

Issues of Development of Retail Banking Services in the Context of the Formation of an Innovative Economy

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Abstract:

The article discusses the innovative activity of the bank, the development of retail banking services in the context of the formation of an innovative economy, digital technologies and the classification of banking risks in terms of innovation.

Keywords: Innovation, technology, classification, banking risks, bank activities, risks.

Introduction

The bank's innovative activities are multifaceted. Banking innovation is not only the creation and implementation of new products, but also the expansion of the list of services offered, the use of modern infocommunication technologies, which open up unique opportunities for the bank's clients to receive banking services.

The development of retail banking services in the context of the COVID-19 coronavirus pandemic requires commercial banks to introduce innovative technologies in banking. In particular, in the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021, particular importance is given to deepening reform and ensuring the stability of the banking system, the level of capitalization and the deposit base of banks, strengthening their financial stability and reliability.

Main part

Along with providing traditional banking services to the population - attracting funds for deposits, providing loans and providing settlement and cash services to the population - modern banking institutions in our country are also beginning to perform electronic services, marketing research on customer orders, foreign exchange transactions, and other services, including consulting, information and reference trust, stock and others.

In the context of the COVID-19 pandemic, a system of innovative digital technologies is being developed to reduce various risks in international banking practice. Therefore, the management and mitigation of credit risks for commercial banks is of an important practical nature. Modern banking is unthinkable without risk. Risk represents an element of uncertainty that may affect the activities of an economic entity or the conduct of any economic operation. So the bank cannot operate without risk, just as none of the types of risk can be completely overcome.

Digital technologies are rapidly developing in foreign countries. The leaders of banking innovation in the digital economy are Germany, Japan, the United States, South Korea and the United Kingdom. The downside of this process is the growth of online fraud, which is one of the main modern banking risks⁸⁴. However, today the development of retail banking services in Uzbekistan is constrained by many factors, including insufficient awareness of the population, unformed infrastructure of the banking market, and imperfect legislation. The solution of these practical issues requires elaboration of the theoretical aspects of the topic, clarification of the terminology used, such key concepts of banking as "banking service", "banking operation", "retail banking services".

Under the influence of various economic and banking risks, the market economy constantly imposes new requirements on commercial banks for the development of new operations in which the client is interested. According to KPMG's forecast, by 2030, banks in the physical sense will disappear for customers - they will only use electronic assistants⁸⁵.

According to the economic content, they distinguish deposit, credit, settlement, investment and other services. Deposit services provide the client with the opportunity to receive additional income when placing temporarily free funds in deposits. Credit services are associated with the provision of funds to the client by the bank for temporary use on the terms of repayment, payment, urgency. Settlement and cash services include opening and maintaining customer accounts, as well as making settlements in cash.

By the degree of complexity, one can single out simple services that can be in demand by the mass consumer (deposit, credit) and services that require certain skills - the use of plastic cards, mobile banking, Internet banking.

Banking services can be classified into paid and free. But this does not mean that some types of services are completely paid or free. Banks independently determine the fees for services. For certain reasons (pricing policy, marketing activities), certain settlement, deposit or other services can be provided free of charge.

Classification of services according to various criteria allows, in our opinion, to plan the corresponding packages of banking services. For example, it is advisable to supplement direct services with related services; when selling strategic services, offer current services. Foreign scientist economist V.G. Medynsky⁸⁶ believes that through the practical use of innovations, innovation means a social, technical, economic process leading to the creation of goods (products, services) and technologies that are better in terms of properties.

The most famous biometric authentication methods are fingerprint, voice, iris scan, palm scan or hand geometry, dynamic signature⁸⁷.

During a pandemic, the Central Bank of Uzbekistan and commercial banks are expanding non-cash payment systems and Internet banking, mobile banking, SMS banking and other innovative banking digital technologies are becoming more accessible to customers. Based on the analysis of trends in the development of retail banking services, the following conclusions can be drawn in the context of COVID-19.

1. Banking services can be classified into paid and free. But this does not mean that some types of services are completely paid or free. Banks independently determine fees for services. For certain reasons, certain settlement, deposit or other services may be provided free of charge.
2. Classification of services according to various criteria allows, in our opinion, to plan the appropriate packages of banking services. For example, it is advisable to supplement direct services with related services; when selling strategic services, offer current services.
3. Large-scale innovations require a fundamentally new level of interaction between big business, government, science and technology entrepreneurs. In fact, most of global innovation comes from large companies and fundamental research.
4. By the degree of complexity, one can single out simple services that may be in demand by the mass consumer (deposit, credit) and services that require certain skills - the use of plastic cards, mobile banking, Internet banking.
5. Along with providing traditional banking services to the population - attracting funds for deposits, providing loans and providing settlement and cash services to the population - modern banking institutions in our country are also beginning to perform electronic services, market research on customer orders, foreign exchange transactions, and other services, including consulting, information and reference trust, stock and others.

Classification of banking risks in terms of innovation

Risk group	Group characteristics	Possible types of risks
Permanent risks	This type of risk appears during the innovative activity of the bank or its influence is noticeably increased	Strategic. reputational
Risks hedged by innovation	The action of the risk component in the activities of the bank is leveled or reduced by banking innovation	Foreign exchange, market, credit
Risks from innovation	This type of risk was absent, however, during the "exploitation" of innovation, this type of risk appears, it is characteristic of an innovative service or when entering new markets	Market, credit, country, industry, currency, etc.
Risks enhanced by innovation	The risk was present on its own, but the innovation increased its magnitude or significance.	Operational, credit, market, etc.

The impact that innovation has on the magnitude of risk can be:

- *positive* - the introduction of an innovative solution helped to reduce the risk;
- *negative* - the introduction of an innovative solution contributed to an increase in risk;
- *indefinite (more positive or negative)* - the sign of influence depends on the conditions (most often external) of

functioning, namely, with a positive development of the economy, the influence of innovation has a beneficial effect on the overall level of risk; in case of crisis phenomena, innovation can lead to an increase in a specific type of risk (for example, market risk) and an increase in the overall the risk level of a product, service or technology.

Since operational risk is an integral part of the bank's innovative activities, it is necessary to create an operational risk management system, which is understood as a set of measures and procedures for identifying, measuring, monitoring, controlling and limiting operational risk, carried out on an integrated basis using modern information technologies.

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