

Economic Efficiency of New Banking Services of Commercial Banks

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Abstract: This article studies the economic efficiency of new services of commercial banks. This article shows the participation of commercial banks in the services market, the types of services provided by commercial banks to attract customers, traditional services, non-traditional services and new services. Banking products, the expansion of their services based on the needs of the population are shown. The provision of new services of commercial banks, such as mobile banking, QR-payment, payment transfers and other services, and their profitability are analyzed. The dynamics of financial indicators of commercial banks today, namely their income, interest and non-interest income, interest expenses, the role of new services in obtaining these incomes by commercial banks and their interrelationships are analyzed using the example of commercial banks of the Republic of Uzbekistan. This article gives suggestions and recommendations on the efficiency of services of commercial banks.

Key words: new services of a commercial bank, mobile banking, QR-payment, payments, payment system, cell services, currency exchange, financial intermediation, electronic wallets, online lending, financial consulting, services based on biometric identification.



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Introduction.

Currently, the banking system is undergoing a period of rapid development, in line with the requirements of the times, of the widespread introduction of information and communication technologies and, through this, the automation of many banking services.

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 is contributing to the intensification of the competitive environment between banks and the increase in the quality and scope of banking services.

The existence of urgent issues in improving the services provided by commercial banks of the

Republic of Uzbekistan during the transition to the conditions of digital transformation of banks justifies the importance of research on the topic of the article, in particular,

- the presence of interruptions in the provision of cash to customers by commercial banks in remote regions of our republic
- insufficient qualifications of bank employees and a shortage of technical IT specialists.
- the increased need to include environmental, social and governance aspects (ESG) in banking services.

Banking services are understood as a set of actions directly related to the operational and strategic activities and effective management of commercial banks.

In order to expand the scope of banking services, licenses were issued to the joint-stock companies "APEX BANK", "HAYOT BANK" and "YANGI BANK" in 2023, granting the right to carry out banking activities. The number of branches of commercial banks reached 696, mini-banks - 69, banking service offices - 1,747, and bank branches operating in the "24/7" mode - 3,723.

In recent years, 3 state-owned banks - "Ipoteka Bank", "Aziya Alyans Bank" and "Uzagroexportbank" have been privatized.

While the privatization of Ipoteka Bank brought foreign capital to the Uzbek market, the opening of banks such as Tenge Bank, Ziraat Bank Uzbekistan, TBC Bank also led to the operation of foreign banks in Uzbekistan with their own subsidiary banks.

It is necessary to analyze the market for new services for their compatibility with existing services and bank personnel, decide which department or division of the bank will be engaged in selling the new service, taking into account the qualifications and flexibility of employees, develop a marketing plan that will allow customers to be informed that the bank offers the necessary type of service, and decide whether it is worth attracting bank management and personnel and investing capital to implement the new service program.

It is necessary to create a supermarket of banks that will increase the possibilities of providing services in the local area and provide legal protection for their activities. In Uzbekistan, efforts are being made to create a banking infrastructure that is compatible with high technologies. However, at this stage, new non-traditional approaches are required that will allow commercial banks to expand their customer base and offer retail services.

Review of foreign scientific research on the topic of the article.

Scientific research aimed at improving innovative banking services of commercial banks and thereby providing convenient banking services to the population and increasing banks' profits is being conducted by leading world research centers and higher educational institutions, including: It is being implemented by the Federal Reserve System, Federal Deposit Insurance corporation, Office of the Comptroller of the Currency, Development Research Group, World Bank, Office of Financial Research, International Monetary Fund (USA), Bank of England (Great Britain), Central Bank of Switzerland, Bank for International Settlements (Switzerland), Central Bank of Canada (Canada), European Central Bank (Germany), Bank of Japan (Japan), Columbia University (USA), Bank of Russia, the Institute of Economic Policy, the Financial University under the Government of the Russian Federation (Russia), the Center for Economic Research and Reforms under the Administration of the President of the Republic of Uzbekistan, the Central Bank of the Republic of Uzbekistan, the Banking and Finance Academy of the Republic of Uzbekistan, and the Tashkent State University of Economics.

Research methodology

The research used research methods such as analysis and synthesis, induction and deduction, statistics, and comparison.

Analysis and discussion of results

The banking system plays an important role in the sustainable development of the economy of Uzbekistan. The country is actively engaged in the process of liberalizing the financial sector, digitizing banking services and adapting them to international standards. Today, competition between banks is developing through providing high-quality and fast services to customers, introducing innovative solutions and managing capital flows. This work analyzes the dynamics of the development of competition in banking services, its shaping factors and results.

Table 1. Expansion of the number of services of commercial banks of Uzbekistan¹

Years	Number of new services	Digital products (%)
2019	5	20%
2020	8	28%
2021	12	35%
2022	15	45%
2023	20	55%
2024	25	65%

From the analysis in Table 1 above, we can see that while in 2019 the number of new services was 5 and digital products accounted for 20%, in 2024 the number of new services will be 25 and digital products will account for 65%. This shows that commercial banks are increasing the number of new services.

Banking competition is the process of attracting customers and offering them innovative financial products among commercial banks. The higher the level of competition, the better the quality of services provided by banks. This process is carried out through the following factors:

- Diversification of services – expansion of credit, deposit, international money transfers, investment services and insurance products;
- Technological innovations – introduction of modern services such as mobile applications, internet banking, QR payments;
- Creation of favorable conditions for customers – reduction of credit interest rates, speed and security of service provision.

Table 2. Fintech companies and increasing competition in the digital share of banking services

Years	Number of fintech companies	Digital share of banking services (%)
2019	15	25%
2020	22	30%
2021	30	38%
2022	42	45%
2023	55	53%
2024	70	60%

Banking competition is an economic process between commercial banks to improve financial services and attract customers.

¹ Prepared by the author based on information from www.cbu.uz.

Currently, the activities of fintech companies are also increasing along with commercial banks. In this case, fintech companies can easily compete with the activities of commercial banks. In Table 2 above, we examined the expansion of the types of services of fintech companies. In this case, if in 2019 the number of fintech companies was 15, and the digital share of banking services was 25%, then these indicators indicate that in 2024 the number of fintech companies will reach 70, and the digital share of banking services will reach 60%.

Table 3. Financial literacy of the population

Years	Number of bank customers (million people)	Online banking users (%)
2019	8,5	35%
2020	9,7	42%
2021	11,2	50%
2022	13,0	58%
2023	15,5	65%
2024	18,0	72%

Competition creates the following advantages in the banking sector:

- ✓ Increases the quality of services - convenient opportunities for customers appear;
- ✓ Leads to a decrease in interest rates - loan and deposit conditions improve;
- ✓ Encourages the introduction of innovations - mobile banking, digital payment systems develop.

Table 3 above shows the financial literacy of the population, that is, the number of bank customers and online banking users. The data in the figure shows that in 2019, the number of bank customers was 8.5 million, and online banking users were 35%. In 2024, the number of bank customers was 18.0 million, and the number of online banking users was 72%. From this, we can say that the majority of bank customers use online banking services.

During our dissertation work, we will analyze the profitability indicators of non-traditional banking services and new types of banking services of JSCB "Sanoatqurilishbank".

We can see the implementation of digitalization and technologies at JSCB "Sanoatqurilishbank" in the development of the bank's digital services, mobile applications, internet banking services, and the improvement of the online payment system. JSCB "Sanoatqurilishbank" is currently offering new services for corporate and personal clients, such as credit cards, special solutions for business, and other new services.

Figure 1 below shows the Commission income of JSCB "Sanoatqurilishbank" for 2015-2024. In 2015, Commission income amounted to 121 billion Soums, Commission expenses amounted to 27.2 billion Soums, and Net Commission income amounted to 93.8 billion Soums. In 2024, we can see that these indicators, Commission income amounted to 570.2 billion Soums, Commission expenses amounted to 130.1 billion Soums, and Net Commission income amounted to 440.1 billion Soums.

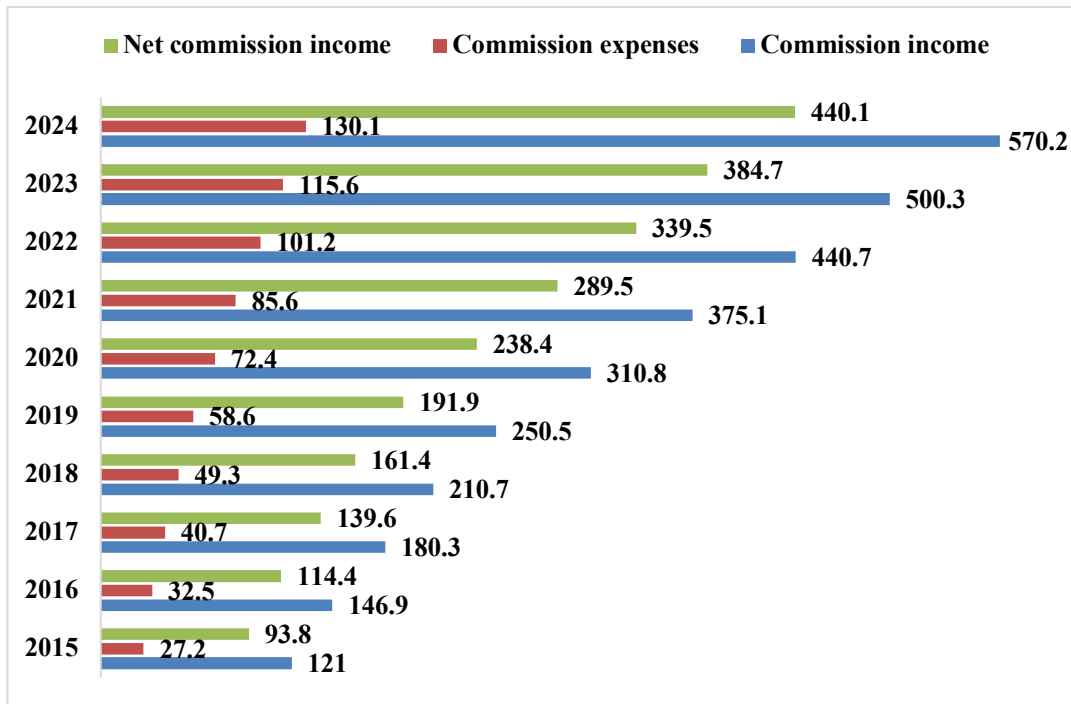


Figure 1. Commission income of JSCB “Sanoatqurilishbank” for 2015-2024. (billion soums)²

One of the non-traditional services of JSCB “Sanoatqurilishbank”, currency transactions, is presented in Figure 2. From the data in this figure, we can see that in 2015, this commercial bank received 50 billion soums in income from foreign exchange, and 8.6 billion soums in income from foreign exchange operations. In 2024, the commercial bank received 190.5 billion soums in income from foreign exchange, and its income from foreign exchange operations increased by 40.7 billion soums.

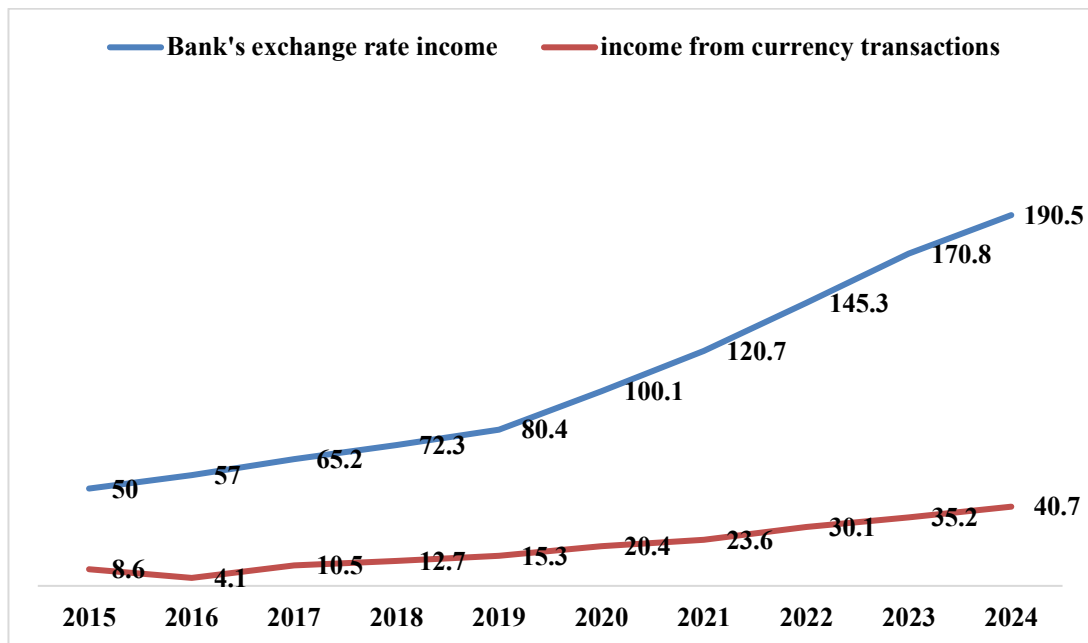


Figure 2. Income from foreign exchange operations of JSCB “Sanoatqurilishbank” for 2015-2024. (billion soums)³

² Prepared by the author based on data from the reports of JSCB "Sanoatqurilishbank".

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One of the non-traditional services of JSCB “Sanoatqurilishbank” is currency transactions, which are presented in Figure 2. From the data of this figure, we can see that in 2015, this commercial bank received 50 billion soums of income from foreign exchange, and 8.6 billion soums of income from foreign exchange operations. In 2024, the commercial bank received 190.5 billion soums of income from foreign exchange, and its income from foreign exchange operations increased by 40.7 billion soums.

JSCB “Sanoatqurilishbank” uses innovative technologies such as Blockchain, big data, and artificial intelligence.

JSCB “Sanoatqurilishbank” provides financial products for green financing and sustainable development and implements projects in this area.

From the data in Table 4 below, we can analyze that the income of JSCB “Sanoatqurilishbank” through the mobile application amounted to 5.2 billion soums in 2015, and in 2024 it amounted to 200.5 billion soums. The bank's income from mobile applications is growing year by year. We can see that this indicator has grown very high from 2015 to 2016, by 88.5%. We can see that it has grown by 32.9% from 2023 to 2024.

Another type of banking service that brings income to commercial banks is international money transfers. Previously, sending money abroad through the international money transfer system was possible only if foreign currency funds were presented in cash. This situation created certain difficulties for customers.

Taking into account the wishes and suggestions of customers and today's requirements, the rules for using the international money transfer system in the system of JSCB "Sanoatqurilishbank" have been further simplified and additional conveniences have been created.

Table 4. Revenues received by JSCB “Sanoatqurilishbank” through the mobile application for 2019-2024. (billion soums)⁴

Years	Revenues from mobile applications Billions of Soms	Year-on-year growth rate %
2015	5,2	-
2016	9,8	88,5
2017	15,3	56,1
2018	23,7	54,9
2019	35,4	49,4
2020	52,1	47,2
2021	75,9	45,7
2022	110,3	45,3
2023	150,8	36,7
2024	200,5	32,9

⁴ Prepared by the author based on data from the reports of JSCB "Sanoatqurilishbank".

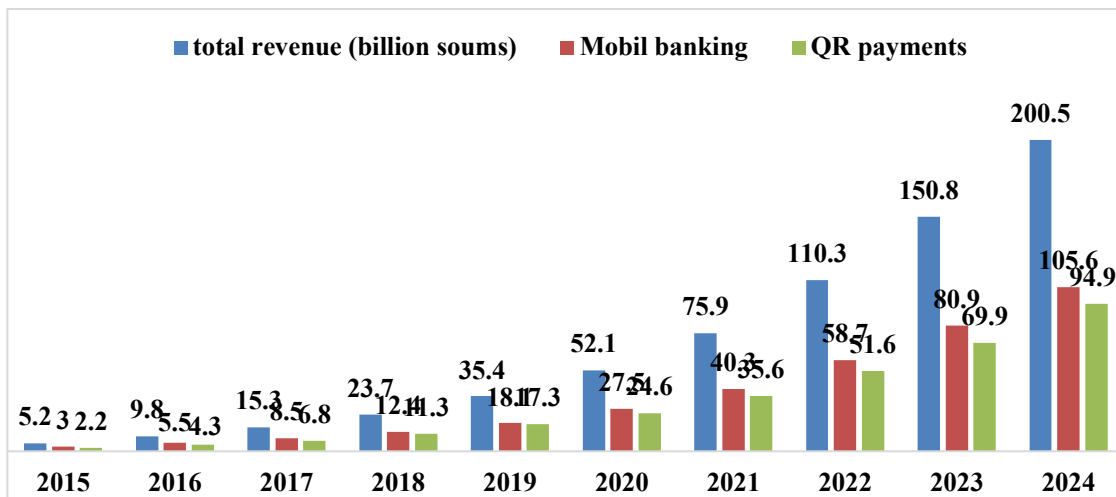


Figure 3. Total revenue generated by JSCB “Sanoatqurilishbank” through the mobile application by direction, billion Soms (2015-2024)⁵

Figure 3 above shows the total revenue of JSCB “Sanoatqurilishbank” through the Mobile application by direction for 2015-2024. In 2015, the bank’s total revenue from the mobile application amounted to 5.2 billion Soms, of which 3 billion Soms were earned from the Mobile banking service, and 2.2 billion Soms from QR-payments. In 2024, the total revenue of JSCB “Sanoatqurilishbank” through the mobile application amounted to 200.5 billion Soms, of which 105.6 billion Soms were earned through the mobile banking service, and 94.9 billion Soms from QR-payments. This shows that the Bank’s customers are increasingly using Mobile banking and QR-payments.

Conclusions and suggestions

The rapid development of digital technologies and their software - reducing costs and improving quality in the market of banking products and services - has led to a further increase in the popularity of banking services. It is a fact that modern smartphones and tablets can perform tasks that were previously possible only on the basis of computer technology, and these capabilities are being mastered by people very quickly. Such achievements of the development of information and communication technologies are widely used in the banking sector, as in other industries. These changes certainly justify the need for digital transformation in banking practices and standards.

An online survey was conducted to realistically identify existing problems in the practice of operating commercial banks and to study the attitude of the population to modern banking services. According to the results of the survey, problems associated with banking services and their digitalization were identified and analyzed.

While the transition from various legacy banking systems to a modern, digitally connected environment is difficult, the change requires significant investments in the necessary applications, special processes, integration with external systems, security and technical maintenance.

In general, banks must fully understand the need for digital transformation in the banking sector if they do not want to be left behind by the evolution of digital technologies. Many bank customers seek to avoid problems, they trust the bank that provides convenient and profitable offers. That is why the satisfaction and trust of each customer is considered important. Therefore, ways to use customer experience to further improve banking services were analyzed.

⁵ Prepared by the author based on data from the reports of JSCB "Sanoatqurilishbank".

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