

**PROSPECTS FOR THE IMPLEMENTATION OF INNOVATIVE BANKING PRODUCTS
- INCENTIVE TO IMPROVE THE COMPETITIVENESS OF DOMESTIC BANKS**

Timur Akimniyazov Bazarbaevich

*Banking and Finance Academy of the Republic of Uzbekistan,
Head of the Department of Pedagogical Technologies and Innovations*

Annotation : *The article studies the concepts of a banking product and innovations, analyzes the problems of introducing innovative banking products in domestic banks. Proposals have been developed on the prospects for introducing innovative products in banks.*

Key words: *commercial bank, banking product, innovation, information technology, loan, bank account.*

Currently, the process of reformation in our country, especially in the economic, incl. in the banking sector, has become irreversible. At the same time, the structural changes outlined in the banking sector also require the introduction of modern, innovative approaches in the work of this sector. And time itself dictates a new approach to the development of truly “healthy” competition in this area. It should also be noted that the domestic banking system has its own specific features that impose certain requirements on the work of second-tier banks, i.e. commercial banks. In addition to these changes that the world banking system is undergoing, all the latest trends that appear in the course of its evolution cannot but affect the state of the banking system of our country.

The purpose of this work is to study the current trends in the development of the banking sector, the prospects for the introduction of innovative banking products, taking into account world experience, incl. countries of the near abroad, where also in recent years there have been certain shifts towards the use of new approaches in the banking sector, primarily in customer service, the introduction of information technology, etc.

The main object of research is to innovative banking products of commercial banks and banking marketing.

“Issues of the study of financial and organizational-economic innovations are of particular relevance at the present stage of economic development. The creation of a system for effective management of innovative activities in the field of organizational and economic development in order to increase the potential of commercial banks of the Republic of Uzbekistan is a new scientific direction, especially in the aspect of financial globalization and increased competition. “The credit market of the republic is in the development stage and demonstrates high rates of growth in the volume of credit transactions. Compared to 2018, in 2019 the volume of loans allocated by banks only to finance programs for modernization and technological renewal of production increased by 1.2 times, and for replenishment of working capital - by more than 1.3 times. Over the past years, the leading rating agencies Moody's, Standard & Poor's and Fitch Ratings have assessed the banking system of Uzbekistan as «stable».¹

To begin with, consider the term "bank product". For a long time, the definition of a banking product has been a topic for numerous disputes and controversies due to the lack of a clear formulation

¹ Mekhridin Kenzhaev Giezovich INNOVATIVE MODERNIZATION OF THE BANKING SECTOR OF THE REPUBLIC OF UZBEKISTAN IN THE CONDITIONS OF GLOBALIZATION // Bulletin of science and practice. 2021 №7
URL:<https://cyberleninka.ru/article/n/innovatsionnaya-modernizatsiya-bankovskogo-sektora-respubliki-uzbekistan-v-usloviyah-globalizatsii> (Date of access: 22.08.2022).

of this concept. Banking products are an interconnected set of banking services provided by the bank in a certain sequence, aimed at meeting the needs of the bank's client. At the heart of any banking product is a basic element - technology. It determines the type of bank product. Banking product technologies include settlement bank accounts, depositary and savings accounts, all types of loans (mortgage, consumer, car loans, express loans, overdrafts, factoring, leasing, credit lines, etc.).²

It should be noted here that banking products by their nature might vary depending on various factors, such as the current state of the country's economy, season and other reasons. The following theoretical and methodological prerequisites underlie the creation of new banking products and the introduction of innovative services:

- A new paradigm of innovative development of the economy is being formed;
- Banking innovations are part of the overall flow of innovations, which have become typical of the modern economy;
- One of the brightest examples of the introduction of innovative changes in the banking strategy is the use of the LEAN approach in banks in many countries, i.e. approach to bank management, based on improving the quality of its products and services while reducing costs.
- Banking innovations are divided into product and technology, while the core of the product strategy is a current account / debit card;
- Information technology has become the general environment of the banking business;
- Remote banking customer service based on Internet technologies, no doubt, should become one of the main forms of retail banking services.

In 2018-2020, the number of credit organizations increased to 55, including 4 commercial banks (Poytakht Bank, Tenge Bank, TBC Bank, Anor Bank), microcredit organizations to 33 and pawnshops to 18. As of January 1, 2021, the assets of commercial banks reached \$34.4 billion (366.1 trillion soums), an increase of 120% compared to 2017. During this period, the average annual real growth (excluding devaluation) amounted to 24.1%. Because of the liberalization of the monetary policy, the level of dollarization in the banking sector has significantly decreased. In particular, in 2017, the share of foreign currency assets of banks in total assets was 64%, and in 2020, this figure dropped to 50.2%. Also during this period, the share of loans in foreign currency decreased from 62.3% to 49.9%, and the share of deposits in foreign currency decreased from 48.4% to 43.1%. The real growth of loans averaged 38.6% per annum. As of January 1, 2021, the total volume of loans issued to the economy amounted to \$26.06 billion (277 trillion sums) and increased by 150% compared to 2017.³

Here, banking marketing comes to the fore, the main tasks of which are:

1. Creation of a banking system of a new generation, operating in the mode of the so-called innovative management.
2. Introduction of new, more advanced technologies, products and organizational structures.
3. Increasing the flexibility and adaptability to the market, the profitability of the bank.

Thus, we can say that one of the main factors of modern successful banking activity is the policy of constant innovation. This statement follows from a number of prerequisites that characterize the current state of the economy today.

First, the relationship of banks with customers is based on the principles of partnership. This, in particular, means that banks are constantly taking care not only to preserve, but also to increase the capital of their customers by offering them new services.

² www.finansy.asia/articles/rynok-bankovskih-produktov (Finance Asia).

³ <https://www.akchabar.kg/ru/article/economy/razvitie-finansovo-bankovskogo-sektora-uzbekistana-za-posled/>

The second reason is the competition between banking institutions in the conditions of market relations. In order to survive in the market conditions, it is necessary to have multivariate and non-standard business decisions, extraordinary business operations, and the introduction of innovations in all areas of the bank's activities.

The third reason is the development of new expensive banking technologies. It is scientific and technological progress, recognized throughout the world as the most important factor in economic development, which is increasingly associated with the concept of the innovation process.

However, innovations in the banking sector include not only technical or technological developments, but also the introduction of new forms of business, new methods of working in the market, new products and services, new financial instruments.

According to researchers in the financial sector, "Banking innovation as a set of fundamentally new banking products and services is a synthetic concept of the purpose and result of the bank's activities in the field of new technologies aimed at generating additional income in the process of creating favorable conditions for the formation and allocation of resource potential through the introduction innovations that help customers make a profit".

There are various classifications of groups of innovations, which differ in:

- Sphere of application - scientific, technical, organizational, economic and socio-cultural;
- The nature of the needs satisfied - creating new needs and developing existing ones;
- Subject of application - innovation - product, innovation - process, innovation - service, innovation - markets;
- Degrees of radicalism - basic, systemic, improving, pseudo-innovations;
- depth of changes - regeneration of initial properties, quantitative changes, grouping of parts of the system, adaptive changes, new variant, new generation, new species, new genus;
- Scale of distribution - applied in one industry and applied in all or many industries;
- Roles in the production process - basic and complementary;
- The nature of the connection with scientific knowledge - ascending and descending.

Thus, it can be stated that the problem of introducing new products and services in the banking sector is relevant today. Many banks offer customers a similar or identical list of services, but the absolute identity of banking products is not achieved. This applies to automated services that involve intensive communication between customers and bank employees with different levels of technical and communication skills, different attitudes towards work. A bank employee may demonstrate a different level of service depending on the situation, mood, well-being, etc.

Commercial banks are recommended to regularly conduct innovative marketing research in various areas: research and analysis of the activities and products of competing banks; customer needs; market environment (sales markets, new promising markets and segments).

A commercial bank is obliged to offer customers a set of services that can be implemented profitably. These services are provided in a form, price, time and place that meet the needs of the bank's customers.

In addition, the most important problem for the further development and improvement of banking operations is the modernization of telecommunication systems, which, according to experts, will inevitably become more complex and then widely used in all countries of the world. On the other hand, this is the problem of distribution and availability of such telecommunication systems among the population.

Based on the foregoing, we can conclude that in the conditions of a modern, dynamically developing world, the introduction of an integrated innovative approach in the banking sector of our country in various aspects and with the obligatory consideration of the interests of bank customers comes to the

fore. The interests of the client for any bank should be in the first place. The stability and profitability of the bank depends on this.

In conclusion, it should be noted that our country has demonstrated certain achievements in the early stages of institutional reforms and the transformation of state-owned banks. In particular, lending to state-owned enterprises from public funds on concessional terms has declined, expanding the potential for competitive financing of individuals and private businesses. This certainly guarantees that in the future the banking sector will develop dynamically, competition between banks will increase, innovative products will be introduced to improve the quality of customer service for the bank.

Bibliography:

1. Law of the Republic of Uzbekistan "On banks and banking activities" (new edition).
2. Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" (new edition).
3. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 № UP-60 "On the development strategy of the new Uzbekistan for 2022-2026".
4. Decree of the President of the Republic of Uzbekistan "On the strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025" (№ 5992 dated May 12, 2020).
5. www.finansy.asia/articles/rynok-bankovskih-produktov (Finance Asia).
6. Mekhridin Kenzhaev Giezovich INNOVATIVE MODERNIZATION OF THE BANKING SECTOR OF THE REPUBLIC OF UZBEKISTAN IN THE CONDITIONS OF GLOBALIZATION // Bulletin of science and practice. 2021 №7 URL:<https://cyberleninka.ru/article/n/innovatsionnaya-modernizatsiya-bankovskogo-sektora-respubliki-uzbekistan-v-usloviyah-globalizatsii> (Date of access: 22.08.2022).
7. <https://www.akchabar.kg/ru/article/economy/razvitie-finansovo-bankovskogo-sektora-uzbekistana-za-posled/>