more. The purpose of creating innovative products of the bank is to sell it to customers, and then to increase the reputation of the bank.

Methods. The directions of development of innovative activity in banks can be analyzed by dividing them into such categories as digitalization of business processes and creation of new types of products.

Digitization of business processes will increase the speed and quality of services for existing banking products and services. In this case, decision-making as a result of digitization is performed by a computer using pre-thought algorithms without human factor, and at the end customer may use a digital banking product.

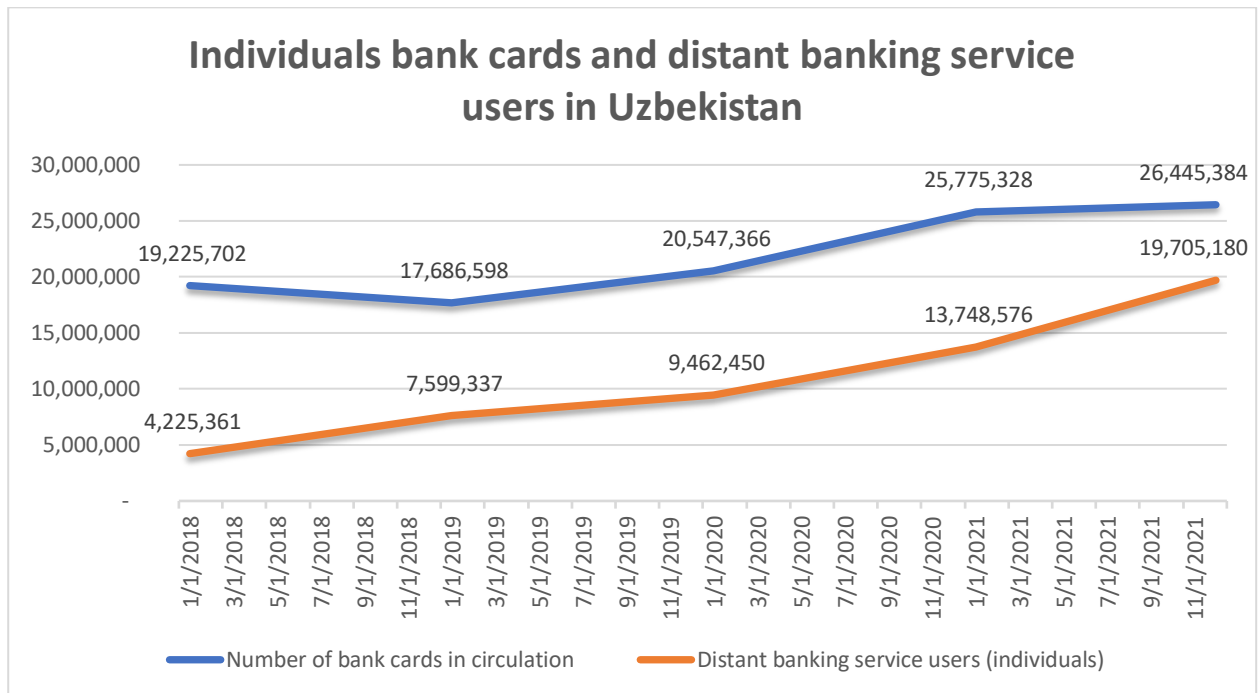
When creating a new type of product, it is understood as the introduction of a product that covers a set of new types of services that did not previously exist in the same appearance and conditions. For example, Internet-banking, mobile-banking, data exchange services through blockchain technologies are examples.

If we study the history of the development of banks in Uzbekistan, over the past 5 years, significant changes have taken place in the transformation and digitization of banking.

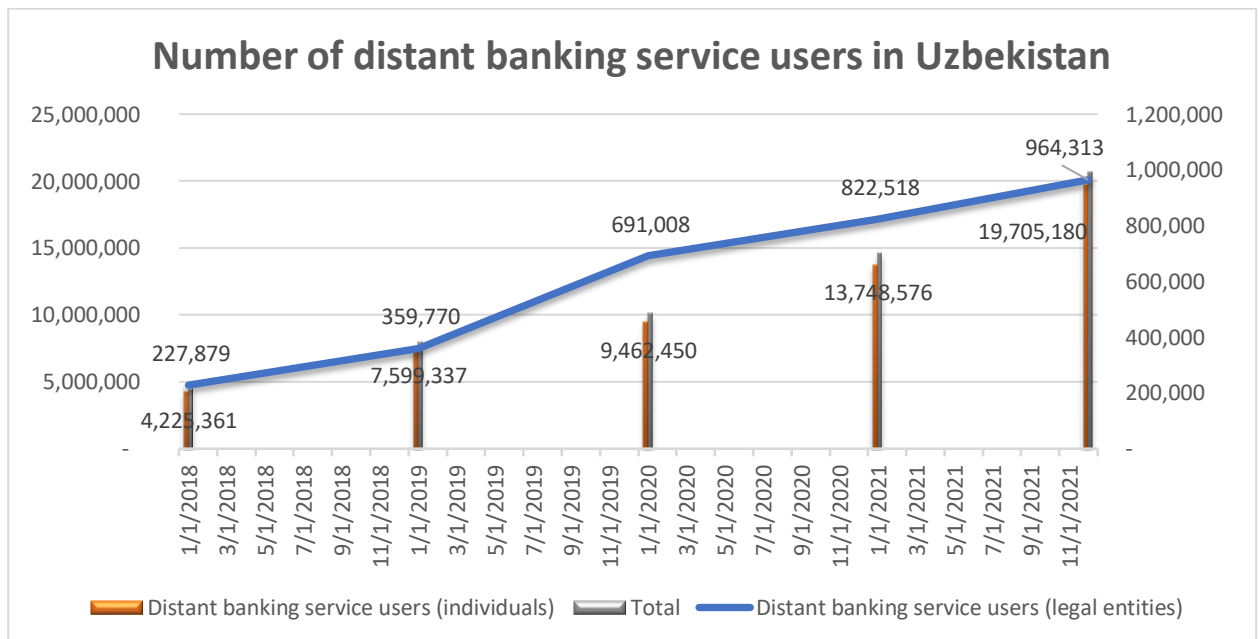
In particular, the Central Bank of the Republic of Uzbekistan has successfully implemented the following priorities:

- Creation of a system of instant payments in the banking system for businesses operating 24/7;
- Introduction of a mechanism for remote identification of individuals in the banking system;
- Introduction of contactless payment mechanism in the national payment infrastructure through means equipped with NFC technology (without using a payment card);
- Introduction of "QR-online" system, which allows you to make payments in accordance with international EMV standards.

As conditional indicators of innovative activity of Uzbek banks, we analyze the statistics on the number of users of remote banking services, the number of installed ATMs, as well as the number of bank cards in circulation.



The analysis shows that in the last 5 years, the number of users of remote banking services has increased 5 times and reached almost 20 million from around 4 million customers. However, these customers make up only 75% of plastic card users. This means that 25% of customers are not yet active in using remote banking services. To increase this activity, measures should be taken to increase financial literacy.



The number of users of remote banking services by customer category is growing every year, and by the end of 2021, almost 1 million legal entities and individual entrepreneurs are using these innovative products.

Results.

Digitalization status of commercial banks of Uzbekistan

№	Commercial banks	Internet-banking/mobile banking availability	Digital bank status	Number of ATM's
1.	National bank	Available	Traditional bank	636
2.	Uzbek Industrial and Construction Bank	Available	Traditional bank	471
3.	Agrobank	Available	Traditional bank	1894
4.	Ipoteka-bank	Available	Traditional bank	646
5.	Mikrokreditbank	Available	Traditional bank	234
6.	Xalq banki	Available	Traditional bank	1331
7.	Savdogar bank	Available	Traditional bank	227
8.	Qishloq qurilish bank	Available	Traditional bank	248
9.	Turonbank	Available	Traditional bank	477
10.	Hamkorbank	Available	Traditional bank	793
11.	Asaka bank	Available	Traditional bank	259
12.	Ipak Yuli banki	Available	Traditional bank	492
13.	Ziraat bank Uzbekistan	Available	Traditional bank	6
14.	Trastbank	Available	Traditional bank	265
15.	Aloqabank	Available	Traditional bank	267
16.	KDB Bank Uzbekiston	Available	Traditional bank	9
17.	Turkistonbank	Available	Traditional bank	35
18.	Saderat bank Tashkent	Available	Traditional bank	1
19.	Universal bank	Available	Traditional bank	137
20.	Kapitalbank	Available	Traditional bank	3235
21.	Ravnaqbank	Available	Traditional bank	42
22.	Davr-bank	Available	Traditional bank	45
23.	Invest Finance bank	Available	Traditional bank	423
24.	Asia Alliance bank	Available	Traditional bank	268
25.	Hi-Tech bank	Available	Traditional bank	9
26.	Orient Finans bank	Available	Traditional bank	276
27.	Madad Invest bank	Available	Traditional bank	11
28.	Uzagroeksportbank	Available	Traditional bank	7
29.	Poytaxt bank	Available	Traditional bank	39
30.	Tenge bank	Available	Traditional bank	31
31.	TBC bank	Available	Digital bank	0
32.	ANOR bank	Available	Digital bank	0
33.	Bank Apelsin	Available	Digital bank	0

Today, all 33 banks in Uzbekistan have internet banking and mobile banking services, and 3 banks are fully digitalized. In these 3 banks, all services are provided remotely and business decision-making is based on digital technologies. According to the strategy of these 3 banks, the costs of ATMs do not cover themselves, so they prefer to be served using ATMs of other banks.

However, for traditional banks, ATMs serve as one of the sales channels. By developing this line, they can provide remote service to meet the needs of customers.

Other traditional banks are also undergoing transformation processes, and service mechanisms are being introduced through digital programs. However, these banks have lack of research and development programs for the introduction of new types of innovative products. Also, the sales mechanism of many types of products takes place in the old style. Now, as a result of the development of new fintech companies, the opportunities to compete with banks in the retail banking sector have expanded, and in the near future the risk of fintech companies in this area attracting a large number of customers of banks is growing.

CONCLUSION AND SUGGESTIONS.

In order to improve the innovative activities of commercial banks in Uzbekistan, it is necessary to implement the following proposals:

- Automation of business processes in banks, thereby indirectly improving the quality and speed of sales of banking products;
- Re-approval of product passports in banks, ensuring full automation of accounting entries in the mechanism of product sales;
- Establishment of working groups on the development of new innovative products in banks, analysis of best practices in the activities of foreign banks (Benchmarking) and the development of new products, research and development programs;
- Improvement in the development of innovative activities of banks, such as Bank-client, Internet-banking, SMS-banking, QR-payments, NFC payments, mobile banking services, introduction of new directions Roboadvising, Digital banking, Virtual banking, Social banking;
- Effective use of blockchain technologies in banks, application of blockchain systems in internal document management, archives and other areas;
- Digitization of decision-making processes in banks, introduction of non-human decision-making mechanisms;
- Establishment of DWH (Datawarehouse) to improve banking marketing and reporting, to abandon the formation of reports in the operating system, thereby reducing the burden on the operating database and increase the speed of service;
- Automation of CRM and BPM systems in banks and digitization of KYC processes;
- Introduce an artificial intelligence system that provides analytical conclusions based on DWH data, use of artificial intelligence results in sales forecasts, and more.

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