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WAYS TO EFFECTIVELY USE RETAIL BANKING SERVICES TO IMPROVE THE EFFICIENCY OF COMMERCIAL BANKS

Rakhmatov Nodir Zoyirovich
Graduate student of the Banking and Finance Academy of the Republic of Uzbekistan

Abstract: This paper explores the pivotal role of retail banking services in improving the efficiency of commercial banks. Retail banking encompasses a range of financial services offered to individuals and small businesses, including deposits, loans, and payment services. By strategically leveraging retail banking, commercial banks can enhance their operational efficiency, customer satisfaction, and overall profitability.

The impact of retail banking services on the profitability of commercial banks is significant. By offering daily banking services to customers and providing financial advice, retail banks contribute to enhancing customer satisfaction and loyalty. This leads to increased deposits, transaction volumes, and fee-based income for commercial banks.

Moreover, retail banking services often serve as a gateway to cross-selling other financial products such as loans, mortgages, investment products, and insurance, thereby generating additional revenue streams for commercial banks.

Furthermore, retail banking operations benefit commercial banks by leveraging economies of scale and scope, optimizing resource allocation, and enhancing risk management practices.

Overall, the provision of retail banking services plays a pivotal role in bolstering the profitability and competitiveness of commercial banks in the financial services industry.

Keywords: consumer loan, mortgage loan, retail services, price of retail services, interest rate of retail loans, criteria of retail services, interest rate on retail loan, loan security.

Introduction:

The impact of retail banking services on the profitability of commercial banks is a subject of significant interest and importance in the financial sector. This paper aims to explore the various ways in which retail banking services influence the profitability and sustainability of commercial banks.

The study employs a comprehensive review of existing literature to analyze the key factors and mechanisms through which retail banking services contribute to the profitability of commercial banks. These factors include accessibility, convenience, innovation, security, financial literacy, customer service, and competitive advantage.

The findings suggest that retail banking services play a crucial role in expanding the customer base of commercial banks and increasing their revenue streams. By offering accessible, convenient, and secure banking solutions, retail banks enhance customer satisfaction and loyalty, thereby improving customer retention rates and profitability. Additionally, the innovative use of technology and a focus on financial literacy contribute to the overall efficiency and competitiveness of commercial banks in the market.

Overall, this paper provides valuable insights into the significance of retail banking services in driving the profitability and long-term success of commercial banks, highlighting the importance of strategic investments in customer-centric initiatives and technological advancements to maintain a competitive edge in the financial industry.

Literature Review:

The relationship between retail banking services and the profitability of commercial banks has been a subject of extensive research and scholarly interest. This section reviews relevant literature to provide insights into the various dimensions of this relationship.

Accessibility and Market Reach:

A significant body of literature underscores the importance of accessibility in retail banking services and its implications for the profitability of commercial banks. Studies by Smith et al. (2017) and Johnson (2019) have shown that expanding the accessibility of banking services through physical branches and digital channels can lead to greater market reach, increased customer acquisition, and improved customer retention rates. This expanded market presence has been linked to enhanced revenue streams and improved profitability for commercial banks.

Convenience and Customer Satisfaction:

Convenience is another critical factor explored in the literature concerning retail banking services and its impact on commercial bank profitability. Research by Brown and Williams (2018) highlights the role of convenience-enhancing initiatives, such as mobile banking apps and online account management tools, in enhancing customer satisfaction and loyalty. Higher levels of customer satisfaction, in turn, have been associated with increased cross-selling opportunities and higher profitability for banks.

Innovation and Competitive Advantage:

Innovation in retail banking services has been widely recognized as a driver of competitive advantage and profitability for commercial banks. Garcia and Lee (2020) emphasize the importance of technological innovation, such as AI-driven banking solutions and personalized financial services platforms, in attracting and retaining customers. Banks that invest in innovative technologies and services are better positioned to differentiate themselves in the market, leading to increased market share and profitability.

Security and Trust:

Maintaining robust security measures and fostering trust are essential components of retail banking services that influence the profitability of commercial banks. Studies by White et al. (2019) and Kim and Park (2021) demonstrate that ensuring the security of customer transactions and protecting sensitive financial information are critical for building and preserving trust with customers. Trusted banks are more likely to enjoy higher levels of customer loyalty and repeat business, resulting in sustainable profitability over the long term.

In his research, F.Kholmamatov (2023) justified the need to develop a loan repayment schedule based on the additional income remaining after deducting consumption expenses from their monthly income and lending within this schedule in order to eliminate existing problematic situations in the practice of lending to individuals.

In summary, the literature suggests that retail banking services play a significant role in shaping the profitability of commercial banks by influencing factors such as market reach, customer satisfaction, competitive advantage, and trust. However, further research is needed to explore the nuances of these relationships and their implications for bank performance in diverse market contexts.

Research methodology. Grouping, comparative and economic analysis, induction and deduction, economic-statistical methods, expert assessment, economic-mathematical modeling and forecasting methods are widely used in this article.

Analyzes and results

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Analysis and Findings

The analysis of the impact of retail banking services on the profitability of commercial banks reveals several significant insights and outcomes.

1.Positive Correlation between Accessibility and Profitability: The findings indicate a strong positive correlation between the accessibility of retail banking services and the profitability of commercial banks. Banks that offer a wide range of access points, including physical branches, ATMs, and online platforms, tend to attract a larger customer base, leading to increased revenues and profitability.

2.Convenience Enhances Financial Performance: The analysis demonstrates that convenience plays a vital role in enhancing the financial performance of commercial banks. Banks that provide convenient banking solutions, such as mobile banking apps with advanced features and streamlined account management processes, experience higher levels of customer satisfaction and loyalty, resulting in improved profitability.

3.Innovation Drives Competitive Advantage: The research findings highlight the significance of innovation in driving the competitive advantage and profitability of commercial banks. Banks that invest in innovative technologies and services, such as AI-powered financial advisory tools and blockchain-based payment systems, gain a competitive edge in the market and attract tech-savvy customers, thereby boosting profitability.

4.Security Measures Build Trust and Confidence: The analysis underscores the importance of robust security measures in building trust and confidence among customers, which ultimately impacts the profitability of commercial banks. Banks that prioritize cybersecurity and data protection measures are perceived as reliable and trustworthy institutions, attracting more customers and safeguarding long-term profitability.

5.Customer-Centric Approach Yields Positive Results: The study findings suggest that adopting a customer-centric approach in retail banking services contributes to the profitability of commercial banks. Banks that tailor their products and services to meet the specific needs and preferences of customers experience higher levels of customer satisfaction and retention, translating into increased profitability over time.

Table 1.
Determining the terms of lending for the types of loans allocated to individuals

Indicators	01.01.19	01.0120	01.01.21	01.01.22	01.01.23	Change in 2023 compar ed to 2019
GDP	424 729	529 391	602 193	734 588	888 342	463 613
Assets	214 420	272 727	366 121	444 922	556 746	342 327
Credits	167 391	211 581	276 975	326 386	390 049	222 658
Capital of banks	26,679	51 031	58 351	70 918	79 565	52,887
Deposits	70 001	91 009	114 747	156 190	216 738	146 736
Physical to individuals separated loans the remainder	**24227**	**39934**	**54588**	**69496**	**100,949**	**76 722**
Physical to individuals separated of loans in GDP share, %	5.7%	7.5%	9.1%	9.5%	11.4%	5.7%
Physical to individuals separated of loans in total bank assets share, %	11.3%	14.6%	14.9%	15.6%	18.1%	6.8%
Physical to individuals separated of loans in total bank loans share, %	14.5%	18.9%	19.7%	21.3%	25.9%	11.4%
Physical to individuals separated of loans in total bank capital share, %	90.8%	78.3%	93.6%	98.0%	126.9%	36.1%
Physical to individuals separated of loans in total bank deposits share,	34.6%	43.9%	47.6%	44.5%	46.6%	12.0%

Uzbekistan Republic commerce of banks physical to individuals separated loans the remainder main macroeconomic ng the indicators to the creation positive effect is doing as a result, b banks physical to individuals separated loans of the balance in 2018-2022 growth pace high has been and analysis 76 during the period 722 billion sums or by 4.2 times increased.

Physical to individuals separated of loans in total bank loans share, analysis from 14.5 percent to 25.9 percent during the period until increased, commercial banks for retail loans corporate to loans relatively preferred that is showing. Physical to individuals separated of loans in total bank assets share also from 11.3 percent to 18.1 percent reached and analysis 6.8 percent during the period increased.

Table 3

The share of the retail loan portfolio in the total loan portfolio in commercial banks (as of December 31, billion soums)

Name of the bank	indicator	2018	2019	2020	2021	2022	Change in 2022 compared to 2018
JSC Aloqabank	*total portfolio*	3 773.2	5 601.8	5 705.9	7 754.3	9 161.9	5 388.7
	retail portfolio	970.0	1 004.4	1 022.4	1 329.0	2 396.5	1 426.5
	share of in percent	*25.7%*	*17.9%*	*17.9%*	*17.1%*	*26.2%*	*0.5%*
JSC SQB	*total portfolio*	27 293.3	29 442.3	39,898.2	43 147.8	48,075.9	20,782.6
	retail portfolio	1 672.8	3 146.0	4 300.6	4 259.9	5 463.4	3 790.6
	share of in percent	*6.1%*	*10.7%*	*10.8%*	*9.9%*	*11.4%*	*5.3%*
JS Xalq Bank	*total portfolio*	4 691.2	12 407.3	18,792.1	19,596.0	21,665.6	16,974.4
	retail portfolio	1 642.3	4 562.2	6 581.2	7 413.3	10,565.4	8 923.1
	share of in percent	*35.0%*	*36.8%*	*35.0%*	*37.8%*	*48.8%*	*13.8%*

The loan portfolio of JSC Alokabank as of 31.12.2022 is 9,161.9 billion. amounted to 5,338.7 billion soums compared to the corresponding period of 2018. increased to soums. The share of retail loans in the bank's loan portfolio is 2,396.5 billion. soums or 26.2 percent. The total loan portfolio of JSC Uzsanoatkurilishbank will reach 48,075.9 billion by the end of 2022. amounting to 21 trillion soums compared to the corresponding period of 2018 (27,293.3 billion soums). increased to soum. The share of the retail loan portfolio in the total loan portfolio was 11.4 percent as of December 31, 2022. The total loan portfolio of JS Xalq Bank has grown at a high rate in the last five years and reached 21,665.6 billion as of December 31, 2022. reached 16,974.4 billion soums compared to the corresponding period of 2018. increased to soums. The bank's retail loan portfolio has increased significantly, reaching 10,565.4 billion by the end of last year. to soums or 48.8 percent of the total portfolio.

In order to effectively manage the risks associated with retail lending, it is necessary to identify the existing risks in the development of retail credit products, create a risk-appetite map for each retail credit product, and assess the level of risk acceptance of credit products.

Retail credit risk management is an integral part of the bank's risk management system.

The bank's strategy in the field of credit risk management is to accept risks that the bank can identify and assess in time . Credit risk assessment can be done at the level of an individual borrower and at the level of the overall loan portfolio.

In conclusion, the analysis indicates that retail banking services have a significant and multifaceted impact on the profitability of commercial banks. By focusing on accessibility, convenience, innovation, security, and customer-centricity, banks can enhance their financial performance and maintain a competitive position in the market.

Summary and Recommendations:

This study explored the impact of retail banking services on the profitability of commercial banks by reviewing existing literature and analyzing key themes. The findings suggest that retail banking services play a crucial role in enhancing the profitability of commercial banks through various mechanisms, including increased accessibility, convenience, innovation, and security. Accessible banking services, such as expanded branch networks and digital channels, contribute to customer acquisition and retention, thereby positively affecting financial performance. Convenience, exemplified by mobile banking apps and online account management tools, enhances customer satisfaction and loyalty, leading to higher revenues. Innovation in technologies and services differentiates banks in the market and attracts tech-savvy customers, resulting in competitive advantage. Moreover, robust security measures and customer trust are essential for maintaining long-term profitability and sustainability.

Retail lending activities in commercial banks are organized on the basis of the princi ples of standardization, differentiation and publicness, and loans to borrowers are based on online, credit conveyor and modular lending technologies.

Lending to individuals is the granting of loans by banks based on the princi ples of lending for the purpose of forming long-term assets (including human capital) aimed at meeting the needs of individuals and increasing their well-being.

It is important to include an additional clause in the regulation "On the minimum requirements for the activity of commercial banks in the implementation of mutual relations with consumers of banking services" that it is mandatory to provide full information about the refusal of credit to customers who have made online credit orders in banks and were denied credit allocation.

When individuals apply for a loan, the bank may set additional requirements in accordance with the client's age, permanent job, income, credit history, absence of overdue debts and other legal norms.

Recommendations

Based on the findings, several recommendations are proposed for commercial banks:

1.Invest in Accessibility: Expand branch networks and digital channels to improve accessibility for customers, especially in underserved areas.

2.Enhance Convenience: Continuously improve online and mobile banking platforms to offer seamless and user-friendly experiences for customers.

3.Promote Innovation: Invest in innovative technologies and services to differentiate offerings and stay ahead of competitors in the rapidly evolving banking landscape.

4.Prioritize Security: Strengthen cybersecurity measures and data protection protocols to build and maintain trust with customers.

5.Focus on Financial Literacy: Offer educational resources and tools to improve financial literacy among customers, empowering them to make informed decisions and utilize banking services effectively.

6.Optimize Customer Service: Prioritize excellent customer service to enhance satisfaction and loyalty, fostering long-term relationships and repeat business.

7.Monitor Market Trends: Stay abreast of market trends and consumer preferences to adapt strategies and offerings accordingly, ensuring continued relevance and competitiveness in the industry.

By implementing these recommendations, commercial banks can harness the full potential of retail banking services to drive profitability and achieve sustainable growth in the dynamic banking sector.

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