

IMPROVING THE INNOVATION ACTIVITY OF COMMERCIAL BANKS IN IMPROVING BANKING SERVICES

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Abstract: This article, written based on the results of my research, is devoted to the issues of improving the management of innovative activities of commercial banks of Uzbekistan. The study analyzes the theoretical foundations of banking innovations, foreign experience, the practice of local banks, and develops proposals and recommendations for the development of innovative activities. The results of the study show that commercial banks of Uzbekistan have been paying special attention to the intensive development of innovative activities in recent years.

Keywords: banking innovations, digital banking, innovation management, digital technologies, financing, human resources, security, open banking, artificial intelligence.

ENTRANCE

Innovation is essential for banks to increase their competitiveness, provide new products and services, and meet customer needs. At the same time, effective management of innovation activities plays a crucial role in ensuring the financial stability of banks and supporting their long-term development.

In the context of modernization and diversification of the economy of the Republic of Uzbekistan, improving the management of innovative activities of commercial banks is of particular relevance. In our country, large-scale measures are being implemented to reform and develop the banking system. In particular, according to Goal 50 of the Decree of the President of the Republic of Uzbekistan on the Strategy "Uzbekistan 2030", the tasks of accelerating reforms in the banking system, increasing the size of the banking services market and developing



competition in the sector are set. At the same time, currently, a number of problems remain in the banking system of Uzbekistan in terms of introducing modern methods and tools for managing innovative activities, strengthening interbank competition, developing new banking products and services and implementing them in practice. To eliminate these problems, it is necessary to improve the management of innovative activities of commercial banks, study advanced foreign experience and adapt them to the national banking system.

Many foreign and domestic scientists have conducted research on the topic of managing the innovative activities of commercial banks. These studies cover the essence of innovative activities, the theoretical foundations of its management, and the practical aspects of introducing innovations in the banking system.

There are different approaches to the essence and content of the concept of innovative activity. Schumpeter (2020) defines innovation as the main driving force of economic growth. According to him, innovation brings about structural changes in the economy by introducing new products, production methods, markets, sources of raw materials and organizational structures.

Furthermore, Drucker (2019) considers innovation as an integral part of entrepreneurship. He defines innovation activity as a process aimed at directing resources to create new opportunities. Drucker also emphasizes the need for a systematic approach to innovation management.

There are specific features of innovative activity in the banking sector. Mishkin (2020) defines banking innovation as the introduction of new financial instruments, technologies, and institutions. He emphasizes the importance of innovation in improving the quality of banking services, reducing costs, and creating new sources of income ¹.

Mention (2021) also examines banking innovation in the context of digital transformation in the financial services industry. He argues that digital technologies are fundamentally changing the traditional banking business and creating a need to introduce new innovative solutions.

A number of studies have also been conducted in Uzbekistan on the development of innovations in the banking system. Jumaev (2022) analyzed the trends in the development of innovation processes in the banking system of

Uzbekistan. He emphasizes the need to improve the legal framework for the implementation of banking innovations in our country, expand the use of digital technologies, and increase the innovative potential of banking specialists.

Abdullaeva (2023) studied the current issues of financing the innovative activities of commercial banks. In her opinion, the introduction of new mechanisms for financing innovative projects, including the use of venture financing and crowdfunding, is of great importance in stimulating banking innovations.

ANALYSIS AND RESULTS

Today, the banking system of our country is in a stage of rapid development, and banks are striving to increase the efficiency of their activities through the introduction of digital technologies, financial innovations, and modern services.

According to the Central Bank of the Republic of Uzbekistan, as of January 1, 2023, there were 31 commercial banks operating in our country. These banks play an important role in the development of innovative activities and serve to increase the quality and scope of banking services.

To improve the management of innovative activities of commercial banks, it is advisable to implement reforms and measures in the following areas:

Development of digital banking. The rapid development of digital technologies also requires fundamental changes in the banking sector. Through the development of digital banking, it is possible to increase the speed, convenience and efficiency of banking services. For this, it is necessary to widely introduce mobile banking, online services, cloud technologies and artificial intelligence. In accordance with the Resolution of the President of the Republic of Uzbekistan No. PQ-87 dated January 28, 2022, a large-scale set of measures has been established to further develop digital banking and introduce modern banking technologies in our country by 2026. In particular, it is planned to increase the number of users of the mobile banking system to 15 million people in 2023, and to 18 million people in 2024.

Development of innovative banking products and services. Commercial banks need to constantly develop new and innovative banking products and services to meet the changing needs and demands of customers. Today, innovative solutions such as remote banking services, QR code payments, NFC technologies, virtual and augmented reality are becoming increasingly popular. According to the results of 2021, more than 100 types of innovative banking products and services were



introduced in Uzbekistan. Further increasing this indicator and implementing innovative banking services on a large scale are of great importance in ensuring the competitiveness of banks.

Development of innovative competencies of bank employees. In order to effectively organize and manage innovative activities, it is necessary to improve the relevant knowledge, skills and qualifications of bank employees. To develop the innovative competencies of employees, it is necessary to regularly organize training courses, training and seminars, improve professional development programs, and ensure the active participation of employees in the development and implementation of innovative projects. At the same time, it is also important to introduce a system of encouraging innovation and motivating employees in banks. In 2023, it is planned to organize more than 100 training courses and training programs to develop the innovative competencies of employees of banks in Uzbekistan.

Development of an open banking ecosystem. The concept of open banking implies the cooperation of banks with external partners, fintech companies and third-party providers. Through open API (Application Programming Interface) technologies, banks can integrate their services into external applications and platforms, thereby expanding the range of innovative services. The development of an open banking ecosystem for Uzbek banks will allow for collaborative innovations, new business models and the creation of additional sources of income. By 2024, it is planned to provide 10 large banks in Uzbekistan with open APIs and integrate with more than 100 partner organizations.

Increasing financial inclusion and digital financial literacy development . Increasing financial inclusion is of great importance to ensure the widespread availability of innovative banking services. This requires expanding access to banking services, developing digital payment infrastructure, and offering simplified and affordable banking products for retail customers. At the same time, increasing the digital financial literacy of the population and developing skills to use innovative banking services are also urgent tasks. According to the results of 2022, the total number of retail customers in Uzbekistan exceeded 32 million, which is a 42% increase compared to 2019. Further expanding the reach of banking services and increasing financial inclusion remain priorities in the coming years.

Introducing new mechanisms for financing banking innovations To effectively organize innovative activities, it is necessary to strengthen their financial support . Today, along with traditional sources of financing for banking innovations, new financing mechanisms such as venture funds, joint investments, crowdfunding platforms can also be widely used. It is planned to create funds worth \$200 million in Uzbekistan to finance innovative banking projects in 2023-2024. These funds will be directed to support the development and implementation of new innovative solutions.

For the introduction of regulatory sandboxes and innovative projects creation of experimental legal regimes. It is necessary to create a favorable legal environment to support and encourage innovations in the banking sector. Regulatory sandboxes provide special legal spaces for the introduction and testing of innovative solutions. They allow startups and fintech companies to test and improve their products without serious legislative restrictions. In Uzbekistan, favorable conditions for the development of innovative banking services are also created by introducing regulatory sandboxes and creating experimental legal regimes. It is planned to launch regulatory sandboxes in 5 large commercial banks by 2024.

International cooperation and study of best practices. Studying and effectively using best practices in foreign countries is important in the development of banking innovations. Uzbek banks should expand cooperation with leading companies in the fintech sector, reputable financial institutions and innovation centers, implement joint projects, and actively participate in international arenas. In 2022, more than 30 international cooperation agreements and memorandums were signed by leading banks of Uzbekistan. Further strengthening and expanding such international relations will allow for the exchange of knowledge and experience in the field of innovations.

Improving the management of innovative activities of commercial banks in Uzbekistan requires the implementation of comprehensive measures, such as the widespread introduction of digital technologies, the development of innovative banking products and services, the development of bank employees' competencies, the formation of an open banking ecosystem, increasing financial inclusion, the implementation of new financing mechanisms, and the creation of a favorable legal environment. Consistent reforms and a systematic approach in these areas will



increase the competitiveness of the banking system, ensure its innovative development, and contribute to the sustainable growth of our country's economy.

Research and analysis on improving the management of innovative activities of commercial banks show that the strategic importance of introducing and developing innovations in the banking system is growing. Today, commercial banks operating in our country face important tasks in the large-scale application of innovative solutions, active mastery of digital technologies, and the introduction of new business models.

According to the results of the Central Bank of the Republic of Uzbekistan for 2022, the number of innovative banking products and services introduced by commercial banks operating in our republic is steadily increasing .

Mechanisms for supporting and financing innovations by commercial banks are also being consistently improved. In 2023, a special fund worth \$150 million was established in Uzbekistan to support innovative projects of banks. These funds will be used to finance innovative ideas, support startups, and stimulate research and development.

At the same time, special attention is being paid to the introduction of modern information security systems and ensuring cybersecurity in the banking sector. After all, as digital technologies develop, the risk of cyber threats also increases. According to the results of 2022, the amount of funds spent by Uzbek commercial banks on ensuring information security exceeded \$120 million, which is 35% more than in 2021.

World experience shows that for effective management of innovations in commercial banks, it is advisable to establish separate innovation centers or laboratories within the bank. These structures will perform the tasks of developing innovative projects, testing them and integrating them into the banking activities. Currently, 12 large commercial banks of Uzbekistan have established their own internal innovation centers, and it is expected that other banks will popularize this experience in the near future.

CONCLUSION

In conclusion, improving the management of innovative activities of commercial banks remains one of the urgent tasks of today. The consistent implementation of modern trends such as digital banking, mobile technologies, artificial intelligence, Big Data analysis and cloud services in banking activities will

create opportunities for our commercial banks to increase their competitiveness in the global financial market and provide better quality services to customers. The currently implemented reforms, adopted regulatory and legal documents and financial support mechanisms will undoubtedly serve as an important factor in increasing the innovative potential of our country's banking system.

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