



Ways to Improve Banking Innovations

Khodjimamedov Akmal Ashurovich

Independent researcher at the Samarkand Institute of Economics and Service

Abstract: Today, in the context of digitalization of commercial banks, one of the important tasks is to organize banking innovations and improve them using existing opportunities. The article describes ways to develop, implement and improve banking services, which is a key element of the development of banks today in the context of digitalization of the economy. As a result of the study, the problems of using digital technologies in banks were studied, and promising areas for their solution were identified. The views of leading scientists on improving banking innovation were analyzed. Also, proposals and recommendations for improving banking innovation in the context of digitalization of the banking system were formed.

Keywords: banking, innovation, digitization, transformation.

Date of Submission: 19-03-2022

Date of Acceptance: 30-4-2022

Introduction

It is known that in the context of globalization of the world economy, innovation plays an important role. In the economic literature, there is the concept of "Innovation-information system", which expands the possibilities of interaction between human and information resources, through which innovations grow and the system develops. Innovations are widely used in all sectors of the economy, which opens up additional opportunities. In particular, it accelerates the process of digitization in the banking system and improves the scope and quality of services.

In order to effectively introduce and implement innovations, banks need to develop a long-term strategy of targeted work in this area and set clear goals and objectives for the three types of innovations. Without a plan to digitize internal processes, it is impossible to work effectively with technological innovations. To ensure the speed required to bring new innovative products to market, which is a key factor in product innovation, it is necessary to build partnerships and ensure that people develop the skills they need. In creating business models, attention should be paid to increasing non-bank sources of income using innovations [1].

The central bank can have a positive impact on these processes by continuing to create a conducive environment for commercial banks to innovate and actively support financial infrastructure, including non-traditional institutions for the banking sector, such as accelerators and business incubators.

Literature review

The classic definition of innovation was given by P. Druker and B. Santo. According to them, "innovation is an instrument or tool by entrepreneurs to launch a new business or service" [2]. B. Santo recognizes that innovation leads to the best of inventions through the practical application of

ideas in social, technical, economic processes, thereby increasing its potential for profit in the market [3].

According to I. Balabanov, "Bank innovation has its own characteristics and is carried out in the form of a new banking product or operation" [4].

According to Lavrushin, "Bank innovation is a synthetic concept that helps to generate revenue or benefit from partner customers in the process of creating favorable conditions for the formation and deployment of new banking products and services, resource potential" [5].

M. Tangishov also acknowledges the need to organize fast, high-quality, low-cost and secure payments by commercial banks on the basis of an innovative approach to improving the quality of banking products in the activities of commercial banks [6].

It should be noted that despite the fact that a lot of ideas have been given about the socio-economic nature of innovations and banking innovations in particular, there are some difficulties and shortcomings in the implementation of these processes. Therefore, one of the important tasks facing economists is to scientifically substantiate the development of banking innovations. In our opinion, banking innovation as a tool of high importance in terms of economic growth, using new technologies, is a set of convenient, compact, popular services provided by the bank to its customers.

Research methodology

In this article, foreign and domestic economists

banking innovations in the activities of enterprises and their scientific works dedicated to the development of the digital economy. In the analysis of the data of the Central Bank of the Republic of Uzbekistan and commercial banks, the methods of grouping, comparative analysis and sample observation of statistical data were used. As a research methodology, the methods of comparative analysis of the literature, logical and structural analysis, grouping and comparative comparison were used.

Analysis and results

In the context of the digital economy, banking innovations are creating the basis for the creation of new products and services, the mass opening of new branches and service centers. This has led to positive changes in the model of banking services. As a result, the system is improving in terms of quality and opening up new possibilities.

The term "digitization" refers to the digitization of information. In business, however, digitalization means two types of change in operating models: The first is the digitalization of communications; the second is the automation of continuous operations. These changes are closely related.

The banking sector of the Republic of Uzbekistan, like the banking sector in developed countries, is moving forward. Service models are changing significantly as a result of the development of digital technologies (artificial intelligence, blockchain, R2R lending), as well as the integrated network economy. Barriers to the entry of non-bank participants into the sector are decreasing year by year, and telecommunications and IT companies, based on their powers, are expanding the integration of financial services and products into the banking sector.

The demand for bank innovations is largely determined by its customers. The main requirements of consumers are to reduce the time of banking operations, their ability to work 24/7, more convenient use of banking products and services, increase access to banking services and other services using a single banking interface. These requirements stimulate the development of innovations in the bank.

Today, the pace of development of new technologies, ideas and models is very high, so the main factors in maintaining competitiveness and customer retention are the quality of services and the speed of their marketing.

The banking sector is a driving force for the introduction of digital and technological innovations and a supplier of personnel to other industries. Large commercial banks undergoing digital transformation will have the opportunity to expand the range of services provided under the system they have created. Medium and smaller banks, on the other hand, become segmented participants outside the systems of large banks. Non-bank participants (telecommunications and IT companies) are increasingly providing financial services and becoming full competitors of traditional banks [7]. Customers, in turn, will have the opportunity to receive additional services in the field of telecommunications, retail, education, health in service banks. The proposals will be privatized, and the speed of banking operations will be significantly increased (Figure 1).

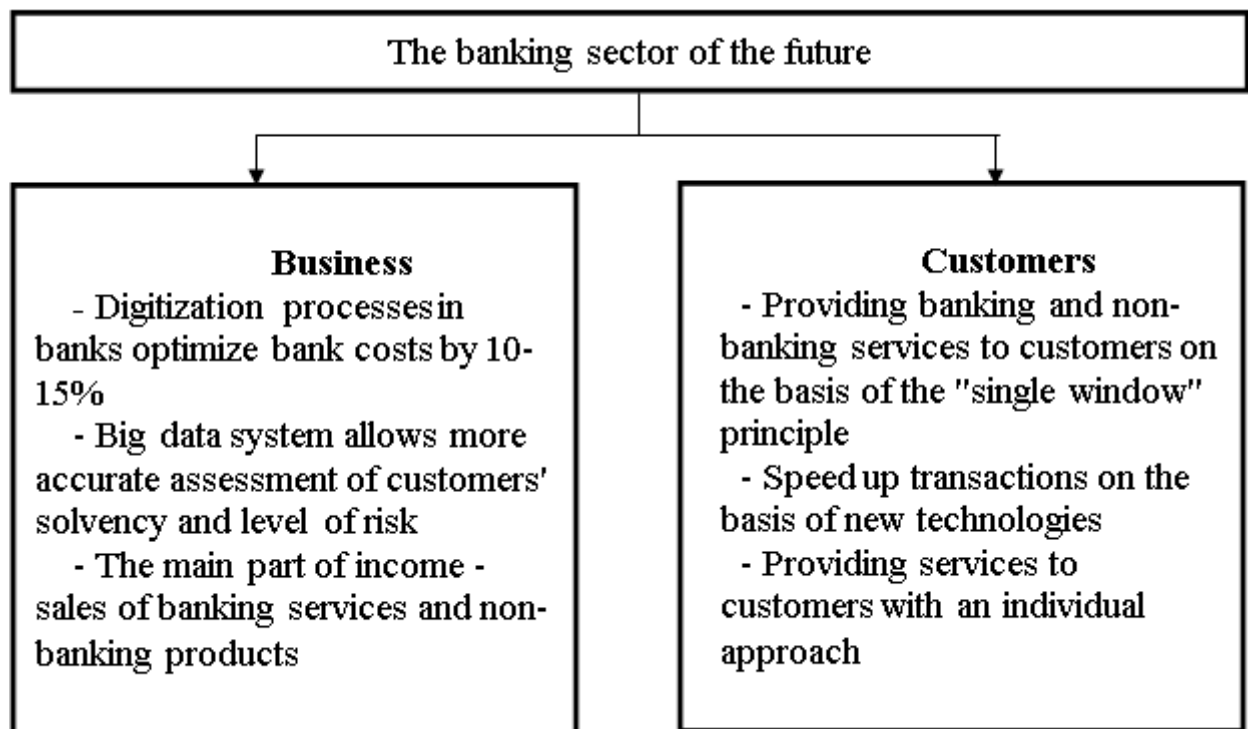


Figure 1. View of the targeted development of the banking sector *

* Developed by the author

As a result of the increase in the number of financial technology companies and non-bank organizations, competition in the industry is growing. As a result, the level of profitability of traditional banking services is declining and market participants are faced with the problem of finding new sources of income. We believe that the new source of revenue may be in innovative products created in collaboration with digital banking products and IT companies.

Favorable conditions are being created in Uzbekistan for the digital transformation of the banking sector. As a result, the number of customers using remote service channels is growing from year to year. The number of users of mobile and Internet banking services in the country as of January 1, 2019 amounted to 7,959.1 thousand, while as of January 1, 2021, this figure almost doubled and amounted to 14,571.1 thousand [8]. However, the coverage of remote banking services in our country still lags behind the coverage of the Internet. This means that there is still potential and opportunity to significantly increase the level of coverage with remote banking services. Many

factors contribute to the acceleration of the digitalization process in the customer service of commercial banks in Uzbekistan. Including an increase in internet coverage.

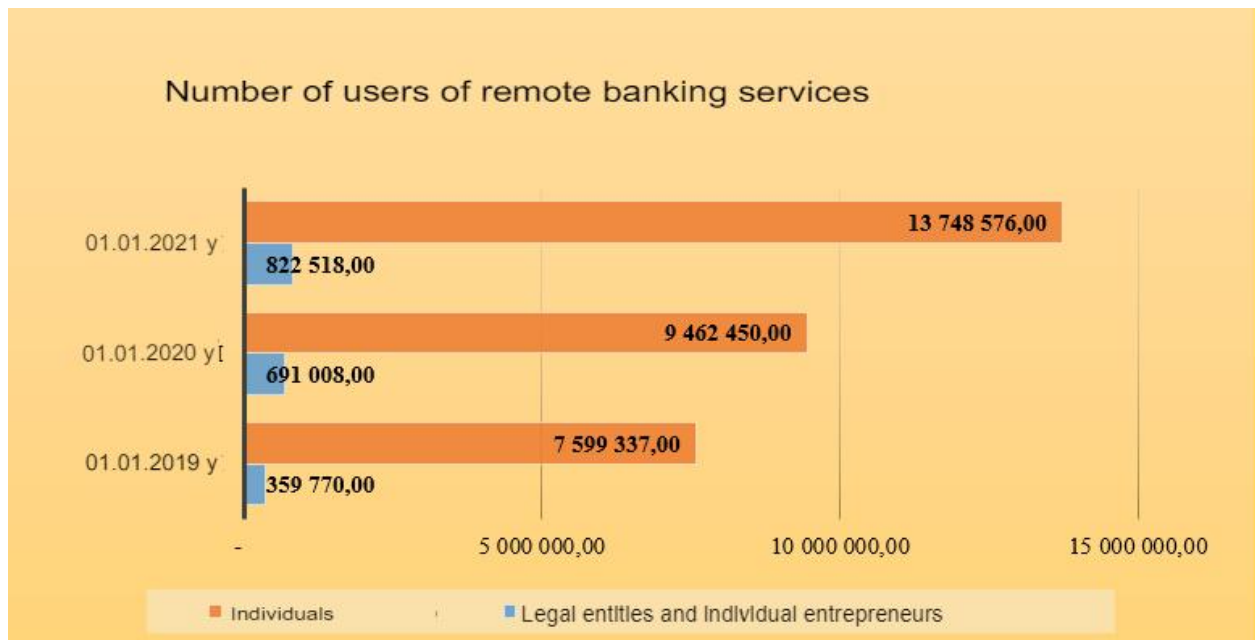


Figure 2. Number of users of remote banking services *

* Data of the Central Bank of the Republic of Uzbekistan

Modern, convenient mobile and online applications with a wide range of functionality are widely used in our country today. The provision of mobile applications to customers by the banks of the Republic allows them to carry out banking operations along with the banks of developed countries. Depending on the service area, the majority of customers use 50% of remote banking services (including 15% internet banking, 10% mobile banking and 32% both platforms). In today's digital economy, the provision of banking services with the help of new technologies is already a key requirement of the time.

The innovation of banking services is based on technological and digital trends such as big data analysis, advanced analysis, artificial intelligence, and blockchain, which allows transactions to take place without the involvement of intermediaries. It is with the help of new innovative technologies that services, opportunities and services with new commercial potential are being created. This eliminates the need for legal entities and individuals to participate in the provision of traditional banking services and allows them to use the necessary services through the online system.

The main goal of creating innovative services in banks is to attract new customers, meet their needs and requirements, while retaining existing customers. Nowadays, opening a bank account does not take as long as issuing a bank plastic card, and one bank can perform these operations in one business day. Interbank transactions, including money transfer operations, take place in minutes. The increase in the speed of these operations has led to an increase in confidence in the bank, creating convenience for customers.

That is why banks are trying to produce new modern innovative products to retain customers and attract new customers. In this regard, many banks are trying to increase the number of applications that allow you to apply online, remotely manage your account balance, increasing the range of remote services to significantly reduce their visits to the bank, for the convenience of customers. Banks are able to identify customers remotely based on their biometric data. As a result, when

opening a new account in the bank, it is possible to conclude a contract between the client and the bank remotely.

It is considered necessary for banks to regularly use new ideas and new technologies to increase the volume of innovative services. In order to offer new ideas and services with commercial potential, commercial banks need to constantly study and analyze key factors such as continuous monitoring of trends, identification of customer demand. In addition, the speed of bringing new products and services to market is crucial for the development of product and service innovation: the faster a bank brings new innovative products and services to market, the more competitive advantages it will have. Banks can accelerate the process of bringing their products and services to market by cooperating with IT companies.

The main goal of the digital transformation for commercial banks is to reduce costs and speed up operations. Digitization of traditional banking services will reduce the cost of selling goods and services in new branches by 40-60%.

One of the most important areas of innovation development is the development and implementation of innovative solutions, outsourcing innovations and other forms of cooperation with IT companies.

Companies that collect information about users and provide them to assess their creditworthiness and solvency are becoming important partners of commercial banks. The signing and implementation of such cooperation agreements by each commercial bank will increase the benefits in this area.

Conclusions and suggestions

Innovative development of the banking sector depends on a number of important factors. Banks need to review their strategy and set further development directions. Most likely, for large banks, this is a full-fledged digital transformation associated with the subsequent transformation and creation of business processes in the form of a system. For other banks that do not have sufficient capital, the best solution may be to provide basic services based on foreign investment.

For every bank to work with innovations, a favorable environment must be created within it. This can be achieved through:

1. Define a clear strategy and result-oriented goal. A digital transformation program should include the following elements: ambitious goals, the process of creating and developing new business models, a clear calculation of program implementation costs, digitalization measures, and identification of risks arising from digital transformation [4]. Therefore, the strategy should include a development plan for three types of innovation: product, process, and business model innovation.
2. Concluding cooperation agreements. Develop cooperation with banks, financial technology companies, non-bank organizations, telecommunications and IT companies. It can also serve as a regulator in creating favorable conditions for the development of innovation through active cooperation with the Central Bank. Banks need to carefully monitor and evaluate projects in the startup market, identify the most promising and purchase them, or establish strategic partnerships with them.

In short, a digital bank can be understood as a bank where most of the products and services are provided in digital (electronic) form. At the same time, its customers mainly use digital channels in daily communication with the bank. The infrastructure of such a bank is optimized for real-time digital interaction and implies a high rate of technological change.

References:

1. Megargel A., Shankararaman V., Reddy S. K. Real-time inbound marketing: a use case for digital banking /Handbook of Blockchain, Digital Finance, and Inclusion. Academic Press, 2017. P. 311–328.
2. Друкер П. Бизнес и инновации. / пер.с.англ. –М.:ИД «Вильямс», 2009. – 432 с.
3. Санто Б. Инновация как средство экономического развития. – М.: Прогресс, 1990.
4. Банковский менеджмент. Учебник / Под ред. д.э.н., проф. О. И. Лаврушина. 3-е изд., перераб. и доп. М.: КноРус, 2016.
5. Викулов В.С. Концептуальный подход к разработке инновационной стратегий коммерческого банка // Финансовый менеджмент. 2018. №5. С. 106–121.
6. Тангишов М. (2015). Инновацион банк маҳсулотлари: банклар учун энг долзарб масала. //Бизнес-эксперт. №6(90).
7. Абдрахманова Г. И., Вишневский К. О., Гохберг Л. М. и др. Что такое цифровая экономика? Тренды, компетенции, измерение: доклад к XX Апр. междунар. науч. конф. по проблемам развития экономики и общества, Москва, 9–12 апр. 2019 г. М.: Издательский дом НИУ ВШЭ, 2019. 82 с.
8. Mujinga M., Eloff M. M., Kroeze J. H. System usability scale evaluation of online banking services: A South African study // South African Journal of Science. 2018. Vol. 114. No. 3/4. URL: <https://doi.org/10.17159/sajs.2018/20170065>.
9. Марказий банкнинг Статистик бюллетени – 2021 йил. URL: <https://cbu.uz/upload/medialibrary/9c4/Markaziy-bankning-statistik-byulleteni-2021-yil.pdf>