

## TYPES OF MODERN RETAIL BANKING SERVICES AND THEIR DISTINCTIVE FEATURES

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**Abstract:** This article analyzes the role of commercial banks in the modern economy, particularly the importance and development trends of retail banking services. Using Uzbekistan as a case study, it examines the broad reforms aimed at modernizing retail banking, including the implementation of digital technologies, expansion of remote services, and introduction of innovative financial products. It also explores existing challenges such as low financial literacy, regional disparities, technical limitations, and security concerns. Additionally, the article outlines the historical evolution of banking services, their integration with modern technologies, and potential future developments driven by artificial intelligence, blockchain, and open banking principles.

**Keywords:** commercial banks, retail banking services, financial services, digital technologies, mobile banking, electronic payment systems, Fintech, financial literacy, banking reforms in Uzbekistan, artificial intelligence, blockchain, open banking.

### INTRODUCTION

In Uzbekistan, the dynamic growth of the commercial banking sector plays a critical role in ensuring stable economic development and improving the population's standard of living. Commercial banks place special emphasis on developing retail services for individuals while also expanding services for the corporate sector. Retail banking services possess specific characteristics, such as primarily serving individuals, involving smaller-scale transactions compared to corporate banking, and focusing on personalized financial needs.

Globally, the retail banking market holds a significant position in the development of the banking sector, providing banks with considerable interest and brokerage income, service diversification, risk mitigation, and customer base expansion. For both banks and consumers, the population serves as a vital financial source.

The retail banking market influences the broader economy, particularly by stimulating consumer demand. Lending to individuals carries socio-economic significance, enabling people to meet their needs for goods and services, thereby improving their living standards and boosting purchasing power. Increased demand for durable consumer goods stimulates production, contributing to GDP growth and accelerating the circulation of money, which in turn revitalizes the banking and financial sectors.

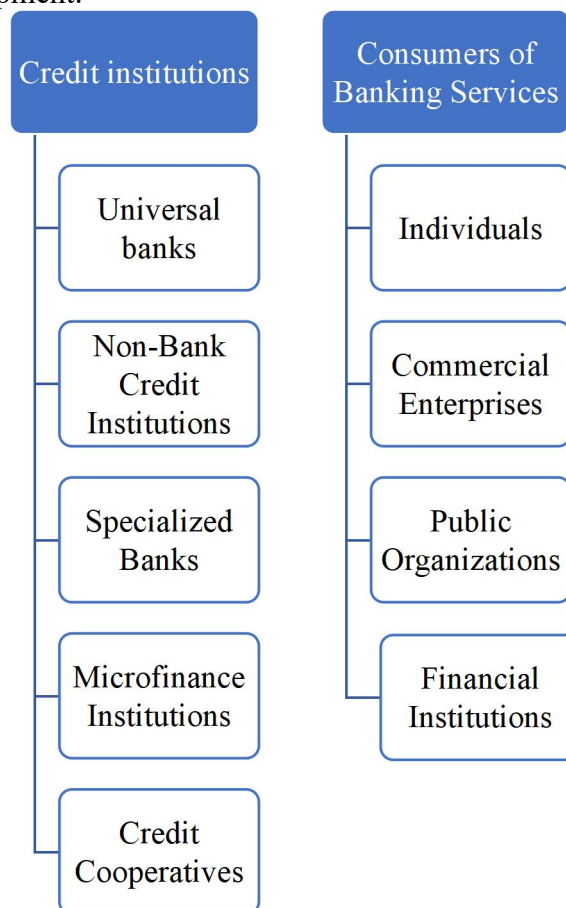
### LITERATURE REVIEW

Several Russian scholars, including O.I. Lavrushin and G.G. Korobova, have addressed issues related to commercial bank operations in public service delivery, expansion of banking services and products, and the development of remote banking services from both theoretical and practical perspectives. Uzbek researchers such as Sh.Z. Abdullayeva, Z.T. Mamadiyarov, X.A. Khudoyarova, Z.Z. Khudayberganova, and O. Aliqoriyev have also contributed to the study of banking services in their academic work, with a particular focus on the application and future enhancement of retail banking services in the national context.

Prof. Sh.Z. Abdullayeva has concentrated on expanding the range of modern banking services for both individuals and legal entities. Meanwhile, Z.T. Mamadiyarov and Z.Z. Khudayberganova emphasize the importance of improving remote banking services and increasing their diversity to build public trust and enhance service efficiency. X.A. Khudoyarova has highlighted the vital importance of developing "online" and retail banking services in commercial banks.

**ANALYSIS AND RESULTS**

Alongside universal and specialized banks, credit institutions play a key role in the retail banking markets of developed countries. Their sole activity involves the mass provision of standardized banking services to individuals. As an economic category, the banking services market can be defined as a system of economic relations between banks, non-bank credit institutions, and service consumers. This system is considered open due to its continuous interaction with other economic systems and the structural transformations it undergoes during its evolutionary development.



**Figure 1. The Institutional Structure of the Banking Services Market**

Within the broader framework of the banking services market, the segment dedicated to individuals—namely the retail banking services market—also operates as an open system. In this system, individuals function as consumers of retail banking services. This market is closely interconnected with other components of the national economy (external environment), making it highly responsive to macroeconomic, technological, and regulatory changes.

In a market-based economy, various players such as commercial banks, non-bank credit institutions, and microfinance organizations actively participate in the retail banking market. These institutions provide a wide range of financial services aimed at satisfying the diverse needs of individual customers.

Currently, there is no universally accepted definition of the retail banking market. However, the general essence found across existing definitions can be summarized as follows: The retail banking market is a system of economic relationships aimed at meeting the banking service needs of individual consumers.

This conceptualization highlights the customer-centric nature of retail banking and its role as a dynamic link between financial institutions and the individual segments of society, playing a vital role in financial inclusion and economic stability.

**Table 1.**

**Types of Retail Services Provided by Commercial Banks**

No.	Type of Service	Description
1	Opening and maintaining bank accounts	Opening and managing savings and current accounts for individuals
2	Money transfers	Domestic and international money transfer services (e.g., SWIFT, Western Union)
3	Card services	Issuance and servicing of debit and credit cards, integration with mobile payment systems
4	Lending services	Consumer loans, mortgage loans, car loans, microcredits, and other types of personal loans
5	Deposit services	Term and demand deposits, savings accounts with interest income
6	Online and mobile banking	Remote banking services including account management, payments, and transfers via digital platforms
7	Utility and other bill payments	One-time or automatic payments for electricity, water, gas, internet, mobile services, etc.
8	Currency exchange services	Buying and selling of national and foreign currencies, foreign exchange operations
9	Insurance intermediation services	Collaboration with insurance companies to offer life, property, travel, and other insurance products
10	Investment services	Opportunities for individuals to invest in bonds, stocks, and other financial instruments

In modern consumer markets, where non-price competition dominates, producers and sellers aim to build strong relationships with customers and enhance their reputation as trustworthy partners. To achieve this, they often offer products and services at discounted prices or even for free. These dynamics have led to an increase in the duration and consumption of retail banking services. The perceived value of such services is often tied to the bank's reliability, and pricing features differ from other goods and services typically offered in mass consumer markets. Moreover, changes in the market and competitive environment influence sales strategies and enhance the competitiveness of private banks.

In international practice, the retail banking market is broadly categorized into retail banking (mass-market services for individuals) and private banking (personalized services for high-net-worth individuals).

Dividing banking operations into corporate and retail segments has become a standard practice in developed countries. This differentiation is driven by the need to increase banks' operational efficiency and to tailor technical, technological, marketing, and other processes for the retail banking sector, which is closely linked to the mass consumer market.

The retail banking market performs several key functions:

- Accumulation and redistribution of funds held by individuals;
- Meeting the credit demands of individuals;
- Facilitating payment settlements for goods and services consumed by individuals.

Thus, the retail banking services market is a system of interaction between banks, non-bank credit institutions, and individual clients. A core structural element of this system is the role of individuals in accumulating and redistributing financial resources, primarily through the provision of retail banking services.

Retail banking has unique characteristics. It is based on the law of large numbers and probabilistic modeling, where users are segmented as components of a larger system influenced by numerous external factors. Their behavior is modeled to identify and manage risks related to retail banking services.

The scoring method is used to assess and manage risk, based on forecasted probabilities of loan repayment. While there is no universally accepted definition of retail banking in academic literature, the following definition provides a comprehensive understanding: "Retail banking refers to standardized banking services offered to individuals and families to meet their personal needs unrelated to entrepreneurial activities."

However, this definition does not fully reflect the functions of credit institutions in providing retail banking services. Therefore, the following extended definition is also relevant: "Retail banking is a set of actions or behaviors by banks aimed at forming and redistributing individuals' funds, offering credit, and carrying out settlements within the retail banking services market."

Private banks typically specialize in offering consumer loans, issuing credit and debit cards, accepting deposits from individuals, and processing payments for goods and services. The term retail bank refers to a bank that provides services to private customers. Today, retail banking includes deposit-taking, issuing consumer and mortgage loans, payment processing, and credit card issuance.

In recent years, banks have significantly expanded the range and volume of services provided to the public. In line with this positive trend, it is also advisable to strengthen marketing activities aimed at increasing deposit mobilization. Currently, demand deposits account for more than 60% of total bank deposits in Uzbekistan. This emphasizes the urgent need for measures to attract idle funds circulating outside the banking system into deposits by diversifying and expanding retail banking services.

Therefore, developing a marketing strategy for retail banking services in Uzbekistan is of great importance. Such a strategy should fully account for customer demand, address market segmentation challenges scientifically, and build competitive advantages for banks.

Today, commercial banks in Uzbekistan offer over 300 types of operations, with the following falling under the category of retail banking services:

- Working with household deposits;

- Money transfers;
- Consumer loans;
- Mortgage loans;
- Plastic cards;
- Utility payments;
- SMS banking;
- Currency exchange;
- Conversion operations.

Consumer loans are designed to meet personal needs. When individuals face a need for certain products or services but lack sufficient funds, they can use consumer loans to make purchases or pay for services. This type of loan is widespread in many countries and is rapidly growing in Uzbekistan. Most citizens are now aware of their access to consumer credit, which offers convenience and flexibility—allowing them to use products before paying the full amount, via monthly installments.

Consumer loans are provided for the following purposes:

- Purchase of home appliances and furniture manufactured in Uzbekistan;
- Purchase of domestically produced vehicles and other transport;
- Installation of gas equipment;
- Medical treatment and recreational trips;
- Education loans;
- Overdraft facilities;
- Other legally permitted purposes.

When providing consumer loans to individuals, the following key documents are required:

- Copy of the borrower's passport or identification document;
- Documents confirming the income sources of household members;
- Copy of guarantor's passport and income documentation (if applicable);
- Sales agreement for the product to be purchased;
- Collateral documentation.

## CONCLUSION

Commercial banks are an integral part of the modern economy. They play a crucial role in efficiently allocating financial resources, ensuring economic stability, and offering a wide range of services to both the public and business entities. Retail banking, in particular, serves as a key driver for meeting diverse financial needs, fostering entrepreneurship, and promoting a cashless economy.

In Uzbekistan, large-scale reforms are currently underway to develop retail banking services. The introduction of digital technologies, expansion of remote banking, and innovation in financial products are accelerating sectoral growth. However, challenges such as limited financial literacy, regional disparities, and technical and security issues highlight the need for further improvements. The historical development of retail banking shows a gradual shift from traditional branch-based services to integrated electronic and digital platforms. Today, retail banking is being transformed through fintech innovations, mobile banking, electronic payments, and remote services. In the future, artificial intelligence, blockchain, and open banking principles are expected to further revolutionize the banking landscape.



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