

IMPROVING THE SYSTEM OF PROVIDING BANKING SERVICES TO THE POPULATION IN UZBEKISTAN

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Annotation:

This article discusses ways to improve the services provided by commercial banks to the population, their quality and types.

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Today, in the context of the ongoing global political and economic situation, the economic growth rate of Uzbekistan is projected at 5.6-5.8 percent in 2023-2024 and 6.2-6.4 percent in 2025-2026, respectively. The International Monetary Fund forecasts that global inflation will fall from an average of 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024 as a result of measures taken by central banks around the world to combat rising inflation. As a result of the above, the inflation rate in Uzbekistan is expected to decline from 12.3 percent in 2022 to approximately 9.0 percent in 2023. Thus, according to forecasts, Uzbekistan's economy is expected to grow by 5.6-5.8 percent in 2023-2024 and up to 6.2 and 6.4 percent in 2025-2026, respectively.¹ 2023, GDP growth is expected to be 5.5 percent, and by 2024 this figure will be around 5.5-5.6 percent.

Table 2
Growth rate of gross domestic product of Uzbekistan.² (in percentages)

International Monetary Fund (October 2023)	5,5	5,5	x	X
World Bank (October 2023)	5,5	5,6	5,8	X
Asian Development Bank (April 2023)	5,5	5,5	x	X
National forecasts	5,6-5,8	5,6-5,8	6,2	6,4

As a result of reforms aimed at liberalizing the economy in our country, stable rates of economic growth (5.6-5.8 percent) were achieved in 2023.³ In these processes, the growth of incomes of the population and its high level of well-being are of great importance for each country. To do this, consider the share of household savings as part of cash inflows.

¹ Budget of the Republic of Uzbekistan. 2024 - 2026 T.: 2023.5 p.

² Calculated based on reports from the International Monetary Fund and the World Bank for October 2023. Budget. 2024 - 2026 T.: 2023. 8-p.

³ cbu.uz. According to the official website of the Central Bank of the Republic of Uzbekistan

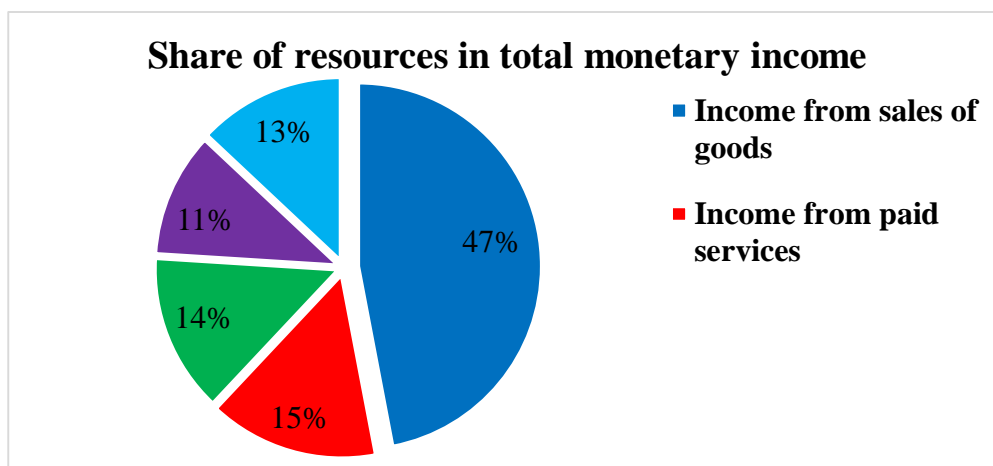
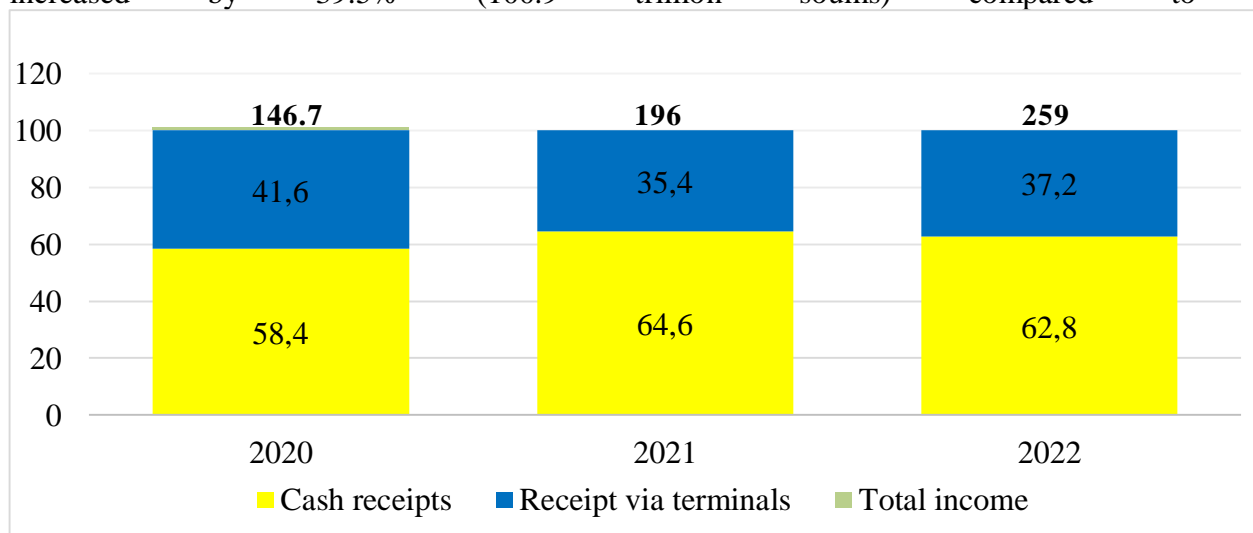


Figure 1. Share of household savings in cash receipts⁴

Banking services, some theoretical, methodological and practical aspects of banking services to the population were discussed by foreign economists and found expression in the scientific works of G.L. Avagyan, G.N. Beloglazova, D.K. Van Horn, E.P. Kozlova, E. N.Galantnoy, G.G. Korobova, O.I. Lavrushina, D.M. Naughton, J. Sinkey and these economists paid more attention to the types of banking services and their application. Professor Sh.Z. Abdullayeva drew attention to the area of increasing modern types of services provided by commercial banks to legal entities and individuals, and a positive process is the use by commercial banks of their capabilities to remotely serve clients and carry out electronic cash payments, which at this stage drew attention to the need to develop a system for remote management of customer accounts in commercial banks⁵, Z.T. Mamadiyarov and Z.Z. Khudoyberganova emphasized the need for further development of remote banking services in the banking system, increasing public confidence in banking services by increasing their diversity, as well as ensuring the speed of banking service.⁶

Kh. A. Khudoyarova drew attention to the need to develop online and retail services of commercial banks, strengthening an innovative approach to processes related to such services.

It should be noted that in 2022, the issuance of cash at bank cash desks (including ATMs) increased by 39.5% (100.9 trillion soums) compared to 2021.



⁴ cbu.uz. According to the official website of the Central Bank of the Republic of Uzbekistan.

⁵ Sh. Z. Abdullaeva. Banking. T.: "ECONOMICS-FINANCE" 2017. 533 p.

⁶ Mamadiyarov Z.T. Development of remote banking services in commercial banks. Abstract of the dissertation of the Doctor of Philosophy (PhD) in Economics. T.: 2019. 12 p.

Figure 3. Provision of banking services to the population by cash flow (trillion soums)

Another aspect is that when calculating the total cost of credit (TCC), the bank uses the sum of the basic indicators for that day. Banks calculate TCC using software tools. TCC is calculated using the following formula:

$$S = \sum_{i=1}^m \frac{P_i}{(1 + APR)^{t_i/365}} \text{ бунда,}$$

Here,

S — the amount of credit (microloan) provided by the creditor to the debtor;

P_i — the amount of the next payment that the client sends to repay the loan (microloan); (P_i represents the cash flows on the loan amortization schedule);

APR — the total cost of credit (TCC) (microloan);

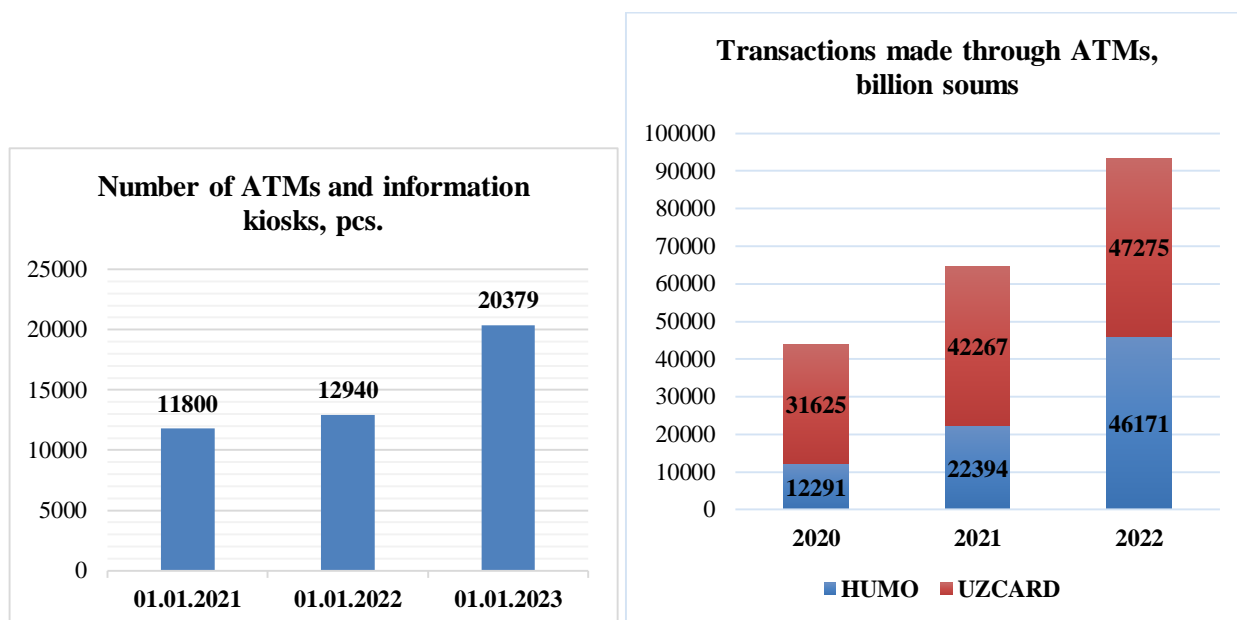
m — the number of payments that the client makes to repay the loan (microloan);

i — number of the client’s next payment order to repay the loan (microloan);

(For example, if the consumer makes monthly payments according to the amortization schedule and the current payment falls on the 5th month, then i is equal to 5).

t_i — the period from the date of disbursement of the loan (microloan) until the next payment sent by the client for repayment.⁷

The number of bank cards in circulation in Uzbekistan in 2022 increased from 27.1 million to 34.2 million. The table above shows that as of September 1, 2023, the number of bank cards in circulation is 40 million. In recent years, the number of ATMs and information kiosks in the country has grown by 57% and, as of January 1, 2023, reached more than 20,400. It is noted that in 2021, the share of transactions carried out at Humo ATMs in the volume of transactions carried out through ATMs will increase from 35% to 49%.



⁷ Resolution of the leadership of the Central Bank of the Republic of Uzbekistan dated October 4, 2018 "On the minimum requirements for the activities of commercial banks when carrying out relationships with consumers of banking services."

Figure 5. The number of ATMs, information kiosks installed on the territory of our republic and transactions made through ATMs.⁸

As a result of improving the system of remote banking services for the population, the number of bank cards has increased several times from 27.1 million in 2021 to 2022. Today's problems in the banking services market are that competition between banks is very invisible, banks' marketing plan does not pay due attention to competitive conditions, stringent requirements for the quality of banking customer service are not fully met, banks' efforts to take measures to retain and expand customers, and most importantly, trust in the banking system is one of the important issues. Among residents' requests, you can see issues awaiting resolution regarding banking services.⁹

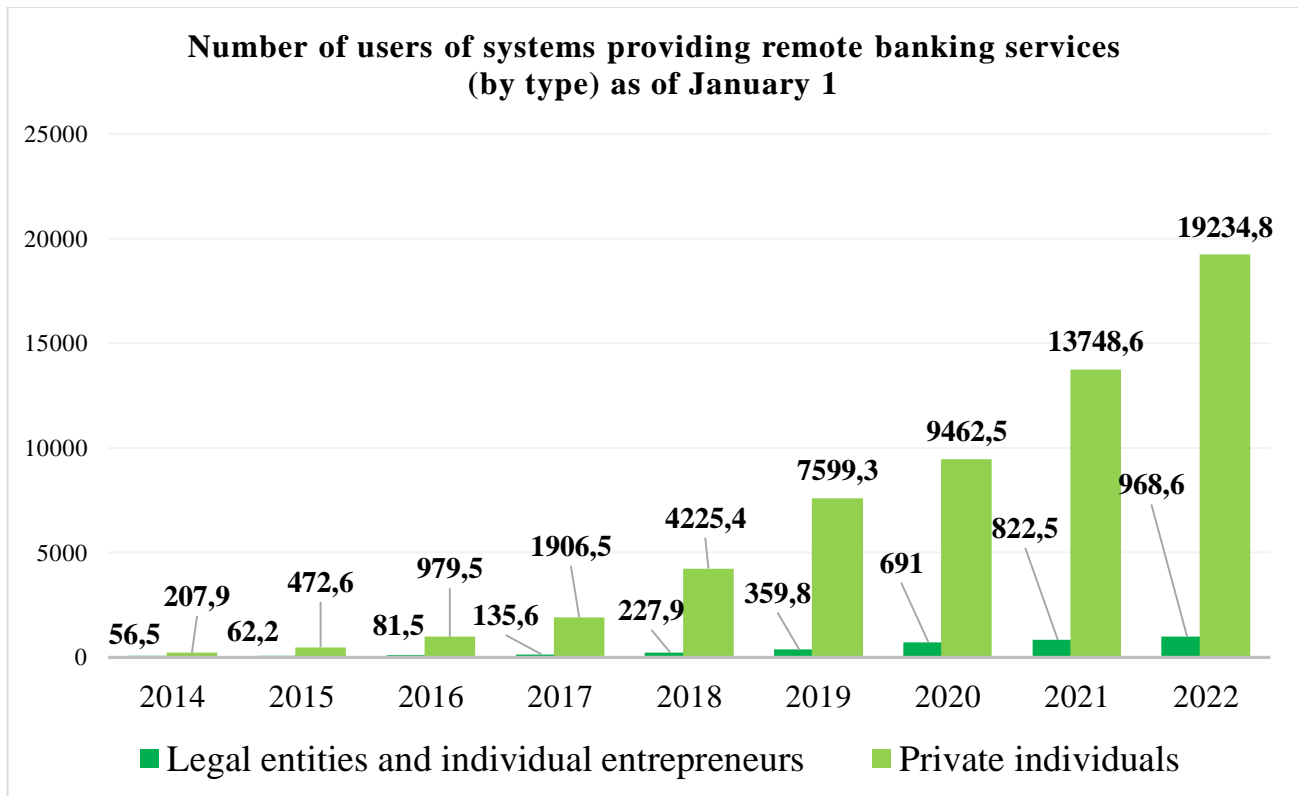


Figure 2.2.2. Number of individuals and legal entities using remote bank services¹⁰.

Plastic cards, terminals, ATMs and information kiosks are means of selling the services of commercial banks, and their number is increasing every year. According to the Central Bank of Uzbekistan on bank plastic cards, terminals, ATMs and information kiosks, in the first half of 2023 the number of plastic cards increased by 4.7 million pieces, and their total number exceeded 38.8 million pieces. In 2022, the largest increase in the number of issued cards was National Bank (1,367.7 thousand), TBC Bank (494.2 thousand), Silk Road Bank (352.5 thousand), ANOR BANK (337.2 thousand units) and Hamkorbank (272.5 thousand units).

⁸ cbu.uz. According to the official website of the Central Bank of the Republic of Uzbekistan

⁹ cbu.uz. According to the official website of the Central Bank of the Republic of Uzbekistan

¹⁰ cbu.uz. According to the official website of the Central Bank of the Republic of Uzbekistan

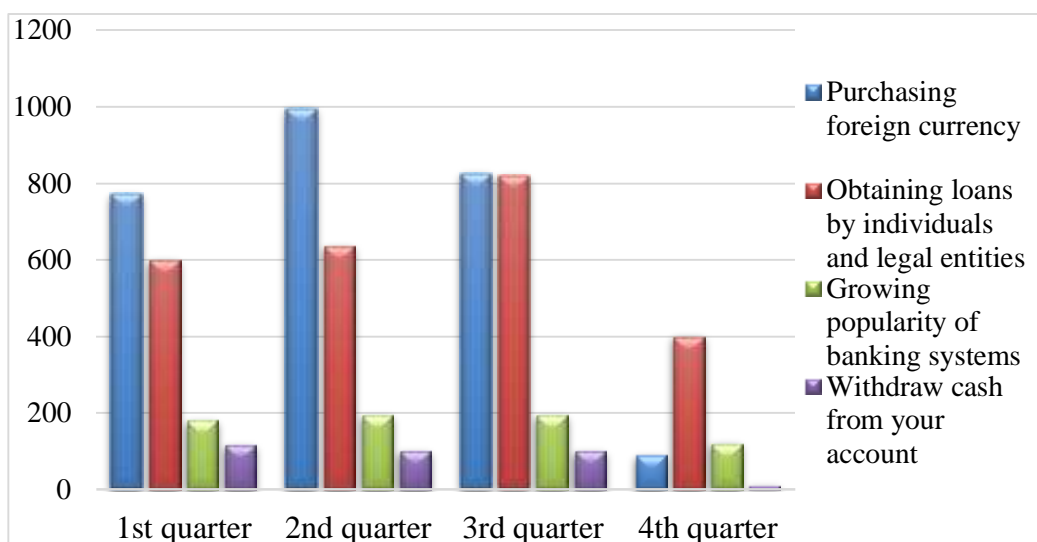


Figure 3.2.2. Dynamics of changes in banking applications of the population¹¹

8.6 percent of requests are calls for increasing the popularity of banking services and transparency of the rules for the provision of banking services. In conclusion, I would like to make the following proposals for increasing the popularity of banking services:

improving the system for providing online loans and microloans to the population by assessing the creditworthiness of the population using the scoring method;

widespread introduction of online savings services and savings deposits for the population and preferential lending based on the provision of savings and savings of the population;

improving the system of services related to the provision of banking and consulting services to the population, rental of safes and boxes for storing valuables, universal, multifunctional “Cobaging cards”;

introduction of new banking technologies “social banking” and a “social lending” system based on (P2P) Peer-to-peer, Person-to-person);

introduction of a system of crowdfunding, crowdlending and crowdsourcing, improvement of the system for providing banking services to the population by creating new virtual banks;

further improvement of types of banking services to the population “online” and “home banking”;

it is necessary to expand the scope of banking services for pensioners, create an overdraft loan for pensioners, and introduce a credit card system for the active population.

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¹¹ cbu.uz. Information from the official website of the Central Bank of the Republic of Uzbekistan

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