IMPROVING THE CONCEPTUAL FRAMEWORK FOR ENHANCING THE COMPETITIVENESS OF COMMERCIAL BANKS IN EMERGING FINANCIAL MARKETS: THE CASE OF UZBEKISTAN

Matluba M. Abdurakhmanova,
PhD in Economics, Professor
Professor, Department of Banking
Tashkent State University of Economics

Abstract. This article examines theoretical and methodological approaches to enhancing the competitiveness of commercial banks in emerging financial markets. Particular attention is paid to the transformation processes in the banking sector of Uzbekistan. An improved conceptual model of bank competitiveness is proposed, incorporating digitalization, institutional changes, and market liberalization. The findings of the study may be used in the development of banking strategies and the improvement of financial policy.

Keywords: bank competitiveness, financial market, commercial banks, digitalization, Uzbekistan, banking reforms.

Introduction. In the context of the deepening globalization of the world economy and intensifying competition in financial markets, ensuring and enhancing the competitiveness of commercial banks has become a strategically significant issue. Contemporary transformation processes in the financial system—driven by digitalization, the rapid expansion of the fintech industry, and increasing integration into the global financial space—are fundamentally reshaping traditional banking business models and necessitating a reassessment of established theoretical and methodological approaches.

Emerging economies, including the Republic of Uzbekistan, face the imperative of institutional and technological adaptation of the banking sector to new operating conditions. Among the key challenges are the liberalization of financial markets, intensified competition from non-bank financial institutions and fintech companies, as well as the growing importance of international regulatory and supervisory standards, particularly those developed by the Basel Committee and international financial reporting frameworks.

At the same time, a critical review of existing conceptual approaches to bank competitiveness reveals a number of methodological limitations. These limitations are primarily associated with the insufficient consideration of institutional factors, the depth and scale of digital transformation processes, and the behavioral dimensions of customer interaction in an increasingly digitalized financial environment. This gap underscores the need for the development of a more comprehensive and integrative conceptual framework that reflects the evolving nature of competition in modern banking systems.

Literature Review. The issue of the competitiveness of commercial banks occupies a central place in contemporary economic research and is increasingly examined within the context of financial market transformation, intensifying global competition, and the ongoing digitalization of banking activities. The growing complexity of the financial environment has led to a reconsideration of traditional paradigms, emphasizing the need for more integrative and dynamic approaches to understanding bank competitiveness.

The theoretical foundations of competitiveness were established in the seminal works of Michael Porter, who developed the concept of competitive advantage shaped by industry structure and the strategic positioning of economic agents. Within the banking sector, this theoretical framework is interpreted through the ability of financial institutions to efficiently leverage internal

resources while simultaneously adapting to evolving external conditions [1]. In this regard, competitiveness is not only a function of market positioning but also a reflection of organizational flexibility, innovation capacity, and strategic responsiveness.

Further development of the theory of banking competition is reflected in the works of Stijn Claessens and Luc Laeven, who empirically demonstrate that increased competition within the banking system contributes to greater efficiency of financial intermediation. However, this process may also be accompanied by heightened systemic risks, particularly in the context of insufficient institutional and regulatory frameworks [2]. These findings highlight the critical need to strike a balance between the degree of competition and the stability of the banking system, thereby emphasizing the dual nature of competitive dynamics in the financial sector.

A significant contribution to the analysis of institutional aspects of banking sector development has been made by Thorsten Beck, who emphasizes that the quality of the legal environment, the degree of property rights protection, and the efficiency of financial infrastructure constitute key determinants of bank competitiveness, particularly in transition economies [3]. These insights are of particular relevance for the analysis of the banking system of Uzbekistan, where institutional development remains a critical factor shaping competitive dynamics.

In the national body of academic literature, the issue of commercial bank competitiveness has also received considerable attention. In particular, the domestic scholar Bakhtiyor Khamidov examines the transformation of Uzbekistan's banking system in the context of economic liberalization, placing emphasis on the need to enhance the efficiency of state participation while simultaneously fostering the development of market-based mechanisms [4]. His research underscores the importance of balancing state involvement with competitive market dynamics as a prerequisite for strengthening the overall competitiveness of the banking sector.

In the works of the economist Shukhrat Rakhimov, particular emphasis is placed on the role of digital technologies in shaping the competitive advantages of commercial banks. The author argues that the adoption of digital banking services and fintech solutions has become a key driver of competitiveness under contemporary conditions [5]. This perspective highlights the growing importance of technological innovation as a strategic determinant of bank performance in an increasingly digitalized financial environment.

Furthermore, the scholar Dilshod Tursunov examines the impact of institutional reforms and improvements in corporate governance on the stability and investment attractiveness of the banking sector. The author emphasizes the importance of adapting international standards to national conditions, highlighting the need for context-specific approaches to regulatory and governance frameworks in emerging economies [6].

The conducted analysis indicates that international studies predominantly focus on the following areas:
  – the theoretical substantiation of competitive advantages;
  – the quantitative assessment of banking competition;
  – institutional determinants of financial development.

At the same time, national research places greater emphasis on:
  – the specific features of transformation processes in Uzbekistan;
  – the role of state-led reforms;
  – the digitalization of the banking sector.

Despite the significant contributions of the aforementioned scholars, certain methodological limitations persist within the existing body of literature. In particular, the integration of digital factors into models of bank competitiveness remains insufficiently developed, while a comprehensive approach that captures the interdependence of institutional, technological, and market dimensions is largely absent. This gap highlights the need for a more holistic and multidimensional framework

capable of adequately reflecting the complexity of competitive dynamics in modern banking systems.

Accordingly, this study aims to address the identified gap by developing an enhanced conceptual model of commercial bank competitiveness, adapted to the conditions of emerging financial markets, including the Republic of Uzbekistan.

Methodology. The methodological framework of this study is grounded in a systemic and interdisciplinary approach that integrates the theoretical foundations of financial market theory, institutional economics, and strategic management.

Within the framework of this study, bank competitiveness is conceptualized as a multi-level and dynamic category shaped by the interaction of financial, institutional, technological, and strategic factors. This necessitates the application of a comprehensive (holistic) research approach that enables an integrated and in-depth analysis of these interdependencies.

Analysis and Results. For the purpose of verifying the theoretical and methodological provisions and substantiating the proposed conceptual model, the present study carries out a comprehensive multi-level analysis of the factors determining the competitiveness of commercial banks in the Republic of Uzbekistan.

Particular attention is paid to identifying устойчивых тенденций развития → identifying stable development trends, assessing qualitative shifts in banks' business models, as well as determining the key drivers and constraints of competitiveness. The analysis is based on a combination of quantitative indicators (financial and digital metrics) and qualitative parameters (the institutional environment and strategic development orientations).

In order to ensure logical rigor and clarity in the presentation of the results, the obtained data are systematized in the form of structured analytical tables reflecting the dynamics of banking sector development, the comparative characteristics of competitiveness factors, as well as an integral assessment and strategic analysis.

In this context, primary importance is attached to the examination of the dynamics of key macro- and mesoeconomic indicators characterizing the current state and development trends of the banking system of Uzbekistan, as presented in Table 1.

Table 1

Key Indicators of the Development of the Banking Sector of Uzbekistan (2019–2025 yy.)[1]

Indicator	2019	2020	2021	2022	2023	2024	2025*
Bank assets (UZS trillion)	272	365	444	556	690	751	924.8
Loans to the economy (UZS trillion)	211	277	326	408	520	525.9	595.3
Deposits (UZS trillion)	91	105	145	210	280	297.4	417.3
Bank capital (UZS trillion)	51	58	74	92	105	113.0	135.3
Share of non-performing loans (%)	1.5	2.1	4.7	5.2	4.3	~4.0	~3.8–4.2
Return on assets (ROA, %)	2.1	1.8	1.5	1.7	2.0	~1.9	~2.0–2.2

The data presented in Table 1 demonstrate a qualitatively new stage in the development of the banking sector of the Republic of Uzbekistan, characterized not only by a large-scale increase in quantitative indicators but also by a structural transformation of financial intermediation.

Thus, as of the beginning of 2026 (based on the results of 2025), the total assets of the banking system reached UZS 924.8 trillion, increasing by more than 20% on a year-on-year basis. This growth reflects both the expansion of lending activity and the strengthening of the investment function of banks. The loan portfolio amounted to UZS 595.3 trillion, indicating the sustained and significant role of banks in financing the economy.

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[1] Central Bank of the Republic of Uzbekistan — statistical data as of 2025.

Particular attention should be paid to the dynamics of the deposit base, the volume of which increased to UZS 417.3 trillion, demonstrating growth rates that outpace lending expansion. This indicates a gradual increase in the level of trust of households and businesses in the banking system, as well as a strengthening of the resource base of banks.

At the same time, the increase in capital to UZS 135.3 trillion reflects the strengthening of the stability of the banking system and its compliance with international capital adequacy requirements. At the same time, indicators of asset quality and profitability remain relatively stable, indicating a controlled level of risk against the backdrop of the active expansion of the banking sector.

The identified trends, reflecting sustained growth in assets and lending, as well as concurrent changes in the qualitative characteristics of banking activities, indicate a transition of the banking sector toward a more complex and multi-component model of operation. At the same time, the observed temporary deterioration in the quality of the loan portfolio in the post-pandemic period points to the need for a more in-depth analysis of not only quantitative but also structural factors shaping the competitive positions of banks.

In this context, particular significance is attached to the transformation of commercial banks' business models, driven by the accelerated development of digital technologies and changes in customer behavioral patterns. This predetermines the need to shift from the traditional analysis of financial indicators to a comprehensive assessment of competitiveness factors, incorporating institutional, technological, and customer-oriented parameters.

For the purpose of systematizing and comparatively evaluating the aforementioned factors, as well as identifying their role in shaping the competitive advantages of commercial banks, it is appropriate to refer to their structured comparison, as presented in Table 2.

Table 2

Comparative Assessment of Key Factors of Competitiveness[2]

Factor	Traditional Model	Modern Model	Uzbekistan
Financial stability	High importance	High importance	High
Digitalization	Low importance	Key factor	Rapidly increasing
Customer orientation	Moderate	High importance	Moderate
Institutional environment	Limited consideration	Key factor	Under transformation
Innovation	Secondary role	Strategic priority	Developing

The conducted comparative analysis of competitiveness factors allows for more substantive conclusions regarding the nature of the transformation of the banking sector of the Republic of Uzbekistan. In particular, it has been established that the formation of competitive advantages of commercial banks occurs in the context of a transition from a traditional, predominantly financially oriented model to an integrated, multifactor model that incorporates technological, institutional, and behavioral dimensions.

At the same time, this transition is characterized by an asymmetric and heterogeneous nature, which is manifested in the varying degrees of development of individual components of competitiveness. Digitalization is developing most dynamically, acting as a key driver of the transformation of banking activities and the formation of new competitive advantages. This is reflected in the expansion of remote services, the adoption of fintech solutions, and the enhancement of operational efficiency.

At the same time, it has been identified that the institutional environment and the level of customer orientation retain signs of relative inertia. Thus, the results of the analysis indicate the presence of a structural imbalance in the system of competitiveness factors, whereby technological

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[2] Author's elaboration based on Michael Porter, Stijn Claessens, Thorsten Beck, and national studies.

transformations outpace institutional and behavioral changes.

In this regard, there arises an objective need for the development and application of an integrated assessment toolkit that enables the aggregation of heterogeneous indicators and the determination of their relative significance. The implementation of this approach is presented in Table 3, which proposes an author-developed methodology for calculating an integral index of commercial bank competitiveness.

Table 3

Competitiveness Index of Commercial Banks[3]

Component	Weight	Score (0–1)	Weighted Result
Financial stability	0.25	0.78	0.195
Innovation potential	0.20	0.72	0.144
Customer orientation	0.15	0.65	0.098
Institutional environment	0.20	0.60	0.120
Strategic management	0.20	0.70	0.140
Total	**1.00**	—	**0.697**

The obtained value of the integral competitiveness index at the level of 0.697 allows the banking sector of the Republic of Uzbekistan to be classified as being at a moderately high stage of development, with elements of structural transformation. This result reflects not only the achieved level of development of key functional parameters but also the presence of internal reserves for further strengthening of competitive positions.

A more detailed analysis of the index structure indicates that the largest contribution to the overall level of competitiveness is provided by financial stability and innovation potential, which свидетельствует → indicating the relative strength of banks' resource base and an active phase of digital transformation. These components constitute the foundation of current competitive advantages and facilitate the adaptation of banks to the evolving conditions of the financial market.

At the same time, comparatively lower values associated with the institutional environment and, to some extent, customer orientation indicate the presence of systemic constraints that hinder the sustainable development of competitive advantages. This is manifested in the insufficient depth of market mechanisms, the persistent influence of state participation, and the limited development of a competitive environment.

Thus, the identified disproportionality between the dynamically developing technological and financial components, on the one hand, and the relatively inert institutional characteristics, on the other, allows for the conclusion that the current model of competitiveness is unbalanced in nature. This, in turn, increases the importance of strategic analysis aimed at identifying both internal and external factors that determine the potential for further development of the banking sector.

In this regard, there arises a need for a more in-depth structuring of competitiveness factors from the perspective of their strategic impact, including the identification of strengths and weaknesses, as well as external opportunities and threats. The implementation of this approach is presented in Table 4, which provides a SWOT analysis of the banking sector of the Republic of Uzbekistan, enabling the substantiation of priority directions for enhancing its competitiveness.

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[3] Author's estimation based on the aggregation of statistical and analytical data.

Table 4

SWOT Analysis of the Banking System of Uzbekistan[4]

Strengths (S)	Weaknesses (W)
Growth in assets and lending	High level of state participation
Active digitalization	Limited competition
Government support	Insufficient customer orientation
Opportunities (O)	**Threats (T)**
Development of fintech	Increasing competition from non-bank institutions
Attraction of foreign investment	Macroeconomic instability
Market liberalization	Credit risks

The conducted SWOT analysis allows for more substantive and conceptually significant conclusions regarding the prospects for the development of the banking sector of the Republic of Uzbekistan. In particular, it has been established that the banking system possesses substantial endogenous growth potential, driven by the accumulated financial resources, an active phase of digital transformation, and support from the state.

At the same time, it should be noted that the effect of the implementation of fintech solutions is nonlinear in nature and largely depends on the degree of their integration into the institutional and regulatory environment. Under conditions of insufficient coordination between technological development and institutional reforms, there exists a risk of market fragmentation and the intensification of asymmetry among market participants.

Thus, the results of the SWOT analysis indicate that further enhancement of the competitiveness of Uzbekistan's banking sector is possible only under the condition of synchronizing three key directions of development:

– institutional modernization;
– deepening of the competitive environment;
– accelerated development of digital and fintech solutions.

It is precisely their coordinated implementation that forms the foundation for the transition to a sustainable and balanced model of competitiveness capable of ensuring the long-term efficiency of the banking sector's functioning under conditions of global financial transformation.

The conducted comprehensive analysis, based on the integration of quantitative and qualitative methods, has made it possible to form a holistic understanding of the current state and key development trends of the banking sector of the Republic of Uzbekistan in the context of enhancing its competitiveness.

The results of the empirical analysis (Table 1) indicate a stable positive trend in the scale indicators of banking activity, including growth in assets, lending, and the deposit base, which reflects the deepening of financial intermediation and the strengthening of the role of banks in the economy. At the same time, signs of increased stability of the banking system have been identified, driven by rising capitalization and the stabilization of profitability indicators.

The comparative analysis of competitiveness factors (Table 2) demonstrates that the banking sector of Uzbekistan is undergoing a transition from a traditional, predominantly financially oriented model to a modern, multifactor framework in which digitalization, innovation, and institutional transformations play an increasingly pivotal role. At the same time, this transition is characterized by structural asymmetry, reflected in the accelerated development of technological components alongside the relative lag of the institutional environment and customer orientation.

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[4] Author's own elaboration.

The results of the integral assessment (Table 3) quantitatively confirm this conclusion, demonstrating a moderately high level of competitiveness (0.697) in the presence of internal imbalances. It has been established that financial stability and innovation potential exert a dominant influence, while institutional factors act as a constraining element for further growth.

In turn, the strategic analysis (Table 4) has made it possible to systematize the internal and external conditions of the banking sector's functioning, revealing significant development potential alongside a set of structural constraints. Among the key advantages are active digitalization and state support, whereas the principal constraining factors include limited competition and the insufficient depth of market mechanisms.

From a theoretical perspective, the obtained results expand the existing understanding of the nature of bank competitiveness through the integration of institutional and technological approaches. From a practical standpoint, they provide a foundation for the development of strategic directions aimed at enhancing the competitiveness of commercial banks, thereby necessitating further in-depth analysis and discussion of the obtained findings in the subsequent section of the study.

Conclusion and Recommendations. Within the framework of this study, the research objective of advancing the theoretical and methodological foundations for enhancing the competitiveness of commercial banks under the conditions of transformation of emerging financial markets, using the example of the Republic of Uzbekistan, has been accomplished.

The conducted analysis has made it possible to establish that the current stage of development of the banking sector is characterized by a transition from a traditional model, primarily based on financial indicators, to an integrated, multifactor model of competitiveness that encompasses financial, institutional, technological, and behavioral components. This transition is driven by the influence of global factors such as digitalization, intensifying competition, and the transformation of the regulatory environment.

The empirical results of the study have confirmed the presence of a stable positive development trajectory of the banking sector of Uzbekistan, reflected in the growth of assets, lending, and the deposit base, as well as in an increased level of capitalization. At the same time, structural constraints have been identified, associated with the uneven development of key competitiveness factors and the continued dependence on institutional conditions.

The author-developed conceptual model of commercial bank competitiveness, proposed within the framework of this study, differs from existing approaches in that it:

– considers digital transformation and fintech development factors as system-forming elements;

– integrates institutional and strategic dimensions;

– is oriented toward ensuring the long-term sustainability and adaptability of the banking system.

As priority directions for enhancing the competitiveness of the banking sector of the Republic of Uzbekistan, the following are proposed:

– deepening institutional reforms and fostering the development of a competitive environment;

– accelerating digital transformation and the integration of fintech solutions;

– improving the level of customer orientation of banking services;

– enhancing corporate governance and risk management practices.

At the same time, the study has certain limitations associated with the predominant use of secondary data and the absence of in-depth econometric validation of the proposed model. This determines the directions for future research, including the development of quantitative methods for assessing competitiveness, the construction of indices, and the conduct of comparative analysis with other countries.

Thus, the results of the study contribute to the advancement of the modern theory of bank competitiveness and establish a scientific foundation for enhancing the efficiency of banking systems

under conditions of global financial transformation.

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