

The Market Of Retail Banking Services In Uzbekistan And Its Prospects

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Abstract: This article is about a market of retail banking services in Uzbekistan and its development. It covered the practical significance of retail banking services, analyzes the current state and ways to improve it.

Index Terms: Banking, credit cards, deposits, market, retail banking, savings, plastic cards.

1. INTRODUCTION

Development of market relations created a necessity of a two-step banking system. Like any organization, the bank strives to sell its services and stay competitive in the market. In modern market, economies, credit institutions create and introduce new services and products to the public. Provision and implementation of retail banking services to the population is one of the promising directions of banking activity. This is especially true in regions where solvency is growing and markets are poorly developed. Retail banking is one of the most profitable businesses for today's banks. The attractiveness of retail banking services is due to the fact that almost all corporate clients are covered by banking services and due to the intensity of competition in this market segment. Deposit operations with the individuals provide the bank with permanent resources, while credits provides permanent income. The period of loans and the differentiation of loans according to customers also diversify the credit risks. The development of the retail banking market depends on geographical, ethnic, economic and political factors comparing to other banking segments, and also the market of these banking services varies from country to country. Therefore, the management and development of this market requires an in-depth study of these factors and an analysis of the market development trends. In recent years, the President has been paying a great attention to this sector. In accordance to the Decree of the President of the Republic of Uzbekistan "The Strategy of Action for the Further Development of the Republic of Uzbekistan", a strategy of action on five priority directions of development of the Republic of Uzbekistan for 2017-2021 years has been developed. The third of these five priority areas is aimed at further development and liberalization of the economy, which includes banking system reform, deepening and enhancing the capitalization of banks' deposit base, strengthening their financial stability and reliability, further expanding credits to promising investment projects and small businesses and entrepreneurship,

expansion and improvement of quality through new types of insurance, leasing and other financial services, attraction of capital and development of the stock market as an alternative source of allocation of free resources of enterprises, financial institutions and the population. In this regard, the President Mirziyoev emphasized further develop the banking system in the country, to strengthen public and foreign investors' confidence in the banking system, to protect the rights and legitimate interests of consumers of banking services, to introduce new types of banking services[1,2,3]. The development of this network for retail customers is based on improving the quality of services and expanding the range of services offered. The importance of this sector to the banking system and the government is due to the fact that, under any economic conditions, operations for individuals are ensured by sustained and growing returns to the bank. It is also important to take into account that the growth potential of individuals is much higher than that of corporate clients, so it is necessary to develop the market of retail banking services and to create demand for banking services among the population.

2 METHODS OF RESEARCH

Today, many economic publications have found insights into banking services, products and operations. As we look at the theoretical basis of these concepts, Economic Scientists Y. Korchagin, I.O. Lavrushin, G.N. Beloglazova, A.M. Tavasieva, S.V. Galitskaya, A.N. Ivanov, D.J. Sinki, and others have shared their insights on banking services, products and operations[4,5,6,7,8,9,10,11]. Most Russian economists refer to bank products as credit products issued by banks, that is, payment instruments. They enter a specific banking document, ie payment instruments and certificates, designed by banks for banking operations and customer service. Such documents include bills of exchange, checks and any certificate. These economists also consider banking services to be primary and banking products to be secondary, and say that method of banking products management is banking products. The banking products include: services, operations, documentation and technology. Based on the foregoing, banking services can be understood as banking activities to meet a particular customer's needs.

3 ANALYSIS AND RESULTS

Today, a major step in the development of retail banking services is the Resolution of the President of the Republic of Uzbekistan dated March 23, 2018 No PP-3620 " Additional Measures to Increase Banking Accessibility." Adoption of this resolution has facilitated the rapid development of this sector in our commercial banks. With the adoption of this resolution,

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the commercial banks paid great attention to the retail banking services. As a result of the introduction of free trade operations of foreign currency which is a type of retail banking operations, commercial banks have been offering these operations to individuals in the last two years, as a practical analysis of currency trading transactions. We can see this in the table below. The table below shows that the commercial banks of the country performed 4 344 325 foreign currency purchases in 2018 compared to the beginning of the year, and by 2019 the volume of transactions increased by 2.5 times and amounted to 11,244,530.

Table 1. The amount of foreign currency purchased and sold by commercial banks from individuals

Period	The operations		(US Dollars)	
	Number	Amount	100 USD	100-300 USD
Foreign currency purchased from individuals				
2017	4 344 325	862,3	217,7	185,8
2018	11 244 530	2 695,2	591,5	560,2
Foreign currency sold to individuals				
2017	136 682	185	0,5	20
2018	362 659	974,7	1,7	84,8

Along with the sale of foreign currency by individuals to banks, their operations related to the purchase of foreign currency have been developed. If in 2015, \$ 185.0 million of foreign currency was purchased by individuals, then by 2018 this figure would be \$ 974.7 million, almost four times higher. The number of operations carried out doubled and amounted to 362,659. When analyzing the retail banking services market, along with foreign exchange operations in banks, we can also see the development of retail services related to attracting free funds of the population to commercial banks. It is important to focus the population on the formation of long-term deposits, which will be effectively implemented by the retail banking business in 2018. At the same time, the structure of attraction of funds is optimized by the introduction of new types of deposits along with the existing line of deposits.

Table 2. Deposits of the population in commercial banks and their change. (as of January 1)

	2015	2016	2017	2018	2019
Deposits of the population, trillion soum	6,0	6,9	8,5	12,1	14,7
In relation to GDP %	3,4	3,3	3,5	4	3,6
In relation to total deposits %	21,6	19,4	22,8	20,3	21
In relation to bank liabilities %	13,1	12,0	11,9	10,3	7,8

As can be seen from the above table, deposits of the population in commercial banks tend to grow over the analyzed period. At the beginning of 2015, the volume of deposits in commercial banks amounted to 6 trillion soums, and by the beginning of 2019 this figure increased 2.4 times and made 14.7 trillion soums. Credit services also play a major role in the structure of services provided by commercial banks to individuals. The table below shows the practice of lending to individuals in the retail banking services market.

Table 3. Loans provided by commercial banks to individuals

	(as of January 1)	
	2015	2016
Total loans, billion soum	6 568	8 923
In relation to total loans %	18,5	20,9
In relation to total assets %	12,6	13,7
In relation to GDP %	3,7	4,2

The volume of loans provided by commercial banks to individuals has been increasing year by year. Despite the increase in the volume of loans to individuals, their share in the total volume of loans has not increased significantly. The share of total assets decreased by 1.2% in early 2019 compared to 2015.

Commercial banks are successfully operating in the money transfer market. Currently, several international money transfer systems are offered to customers. Contact, Bizko, Western Union, Uni Stream, Zolotaya Korona and Asia Express will provide more convenience for users of money transfer from this region. This is the actual status of these services in the example below, as a separate commercial bank.

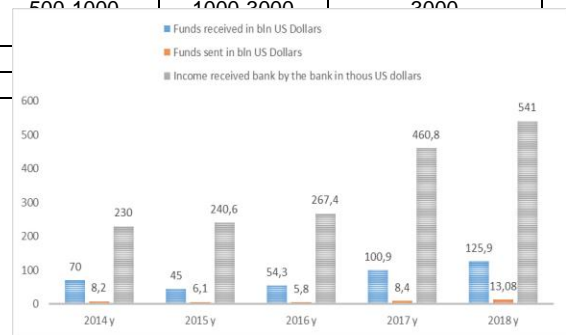


Fig.1. Dynamics of remittances by international money transfer at JSCB "Kishlok kurilishbank"

As the picture shows, the scale of these services at JSCB "Kishlok kurilishbank" has been increasing over the years. Increasing the amount of remittances and remittances will increase the amount of revenue earned on them. At the same time, as the demand for money transfers is increasing due to the speed, security and affordability of services, the development of servicing individuals through these systems remains one of the priorities of banks. Expanding regional coverage will result in a significant increase in profitability as a result of maintaining the development dynamics. With the introduction of information technologies into banking services, remote banking services become the main types of services today.

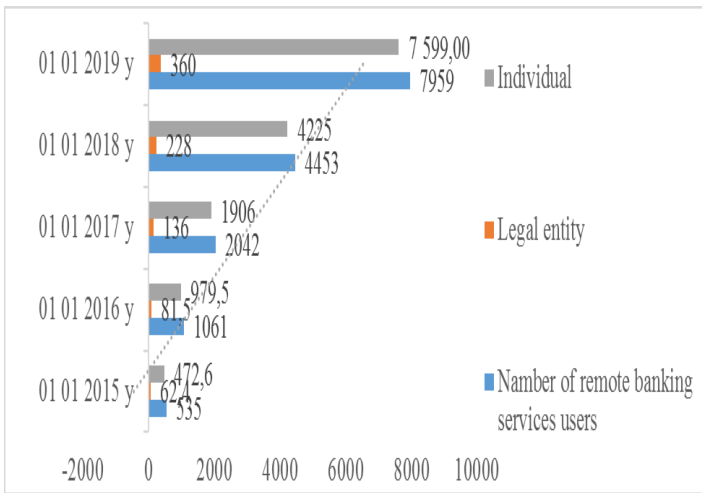


Fig.2. Number of remote banking services users in Uzbekistan (in thousands)

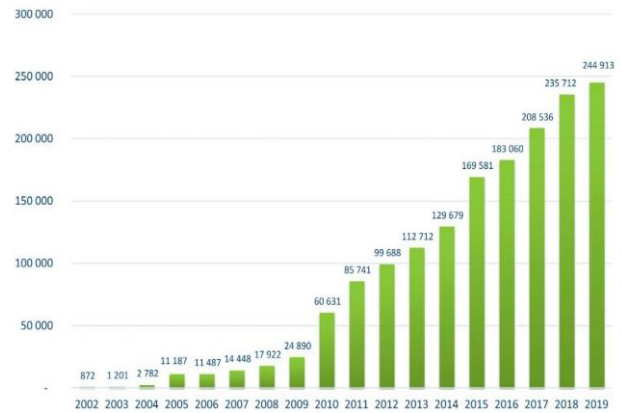


Fig.4. The total number of terminals installed by commercial banks

The analysis shows that the majority of banks' users are individuals. However, most individuals still use SMS Banking and Mobile Banking. Improvement of existing legislation in the framework of measures for further development of cashless payments system, the decision of PP-2751 "Creation of favorable conditions for further development of cashless payment system based on the bank plastic cards" of the President of the Republic of Uzbekistan dated February 2, 2017 allowed further development of activities related to this type of retail banking services.

Despite the development of this banking service in recent years, the majority of plastic cards are debit cards, and credit card operations are still relatively weak compared to foreign countries. Also, the practice of managing the assets of foreign individuals and securities services is not practiced in our banks.

4 CONCLUSION

Although a conclusion may review the main points of the paper, do not replicate the abstract as the conclusion. Studying the market of retail banking services in Uzbekistan and its practical situation can make the following conclusions:

- Retail banking is one of the most profitable businesses for today's banks, and its development is one of the priorities.
- A sufficient legal basis has been created for certain types of retail banking services. This legal basis is of great importance in the development of this area
- The volume of services rendered in the market of services of commercial banks of the Republic of Uzbekistan has a yearly dynamics. However, some banking services have drawbacks compared to developing countries. As the main task of our commercial banks today is to increase the popularity of retail banking services and further improve these banking services, the bank should work towards the following objectives:

1. Integrating and automating the process of delivering retail banking services
 2. Development of a modern sales strategy
 3. Expanding the scope and quality of retail banking services
- By modifying banking services rendered to the population by banks in the current period, the creation of new banking services can usually be done by changing the terms of their current services in order to increase their attractiveness. These conditions may include the following: changing interest rates, deposits and maturity dates. It can also be done by changing the types of services.

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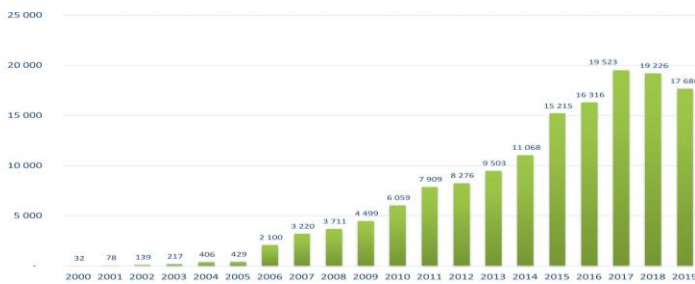


Fig.3. Total number of plastic cards issued by commercial banks

During the period 2000-2019, commercial banks issued 17,686,000 plastic cards, and installed 24,4913,000 terminals in trade and service points.

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